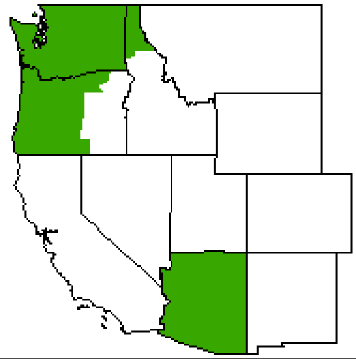
The Market Administrator's Report

Pacific Northwest & Arizona Marketing Areas



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September 2011

MARKET SUMMARIES FOR AUGUST 2011

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

Pacific Northwest

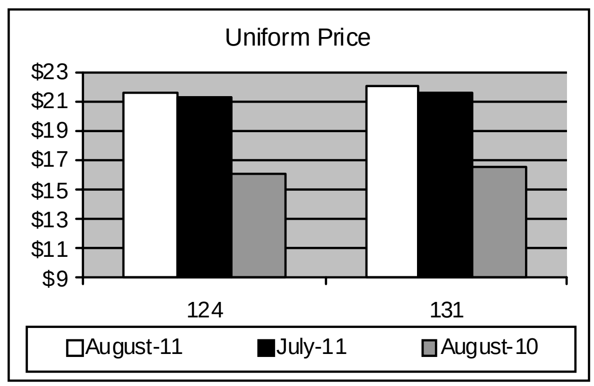
Producers delivered a total of 664.4 million pounds of milk to the market during August. Daily deliveries averaged 21.4 million pounds, down 9.5 percent from July. An estimated 627 producers delivered milk to the market during the month. Comparisons to July 2011 are biased due to historically eligible milk not pooled. Daily deliveries per producer averaged 34,184 pounds, down 8.9 percent from July.

Class I producer milk during August totaled 184.4 million pounds, 27.8 percent of total producer receipts. Daily usage averaged 5.9 million pounds, up 7.2 percent from July.

Arizona

Producers delivered a total of 351.2 million pounds of milk to the market during August. Daily deliveries averaged 11.3 million pounds, down 0.7 percent from July. An estimated 97 producers delivered milk to the market during the month. Daily deliveries per producer averaged 116,797 pounds, down 0.7 percent from July.

Class I producer milk during August totaled 122.1 million pounds, 34.8 percent of total producer receipts. Daily usage averaged 3.9 million pounds, up 10.9 percent from July. ♦



Federal Order Producer Prices and Component Levels: August 2011

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	21.66	22.08	Butterfat	3.632	3.481
Butterfat 2/	2.2985	2.2961	Protein	3.065	N/A
Protein 2/	3.8305	N/A	Other Solids	5.749	N/A
Other Solids 2/	0.3811	N/A	Nonfat Solids	8.813	N/A
PPD 1/*	-0.01	N/A			
Skim 1/	N/A	14.55			

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

AUGUST 2011 CLASS PRICES

August 2011 non-advanced Class Prices were calculated using NASS commodity price surveys from August 6, 13, 20 and 27, 2011. Component prices for the month are $3.8305 per pound of protein, $2.2985 per pound of butterfat, $0.3811 per pound of other solids, and $1.3920 per pound of nonfat solids.

August 2011 Class III and IV prices at 3.5% butterfat are $21.67 and $20.14 per hundredweight, respectively. The August Class III price compared to July is up $0.28. The Class III price is $6.49 higher than in August 2010.

Class II butterfat was announced at $2.3055 per pound. Class I skim and butterfat and Class II skim prices for August 2011 were announced on July 22, 2011. The Class II price at 3.5% butterfat is $21.55 for August 2011.

FINAL: NASS COMMODITY PRICES

	July	August	Change
Cheese*	$2.1243	$2.1402	$0.0159
Butter	$2.0304	$2.0695	$0.0391
Nonfat Dry Milk	$1.6159	$1.5739	-$0.0420
Whey	$0.5494	$0.5691	$0.0197

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a decrease in price received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a decrease of 33.17 cents between the August 13 and the September 17 surveys, to $1.8159 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 37.96 cents to $1.7815 per pound.

The NASS butter price showed a net decrease of 15.48 cents between the weeks ending August 13 and September 17 from $2.0941 per pound to $1.9393 per pound.

