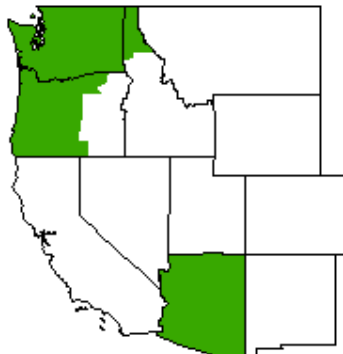


Pacific Northwest & Arizona Marketing Areas



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James R. Daugherty
 Market Administrator

October 2006

MARKET SUMMARIES FOR SEPTEMBER 2006

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

Pacific Northwest

Producers delivered a total of 487.9 million pounds of milk to the market during September. Daily deliveries averaged 16.3 million pounds, down 30.5 percent from August. An estimated 607 producers delivered milk to the

market during the month. Daily deliveries per producer averaged 26,795 pounds, down 6.8 percent from August.

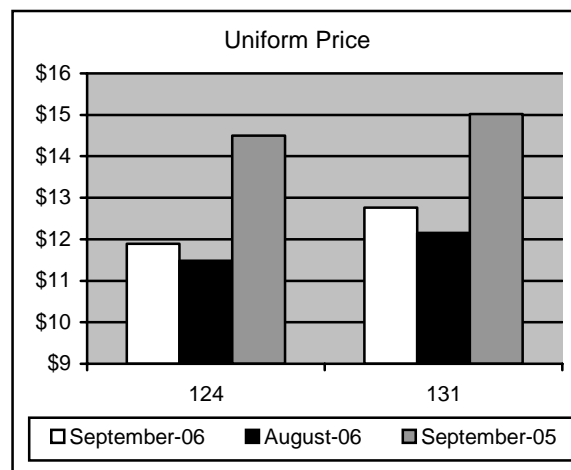
Class I producer milk during September totaled 190.5 million pounds, 39.0 percent of total producer receipts. Daily usage averaged 6.4 million pounds, up 3.9 percent from August.

Arizona

Producers delivered a total of 249.9 million pounds of milk to the market during September. Daily deliveries averaged 8.3 million pounds, down 0.8 percent from August. An estimated 92

producers delivered milk to the market during the month. Daily deliveries per producer averaged 90,544 pounds, down 0.8 percent from August.

Class I producer milk during September totaled 115.4 million pounds, 46.2 percent of total producer receipts. Daily usage averaged 3.8 million pounds, down 0.3 percent from August. ♦



Federal Order Producer Prices and Component Levels: September 2006

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	11.89	12.76	Butterfat	3.669	3.611
Butterfat 2/	1.4191	1.3884	Protein	3.100	N/A
Protein 2/	2.1346	N/A	Other Solids	5.680	N/A
Other Solids 2/	0.1649	N/A	Nonfat Solids	8.780	N/A
PPD 1/*	(0.40)	N/A			
Skim 1/	N/A	8.19			

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

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SEPTEMBER 2006 CLASS PRICES

September 2006 non-advanced Class Prices were calculated using NASS commodity price surveys from September 2, 9, 16, and 23, 2006. Component prices for the month are \$2.1346 per pound of protein, \$1.4191 per pound of butterfat, \$0.1649 per pound of other solids, and \$0.7066 per pound of nonfat solids.

September 2006 Class III and IV prices at 3.5% butterfat are \$12.29 and \$11.10 per hundredweight, respectively. The September Class III price compared to August is up \$1.23. The Class III price is \$2.01 lower than September 2005. The Class III price at 3.67% butterfat is \$2.62 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.4261 per pound. Class I skim and butterfat and Class II skim prices for September 2006 were announced on August 18, 2006. The Class II price at 3.5% butterfat is \$11.74 for September 2006.

FINAL: NASS COMMODITY PRICES

	August	September	Change
Cheese*	\$1.1813	\$1.2912	\$0.1099
Butter	\$1.1990	\$1.2976	\$0.0986
Nonfat Dry Milk	\$0.8484	\$0.8537	\$0.0053
Whey	\$0.2965	\$0.3191	\$0.0226

* 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 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 4.28 cents between the September 16 and the October 14 surveys, to \$1.2464 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 3.45 cents to \$1.2681 per pound.

The NASS butter price showed a net decrease of 0.65 cents between the weeks ending September 16 and October 14 from \$1.2948 per pound to \$1.2883 per pound.

