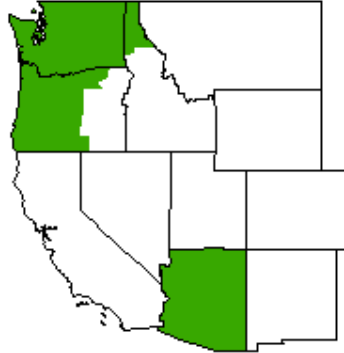


Pacific Northwest & Arizona Marketing Areas



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James R. Daugherty
 Market Administrator

August 2008

MARKET SUMMARIES FOR JULY 2008

Comparisons to a year ago can be found in the tables on pages 6 and 7.

Pacific Northwest

Producers delivered a total of 665.5 million pounds of milk to the market during July. Daily deliveries averaged 21.5 million pounds, up 27.2 percent from June. An estimated 680 producers delivered milk to the market during the month. Comparisons to June 2008 are biased due to eligible milk not pooled. Daily deliveries per producer averaged 31,569 pounds, down 1.8 percent from June.

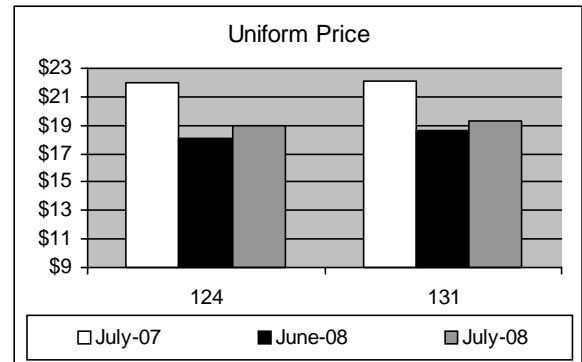
Class I producer milk during July totaled 180.1 million pounds, 27.1 percent of total producer receipts. Daily usage averaged 5.8 million pounds, down 0.2 percent from June.

Arizona

Producers delivered a total of 328.3 million pounds of milk to the market during July. Daily deliveries averaged 10.6 million pounds, down 10.0 percent from June. An estimated 101 producers delivered

milk to the market during the month. Daily deliveries per producer averaged 104,868 pounds, down 10.0 percent from June.

Class I producer milk during July totaled 105.2 million pounds, 32.0 percent of total producer receipts. Daily usage averaged 3.4 million pounds, down 3.7 percent from June. ♦



Federal Order Producer Prices and Component Levels: July 2008

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	18.94	19.31	Butterfat	3.556	3.500
Butterfat 2/	1.6774	1.6710	Protein	2.985	N/A
Protein 2/	4.0025	N/A	Other Solids	5.716	N/A
Other Solids 2/	0.0707	N/A	Nonfat Solids	8.700	N/A
PPD 1/*	0.70	N/A			
Skim 1/	N/A	13.95			

N/A = not applicable. * Subject to applicable location adjustments. 1/ \$ per cwt. 2/ \$ per pound.

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JULY 2008 CLASS PRICES

July 2008 non-advanced Class Prices were calculated using NASS commodity price surveys from July 5, 12, 19, and 26, 2008. Component prices for the month are \$4.0025 per pound of protein, \$1.6774 per pound of butterfat, \$0.0707 per pound of other solids, and \$1.2358 per pound of nonfat solids.

July 2008 Class III and IV prices at 3.5% butterfat are \$18.24 and \$16.60 per hundredweight, respectively. The July Class III price compared to June is down \$2.01. The Class III price is \$3.14 lower than in July 2007. The Class III price at 3.67% butterfat is \$8.60 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.6844 per pound. Class I skim and butterfat and Class II skim prices for July 2008 were announced on June 20, 2008. The Class II price at 3.5% butterfat is \$16.81 for July 2008.

