The Market Administrator's Report

Facilitating the Efficient Marketing of Milk

Pacific Northwest and Arizona Marketing Areas

William A. Wise, Market Administrator

Volume 41, No. 9 — **September 2015** — Data for August 2015

MARKET SUMMARIES FOR AUGUST

Pacific Northwest (FO 124)

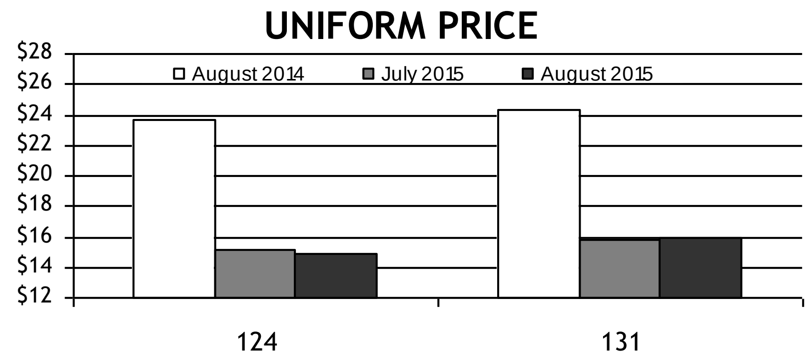
Producers delivered a total of 455.9 million pounds of milk to the market during August. Daily deliveries averaged 14.7 million pounds, down 1.3 percent from July. An estimated 456 producers delivered milk to the market during the month. Daily deliveries per producer averaged 32,248 pounds, down 1.5 percent from July.

Class I producer milk during August totaled 157.6 million pounds, 34.6 percent of total producer receipts. Daily usage averaged 5.1 million pounds, down 2.4 percent from July.

Arizona (FO 131)

Producers delivered a total of 360.5 million pounds of milk to the market during August. Daily deliveries averaged 11.6 million pounds, down 6.3 percent from July. An estimated 95 producers delivered milk to the market during the month. Daily deliveries per producer averaged 122,405 pounds, down 6.3 percent from July.

Class I producer milk during August totaled 109.2 million pounds, 30.3 percent of total producer receipts. Daily usage averaged 3.5 million pounds, up 0.8 percent from July.



Pool Quick Stats

Producer Prices & Component Levels	FO 124		FO 131	
	July	August	July	August
Uniform Price (at 3.5%)	$15.18	$14.85	$15.76	$15.88
Uniform Price (at test)	*$15.84*	*$15.75*	*$15.50*	*$15.64*
PPD	($1.15)	($1.42)		
Butterfat	$2.1125	$2.2674		
Protein	$2.6070	$2.5692	n/a	
Other Solids	$0.2004	$0.1151		
Uniform Skim	n/a		$8.65	$8.29
Uniform Butterfat			$2.1185	$2.2507
Butterfat	3.735%	3.772%	3.370%	3.388%
Protein	3.049%	3.098%	n/a	
Other Solids	5.753%	5.728%		

HIGHLIGHTS THIS ISSUE

Federal Order Price Summaries

FINAL CLASS PRICES

The August 2015 Final Class Prices were calculated using AMS commodity price surveys from August 8, 15, 22, and 29, 2015. Current and archived Final Class Price announcements are available at www.fmmaseattle.com/finalprice.htm.

FINAL	Class I (FO124)	Class I (FO131)	Class II	Class III	Class IV	Butterfat	Protein	Other Solids	Nonfat Solids
Jul 2015	$18.43	$18.88	$14.70	$16.33	$13.15	$2.1125	$2.6070	$0.2004	$0.6621
Aug 2015	$18.18	$18.63	$14.54	$16.27	$12.90	$2.2674	$2.5692	$0.1151	$0.5707
Change	($0.25)	($0.25)	($0.16)	($0.06)	($0.25)	$0.1549	($0.0378)	($0.0853)	($0.0914)

ADVANCED CLASS I PRICE

The October 2015 Advanced Price was calculated using AMS commodity price surveys from September 12 and 19, 2015. Current and archived Advanced Price announcements are available at www.fmmaseattle.com/advanceprice.htm.

