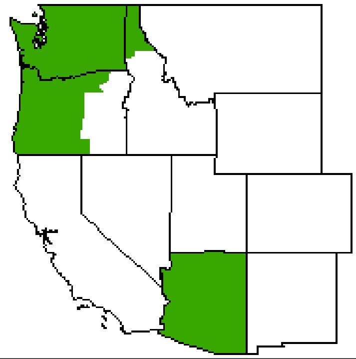
The Market Administrator's Report

Pacific Northwest & Arizona 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

James R. Daugherty
Market Administrator



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

October 2007

MARKET SUMMARIES FOR SEPTEMBER 2007

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

Pacific Northwest

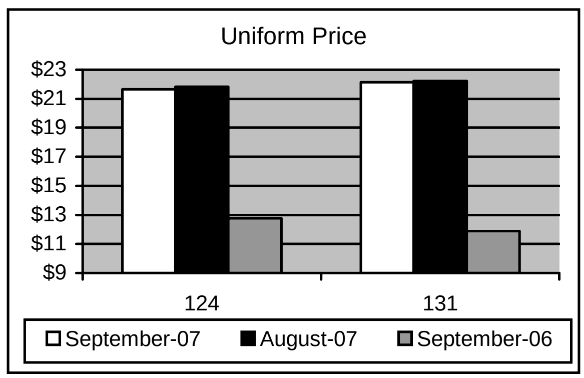
Producers delivered a total of 567.6 million pounds of milk to the market during September. Daily deliveries averaged 18.9 million pounds, down 1.7 percent from August. An estimated 689 producers delivered milk to the market during the month. Daily deliveries per producer averaged 27,462 pounds, down 5.1 percent from August.

Class I producer milk during September totaled 178.4 million pounds, 31.4 percent of total producer receipts. Daily usage averaged 5.9 million pounds, down 2.0 percent from August.

Arizona

Producers delivered a total of 282.6 million pounds of milk to the market during September. Daily deliveries averaged 9.4 million pounds, up 0.7 percent from August. An estimated 93 producers delivered milk to the market during the month. Daily deliveries per producer averaged 101,281 pounds, up 0.7 percent from August.

Class I producer milk during September totaled 111.0 million pounds, 39.3 percent of total producer receipts. Daily usage averaged 3.6 million pounds, down 3.5 percent from August. ♦



Federal Order Producer Prices and Component Levels: September 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	21.65	22.15	Butterfat	3.679	3.533
Butterfat 2/	1.5101	1.5457	Protein	3.095	N/A
Protein 2/	4.3929	N/A	Other Solids	5.744	N/A
Other Solids 2/	0.2890	N/A	Nonfat Solids	8.839	N/A
PPD 1/*	1.58	N/A			
Skim 1/	N/A	17.35			

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

SEPTEMBER 2007 CLASS PRICES

September 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from September 1, 8, 15, 22 and 29, 2007. Component prices for the month are $4.3929 per pound of protein, $1.5101 per pound of butterfat, $0.2890 per pound of other solids, and $1.8797 per pound of nonfat solids.

September 2007 Class III and IV prices at 3.5% butterfat are $20.07 and $21.61 per hundredweight, respectively. The September Class III price compared to August is up $0.24; the Class IV price is down $0.26. The Class III price is $7.78 higher than in September 2006 and the Class IV price is $10.51 higher. The Class III price at 3.67% butterfat is $10.40 above the support price of $9.90 at 3.67% butterfat.

Class II butterfat was announced at $1.5171 per pound. Class I skim and butterfat and Class II skim prices for September 2007 were announced on August 17, 2007. The Class II price at 3.5% butterfat is $22.16 for September 2007.

FINAL: NASS COMMODITY PRICES

	August	September	Change
Cheese*	$1.9100	$2.0250	$0.1150
Butter	$1.4429	$1.3786	-$0.0643
Nonfat Dry Milk	$2.0545	$2.0557	$0.0012
Whey	$0.6197	$0.4762	-$0.1435

* 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 prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 14.82 cents between the September 15 and the October 13 surveys, to $1.8968 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 10.46 cents to $1.9257 per pound.