FINAL: NASS COMMODITY PRICES

	<u>June</u>	<u>July</u>	<u>Change</u>
Cheese*	\$2.1609	\$1.9585	-\$0.2024
Butter	\$1.4669	\$1.5180	\$0.0511
Nonfat Dry Milk	\$1.3508	\$1.4053	\$0.0545
Whey	\$0.2758	\$0.2642	-\$0.0116

* The weighted average of barrels plus 3 cents and blocks.

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a net decrease in price received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 5.01 cents between the July 12 and the August 16 surveys, to \$1.9011 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 14.09 cents to \$1.7937 per pound.

The NASS butter price showed a net increase of 5.09 cents between the weeks ending July 12 and August 16 from \$1.5406 per pound to \$1.5915 per pound.

The NASS nonfat dry milk showed a net decrease of 3.56 cents since mid-July to \$1.3621 per pound. The average price for NASS whey showed a net decrease of 2.07 cents since mid-July to \$0.2460 per pound. ♦

SEPTEMBER'S CLASS I PRICE ANNOUNCEMENT

SPECIAL NOTE: The manufacturing allowances and butterfat yield factor used to compute the Federal order minimum advance Class I prices and Class II nonfat solids and skim milk prices and pricing factors in this announcement are those published in the Federal Register on December 29, 2006 (71 FR 78333). A complaint to enjoin the implementation of the revised make allowances and butterfat yield factor contained in the Interim Final Rule published in the Federal Register July 31, 2008 (73 FR 44617) was filed in the United States District Court for the District of Columbia.

The effective date of the Interim Final Rule will be postponed to October 1, 2008. The revised manufacturing allowances and butterfat yield factor will be used in computing the October 2008 Federal order minimum advance Class I and Class II prices and pricing factors to be announced on September 19, 2008, unless a court order directs otherwise. The revised manufacturing allowances and butterfat yield factor of the Interim Final Rule will be used to compute minimum Federal order Class III and Class IV prices for October 2008 and in the announcement of advanced prices and pricing factors thereafter.

On August 22, the September 2008 Class I price was announced at \$19.55 for the Pacific Northwest Order and \$20.00 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of August 9 and 16.

The September Class III and IV advance skim prices are \$11.98 and \$10.89 per hundredweight, respectively. The butterfat portion of the Class I mover increased 6.07 cents from \$1.6804 to \$1.7411 per pound.

The September 2008 Class II skim and nonfat solids prices were also announced on August 22. The skim price is \$11.59 per hundredweight, and the nonfat solids price is \$1.2878 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	<u>August</u>	<u>Sept.</u>	<u>Change</u>
Cheese*	\$1.9792	\$1.9041	-\$0.0751
Butter	\$1.5205	\$1.5711	\$0.0506
Nonfat Dry Milk	\$1.3957	\$1.3790	-\$0.0167
Whey	\$0.2690	\$0.2487	-\$0.0203

* The weighted average of barrels plus 3 cents and blocks.

**USDA HOLDS PUBLIC HEARING TO CONSIDER
PROPOSED AMENDMENT TO MIDEAST ORDER**

On July 24, 2008, The U.S. Department of Agriculture announced that it would hold a public hearing to consider proposals seeking to temporarily increase the Class I differentials in the southern tier of the Mideast marketing area. The hearing began at 9 a.m. on August 19, 2008, at the Westin Cincinnati Hotel in Cincinnati, Ohio.

The hearing notice was published in the July 24, 2008, Federal Register. Copies of the hearing notice may be obtained from the USDA/AMS/Dairy Programs, STOP 0231 - Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231. The hearing notice is available at www.regulations.gov.

The hearing notice and additional information is available from the market administrator:

David Z. Walker
USDA/AMS/Dairy Programs
P.O. Box 5102, Brunswick, OH 44212
Tel. (330) 225-4758;
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**USDA ISSUES INTERIM FINAL RULE
AMENDING THE CLASS III AND CLASS IV
PRICE FORMULAS**

On July 30, 2008, the U.S. Department of Agriculture issued an interim final rule amending the Class III and Class IV product price formulas in all Federal milk marketing orders.