The NASS nonfat dry milk showed a net decrease of 5.44 cents since mid-August to $1.5364 per pound. The average price for NASS whey showed an increase of 2.60 cents since mid-August to $0.5908 per pound. ♦

OCTOBER'S CLASS I PRICE ANNOUNCEMENT

On September 23, the October 2011 Class I price was announced at $21.46 for the Pacific Northwest Order and $21.91 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of September 10 and 17.

The October Class III and IV advance skim prices are $11.52 and $12.28 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 11.61 cents from $2.3175 to $2.2014 per pound.

The October 2011 Class II skim and nonfat solids prices were also announced on September 23. The skim price is $12.98 per hundredweight, and the nonfat solids price is $1.4422 pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	September	October	Change
Cheese*	$2.1529	$1.8347	-$0.3182
Butter	$2.0852	$1.9893	-$0.0959
Nonfat Dry Milk	$1.5804	$1.5461	-$0.0343
Whey	$0.5639	$0.5900	$0.0261

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

USDA SEEKS COMMENTS ON A PROPOSED RULE AMENDING THE NATIONAL DAIRY PROMOTION AND RESEARCH ORDER

The U.S. Department of Agriculture issued a press release seeking comments on a proposed rule amending the National Dairy Promotion and Research Order. The proposed rule would modify the number of National Dairy Promotion and Research Board members in eight regions; merge Region 8 (Alabama, Kentucky, Louisiana, Mississippi and Tennessee) and Region 10 (District of Columbia, Florida, Georgia, North Carolina, Puerto Rico, South Carolina and Virginia); merge Region 12 (New York) and Region 13 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont); and apportion Idaho as a separate region. The total number of domestic board members would remain the same at 36 and the total number of regions would be reduced from 13 to 12.

This modification was requested by the board. The Order provides that the board shall review the geographic distribution of milk production throughout the United States and, if warranted, shall recommend to the Secretary a reapportionment of the regions and/or modification of the number of members from the regions in order to better reflect the geographic distribution of milk production volume in the United States. The USDA will issue a final rule once comments have been received and considered.

Public comments were to be submitted on or before September 14, 2011. ♦

ERS DAIRY OUTLOOK

High Feed Prices and Low Milk Prices Will Trim the U.S. Dairy Herd in 2012

Dryness and heat throughout the Corn Belt led to a downward revision in the corn yield forecast for 2011/12 in the September Crop Production report. If the forecast is realized, the projected yield would be the lowest since 2005/06. Despite lower expected yields, production could be the third highest ever because of expanded acreage. The corn price forecast was increased from last month to $6.50 to $7.50 per bushel for September and soybean meal price forecasts were raised in September to $360 to $390 per ton. The higher soybean meal prices reflect both lowered soybean plantings and expected yields compared with 2010/11.

Despite rising feed prices, milk production continues to advance, with forecast milk output rising 1.5 percent in 2011 to 195.7 billion pounds. Cow numbers continue to increase more than expected earlier and output per cow appears to have rebounded from the July and August heat. Cow numbers are projected at 9.2 million head this year, and output per cow was raised slightly from last month to 21,280 pounds for the year. In 2012, the U.S. dairy herd is expected to decline slightly to 9.19 million head, with most of the contraction coming in the second half of the year. With an additional milking day in 2012, milk per cow is forecast to climb by 1.5 percent to 21,605 thousand pounds. Although milk production and output per cow will be higher next year compared with 2011, the September forecast represents a downward revision from August estimates.

Fats basis milk equivalent imports were virtually unchanged from last month to 3.2 billion pounds both this year and in 2012. On a year-over-year basis, these forecasts continue a trend in declining imports that began in 2009. Skim-solids basis imports are projected at 5.3 billion pounds in 2011, falling to 5.1 billion pounds next year. In contrast to fats basis imports, these forecasts are an upward revision from August reflecting continued imports of caseins.

Fats basis exports are forecast to reach 9.2 billion pounds in 2011 and were revised up from August based on year to date exports of whole milk and cream, despite some fall-off in butter exports. In 2012, the expected weakening in butter exports will likely lead to reduced overall fats basis exports to 8.6 billion pounds. Skim-solids exports were bumped up from last month on the basis of nonfat dry milk (NDM), and dry whey exports and are projected to total 32.6 billion pounds for the year. In 2012, exports were reduced on expected declines in whey exports, although NDM exports will likely continue. The skim-solids export total is forecast at 32.3 billion pounds.