The NASS nonfat dry milk showed a net increase of 3.66 cents since mid-September to \$0.8939 per pound. The average price for NASS whey showed an increase of 3.49 cents since mid-September to \$0.3526 per pound. ♦

NOVEMBER'S CLASS I PRICE ANNOUNCEMENT

On October 20, the November 2006 Class I price was announced at \$14.30 for the Pacific Northwest Order and \$14.75 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of October 7 and 14.

The November Class III and IV advance skim prices are \$7.77 and \$6.67 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 2.03 cents from \$1.4207 to \$1.4004 per pound.

The November 2006 Class II skim and nonfat solids prices were also announced on October 20. The skim price is \$7.37 per hundredweight, and the nonfat solids price is \$0.8189 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	October	November	Change
Cheese*	\$1.3063	\$1.2846	-\$0.0217
Butter	\$1.2989	\$1.2820	-\$0.0169
Nonfat Dry Milk	\$0.8542	\$0.8891	\$0.0349
Whey	\$0.3162	\$0.3500	\$0.0338

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

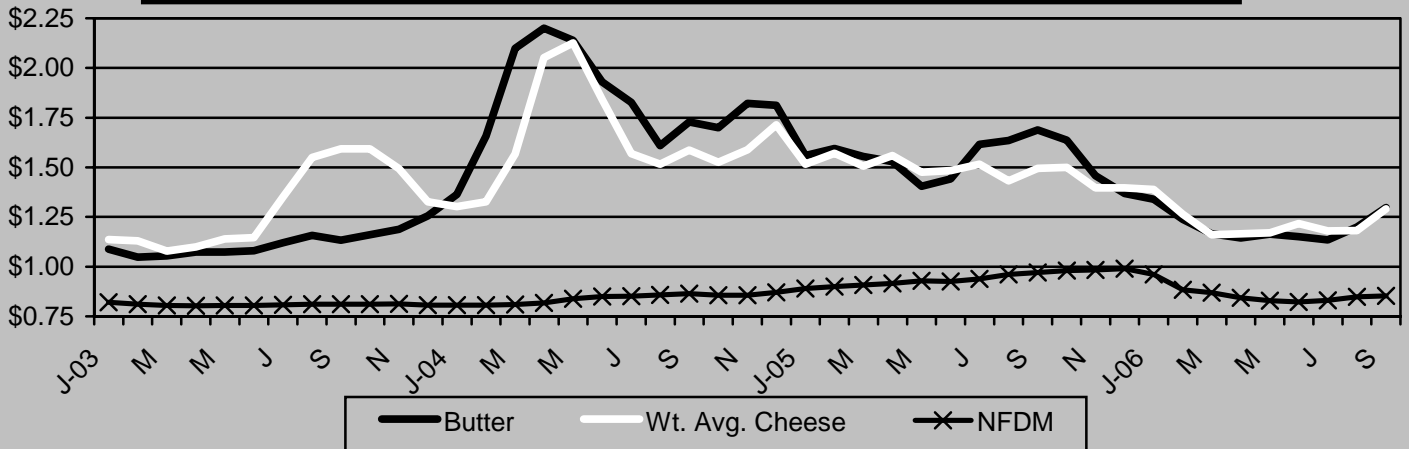
JOHANN'S NAMES MEMBERS TO NATIONAL DAIRY BOARD

On October 4, 2006, Agriculture Secretary Mike Johanns announced the appointment of seven new members and reappointment of five incumbents to the National Dairy Promotion and Research Board. All will serve three-year terms from November 1, 2006, through October 31, 2009.