ADVANCED	Butterfat	Class III Skim	Class IV Skim	Base Skim	Base Class I	Class I (FO124)	Class I (FO131)	Class II Skim	Class II Non-fat Solids
Sep 2015	$2.1653	$9.08	$5.21	$9.08	$16.34	$18.24	$18.69	$5.91	$0.6567
Oct 2015	$2.7152	$6.57	$5.76	$6.57	$15.84	$17.74	$18.19	$6.46	$0.7178
Change	$0.5499	($2.51)	$0.55	($2.51)	($0.50)	($0.50)	($0.50)	$0.55	$0.0611

Commodity Price Summaries

AMS COMMODITY PRICES FOR FINAL CLASS PRICES CALCULATION

	July	August	Change
Cheese	$1.6997	$1.7386	$0.0389
Butter	$1.9159	$2.0438	$0.1279
Nonfat Dry Milk	$0.8366	$0.7443	($0.0923)
Whey	$0.3937	$0.3108	($0.0829)

AMS COMMODITY PRICES FOR ADVANCED CLASS PRICES CALCULATION

	September	October	Change
Cheese	$1.7255	$1.7191	($0.0064)
Butter	$1.9595	$2.4136	$0.4541
Nonfat Dry Milk	$0.7521	$0.8144	$0.0623
Whey	$0.3495	$0.2416	($0.1079)

CURRENT COMMODITY PRICES

The AMS survey of cheddar cheese prices showed a net increase in prices received for 40-pound blocks and a net decrease for 500-pound barrels. The survey of 40-pound blocks showed a net increase of 0.81 cents between the August 15 and the September 19 surveys, to $1.7174 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 4.89 cents to $1.6886 per pound.

The AMS butter price showed an increase of 48.81 cents between the weeks ending August 15 and September 19 from $1.9832 per pound to $2.4713 per pound. The AMS nonfat dry milk showed a net increase of 6.83 cents since mid-August to $0.8257 per pound. The average price for AMS whey showed a decrease of 10.67 cents since mid-August to $0.2351 per pound.

USDA News

PUBLIC MEETING: NATIONAL ORGANIC STANDARDS BOARD

The National Organic Standards Board (NOSB) will have a public meeting in Stowe, Vermont, from October 26-29, 2015. In advance of the meeting, the NOSB is accepting public comments.

The board meeting provides a public forum for the organic community to weigh in on issues concerning organic production and processing. During the meeting, the board will address several petitions pertaining to changes in the National List of Allowed and Prohibited Substances, including substances due to sunset in 2017 and 2018.

For more information, including the agenda of topics and current proposals, visit www.ams.usda.gov/event/nosb-meeting-2015-vt.

SECRETARY VILSACK APPOINTS MEMBERS TO THE NATIONAL DAIRY PROMOTION AND RESEARCH BOARD

On September 17, 2015, Agriculture Secretary Tom Vilsack announced the appointment of 12 members to the National Dairy Promotion and Research Board. All appointees' terms will begin November 1, 2015, and end October 31, 2018.

Newly appointed members are: Warren L. Chamberlain, Oregon (Region 1); Brad J. Scott, California, (Region 2); Pauline Tjaarda, California (Region 2); Deb A. Vander Kooi, Minnesota (Region 5); Raymond L. Diederich, Wisconsin (Region 6); Randall E. Koller, Wisconsin (Region 6); Jessica Tekippe-Schmitt, Iowa (Region 7); Kim Korn, Idaho (Region 8) and Cyndy VanLieshout, New York (Region 12).

Reappointed to serve second terms were: Lawrence A. Hancock, Incumbent, Texas (Region 4); Joseph M. Kelsay, Incumbent, Indiana (Region 9); and Marilyn K. Hershey, Incumbent, Pennsylvania (Region 11).

For information on the National Dairy Promotion and Research Board, please contact Whitney A. Rick by phone at (202) 720-6961 or e-mail at Whitney.Rick@ams.usda.gov.

USDA EXPANDS FARM SAFETY NET: WHOLE FARM COVERAGE NOW AVAILABLE IN EVERY COUNTY

On August 27, 2015, USDA announced that Whole-Farm Revenue Protection insurance will be available in every county in the nation in 2016. USDA is also making changes to the policy to help farmers and ranchers have better access to the Whole-Farm Revenue Protection program.

