

Pacific Northwest & Arizona-Las Vegas Marketing Areas



1930 – 220th Street SE, Suite 102
 Bothell, Washington 98021-8471
 Phone (425) 487-6009
 Fax (425) 487-2775
 Homepage: fmmaseattle.com
 E-mail: fmmaseattle@fmmaseattle.com



10050 N 25th Avenue, Suite 302
 Phoenix, Arizona 85021-1664
 Phone (602) 547-2909
 Fax (602) 547-2906
 E-mail: ma@fmma.net

James R. Daugherty
 Market Administrator

October 2004

MARKET SUMMARIES FOR SEPTEMBER 2004

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

Pacific Northwest

Producers delivered a total of 481.2 million pounds of milk to the market during September. Comparisons to the previous month are affected by eligible milk not pooled in August and September 2004. Daily deliveries averaged 16.0 million pounds, down 19.8 percent from August. An estimated 845 producers delivered milk to the market during the month. Daily deliveries per producer averaged 18,984 pounds, down 15.4 percent from August.

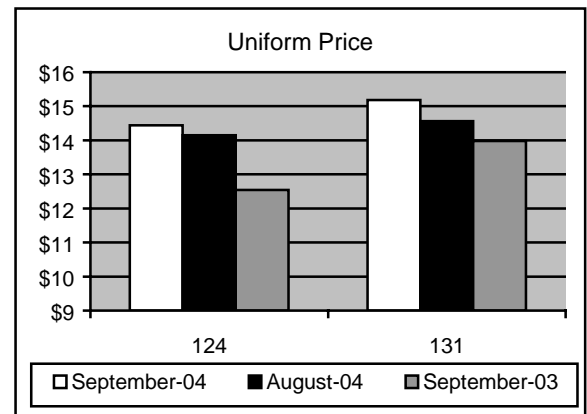
Class I producer milk during September totaled 182.4 million pounds, 37.9 percent of total producer receipts. Daily usage averaged 6.1 million pounds, up 6.9 percent from August.

Arizona-Las Vegas

Producers delivered a total of 217.5 million pounds of milk to the market during

September. Daily deliveries averaged 7.3 million pounds, up 1.2 percent from August. An estimated 93 producers delivered milk to the market during the month. Daily deliveries per producer averaged 77,967 pounds, up 1.2 percent from August.

Class I producer milk during September totaled 82.3 million pounds, 37.8 percent of total producer receipts. Daily usage averaged 2.7 million pounds, up 3.3 percent from August. ♦



Federal Order Producer Prices and Component Levels: September 2004

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	14.44	15.18	Butterfat	3.685	3.635
Butterfat 2/	1.9354	1.9128	Protein	3.084	N/A
Protein 2/	2.5431	N/A	Other Solids	5.693	N/A
Other Solids 2/	0.0589	N/A	Nonfat Solids	8.776	N/A
PPD 1/*	(0.28)	N/A			
Skim 1/	N/A	8.79			

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

The United States Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202)720-2600 (voice and TDD). To file a complaint of discrimination, write the USDA, Director, Office of Civil Rights, Room 326W, Jamie L. Whitten Building, 14th and Independence Avenue, SW., Washington, D.C. 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an Equal Opportunity provider and employer.

SEPTEMBER 2004 CLASS PRICES

September 2004 non-advanced Class Prices were calculated using NASS commodity price surveys from September 4, 11, 18, and 25, 2004. Component prices for the month are \$2.5431 per pound of protein, \$1.9354 per pound of butterfat, \$0.0589 per pound of other solids, and \$0.7167 per pound of nonfat solids.

September 2004 Class III and IV prices at 3.5% butterfat are \$14.72 and \$13.00 per hundredweight, respectively. The September Class III price compared to August is up \$0.68. The Class III price is \$0.42 higher than September 2003. The Class III price at 3.67% butterfat is \$5.13 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.9424 per pound. Class I skim and butterfat and Class II skim prices for September 2004 were announced on August 20, 2004. The Class II price at 3.5% butterfat is \$13.66 for September 2004 .

FINAL: NASS COMMODITY PRICES

	<u>August</u>	<u>September</u>	<u>Change</u>
Cheese*	\$1.5167	\$1.5867	\$0.0700
Butter	\$1.6101	\$1.7278	\$0.1177
Nonfat Dry Milk	\$0.8584	\$0.8639	\$0.0055
Whey	\$0.2246	\$0.2162	-\$0.0084

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

Current Commodity Prices -- The NASS survey of cheddar cheese prices showed a decrease in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 3.45 cents between the September 18 and the October 16 surveys, to \$1.5339 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 8.54 cents to \$1.4794 per pound.