Fat basis domestic commercial use is expected to increase only slightly in 2011 to 188.2 billion pounds. Growth is expected to be stronger in 2012, with use forecast at 192 billion pounds. Skim-solids domestic commercial use is expected to rise over 2 percent to 167.5 billion pounds after contracting in 2010. Growth in skim-solids domestic use will likely slow in 2012 to a forecast 170.6 billion pound total for the year. ♦

CALIFORNIA AMENDS CLASS 4A AND 4B PRICING FORMULAS

On August 22, 2011, the California Department of Food and Agriculture (CDFA) issued the final results of a milk pricing hearing held on June 30 and July 1, 2011, in Sacramento. According to CDFA, after having carefully weighed the contents of the hearing record, the Department has decided to amend the Class 4a and 4b pricing formulas in the Stabilization and Marketing Plans for Market Milk (Plans.)

The changes to the Class 4a and 4b pricing formulas will be reflected in the amendments to the Plans for the Northern California and Southern California marketing Areas, Order Numbers 55 and 70, respectively. The adjustment to the Plans took effect for milk delivered to processing plants on or after September 1, 2011.

The Hearing Determinations, Panel Report, Plans and documents related to the hearing can be obtained on the Dairy Marketing home page at www.cdfa.ca.gov/dairy. ♦

COMPONENT LEVELS IN PACIFIC NORTHWEST AND ARIZONA ORDERS, 2000-2010

The table to the right and graphs below display component data for the Pacific Northwest and Arizona Orders for 2000-2010. The milk components for the Pacific Northwest Order include butterfat, protein, and other solids. The Arizona Order's only component is butterfat.

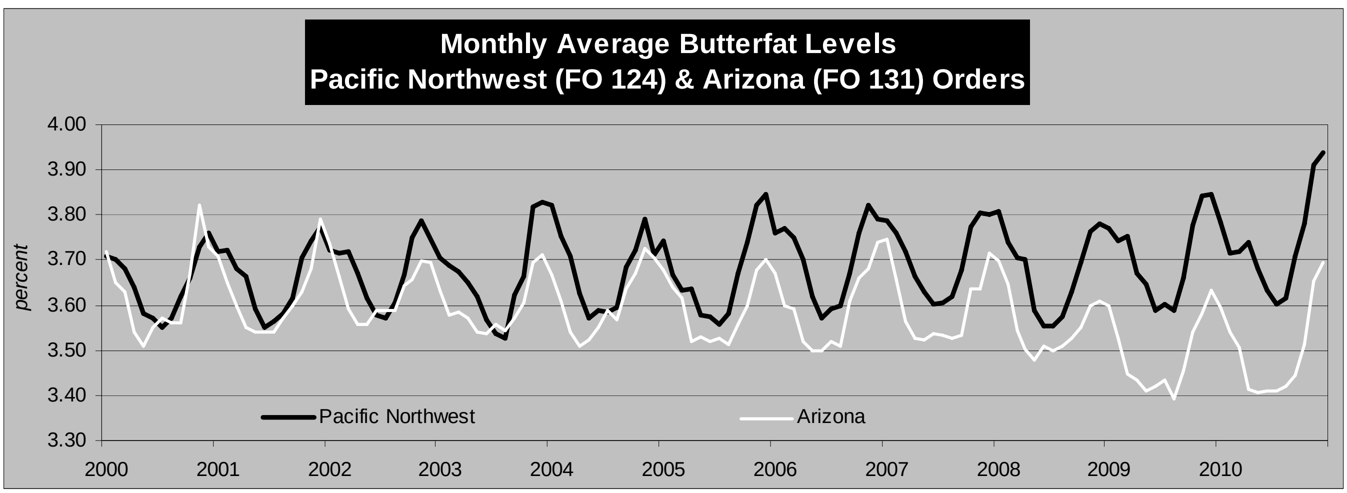
For butterfat on the Pacific Northwest Order, the levels have, in general, shown an increase over the 2000-2010 time period. The annual average has increased from 3.65 percent in 2000 to 3.73 percent in 2010. In contrast, the butterfat levels on the Arizona Order have shown a steady decline from 3.62 percent in 2000 to an annual average around 3.50 percent in 2010.