USDA's Risk Management Agency (RMA) also provided additional flexibility to producers by making the following changes, including:

- **Beginning Farmers and Ranchers** – RMA makes it easier for more beginning farmers and ranchers to participate in the program by reducing the required records from five to three historical years, plus farming records from the past year. Additionally, any beginning farmer and rancher may qualify by using the former farm operator's federal farm tax records if the beginning farmer or rancher assumes at least 90 percent of the farm operation.
- **Livestock Producers** – RMA removed the previous cap that limited participants to those who received 35 percent or less of their income from livestock production. Producers will now be able to insure up to $1 million worth of animals and animal products.
- **Expanding Operations** – RMA increased the cap on historical revenue for expanding operations to 35 percent from its previous 10 percent to better allow growing farms the opportunity to cover their growth in the insurance guarantee.

Learn more about crop insurance and the modern farm safety net at www.rma.usda.gov.

NASS Updates

COMPUTER USAGE AND OWNERSHIP REPORT

Seventy percent of U.S. farms and ranches now have access to the internet, a 3 percent growth from 2013, according to the Computer Usage and Ownership report, released August 19, 2015, by the USDA's National Agricultural Statistics Service (NASS).

The DSL (Digital Subscriber Line), remained the most popular method for accessing the internet, accounting for 30 percent of all farms and ranches with internet access. Despite remaining in the lead, however, the DSL access is down 5 percent, from the 35 percent of farms that used this method in 2013.

In contrast, wireless connection, which accounts for 29 percent, and satellite connection, which accounts for 21 percent of the U.S. total, showed significant growth in the past two years. The share of farms using these two methods went up 5 and 4 percent respectively.

According to the report, 43 percent of U.S. farms use computers for their business operations. Crop growers, at 47 percent, are more likely than livestock producers to use computers for business. In the livestock sector, 39 percent of producers use computers for business.

Farmers' and ranchers' business computer uses include:

- 44 percent – Conducting business with a non-agricultural website
- 44 percent – Accessing federal government websites
- 19 percent – Purchasing agricultural inputs
- 16 percent – Marketing activities

Farmers in the Western states are most likely to use computers for business. In that region, 48 percent of all farms use computers for that purpose. The western region was closely followed by the North Central and Northeast states, where 46 and 45 percent of all farms followed this practice. Southern states have the lowest percentage in this category. In that region 36 percent of all farms use the internet to conduct business.

The Computer Usage and Ownership report is published biennially and is available online at www.nass.usda.gov.

Source: USDA. National Agricultural Statistics Service. "Farm Computer Usage and Ownership", August 19, 2015.

JULY DAIRY HIGHLIGHTS

Total cheese output (excluding cottage cheese) was 988 million pounds, 3.1 percent above July 2014 and 2.5 percent above June 2015. Italian type cheese production totaled 422 million pounds, 3.2 percent above July 2014 and 1.1 percent above June 2015. American type cheese production totaled 393 million pounds, 3.4 percent above July 2014 and 2.4 percent above June 2015.

Butter production was 133 million pounds, 3.2 percent below July 2014 and 6.2 percent below June 2015.

Nonfat dry milk production was 155 million pounds, down 6.9 percent.

Dry whey production totaled 80.7 million pounds, up 9.8 percent. Lactose (for both human and animal consumption) totaled 90.5 million pounds, a decrease of 11.0 percent. Whey protein concentrate production totaled 41.4 million pounds, down 7.1 percent.

Production for regular, hard ice cream in July 2015 totaled 70.2 million gallons, down 5.0 percent from year ago levels. Lowfat ice cream production was up 12.4 percent, totaling 45.2 million gallons.