The decision was based on testimony at USDA public hearings held in Strongsville, Ohio, (Feb. 26-March 2, 2007); Indianapolis, Ind., (April 9-13, 2007); and Pittsburgh, Pa., (July 9-11, 2007). These amendments were announced on June 20, 2008. The interim order was approved by dairy farmers in all 10 Federal milk marketing orders.

The decision amends the manufacturing allowances for cheese, butter, nonfat dry milk (NFDM) and dry whey. Specifically, this decision adopts the following manufacturing allowances: cheese - \$0.2003 per pound; butter - \$0.1715 per pound; NFDM - \$0.1678 per pound; and dry whey - \$0.1991 per pound. This decision also increases the butterfat yield factor of the butterfat price from 1.20 to 1.211.

These amendments were to be effective Sept. 1, 2008.

*** See SPECIAL NOTE on page 2 ***

The interim order appeared in the July 30 Federal Register. As announced on June 20, 2008, public comments and exceptions to the tentative final decision were due on or before August 19, 2008. USDA will consider the comments and exceptions and issue a final decision.

For additional information about the decision contact:

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(continued from page 8)

USDA to impose assessments on pooled milk under the federal milk marketing order program to fund expedited rulemaking. Such assessments would supplement appropriated funds for the procurement of services required by USDA to perform rulemaking functions. The final rule was published in the August 20 Federal Register.

For additional information contact: Bill Richmond – Marketing Specialist, USDA/AMS/Dairy Programs, Stop 0231 Room 2961-S 1400 Independence Avenue, SW., Washington, DC 20250 0231, (202) 720-7183, e mail address: william.richmond@usda.gov. ♦

**ERS DAIRY OUTLOOK:
LOWER FEED PRICES AND LOWER MILK
PRICES MAINTAIN MILK OUTPUT**

Milk production estimates for 2008 are unchanged from last month at 189.5 billion pounds. Forecasts for 2009 call for production to be up fractionally to 190.3 billion pounds. USDA projects cow numbers to average 9,255 thousand head for 2008 and step back to 9,225 thousand head in 2009. Production per cow is expected to advance 1 percent in 2008 to 20,470 pounds per cow and 0.75 percent in 2009 to 20,625 pounds.

The Cooperatives Working Together buyout will likely remove about 25,000 dairy animals from the herd. Also, the July *Livestock Slaughter* report showed dairy cow slaughter up slightly year-over-year. However, cow prices climbed in the second quarter of the year. The price strength for cows suggests demand for dairy replacements. The buyout removal is likely removing lower productivity animals from smaller operations while replacement cow prices suggest some operators, most likely larger ones, are replacing older cows with newer stock. This move is likely to boost productivity and feed efficiency and is a calculated response to earlier season high grain and alfalfa hay prices.

Strong dairy product exports, aided by a weak dollar and a slowly growing domestic economy, will limit the year-over-year rise in domestic use in 2008. With lower export sales forecast for 2009, the increase in domestic use should rebound from this year's slower growth rate. Milk prices are expected to be lower this year than last, and relatively higher feed prices, especially for corn, will likely stress profitability for some producers.

Demand has favored the butter-powder sector in recent weeks as demand for both butter and powder have been strong both domestically and internationally. Strong exports of nonfat dry milk and skim milk powder (NDM/SMP) have kept stocks from building. Stocks for butter are below those for a corresponding level in 2007. As a result, butter prices have shown remarkable strength in 2008 and are expected to average \$1.415 to \$1.455 per pound for the year. The average would be higher except for the weak first-quarter performance. Butter prices are expected to continue high in 2009 averaging \$1.355 to \$1.485 per pound. Nonfat dry milk (NDM) prices, although lower than in 2007, have strengthened of late and are expected to average \$1.385 to 1.405 per pound in 2008 and \$1.485 to \$1.555 per pound in 2009. Robust export sales of dry milk products continue to buoy this market. Cheese prices as reported by the National Agricultural Statistics Service (NASS) peaked in early June and then declined until a slight uptick in early August according to NASS, closing at \$2.05 per pound for barrels and \$1.97 for blocks on August 2. Cheese prices will likely remain unsettled into the fourth quarter as softness in the U.S. economy works through the market. Cheese prices are expected to average \$1.920 to \$1.940 per pound for 2008 and decline modestly in 2009 to \$1.855 to 1.955 per pound. Whey prices have been declining throughout 2008 as demand has flagged. Prices in 2008 are projected to average 27.0 to 29.0 cents per pound. Prices in 2009 are expected to improve slightly to 30.0 to 33.0 cents per pound.