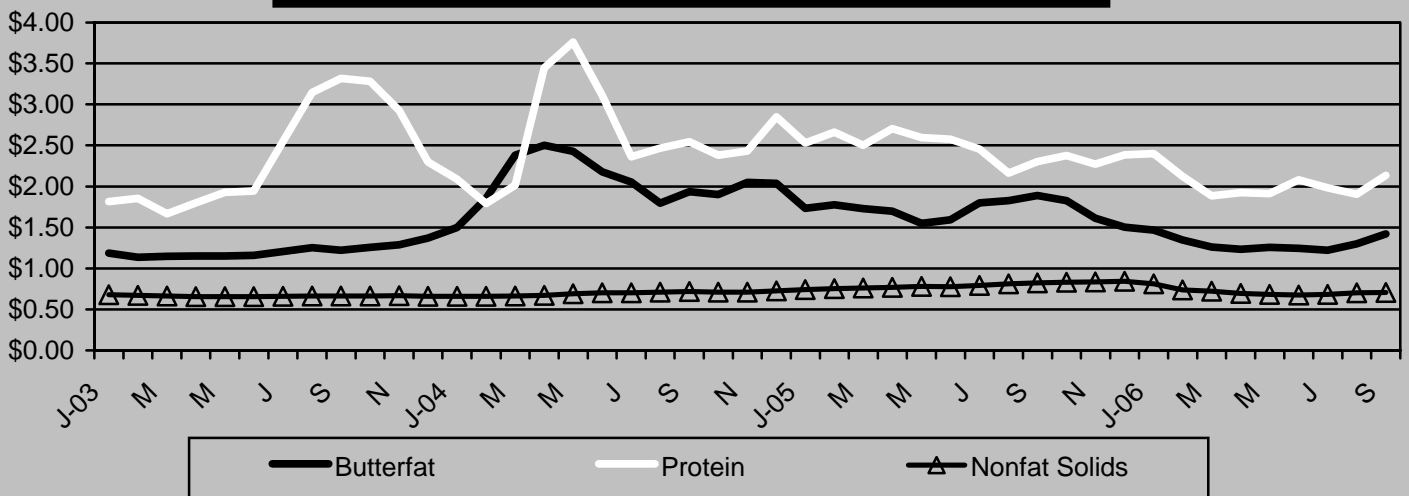
Newly appointed were: Lawrence A. Hancock, Muleshoe, Texas (Region 4); Paul L. Kent, Mora, Minnesota (Region 5); Peter J. Kappelman, Two Rivers, Wisconsin (Region 6); Randy G. Roecker, Loganville, Wisconsin (Region 6); Larry G. Purdom, Purdy, Missouri (Region 7); Rita P. Kennedy, Valencia, Pennsylvania (Region 11); and Sanford Stauffer, Nicholville, New York (Region 12).

Reappointed to serve second terms were: Elizabeth I. Anderson, Onalaska, Washington (Region 1); Mary E. Cameron, Hanford, California (Region 2); Kimberly K. Clauss, Hilmar, California (Region 2); William C. Stouder, Wendell, Idaho

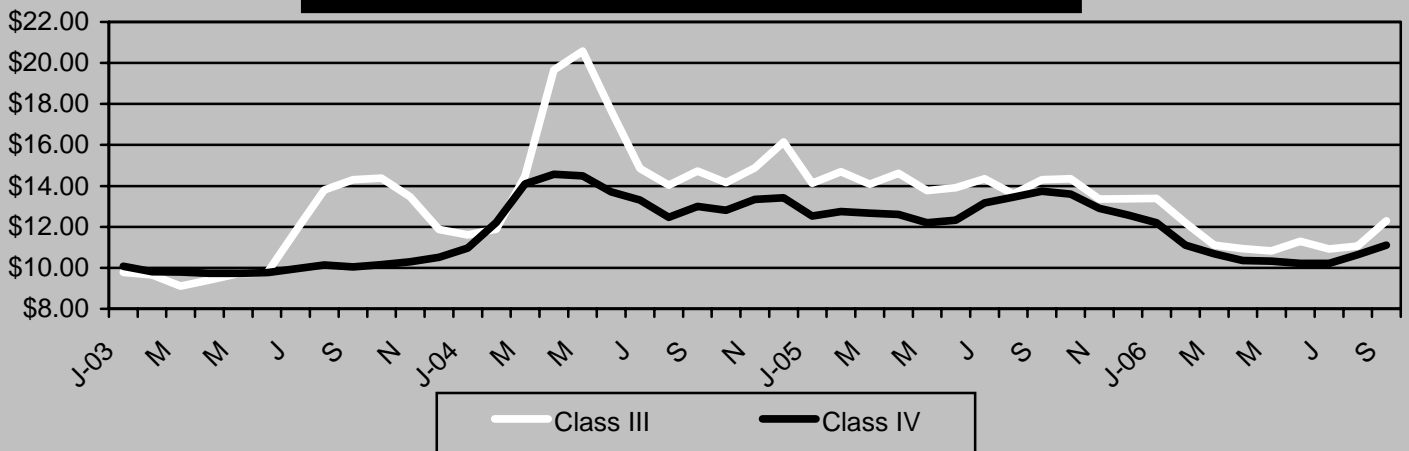
**NASS Monthly Butter, Weighted Average Cheese, and Nonfat Dry Milk Prices
January 2003 through September 2006**



**Federal Order Butterfat, Protein, and Nonfat Solids Prices
January 2003 through September 2006**



**Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2003 through September 2006**



(Region 3); and Donald E. Gurtner, Fremont, Indiana (Region 9).