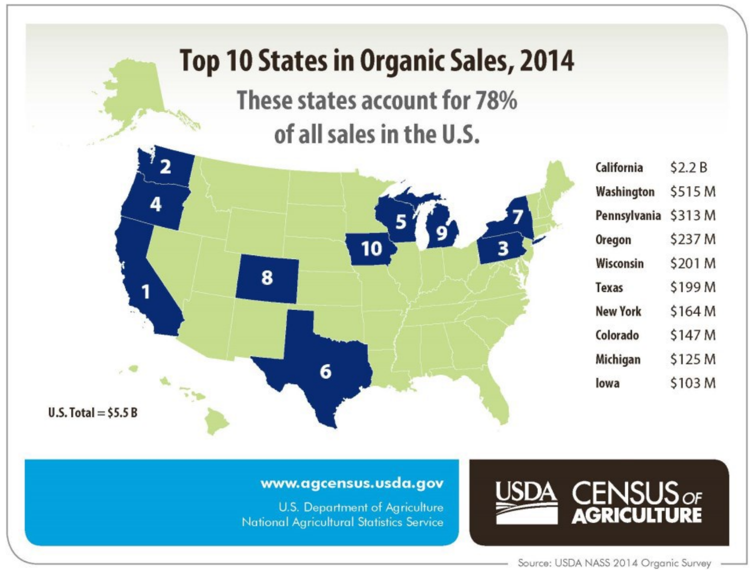
Source: USDA. National Agricultural Statistics Service. "Dairy Products", September 3, 2015. Available at www.nass.usda.gov.

NASS Updates

2014 ORGANIC SURVEY RESULTS: SALES FROM U.S. ORGANIC FARMS UP 72 PERCENT

The following is an excerpt from a recent NASS report.

On September 17, 2015, the U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) released the results of the 2014 Organic Survey, which show that 14,093 certified and exempt organic farms in the United States sold a total of $5.5 billion in organic products in 2014, up 72 percent since 2008.



The top 10 states in sales accounted for 78 percent of U.S. organic sales in 2014, with California leading the nation with $2.2 billion. Additionally, the industry shows potential for growth in production as approximately 5,300 organic producers (39 percent) report that they intend to increase organic production in the United States over the next five years. Another 688 farms with no current organic production are in the process of transitioning into organic agriculture production.

The selection of organic products sold by U.S. farms in 2014 was diverse, from dairy and proteins, to fruits, vegetables and grains. The top five commodities in organic sales were:

- Milk, $1.08 billion
- Eggs, $420 million
- Broiler chickens, $372 million
- Lettuce, $264 million
- Apples, $250 million

The vast majority of organic agricultural products sold in 2014 were sold close to the farm. According to the report, the first point of sale for 80 percent of all U.S. organic products was less than 500 miles from the farm, compared to 74 percent in 2008.

Additionally, 63 percent of U.S. organic farms reported selling products to wholesale markets. These sales accounted for 78 percent of U.S. organic farm sales. Wholesale markets, such as buyers for supermarkets, processors, distributors, packers and cooperatives, were serving as the marketing channel of choice for U.S. organic farmers to get organic agriculture products to customers.

The survey is part of the Census of Agriculture program and was conducted by NASS in conjunction with USDA's Risk Management Agency to provide objective information to serve the organic industry. Survey results are available at www.agcensus.usda.gov/Publications/Organic_Survey/ or the Quick Stats database at http://quickstats.nass.usda.gov.

Source: USDA. National Agricultural Statistics Service. "News Release" issued September 17, 2015.

Monthly Selected Statistics

PRICE & POOL DATA	PACIFIC NORTHWEST Aug 2015	Jul 2015	Aug 2014	Jul 2014	ARIZONA Aug 2015	Jul 2015	Aug 2014	Jul 2014
Producer Prices								
Producer Price Differential ($/cwt)	($1.42)	($1.15)	$1.44	$1.55	+	+	+	+
Butterfat ($/pound)	2.2674	2.1125	2.8448	2.6349	+	+	+	+
Protein ($/pound)	2.5692	2.6070	3.1496	3.1798	+	+	+	+
Other Solids ($/pound)	0.1151	0.2004	0.5036	0.5046	+	+	+	+
Uniform Skim Price ($/cwt)	+	+	+	+	$8.29	$8.65	$14.95	$15.12
Uniform Butterfat Price ($/pound)	+	+	+	+	2.2507	2.1185	2.8161	2.6101
Statistical Uniform Price ($/cwt)	$14.85	$15.18	$23.69	$23.15	$15.88	$15.76	$24.28	$23.73
Producer Data								
Number of Producers	***456***	455	585	574	***95***	95	94	91
Avg. Daily Production (pounds)	***32,248***	32,744	40,970	41,826	***122,405***	130,580	132,347	138,317
Producer Milk Ratios								
Class I	34.58%	34.96%	21.71%	21.45%	30.28%	28.15%	27.64%	26.73%
Class II	10.76%	10.72%	6.74%	6.65%	13.06%	11.07%	10.02%	9.39%
Class III	1.55%	1.90%	43.55%	43.15%	27.54%	26.24%	32.90%	31.17%
Class IV	53.11%	52.42%	28.00%	28.75%	29.12%	34.54%	29.44%	32.71%
Market Shrinkage								
Pounds	9,339,298	7,586,905	10,035,122	10,914,829	921,590	1,402,009	1,500,985	1,519,963
% of Producer Milk	2.05%	1.64%	1.35%	1.47%	0.26%	0.36%	0.39%	0.39%