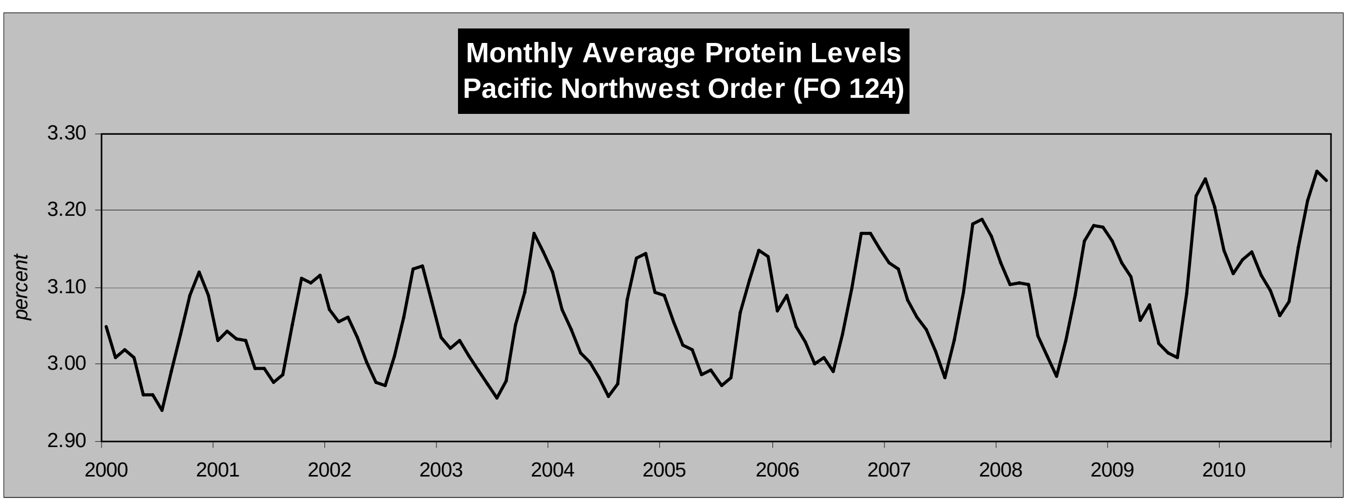
Protein levels on the Pacific Northwest Order have shown steady year-to-year increases over the 2000-2010 period. Current levels have exceeded 3.20 percent in some months, with an annual average of 3.15 percent in 2010. In 2000, there were some months where the monthly average fell below 3.0 percent resulting in an annual average of 3.02 percent.

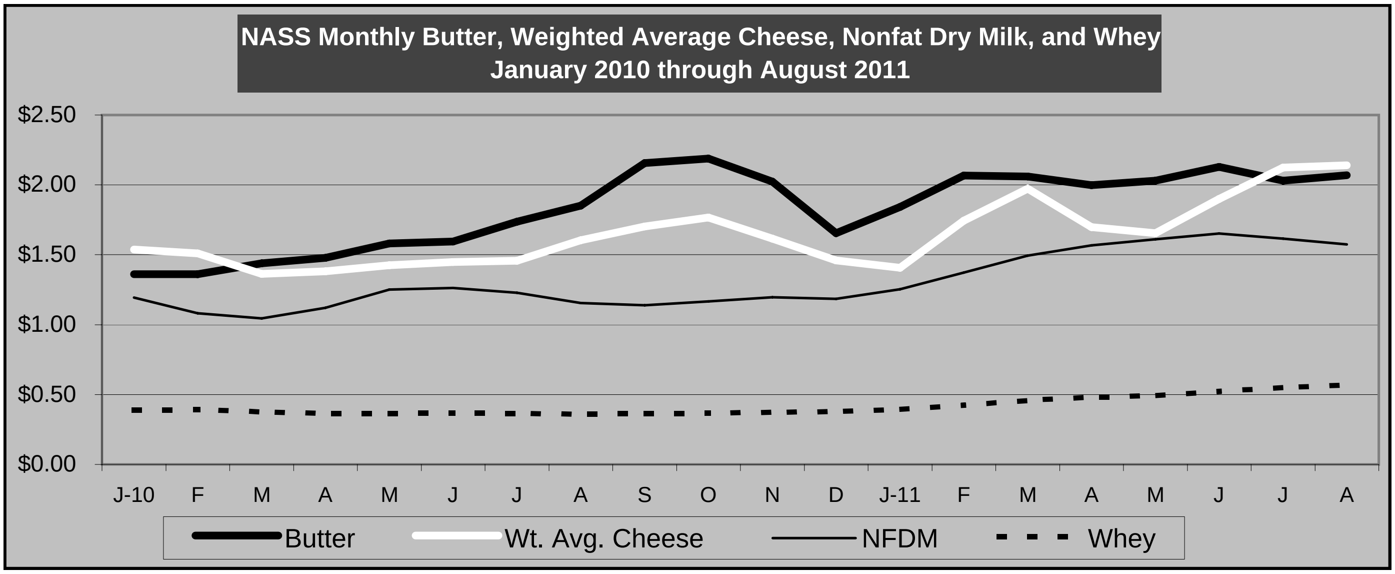
Other solids levels have remained fairly steady over the 2000-2010 time period, ranging from 5.69 to 5.71 percent. ♦