Administrative changes to the make allowances, beginning in September, will push class prices lower relative to changes in product prices (see SPECIAL NOTE on page 2). The Class III price is expected to average \$17.85 to \$18.05 per cwt in 2008 and slide to \$17.10 to \$18.10 per cwt in 2009. The Class IV price, in contrast, is forecast higher next year than this year. The price is expected to average \$15.95 to \$16.25 per cwt in 2008 and rise to \$16.40 to \$17.50 per cwt in 2009. Slightly higher production is forecast to tip the all milk price lower into next year. The all milk price is projected at \$18.85 to \$19.05 per cwt this year, declining to \$18.25 to \$19.25 per cwt next year. ♦

Source: *Livestock, Dairy, & Poultry Outlook*, LDP-M-170, August 19, 2008, Economic Research Service, USDA.

FARM PRODUCTION EXPENDITURES HIT RECORD HIGH IN 2007

U.S. Farm Production expenditures totaled a record \$260 billion in 2007, up 9.3 percent from the revised 2006 total of \$238 billion. The largest percentage contributors to the increase were Fertilizer, Lime, and Soil Conditioners, up 26 percent; Feed, up 21 percent; Fuels, up 14 percent; Agricultural Chemicals, up 11 percent; and Tractors and Self Propelled Equipment, up 11 percent. For the first year ever, the trend for all expense items was higher than the previous year, except for Miscellaneous Capital Expenses, which were unchanged.

The top three average expenditures per farm with the largest dollar increase were: Feed up \$3,335, or 22 percent; Fertilizer, Lime, and Soil Conditioners up \$1,684, or 26 percent; and Farm Services up \$1,210, or 7.9 percent. All other per farm average changes were less than \$900 dollars per farm.

Total Fuels Expense, at \$12.7 billion dollars, was up 14 percent in 2007. Diesel, the largest sub-component, was \$7.71 billion accounting for 61 percent of the Fuels Expense. Gasoline was \$2.74 billion, up 16 percent. LP Gas was \$1.5 billion, up 17 percent. Other Fuels was \$750 million, up 4.2 percent.

Fuel prices and weather were two large factors affecting farm production expenditures during the year. One component affecting production expenditures in 2007 was increasing petroleum cost. This translated into rising fuel cost directly, as well as fertilizer products, chemicals and transportation costs. Indirectly, fuel prices and ethanol production have contributed to higher crop prices and increased feed costs. Frost damaged citrus in California, apples in Washington, and other crops in the Southeast. Spring and summer drought hindered production in the South, and continued throughout the Mid-Atlantic into the fall. Hot summer temperatures across the U.S. produced the sixth hottest summer on record.

In 2007, the average per farm U.S. Total Farm Expenditure was \$125,648 compared with \$114,186 an increase of 10 percent over 2006. On average, U.S. farm operations spent: \$18,412 on Feed, \$16,575 on Farm Services, \$12,903 on Livestock and Poultry Purchases, \$12,564 on Labor, \$8,988 on Rent, and \$8,070 on Fertilizer, Lime, and Soil Conditioners. Revised estimates for 2006 indicate U.S. farms spent an average of: \$15,365 on Farm Services, \$15,077 on Feed,

\$12,532 on Livestock and Poultry Purchases, \$11,764 on Labor, and \$8,787 on Rent. Average Total Expenditures for large farms (\$1 million and over in sales) were \$3.06 million, 4.3 times larger than the next largest economic class. The average Total Expenditure for a Crop farm was \$151,978 compared with \$106,742 per Livestock farm.