The National Dairy Promotion and Research Board, composed of 36 dairy farmers representing 13 regions of the contiguous United States, administers a coordinated program of promotion, research and nutrition education.

The board was established by the Dairy Production Stabilization Act of 1983. It is authorized to design programs to strengthen the dairy industry's position in domestic and foreign markets. The national program is financed by a mandatory 15-cent per hundredweight assessment on milk produced in the contiguous 48 states and marketed commercially by dairy farmers. USDA's Agricultural Marketing Service monitors the operation of the board.

AMS encourages all eligible individuals to participate in its committee and board activities. It is USDA's policy that membership on industry-governed boards and committees accurately reflect the diversity of individuals served by the programs.

◆

USDA SEEKS NOMINATIONS FOR NATIONAL FLUID MILK BOARD

The U.S. Department of Agriculture is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint seven individuals from those nominated to succeed members whose terms expire June 30, 2007. Newly appointed or reappointed members will serve three-year terms from July 1, 2007, through June 30, 2010.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, there are four at-large processor members and one member from the general public.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market commercially in consumer-type packages more

than 3,000,000 pounds of fluid milk products per month in the contiguous 48 states and the District of Columbia, excluding those fluid milk products delivered directly to consumer residences.

USDA will accept nominations for board representation in five geographic regions and two at-large processor positions. Nominees must be active owners or employees of a fluid milk processor. The geographic regions are: Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont); Region 4 (Georgia, North Carolina, and South Carolina); Region 7 (Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin); Region 10 (Texas); and Region 13 (Idaho, Montana, Oregon, Washington, and Wyoming). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk, and for at-large members.

To nominate an individual, please submit originals of both the nomination form and a signed background form for each nominee by November 3, 2006, to:

Promotion and Research Branch, Dairy Programs
USDA, AMS, MRP
1400 Independence Ave., S.W., Stop 0233
Room 2958-S,
Washington, D.C. 20250-0233.

To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at <http://www.ams.usda.gov/Dairy>. ◆

USDA APPOINTS BURTON ELLER AS DEPUTY UNDER SECRETARY FOR MARKETING AND REGULATORY PROGRAMS

On September 22, 2006, J. Burton Eller, Jr. was announced as the Deputy Under Secretary for Marketing and Regulatory Programs (MRP).

Eller will assist Under Secretary Bruce Knight and work with Deputy Under Secretary Dr. Chuck Lambert to oversee the management of USDA's MRP mission area. MRP agencies are active participants in setting national and international agricultural standards. USDA agencies that make up the MRP mission area include the Agricultural Marketing Service (AMS); Animal and Plant Health

Inspection Service; and Grain Inspection, Packers and Stockyards Administration.

Before being appointed Deputy Under Secretary, Eller served as Director of the Office of External Affairs for USDA's Farm Service Agency (FSA) where he oversaw the daily operations of FSA's Executive Secretariat, Freedom of Information Act, Public Affairs and Communications and Legislative Liaison offices. From 1999 to 2003, he was President and Chief Executive Officer of the Textile Rental Services Association of America.

Eller grew up on a livestock farm in Marion, Virginia, which he still maintains. He holds a bachelor's degree in animal science and a Master's degree in physiology from Virginia Tech. ♦

purchases compared to no butter or cheese, and 31.8 million pounds of nonfat dry milk during 2004/05 fiscal year. ♦