The NASS butter price showed a net decrease of 7.68 cents between the weeks ending September 18 and October 16 from \$1.7650 per pound to \$1.6882 per pound.

The NASS nonfat dry milk showed a net decrease of 0.05 cents since mid-September to \$0.8642 per pound. The average price for NASS whey showed an increase of 1.19 cents since mid-September to \$0.2280 per pound. ♦

NOVEMBER'S CLASS I PRICE ANNOUNCEMENT

On October 22, the November 2004 Class I price was announced at \$16.19 for the Pacific Northwest Order, and \$16.64 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of October 9 and 16.

The November Class III and IV advance skim prices are \$7.81 and \$6.44 per hundredweight, respectively. The butterfat portion of the Class I mover increased 5.73 cents from \$1.8715 to \$1.9288 per pound.

The November 2004 Class II skim and nonfat solids prices were also announced on October 22. The skim price is \$7.14 per hundredweight, and the nonfat solids price is \$0.7933 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	<u>October</u>	<u>November</u>	<u>Change</u>
Cheese*	\$1.5958	\$1.5373	-\$0.0585
Butter	\$1.6746	\$1.7223	\$0.0477
Nonfat Dry Milk	\$0.8622	\$0.8626	\$0.0004
Whey	\$0.2155	\$0.2241	\$0.0086

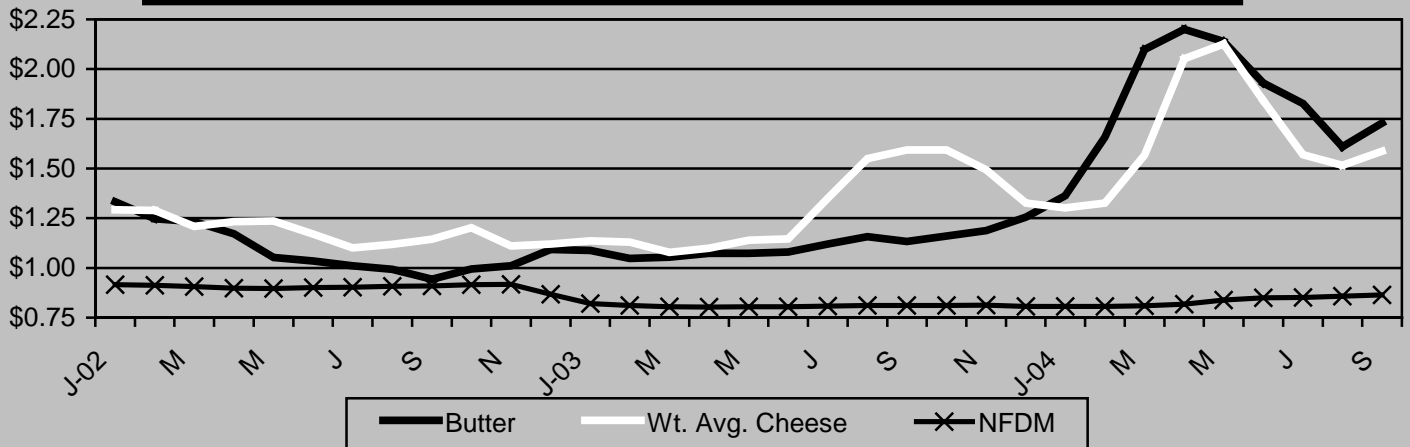
* The weighted average of barrels plus 3 cents and blocks.