Total Expenditures by Farm Production Expenditure Region were up for four of the five regions in 2007. The Plains had the highest increase at 16 percent, followed by the Midwest up 14 percent. The West remained almost steady with a slight decrease of 0.7 percent. Total Farm Production Expenditures in the West were \$58.7 billion, or 23 percent of the U.S.

The 2007 Agricultural Resource and Management Survey - Phase III (ARMS III) sample size was 31,924 with 18,709 usable reports, equaling a response rate of 59 percent. The sample size was increased in 2003, and estimates for the 15 Leading Cash Receipts States (Estimate States) were published for the first time in 2004.

The sum of Total Expenditures for Estimate States was \$168.3 billion in 2007 (65 percent of the U.S. total) and \$152.5 billion in 2006 (64 percent). California contributed most to the 2007 U.S. Total Farm Expenditures, with expenses of \$27.1 billion, or 10 percent of the US total expenditures. California expenditures were down 2.9 percent from the revised estimate of \$27.9 billion in 2006. California and Washington were the only Estimate States to show a decline.

The difference in Total Expenditures between Crop and Livestock Farms has narrowed over the past few years. In 2007, they remain almost equal, with Crop Farms at \$131.4 billion and Livestock Farms at \$128.6 billion. The largest expenditures for Crop Farms were Farm Services at \$19.2 billion and Labor at \$16.9 billion, accounting for 27 percent of their total expenses. Combined crop inputs (chemicals, fertilizer, and seed) were \$32.9 billion, accounting for 25 percent of Crop Farms total expenses. The largest expenditures for Livestock Farms were Feed at \$35.9 billion, accounting for 28 percent of total expenses, followed by Livestock and Poultry Purchases, at \$24.3 billion accounting for 19 percent of total expenses. Together they accounted for 47 percent of Livestock Farms total expenses. ♦

Source: Abbreviated from *Farm Production Expenditures 2007*, August 07, 2008, Agricultural Statistics Board, NASS, USDA.

MONTHLY SELECTED STATISTICS

PACIFIC NORTHWEST

ARIZONA 2/

Minimum Class Prices (3.5% B.F.)	Jul 2008	Jun 2008	Jul 2007	Jun 2007	Jul 2008	Jun 2008	Jul 2007	Jun 2007
Class I Milk (\$/cwt.)	\$22.68	\$20.08	\$22.81	\$19.74	\$23.13	\$20.53	\$23.26	\$20.19
Class II Milk (\$/cwt.)	16.81	16.19	21.40	18.89	16.81	16.19	21.40	18.89
Class III Milk (\$/cwt.)	18.24	20.25	21.38	20.17	18.24	20.25	21.38	20.17
Class IV Milk (\$/cwt.)	16.60	15.92	21.64	20.76	16.60	15.92	21.64	20.76
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.70	\$(2.22)	\$ 0.60	\$ 0.02	+	+	+	+
Butterfat (\$/pound)	1.6774	1.6160	1.6110	1.6457	+	+	+	+
Protein (\$/pound)	4.0025	4.7193	4.2068	3.7059	+	+	+	+
Other Solids (\$/pound)	0.0707	0.0826	0.5534	0.5831	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	13.95	13.48	16.98	15.11
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.6710	1.6127	1.6300	1.6328
Statistical Uniform Price (\$/cwt.) . .	\$18.94	\$18.03	\$21.98	\$20.19	\$19.31	\$18.65	\$22.09	\$20.30
Producer Data								
Number of Producers	680 *	525	689	693	101 *	101	93	93
Avg. Daily Production (lbs.)	31,569 *	32,145	27,602	27,760	104,868 *	116,582	107,701	115,728
Number of Handlers								
Pool Handlers	27	24	27	28	7	7	7	7
Producer-Handlers	6 *	6	6	6	1 *	1	1	1
Other Plants w/ Class I Use	24 *	23	25	24	24 *	24	22	22
Producer Milk Ratios								
Class I	27.06%	34.48%	30.10%	30.62%	32.04%	29.94%	34.41%	33.40%
Class II	7.10%	8.89%	7.56%	8.42%	6.86%	6.56%	10.93%	10.24%
Class III	32.59%	13.40%	31.47%	29.82%	32.50%	30.37%	29.77%	25.47%
Class IV	33.25%	43.23%	30.87%	31.14%	28.60%	33.13%	24.89%	30.89%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Jun 2008	May 2008	Jun 2007	May 2007	Jun 2008	May 2008	Jun 2007	May 2007
Production	26,947,889	27,982,550	27,577,549	28,572,174	R	R	R	R
Class I Use	21,510,470	22,464,841	21,096,217	22,096,426	R	R	R	R
% Class I Use	79.82%	80.28%	76.50%	77.34%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	158,330,803	170,895,468	158,663,825	169,572,079	85,230,837	95,413,409	88,683,183	96,401,081
By Producer-Handlers	6,395,521	7,087,282	6,422,022	7,894,382	1/	1/	1/	1/
By Other Plants	6,453,087 *	5,816,684	4,686,491	4,627,169	5,110,000 *	4,753,136	5,572,316	5,696,721
Total	171,179,411	183,799,434	169,772,338	182,093,630	90,340,837	100,166,545	94,255,499	102,097,802