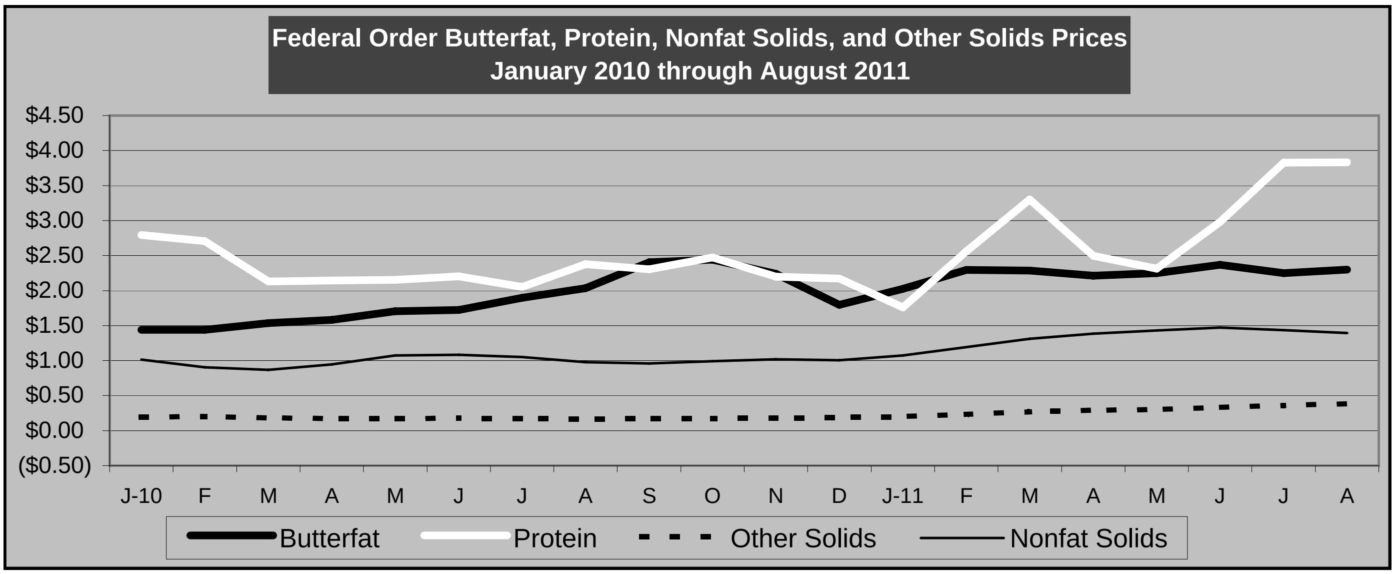
Annual Component Levels for the Pacific Northwest Order and Annual Butterfat Levels for the Arizona Order