USDA ANNOUNCES FINAL DECISION TO AMEND ALL FEDERAL MILK MARKETING ORDERS

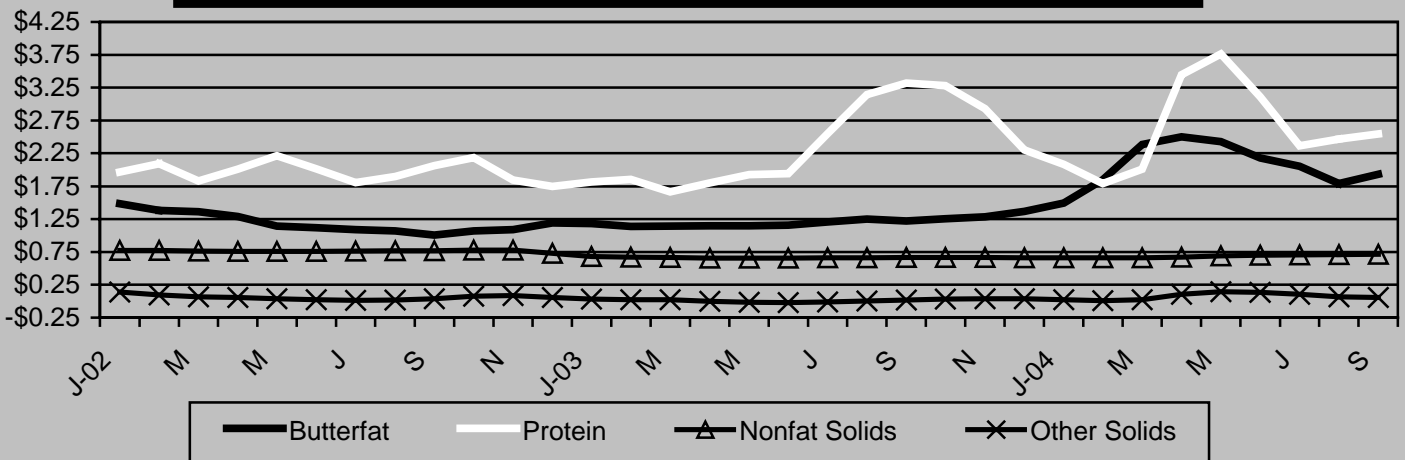
On September 23, 2004, the U. S. Department of Agriculture announced a final decision that permanently adopts amendments to the classification of milk provisions in all 10 Federal milk marketing orders. These provisions were previously implemented on an interim basis. This decision is based on testimony and evidence from a public hearing held October 21, 2003, in Alexandria, Virginia.

This decision adopts changes that reclassify milk used to produce evaporated milk or sweetened condensed milk in consumer-type packages from Class III to Class IV. A proposal to classify monthly bulk milk ending inventories to the lowest-priced class of Class III or Class IV is not adopted in this final decision.

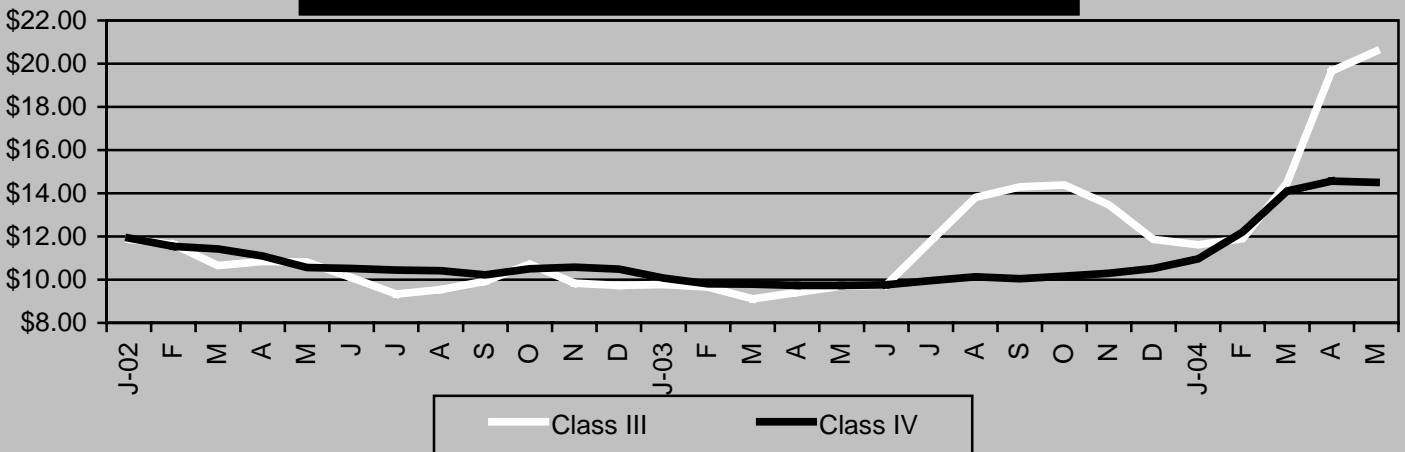
**NASS Monthly Butter, Weighted Average Cheese, and Nonfat Dry Milk Prices
January 2002 through September 2004**



**Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2002 through September 2004**



**Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2002 through May 2004**



The final decision will be published in the September 24 Federal Register. USDA will conduct a vote within 30 days to determine whether dairy farmers approve the proposed amended orders. If approved, a final rule will follow to implement these changes. ♦

**TIME EXTENDED FOR THE SUBMISSION OF
ADDITIONAL PROPOSALS CONCERNING
HEARING REQUESTED TO AMEND ALL
FEDERAL MILK ORDERS**

The Department of Agriculture (USDA) is extending the time period for interested parties to submit additional proposals for consideration with a public hearing request currently under review that would amend the fluid milk product definition in all Federal milk marketing orders. The public hearing request was submitted by Dairy Farmers of America, Inc. (DFA). The deadline for submitting proposals (announced in our February 3, 2004, letter) is hereby extended from September 30, 2004, to January 31, 2005.

Copies of the DFA proposal may be obtained at <http://www.ams.usda.gov/dairy> by selecting "Request for Class I Proposals, Northeast, et. al." or from Antoinette Carter, Marketing Specialist, USDA/AMS/Dairy Programs, Order Formulation and Enforcement Branch, STOP 0231–Room 2971, 1400 Independence Avenue, SW, Washington, DC 20250-0231, (202) 690-3465, e-mail address: Antoinette.Carter@usda.gov.

Proposals should be mailed to: Deputy Administrator, USDA/AMS/Dairy Programs, STOP-0225-Room 2968, 1400 Independence Avenue, SW, Washington, DC 20250-0225, by January 31, 2005. Each proposal should be accompanied by a brief but comprehensive statement on the need for the proposal. The statement will be used in deciding whether the proposal should be considered if a hearing to amend the orders is held.

A hearing would be limited to proposals included in the hearing notice. However, appropriate modifications of the proposals included in the notice also may be considered at the hearing if the modifications would not enlarge the marketing area or regulate persons not now subject to the order. Any proposals that would extend regulation should be accompanied by the names and addresses of persons who proponents believe would be affected by the proposed

extension and an estimate of the number of additional dairy farmers involved.

Actions under the Federal milk order program are subject to the Regulatory Flexibility Act which seeks to ensure that, within the statutory authority of a program, the regulatory and informational requirements are tailored to the size and nature of small businesses. For the purpose of the Federal order program, a dairy farm is a "small business" if it has an annual gross revenue of less than \$750,000 resulting in a production guideline of 500,000 pounds per month. A handler is a "small business" if it has fewer than 500 employees. If the plant is part of a larger company operating multiple plants that collectively exceed the 500-employee limit, the plant will be considered a large business even if the local plant has fewer than 500 employees. Interested persons are invited to submit hearing proposals that would carry out the intent of the Regulatory Flexibility Act.

If USDA concludes that a hearing should be held, all known interested persons will be mailed a copy of the hearing notice. Anyone who desires to present evidence on proposals set forth in the hearing notice will have an opportunity to do so at the hearing.

Once a hearing notice is issued and until the issuance of a final decision, USDA employees involved in the decisional process may not discuss the merits of a proceeding on an ex parte basis with any persons having an interest in the proceeding. For this purpose, the Market Administrators and their staffs are considered to be involved in the decisional process. Thus, it is suggested that any discussions that you may wish to have with USDA personnel regarding hearing proposals be initiated soon. Procedural matters may be discussed at any time.

If you have any questions concerning the filing of the proposals or desire a copy of the present order, please contact this office. ♦

**USDA SETS HEARING ON PROPOSED
AMENDMENTS TO CENTRAL
MILK MARKETING ORDER**

On December 6, 2004, the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) will hold a public hearing to consider proposals amending the Central Federal Milk Marketing Order.

The hearing will consider proposals that would modify performance standards for supply plants, adjust diversion limits, modify the "touch base" provision, limit the pooling of milk that was not pooled in prior months and establish transportation and assembly credits. Other proposals under consideration would eliminate all supply plant provisions, establish a "dairy farmer for other markets" provision, eliminate or modify "split plant" provisions, eliminate or modify system pooling for supply plants and modify handler payment dates from the producer settlement fund. Evidence will be taken at the hearing to determine whether marketing conditions exist that warrant omission of a recommended decision for any of the proposals.