+ Not Applicable. Preliminary data indicated in ***bold***.

Monthly Supplemental Statistics

SUPPLEMENTAL DATA	PACIFIC NORTHWEST Jul 2015	Jun 2015	Jul 2014	Jun 2014	ARIZONA Jul 2015	Jun 2015	Jul 2014	Jun 2014
Number of Handlers								
Pool Handlers	*21*	*21*	*24*	*24*	*7*	*7*	*7*	*7*
Distributing Plants	*11*	*12*	*12*	*12*	*5*	*5*	*5*	*5*
Supply Plants 1/	*5*	*4*	*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	***20***	*22*	*20*	*20*	***24***	*24*	*23*	*23*
Class I Route Disposition In Area								
By Pool Plants	141,326,514	140,317,798	143,620,716	141,953,525	78,847,581	75,615,276	78,879,947	76,339,476
By Producer-Handlers	7,193,007	6,752,490	6,794,153	6,597,819	0	0	0	0
By Other Plants	***11,842,301***	11,408,478	10,903,134	10,979,633	***7,069,014***	6,255,123	7,559,344	6,394,157
Total	160,361,822	158,478,766	161,318,003	159,530,977	85,916,595	81,870,399	86,439,291	82,733,633
Producer-Handler Data								
% Class I Use	65.56%	61.89%	62.36%	61.64%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	4.49%	4.26%	4.21%	4.14%	0.00%	0.00%	0.00%	0.00%

Preliminary data indicated in ***bold***. 1/ Includes Cooperative Pool Manufacturing Plants.

Monthly Statistical Summary

RECEIPTS & UTILIZATION	PACIFIC NORTHWEST Aug 2015	Jul 2015	Aug 2014	Jul 2014	ARIZONA Aug 2015	Jul 2015	Aug 2014	Jul 2014
Receipts of Milk								
Total Producer Milk	455,853,921	461,859,086	742,995,567	744,248,403	360,483,882	384,556,740	385,658,019	390,191,450
Receipts From Other Sources	52,853,938	54,003,278	10,194,975	12,128,321	6,236,984	15,777,078	5,952,049	16,868,924
Opening Inventory	31,154,340	28,214,378	33,867,986	36,229,301	24,148,016	21,434,567	21,756,840	21,899,214
Total To Be Accounted For	**539,862,199**	**544,076,742**	**787,058,528**	**792,606,025**	**390,868,882**	**421,768,385**	**413,366,908**	**428,959,588**
Utilization of Receipts								
Whole milk	37,311,178	36,977,828	34,449,424	34,325,264	25,412,622	25,462,742	24,345,476	24,532,596
Flavored milk & drinks	8,278,803	7,276,551	7,897,938	6,925,753	6,146,567	3,137,514	6,145,126	2,503,608
2% milk	56,293,275	55,685,391	61,958,781	61,824,608	30,174,931	30,054,075	30,848,505	30,640,727
1% milk	23,749,439	23,584,410	21,764,713	20,920,659	14,451,688	12,664,653	14,639,855	12,896,374
Skim milk	16,176,037	16,151,328	18,069,307	18,062,909	7,639,520	7,168,382	8,450,030	7,924,433
Buttermilk	1,533,435	1,651,006	1,509,631	1,561,523	371,229	360,215	387,000	382,209
Class I dispostions in area	143,342,167	141,326,514	145,649,794	143,620,716	84,196,557	78,847,581	84,815,992	78,879,947
Class I dispositions out of area	13,917,627	14,403,102	14,958,480	15,421,802	27,418,568	27,913,201	23,610,508	23,525,642
Other Class I usage	19,917,219	23,945,036	16,205,806	16,428,056	11,463,456	13,823,582	11,055,648	12,752,167
Utilization by Class								
Total Class I Use	177,177,013	179,674,652	176,814,080	175,470,574	123,078,581	120,584,364	119,482,148	115,157,756
Total Class II Use	53,177,552	56,534,480	54,972,024	55,576,070	48,011,808	43,527,994	39,502,556	38,310,725
Total Class III Use	7,395,902	9,030,484	326,453,326	327,582,225	101,360,158	102,161,517	128,963,939	123,956,527
Total Class IV Use	302,111,732	298,837,126	228,819,098	233,977,156	118,418,335	155,494,510	125,418,265	151,534,580
Total Accounted For	**539,862,199**	**544,076,742**	**787,058,528**	**792,606,025**	**390,868,882**	**421,768,385**	**413,366,908**	**428,959,588**