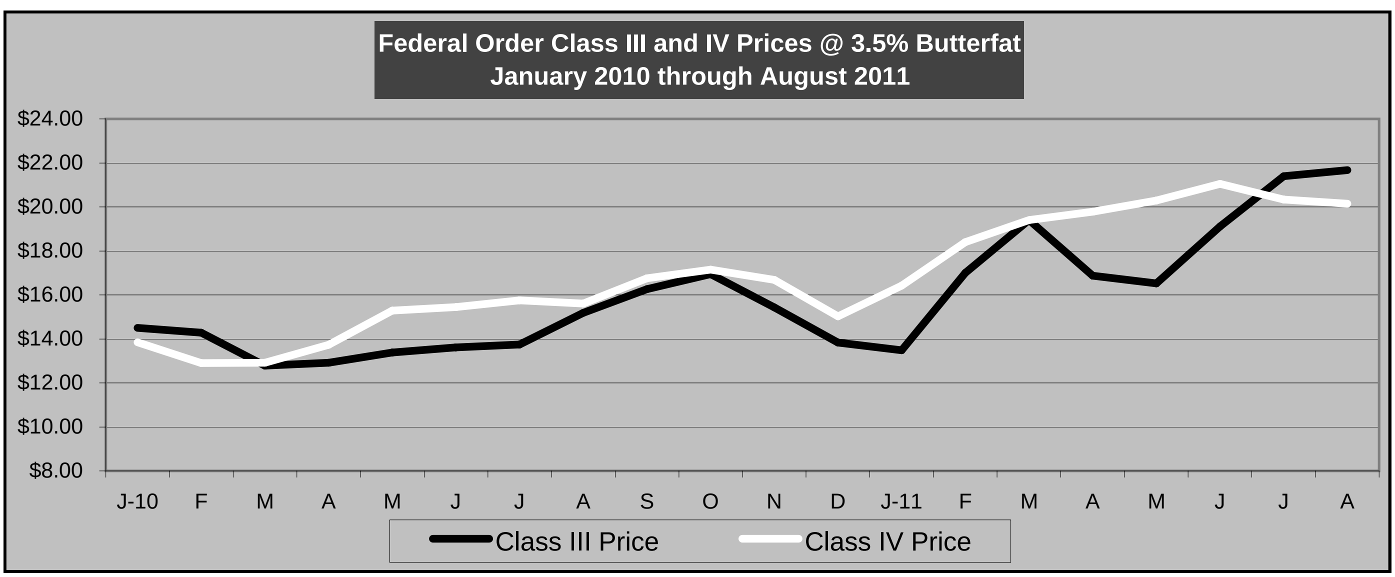
Year	*Pacific Northwest Order*			*Arizona*
	Butterfat	Protein	Other Solids	Butterfat
		percent		
2000	3.65	3.02	5.71	3.62
2001	3.66	3.04	5.70	3.62
2002	3.68	3.05	5.71	3.63
2003	3.66	3.04	5.69	3.59
2004	3.68	3.05	5.69	3.61
2005	3.67	3.05	5.71	3.59
2006	3.69	3.07	5.70	3.59
2007	3.70	3.09	5.71	3.59
2008	3.67	3.09	5.70	3.56
2009	3.71	3.11	5.69	3.49
2010	3.73	3.15	5.71	3.50






NASS Monthly Butter, Weighted Average Cheese, Nonfat Dry Milk, and Whey
January 2010 through August 2011
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
J-10 F M A M J J A S O N D J-11 F M A M J J A
Butter
Wt. Avg. Cheese
NFDM
Whey


Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2010 through August 2011
$4.50
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
($0.50)
J-10 F M A M J J A S O N D J-11 F M A M J J A
Butterfat
Protein
Other Solids
Nonfat Solids


Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2010 through August 2011
$24.00
$22.00
$20.00
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
J-10 F M A M J J A S O N D J-11 F M A M J J A
Class III Price
Class IV Price