The hearing notice appears as a proposed rule in the September 22, 2004, Federal Register. The hearing was delayed from October 18, 2004 and a notice of the delay was published on October 18, 2004 in the Federal Register. Copies of the hearing notice can be obtained from the USDA/AMS/Dairy Programs, STOP 0231, Rm. 2971, 1400 Independence Ave., SW, Washington, DC 20250-0231. The hearing notice is available on the AMS Web site at: <http://www.ams.usda.gov/dairy>.

The hearing notice and information about the hearing is available by writing the market administrator office as follows: Donald R. Nicholson, USDA/AMS/Dairy Programs, P.O. Box 14650, Shawnee Mission, KS 66285-4650, by phoning (913) 495-9300 or by e-mail at market.administrator@fmmcentral.com. ♦

USDA SETS HEARING ON PROPOSED AMENDMENTS TO THE APPALACHIAN, FLORIDA, AND SOUTHEAST FEDERAL MILK MARKETING ORDERS

On September 30, 2004, the U. S. Department of Agriculture announced that a public hearing will be held, on an emergency basis, to consider a proposal to amend the Appalachian, Florida, and Southeast Federal milk marketing orders. The hearing was held on Thursday, October 7, 2004.

The hearing considered a proposal that would implement a temporary supplemental charge on Class I milk which would be disbursed through a marketwide service payment provision in the three Southeastern orders. The proposal would help dairy cooperatives and dairy manufacturers offset some of the financial losses experienced as a

result of recent hurricanes. Evidence was taken at the hearing to determine whether marketing conditions exist that warrant omission of a recommended decision for the proposal.

The hearing notice appears in the September 30th 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, DC 20250-0231. The hearing notice is also available on AMS' web site, at: www.ams.usda.gov/dairy.

The hearing notice and information about the hearing is available from the following market administrator offices:

Appalachian: Harold H. Friedly
USDA/AMS/Dairy Programs
P.O. Box 18030, Louisville, KY 40261-0030
Tel. (502) 499-0040
e-mail: friedly@malouisville.com

Florida and Southeast: Sue L. Mosley
USDA/AMS/Dairy Programs
P.O. Box 491778, Lawrenceville, GA 30049
Tel. (770) 682-2501;
e-mail: smosley@fmmatlanta.com ♦

CCC PURCHASES, FISCAL YEAR 2004

During the fiscal year October 1, 2003-September 30, 2004, the Commodity Credit Corporation (CCC) purchased 255.6 million pounds of nonfat dry milk but no cheese or butter under the dairy price support program. The nonfat dry milk purchases does not include 106.6 million pounds purchased under the Export Donation Program under invitation 080. Nonfat dry milk purchases decreased 368.3 million pounds from the previous fiscal year. The 2003/04 purchases compared to no butter or cheese, and 623.9 million pounds of nonfat dry milk during 2002/03 fiscal year. ♦

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	Sep 2004	Aug 2004	Sep 2003	Sep 2004	Aug 2004	Sep 2003	Sep 2004	Aug 2004	Sep 2003	
Minimum Class Prices (3.5% B.F.)										
Class I Milk (\$/cwt.)	\$15.84	\$16.52	\$15.61	No data available. FO 135 was terminated effective April 1, 2004.		\$15.61	\$16.29	\$16.97	\$16.06	
Class II Milk (\$/cwt.)	13.66	13.13	10.76			10.76	13.66	13.13	10.76	
Class III Milk (\$/cwt.)	14.72	14.04	14.30			14.30	14.72	14.04	14.30	
Class IV Milk (\$/cwt.)	13.00	12.46	10.05			10.05	13.00	12.46	10.05	
Producer Prices										
Producer Price Differential (\$/cwt.)	\$(0.28)	\$ 0.11	\$(1.76)			\$(0.90)	+	+	+	
Butterfat (\$/pound)	1.9354	1.7941	1.2218			1.2218	+	+	+	
Protein (\$/pound)	2.5431	2.4663	3.3180			3.3180	+	+	+	
Other Solids (\$/pound)	0.0589	0.0676	0.0170			0.0170	+	+	+	
Uniform Skim Price (\$/cwt.) . . .	+	+	+			+	8.79	8.34	9.98	
Uniform Butterfat Price (\$/pound)	+	+	+		+	1.9128	1.8615	1.2431		
Statistical Uniform Price (\$/cwt.) . .	\$14.44	\$14.15	\$12.54		\$13.40	\$15.18	\$14.56	\$13.98		
Producer Data										
Number of Producers	845 *	891	692		527	93 *	93	106		
Avg. Daily Production (lbs.)	18,984 *	22,439	17,904		10,630	77,967 *	77,048	69,816		
Number of Handlers										
Pool Handlers	29	29	26		17	5	5	6		
Producer-Handlers	7 *	7	8		5	2 *	2	2		
Other Plants w/ Class I Use	23 *	23	18		20	30 *	30	33		
Producer Milk Ratios										
Class I	37.89%	28.44%	46.67%		56.33%	37.82%	37.06%	35.82%		
Class II	7.63%	6.90%	8.55%		14.99%	10.65%	10.82%	10.16%		
Class III	17.59%	34.26%	0.79%		2.43%	40.38%	34.00%	40.79%		
Class IV	36.89%	30.40%	43.99%		26.25%	11.15%	18.12%	13.23%		