CLASSIFICATION OF RECEIPTS	PACIFIC NORTHWEST Aug 2015	Jul 2015	Aug 2014	Jul 2014	ARIZONA Aug 2015	Jul 2015	Aug 2014	Jul 2014
Producer milk								
Class I	157,640,864	161,451,019	161,307,592	159,651,102	109,154,830	108,261,659	106,614,414	104,302,101
Class II	49,045,045	49,526,463	50,058,702	49,464,939	47,066,454	42,568,222	38,639,604	36,645,075
Class III	7,071,193	8,787,034	323,589,127	321,158,372	99,269,232	100,891,308	126,900,039	121,625,842
Class IV	242,096,819	242,094,570	208,040,146	213,973,990	104,993,366	132,835,551	113,503,962	127,618,432
Other receipts								
Class I	19,536,149	18,223,633	15,506,488	15,819,472	13,923,751	12,322,705	12,867,734	10,855,655
Class II	4,132,507	7,008,017	4,913,322	6,111,131	1/	1/	1/	1/
Class III	1/	1/	2,864,199	6,423,853	1/	1/	1/	1/
Class IV	60,339,622	56,986,006	20,778,952	20,003,166	16,461,249	24,888,940	14,841,155	27,912,483
Avg. daily producer receipts	14,704,965	14,898,680	23,967,599	24,008,013	11,628,512	12,405,056	12,440,581	12,586,821
Change From Previous Year	-38.65%	-37.94%	15.05%	1.62%	-6.53%	-1.44%	7.03%	7.35%
Avg. daily Class I use	5,715,388	5,795,957	5,703,680	5,660,341	3,970,277	3,889,818	3,854,263	3,714,766
Change From Previous Year	0.21%	2.40%	-9.71%	-3.96%	3.01%	4.71%	-6.39%	-3.60%

1/ Restricted - Included with Class IV.

Contact Information

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www.fmmaseattle.com

FEDERAL ORDER STATISTICS FOR AUGUST

Federal Order Name (Number)	Producer Deliveries	Class I Receipts	Class I Utilization	Class I Price	Uniform Price
	- million pounds -			*- per cwt (at location) -*	
Northeast (FO 1)	2,211.4	712.9	32.24%	$19.53	$16.90
Appalachian (FO 5)	458.0	316.9	69.20%	$19.68	$18.37
Florida (FO 6)	229.5	190.5	83.01%	$21.68	$20.62
Southeast (FO 7)	421.4	324.5	77.00%	$20.08	$19.18
Upper Midwest (FO 30)	2,012.5	278.5	13.84%	$18.08	$16.25
Central (FO 32)	1,126.6	392.6	34.85%	$18.28	$16.27
Mideast (FO 33)	1,426.8	522.6	36.63%	$18.28	$16.05
Pacific Northwest (FO 124)	455.9	157.6	34.58%	$18.18	$14.85
Southwest (FO 126)	1,197.3	351.1	29.32%	$19.28	$17.27
Arizona (FO 131)	360.5	109.2	30.28%	$18.63	$15.88

For links to Market Administrator's webpages, see www.fmmaseattle.com/dairyreferences.htm.