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA			
Minimum Class Prices (3.5% B.F.)	Aug 2011	Jul 2011	Aug 2010	Jul 2010	Aug 2011	Jul 2011	Aug 2010	Jul 2010
Class I Milk ($/cwt.)	$23.33	$22.93	$17.67	$17.56	$23.78	$23.38	$18.12	$18.01
Class II Milk ($/cwt.)	21.55	21.29	16.98	17.10	21.55	21.29	16.98	17.10
Class III Milk ($/cwt.)	21.67	21.39	15.18	13.74	21.67	21.39	15.18	13.74
Class IV Milk ($/cwt.)	20.14	20.33	15.61	15.75	20.14	20.33	15.61	15.75
Producer Prices								
Producer Price Differential ($/cwt.)	$(0.01)	$(0.05)	$ 0.98	$ 1.93	+	+	+	+
Butterfat ($/pound)	2.2985	2.2511	2.0336	1.8964	+	+	+	+
Protein ($/pound)	3.8305	3.8292	2.3788	2.0515	+	+	+	+
Other Solids ($/pound)	0.3811	0.3608	0.1647	0.1700	+	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	14.55	14.10	9.90	9.97
Uniform Butterfat Price ($/pound)	+	+	+	+	2.2961	2.2788	2.0127	1.8629
Statistical Uniform Price ($/cwt.)	$21.66	$21.34	$16.16	$15.67	$22.08	$21.58	$16.60	$16.14
Producer Data								
Number of Producers	627 *	631	626	631	97 *	97	97	97
Avg. Daily Production (lbs.)	34,184 *	37,524	35,168	35,069	116,797 *	117,672	106,859	112,353
Producer Milk Ratios								
Class I	27.75%	23.44%	26.13%	26.23%	34.75%	31.12%	36.35%	33.14%
Class II	7.34%	6.04%	7.37%	6.81%	9.91%	7.77%	9.04%	8.21%
Class III	35.38%	40.48%	40.93%	39.93%	31.28%	26.79%	41.47%	30.75%
Class IV	29.53%	30.04%	25.57%	27.03%	24.06%	34.32%	13.14%	27.90%

\+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Number of Handlers	Jul 2011	Jun 2011	Jul 2010	Jun 2010	Jul 2011	Jun 2011	Jul 2010	Jun 2010
Pool Handlers	26	26	26	26	7	7	7	7
Distributing Plants	*14*	*14*	*14*	*14*	*5*	*5*	*5*	*5*
Supply Plants 1/	*7*	*7*	*7*	*7*	*1*	*1*	*1*	*1*
Cooperatives	*5*	*5*	*5*	*5*	*1*	*1*	*1*	*1*
Producer-Handlers	5	5	5	5	0	0	0	0
Other Plants w/ Class I Use	19	19	24	25	22	21	22	23
Class I Route Disposition In Area								
By Pool Plants	159,430,875	159,297,477	161,936,494	159,811,931	87,589,383	82,645,028	89,046,193	84,042,151
By Producer-Handlers	6,877,632	6,969,291	8,150,604	8,224,100	0	0	0	0
By Other Plants	7,816,026 *	7,177,733	7,075,907	8,014,513	5,392,425 *	4,750,644	5,247,377	5,107,112
Total	174,124,533	173,444,501	177,163,005	176,050,544	92,981,808	87,395,672	94,293,570	89,149,263
Producer-Handler Data								
% Class I Use	58.57%	59.44%	55.08%	57.36%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	3.95%	4.02%	4.60%	4.67%	0.00%	0.00%	0.00%	0.00%