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

	Aug 2004	Jul 2004	Aug 2003	Aug 2004	Jul 2004	Aug 2003	Aug 2004	Jul 2004	Aug 2003
Producer-Handler Data									
Production	20,073,882	21,084,006	23,501,745	No data available. FO 135 was terminated effective April 1, 2004.		2,367,570	R	R	R
Class I Use	16,472,221	17,183,783	17,938,642			1,417,161	R	R	R
% Class I Use	82.06%	81.50%	76.33%			59.86%	R	R	R
Class I Route Disposition In Area									
By Pool Plants	155,529,721	155,672,843	154,626,293		68,016,795	77,082,824	71,045,045	74,969,209	
By Producer-Handlers	15,492,724	15,880,090	17,966,567		1,447,751	1/	1/	1/	
By Other Plants	3,418,305 *	2,549,090	2,578,675		3,802,352	30,784,731 *	32,700,232	33,730,610	
Total	174,440,750	174,102,023	175,171,535		73,266,898	107,867,555	103,745,277	108,699,819	

* Preliminary.

R = Restricted. Not included.

1/ Restricted. Included with other plants.

MONTHLY STATISTICAL SUMMARY

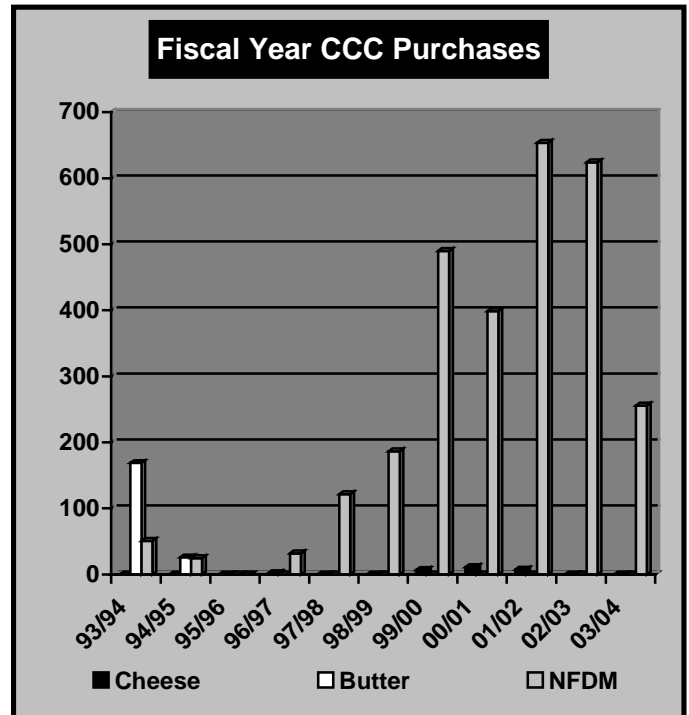
(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST			WESTERN			ARIZONA-LAS VEGAS			
	Sep 2004	Aug 2004	Sep 2003	Sep 2004	Aug 2004	Sep 2003	Sep 2004	Aug 2004	Sep 2003	
TOTAL PRODUCER MILK	481,232,360	619,800,378	371,686,360	No data available. FO 135 was terminated April 1, 2004.	168,058,351	217,527,462	222,128,323	222,014,931		
RECEIPTS FROM OTHER SOURCES	136,308,717	20,438,454	32,948,291		10,782,525	6,838,144	6,665,184	4,977,948		
OPENING INVENTORY	30,730,395	29,964,099	31,330,665		16,974,072	12,761,344	11,922,150	12,463,767		
TOTAL TO BE ACCOUNTED FOR	648,271,472	670,202,931	435,965,316		195,814,948	237,126,950	240,715,657	239,456,646		
UTILIZATION OF RECEIPTS										
Whole milk	29,703,340	29,501,671	27,415,263		12,280,080	19,937,053	20,260,155	22,596,389		
Flavored milk & milk drinks	11,678,896	7,604,190	11,494,867		6,568,170	6,136,022	5,280,022	6,682,805		
2% milk	68,091,902	68,495,136	65,710,377		27,881,102	29,350,494	30,993,354	27,711,174		
1% milk	24,826,573	22,937,279	21,342,103		13,321,686	10,034,355	9,778,629	9,382,191		
Skim milk	26,120,499	25,640,612	24,780,957		8,249,718	10,249,153	10,222,739	9,501,780		
Buttermilk	1,305,293	1,350,833	1,423,789	564,666	521,938	547,925	518,388			
CLASS I ROUTE DISP. IN AREA	161,726,503	155,529,721	152,167,356	68,865,422	76,229,015	77,082,824	76,392,727			