* Source: Dairy Market News, Volume 73, Report 39

CCC PURCHASES, FISCAL YEAR 2006

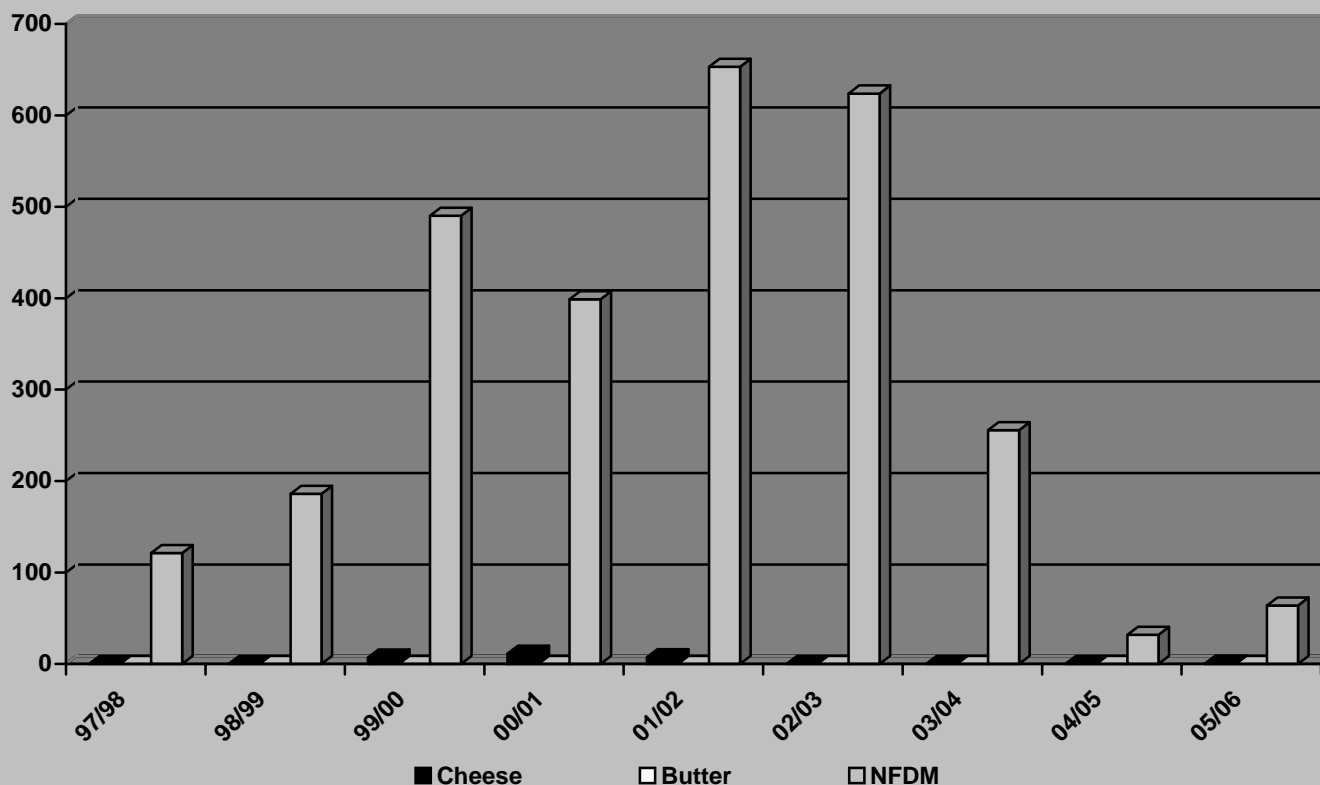
During the fiscal year October 1, 2005-September 30, 2006, the Commodity Credit Corporation (CCC) purchased 64.0 million pounds of nonfat dry milk and 198,000 pounds of cheese but no butter under the dairy price support program. Nonfat dry milk purchases increased 32.2 million pounds from the previous fiscal year. The 2005/06

(Continued from Page 8)

identification information will be entered into the Mexican animal identification system for purposes of maintaining these animals under bovine spongiform encephalopathy (BSE) surveillance.

Mexico closed its market to U.S. dairy heifers following the December 2003 find of BSE in Washington state. In March 2004, Mexico opened its market to boneless U.S. beef from animals under 30 months of age, and in February 2006, the country opened its market to U.S. bone-in beef from animals under 30 months of age. In 2003, the United States exported \$ 6.9 million worth of dairy heifers to Mexico. ♦