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants. 2/ Due to the implementation of the Milk Regulatory Equity Act of 2005, the name of Federal Order 131 changed from the "Arizona-Las Vegas Order" to the "Arizona Order" and Clark County, Nevada, was removed from the marketing area effective May 1, 2006.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST				ARIZONA 2/				
	Jul 2008	Jun 2008	Jul 2007	Jun 2007	Jul 2008	Jun 2008	Jul 2007	Jun 2007	
TOTAL PRODUCER MILK	665,480,122	506,281,028	589,556,323	577,124,445	328,341,775	353,243,354	310,501,278	322,882,131	
RECEIPTS FROM OTHER SOURCES	47,705,735	37,563,789	45,331,284	52,429,408	29,777,467	23,271,905	23,280,003	10,424,512	
OPENING INVENTORY	31,768,627	31,220,717	31,438,273	31,347,960	27,344,633	21,073,834	20,834,593	18,583,300	
TOTAL TO BE ACCOUNTED FOR	744,954,484	575,065,534	666,325,880	660,901,813	385,463,875	397,589,093	354,615,874	351,889,943	
UTILIZATION OF RECEIPTS									
Whole milk	31,975,068	30,926,967	32,797,558	32,402,142	23,875,846	24,002,699	26,910,078	27,507,565	
Flavored milk & milk drinks	6,836,982	9,087,195	6,707,570	8,487,080	2,070,853	2,567,993	2,419,036	2,804,091	
2% milk	67,459,317	65,421,008	64,419,103	27,218,171	34,556,739	35,036,421	33,935,331	34,477,796	
1% milk	24,350,713	24,057,595	24,829,640	64,119,963	11,305,159	11,251,397	12,220,126	11,615,924	
Skim milk	27,204,004	27,471,967	26,971,719	25,284,145	11,575,579	11,933,264	10,816,360	11,834,804	
Buttermilk	1,554,106	1,366,071	1,481,161	1,152,324	402,387	439,063	455,562	443,003	
CLASS I ROUTE DISP. IN AREA . .	159,380,190	158,330,803	157,206,751	158,663,825	83,786,563	85,230,837	86,756,493	88,683,183	
Class I dispositions out of area . . .	17,622,408	16,210,117	17,933,449	16,986,487	21,628,341	21,294,504	21,321,256	19,606,252	
Other Class I usage	17,417,935	15,820,522	18,187,856	19,567,009	11,179,805	11,516,477	11,515,814	12,569,454	
TOTAL CLASS I USE	194,420,533	190,361,442	193,328,056	195,217,321	116,594,709	118,041,818	119,593,563	120,858,889	
TOTAL CLASS II USE	54,610,492	50,448,966	51,365,963	55,485,529	23,453,220	23,946,636	34,909,442	34,663,285	
TOTAL CLASS III USE	225,672,534	67,855,795	203,990,378	188,825,771	106,702,508	107,267,981	93,598,323	83,152,474	
TOTAL CLASS IV USE	270,250,925	266,399,331	217,641,483	221,373,192	138,713,438	148,332,658	106,514,546	113,215,295	
TOTAL ACCOUNTED FOR	744,954,484	575,065,534	666,325,880	660,901,813	385,463,875	397,589,093	354,615,874	351,889,943	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	180,104,869	174,567,798	177,475,258	176,748,978	105,225,696	105,768,769	106,845,592	107,842,189
	Class II	47,253,260	44,991,431	44,567,579	48,585,229	22,513,029	23,175,126	33,924,751	33,068,435
	Class III	216,856,175	67,845,118	185,544,880	172,095,697	106,700,689	107,267,981	92,439,893	82,228,550
	Class IV	221,265,818	218,876,681	181,968,606	179,694,541	93,902,361	117,031,478	77,291,042	99,742,957
Other receipts:	Class I	14,315,664	15,793,644	15,852,798	18,468,343	57,122,100	44,345,739	44,114,596	29,007,812
	Class II	7,357,232	5,457,535	6,798,384	6,900,300	1/	1/	1/	1/
	Class III	8,816,359	10,677	18,445,498	16,730,074	1/	1/	1/	1/
	Class IV	48,985,107	47,522,650	35,672,877	41,678,651	1/	1/	1/	1/
Avg. daily producer receipts		21,467,101	16,876,034	19,017,946	19,237,482	10,591,670	11,774,778	10,016,170	10,762,738
Change From Previous Year		12.88%	-12.28%	-16.64%	-12.88%	5.75%	9.40%	12.36%	5.55%
Avg. daily Class I use		6,271,630	6,345,381	6,236,389	6,507,244	3,761,120	3,934,727	3,857,857	4,028,630
Change From Previous Year		0.57%	-2.49%	2.56%	-3.11%	-2.51%	-2.33%	3.60%	4.42%