Class I dispositions out of area	14,473,226	13,275,000	13,351,050	26,257,869	3,960,672	3,838,527	4,201,525			
Other Class I usage	22,157,203	21,784,308	23,175,460	14,551,259	9,132,661	6,698,456	6,748,418			
TOTAL CLASS I USE	198,356,932	190,589,029	188,693,866	109,674,550	89,322,348	87,619,807	87,342,670			
TOTAL CLASS II USE	46,799,127	54,323,244	40,701,749	32,035,551	24,023,134	24,887,172	23,154,013			
TOTAL CLASS III USE	201,844,479	215,847,523	3,327,315	4,386,761	88,420,783	76,166,999	91,280,261			
TOTAL CLASS IV USE	201,270,934	209,443,135	203,242,386	49,718,086	35,360,685	52,041,679	37,679,702			
TOTAL ACCOUNTED FOR	648,271,472	670,202,931	435,965,316	195,814,948	237,126,950	240,715,657	239,456,646			
CLASSIFICATION OF RECEIPTS										
Producer milk: Class I	182,378,520	176,297,263	173,467,553	94,669,764	82,281,131	82,314,611	79,544,907			
Class II	36,700,704	42,758,887	31,790,774	25,187,554	23,160,129	24,036,951	22,549,233			
Class III	84,635,442	212,335,236	2,926,315	4,086,848	87,835,314	75,527,128	90,557,808			
Class IV	177,517,694	188,408,992	163,501,718	44,114,185	24,250,888	40,249,633	29,362,983			
Other receipts: Class I	15,978,412	14,291,766	15,226,313	15,004,786	19,599,488	18,587,334	17,441,715			
Class II	10,098,423	11,564,357	8,910,975	6,847,997	1/	1/	1/			
Class III	117,209,037	3,512,287	401,000	299,913	1/	1/	1/			
Class IV	23,753,240	21,034,143	39,740,668	5,603,901	1/	1/	1/			
Avg. daily producer receipts	16,041,079	19,993,561	12,389,545	5,601,945	7,250,915	7,165,430	7,400,498			
Change From Previous Year	29.47%	49.28%	-42.31%	-68.88%	-2.02%	-0.50%	2.95%			
Avg. daily Class I use	6,611,898	6,148,033	6,289,796	3,655,818	2,977,412	2,826,445	2,911,422			
Change From Previous Year	5.12%	2.68%	-1.07%	5.56%	2.27%	1.14%	3.29%			

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- Market Summaries for September 2004
- September 2004 Class Prices
- Class I Price for November 2004
- USDA Announces Final Decision to Amend All Federal Milk Marketing Orders
- Time Extended For the Submission of Additional Proposals Concerning Hearing Requested to Amend All Federal Milk Orders
- USDA Sets Hearing on Proposed Amendments to Central Milk Marketing Order
- USDA Sets Hearing on Proposed Amendments to the Appalachian, Florida, and Southeast Federal Milk Marketing Orders
- CCC Purchases, Fiscal Year 2004



* Source: Dairy Market News, Volume 71, Report 39