Fiscal Year CCC Purchases



MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	Sep 2006	Aug 2006	Sep 2005	Aug 2005	Sep 2006	Aug 2006	Sep 2005	Aug 2005
Class I Milk (\$/cwt.)	\$12.75	\$12.87	\$15.60	\$16.34	\$13.20	\$13.32	\$16.05	\$16.79
Class II Milk (\$/cwt.)	11.74	11.16	14.35	13.95	11.74	11.16	14.35	13.95
Class III Milk (\$/cwt.)	12.29	11.06	14.30	13.60	12.29	11.06	14.30	13.60
Class IV Milk (\$/cwt.)	11.10	10.64	13.75	13.44	11.10	10.64	13.75	13.44
Producer Prices								
Producer Price Differential (\$/cwt.)	\$(0.40)	\$ 0.42	\$ 0.20	\$ 0.78	+	+	+	+
Butterfat (\$/pound)	1.4191	1.3008	1.8872	1.8246	+	+	+	+
Protein (\$/pound)	2.1346	1.9050	2.3009	2.1619	+	+	+	+
Other Solids (\$/pound)	0.1649	0.1416	0.1411	0.1317	+	+	+	+
Uniform Skim Price (\$/cwt.) . . .	+	+	+	+	8.19	7.93	8.77	8.74
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.3884	1.2864	1.8728	1.8347
Statistical Uniform Price (\$/cwt.) . .	\$11.89	\$11.48	\$14.50	\$14.38	\$12.76	\$12.15	\$15.02	\$14.86
Producer Data								
Number of Producers	607 *	814	862	865	92 *	92	85	85
Avg. Daily Production (lbs.)	26,795 *	28,751	24,492	24,554	90,544 *	91,295	85,420	83,786
Number of Handlers								
Pool Handlers	26	29	26	26	7	7	5	5
Producer-Handlers	6 *	6	9	9	1 *	1	3	3
Other Plants w/ Class I Use	23 *	23	20	21	23 *	23	27	27
Producer Milk Ratios								
Class I	39.05%	26.12%	29.38%	26.00%	46.18%	45.95%	39.64%	37.50%
Class II	8.51%	7.02%	5.57%	6.69%	8.17%	9.42%	10.97%	12.96%
Class III	6.39%	32.88%	27.41%	27.35%	41.06%	34.53%	36.31%	45.61%
Class IV	46.05%	33.98%	37.64%	39.96%	4.59%	10.10%	13.08%	3.93%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Aug 2006	Jul 2006	Aug 2005	Jul 2005	Aug 2006	Jul 2006	Aug 2005	Jul 2005
Production	21,424,814	21,556,262	38,512,454	38,026,250	R	R	R	R
Class I Use	16,354,734	17,157,906	29,572,011	27,178,837	R	R	R	R
% Class I Use	76.34%	79.60%	76.79%	71.47%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	168,622,464	157,594,413	150,453,918	148,922,449	102,033,764	92,973,501	79,222,271	74,016,156
By Producer-Handlers	7,959,066	7,703,623	20,443,974	19,424,414	1/	1/	1/	1/
By Other Plants	4,846,479 *	3,903,077	3,130,591	2,497,736	4,711,371 *	3,904,207	28,966,886	27,373,060
Total	181,428,009	169,201,113	174,028,483	170,844,599	106,745,135	96,877,708	108,189,157	101,389,216