* Preliminary. 1/ Includes Cooperative Pool Manufacturing Plants

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK		PACIFIC NORTHWEST				ARIZONA			
		Aug 2011	Jul 2011	Aug 2010	Jul 2010	Aug 2011	Jul 2011	Aug 2010	Jul 2010
TOTAL PRODUCER MILK		664,432,043	734,010,174	682,463,546	685,984,587	351,209,084	353,839,106	321,324,601	337,845,449
RECEIPTS FROM OTHER SOURCES		15,926,918	13,873,742	15,420,527	15,317,747	8,571,614	4,942,048	5,356,593	4,234,946
OPENING INVENTORY		38,444,483	37,115,691	33,960,895	35,251,383	22,058,811	22,017,684	21,903,693	21,596,233
TOTAL TO BE ACCOUNTED FOR		718,803,444	784,999,607	731,844,968	736,553,717	381,839,509	380,798,838	348,584,887	363,676,628
UTILIZATION OF RECEIPTS									
Whole milk		33,748,996	32,991,292	33,045,368	31,862,901	24,776,523	24,153,728	23,998,101	24,504,589
Flavored milk & milk drinks		7,852,660	6,620,164	8,598,361	7,011,756	5,523,979	2,782,158	6,235,713	2,667,451
2% milk		68,958,569	67,799,315	67,919,799	68,322,623	34,865,043	34,052,366	34,619,277	34,654,049
1% milk		25,276,693	24,467,843	25,134,468	25,369,932	17,237,247	14,724,654	16,498,396	14,761,058
Skim milk		26,508,348	26,141,920	27,779,947	27,942,525	12,752,694	11,519,945	12,670,271	12,105,265
Buttermilk		1,505,032	1,410,341	1,435,793	1,426,757	386,842	356,532	365,087	353,781
CLASS I ROUTE DISP. IN AREA. .		163,850,298	159,430,875	163,913,736	161,936,494	95,542,328	87,589,383	94,386,845	89,046,193
Class I dispositions out of area . . .		16,610,874	16,204,556	16,182,654	18,788,596	25,855,488	23,807,751	23,910,171	23,438,405
Other Class I usage		17,396,929	14,064,110	13,960,782	16,266,453	12,403,427	11,668,846	10,919,651	12,435,674
TOTAL CLASS I USE.		197,858,101	189,699,541	194,057,172	196,991,543	133,801,243	123,065,980	129,216,667	124,920,272
TOTAL CLASS II USE		58,912,237	50,432,063	59,290,449	57,368,580	36,639,657	28,142,322	29,688,876	28,644,710
TOTAL CLASS III USE		235,158,552	297,167,412	280,301,260	274,593,802	111,345,206	95,082,672	136,426,525	105,119,032
TOTAL CLASS IV USE		226,874,554	247,700,591	198,196,087	207,599,792	100,053,403	134,507,864	53,252,819	104,992,614
TOTAL ACCOUNTED FOR		718,803,444	784,999,607	731,844,968	736,553,717	381,839,509	380,798,838	348,584,887	363,676,628
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I . .	184,383,391	172,045,873	178,308,971	179,924,041	122,060,834	110,116,914	116,800,471	111,971,977
	Class II .	48,763,420	44,355,279	50,275,905	46,732,693	34,815,018	27,504,404	29,039,675	27,752,563
	Class III .	235,062,598	297,162,464	279,347,913	273,921,719	109,856,422	94,804,878	133,237,424	103,876,381
	Class IV .	196,222,634	220,446,558	174,530,757	185,406,134	84,476,810	121,412,910	42,247,031	94,244,528
Other receipts:	Class I .	13,474,710	17,653,668	15,748,201	17,067,502	11,740,409	12,949,066	12,416,196	12,948,295
	Class II .	10,148,817	6,076,784	9,014,544	10,635,887	1/	1/	1/	1/
	Class III .	95,954	4,948	953,347	672,083	1/	1/	1/	1/
	Class IV .	30,651,920	27,254,033	23,665,330	22,193,658	18,890,016	14,010,666	14,844,090	12,882,884
Avg. daily producer receipts		21,433,292	23,677,748	22,014,953	22,128,535	11,329,325	11,414,165	10,365,310	10,898,240
Change From Previous Year . .		-2.64%	7.00%	8.93%	0.18%	9.30%	4.73%	5.35%	11.11%
Avg. daily Class I use		6,382,519	6,119,340	6,259,909	6,354,566	4,316,169	3,969,870	4,168,280	4,029,686
Change From Previous Year . .		1.96%	-3.70%	-2.10%	-2.16%	3.55%	-1.48%	-2.77%	-2.62%

1/ Restricted - Included with Class IV.

HIGHLIGHTS THIS ISSUE:

USDA SETS HEARING ON PROPOSED AMENDMENTS TO THE MIDEAST MILK ORDER

The U.S. Department of Agriculture will hold a public hearing to consider proposals seeking to amend the pooling standards for pool distributing plants in the Mideast Milk Marketing Area.

The hearing will begin at 8:00 a.m. on October 4, 2011, at the Westin Cincinnati Hotel, 21 E. 5th Street, Cincinnati, Ohio 45202.

The hearing notice was published in the September 8, 2011 Federal Register. Copies of the hearing notice may be obtained from USDA/AMS/Dairy Programs; STOP 0231 - Rm. 2971; 1400 Independence Avenue, S.W., Washington, D.C. 20250-0231. The hearing notice is also available at www.regulations.gov.

Anyone interested in participating in the hearing should notify a USDA official upon arrival to the hotel. For a copy of the hearing notice and additional information contact Paul A. Huber, Market Administrator; USDA/AMS/Dairy Programs; P.O. Box 5102; Brunswick, OH 44212; Tel. (330) 225-4758; email: phuber@fmmaclev.com. ♦