1/ Restricted - Included with Class I. 2/ Due to the implementation of the Milk Regulatory Equity Act of 2005, the name of Federal Order 131 changed from the "Arizona-Las Vegas Order" to the "Arizona Order" and Clark County, Nevada, was removed from the marketing area effective May 1, 2006.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for July 2008
- July 2008 Class Prices
- Class I Price for September 2008
 - * See SPECIAL NOTE *
- USDA Holds Public Hearing to Consider Proposed Amendment to Mideast Order
- USDA Issues Interim Final Rule Amending the Class III and Class IV Price Formulas
- ERS Dairy Outlook
- Farm Production Expenditures Hit Record High in 2007
- USDA Announces Final Rule to Establish Rules of Practice for the Federal Milk Order Hearing Process

USDA ANNOUNCES FINAL RULE TO ESTABLISH RULES OF PRACTICE FOR THE FEDERAL MILK ORDER HEARING PROCESS

On August 19, 2008, the U.S. Department of Agriculture announced a final rule establishing supplemental rules of practice for the federal milk marketing order hearing process. The intent of this rule is to establish guidelines and timeframes to improve the timeliness of the federal milk order hearing process.

This final rule amends the general regulations for federal milk marketing agreements and marketing orders by establishing supplemental rules of practice in accordance with section 1504 of the Food, Conservation and Energy Act of 2008 (2008 Farm Bill). This rule defines supplemental guidelines, timeframes and procedures for amending federal milk marketing agreements and orders; authorizes the use of informal rulemaking (5 U.S.C. 553) to amend such agreements and orders; and establishes provisions that permit the

(continued on page 4)