* 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/			
	Sep 2006	Aug 2006	Sep 2005	Aug 2005	Sep 2006	Aug 2006	Sep 2005	Aug 2005
TOTAL PRODUCER MILK	487,936,887	725,511,094	633,363,684	658,409,801	249,902,608	260,372,400	217,820,732	220,775,044
RECEIPTS FROM OTHER SOURCES	16,345,339	24,612,912	20,773,655	26,146,830	3,667,711	4,168,566	23,954,350	41,300,507
OPENING INVENTORY	27,155,200	28,787,938	28,138,722	31,692,564	16,576,546	20,249,447	14,082,353	17,733,756
TOTAL TO BE ACCOUNTED FOR	531,437,426	778,911,944	682,276,061	716,249,195	270,146,865	284,790,413	255,857,435	279,809,307
UTILIZATION OF RECEIPTS								
Whole milk	34,077,180	34,961,986	29,954,544	29,695,205	29,661,444	30,565,586	19,862,915	19,949,442
Flavored milk & milk drinks	12,585,116	7,626,034	12,005,541	7,079,762	7,486,471	7,043,616	6,113,111	5,577,701
2% milk	68,281,183	70,476,139	65,584,424	64,059,723	32,044,132	37,848,739	30,928,536	31,780,866
1% milk	27,069,180	25,808,679	24,829,564	22,701,236	13,543,571	13,188,425	11,434,450	10,876,473
Skim milk	27,820,557	28,231,298	26,178,743	25,533,891	17,273,281	12,908,574	10,791,710	10,563,801
Buttermilk	1,389,548	1,518,328	1,301,328	1,384,101	462,794	478,824	456,171	473,988
CLASS I ROUTE DISP. IN AREA.	171,222,764	168,622,464	159,854,144	150,453,918	100,471,693	102,033,764	79,586,893	79,222,271
Class I dispositions out of area	17,856,752	16,111,229	15,483,448	14,751,645	14,352,376	15,334,033	4,750,294	4,732,304
Other Class I usage	17,797,721	19,739,033	24,461,553	19,500,079	11,524,593	10,644,828	8,838,058	6,561,826
TOTAL CLASS I USE.	206,877,237	204,472,726	199,799,145	184,705,642	126,348,662	128,012,625	93,175,245	90,516,401
TOTAL CLASS II USE	46,346,060	57,008,079	42,471,339	51,380,525	21,695,579	25,478,101	24,939,586	29,638,960
TOTAL CLASS III USE	31,183,586	243,795,500	182,913,399	191,040,183	103,206,608	90,595,021	79,609,004	101,990,188
TOTAL CLASS IV USE	247,030,543	273,635,639	257,092,178	289,122,845	18,896,016	40,704,666	58,133,600	57,663,758
TOTAL ACCOUNTED FOR	531,437,426	778,911,944	682,276,061	716,249,195	270,146,865	284,790,413	255,857,435	279,809,307
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I	190,533,143	189,438,076	186,073,679	171,202,204	115,373,758	119,631,932	86,320,883	82,775,511
Class II	41,521,413	50,959,413	35,297,840	44,017,981	20,425,195	24,528,892	23,903,890	28,620,085
Class III	31,183,586	238,556,831	173,596,993	180,077,681	102,621,392	89,908,104	79,095,033	100,703,640
Class IV	224,698,745	246,556,774	238,395,172	263,111,935	11,482,263	26,303,472	28,500,926	8,675,808
Other receipts: Class I	16,344,094	15,034,650	13,725,466	13,503,438	20,244,257	24,418,013	38,036,703	59,034,263
Class II	4,824,647	6,048,666	7,173,499	7,362,544	1/	1/	1/	1/
Class III	0	5,238,669	9,316,406	10,962,502	1/	1/	1/	1/
Class IV	22,331,798	27,078,865	18,697,006	26,010,910	1/	1/	1/	1/
Avg. daily producer receipts	16,264,563	23,403,584	21,112,123	21,239,026	8,330,087	8,399,110	7,260,691	7,121,776
Change From Previous Year	-22.96%	10.19%	31.61%	6.23%	14.73%	17.94%	0.13%	-0.61%
Avg. daily Class I use	6,895,908	6,595,894	6,659,972	5,958,247	4,211,622	4,129,440	3,105,842	2,919,884
Change From Previous Year	3.54%	10.70%	0.73%	-3.09%	35.60%	41.42%	4.31%	3.31%

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 September 2006
- September 2006 Class Prices
- Class I Price for November 2006
- Johanns Names Members to National Dairy Board
- USDA Seeks Nominations for National Fluid Milk Board
- USDA Appoints Burton Eller as Deputy Under Secretary for Marketing and Regulatory Programs
- CCC Purchases, Fiscal Year 2006
- Mexico Opens Markets to U.S. Dairy Heifers

MEXICO OPENS MARKETS TO U.S. DAIRY HEIFERS

On October 4, 2006, Agriculture Secretary Mike Johanns announced that Mexico will resume trade in U.S. dairy heifers under 24 months of age.

"I am pleased with this first step in reestablishing cattle trade with Mexico, but I remain committed to a broader resumption of cattle trade between our countries," said Johanns. "My goal is to restore the once-vibrant live cattle commerce between the United States and Mexico and to do so in accordance with science-based international guidelines."

Under the agreement, U.S. producers will be able to export dairy heifers to Mexico that are under 24 months of age and registered with a purebred dairy breed association or the Dairy Herd Improvement Association, a national dairy producer cooperative. Shipments to Mexico can begin on October 4. The dairy heifers will be individually identified as they depart the United States. Their

(Continued on Page 5)