The NASS butter price showed a decrease of 8.97 cents between the weeks ending September 15 and October 13 from $1.3844 per pound to $1.2947 per pound.

The NASS nonfat dry milk showed a net increase of 4.47 cents since mid-September to $2.0865 per pound.

The average price for NASS whey showed a decrease of 6.22 cents since mid-September to $0.4097 per pound.

Graphs of selected commodity, component and Class prices can be found on page 5. ♦

NOVEMBER'S CLASS I PRICE ANNOUNCEMENT

On October 19, the November 2007 Class I price was announced at $23.35 for the Pacific Northwest Order and $23.80 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of October 6 and 13.

The November Class III and IV advance skim prices are $14.37 and $17.04 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 8.91 cents from $1.5209 to $1.4318 per pound.

The November 2007 Class II skim and nonfat solids prices were also announced on October 19. The skim price is $17.74 per hundredweight, and the nonfat solids price is $1.9711 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	October	November	Change
Cheese*	$2.0214	$1.9438	-$0.0776
Butter	$1.3876	$1.3134	-$0.0742
Nonfat Dry Milk	$2.0494	$2.0699	$0.0205
Whey	$0.4885	$0.4111	-$0.0774

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

LETTER OF RESIGNATION FROM SECRETARY JOHANNS TO THE PRESIDENT

September 19, 2007
The Honorable George W. Bush
The White House
Washington, DC

Dear Mr. President,

It has been a great honor to serve you and the American people as Secretary of Agriculture for nearly three years. After careful thought and difficult deliberation, I am writing to inform you that I have decided to pursue a new opportunity to serve this great Nation. Please accept my resignation effective today, September 19, 2007 and my gratitude for the distinct privilege to serve in your Cabinet.

Under your leadership and vision, American agriculture is stronger than ever before in history. Your presidency has had a profoundly positive impact on the lives of Americans in both rural and urban communities.

Farm equity, now at $2 trillion, has increased $200 billion per year for the past several years. The debt-to-asset ratio is the lowest in more than 45 years. Projected 2007 net cash income is a record high $86 billion. The average farm household income is projected at $81,500 this year, nearly $20,000 above the average household income in the U.S. Overall farm balance sheets reveal a strong and growing farm economy.

Agricultural exports are expected to set a fourth consecutive record this year, with a projected value of $79 billion. The strong stance you've taken with international leaders in relation to beef trade has led to the re-opening of more than 40 key markets to U.S. beef. This year, US. Beef exports have increased 18 percent over last year and negotiations are underway to achieve additional market openings.

Your compassion toward the hungry is evidenced in the 70 percent increase in funding for USDA nutrition programs during your presidency. One million additional school children are being served lunch under our program; 700,000 women, infants and children have been added to the WIC program; and nine million additional low-income Americans are participating in the Food Stamp Program. One in five Americans is now touched by the nutrition safety net you have built.

Because of your ambitious conservation goals, for the first time in living memory, America is gaining wetlands instead of losing them. Overall, you have more than doubled the number of acres enrolled in USDA conservation programs, now totaling a remarkable 184 million acres.

I also want to thank you for your direction related to the 2007 farm bill. Your suggestion to talk to as many farmers, ranchers and stakeholders as possible in developing the Administration's 2007 farm bill proposal proved very wise. As you know, their comments formed the foundation of our proposals, which focus our programs while providing unwavering commitment to U.S. agriculture. Nearly 200 newspaper editorials nationwide have applauded the Administration's vision. Several of our ideas are now part of the House-passed farm bill and my hope is that even will be adopted by the Senate.

I can assure you that I leave the farm bill finalization in supremely capable hands. Deputy Secretary Chuck Conner has been intimately involved in the deliberations - from the development of our proposals to his attendance at virtually every hearing during the House markup. Few people are as knowledgeable and insightful about farm bill policy. He is supported by some of the most dedicated civil servants in the federal government.

Mr. President, you should be very proud of the men and women of the U.S. Department of Agriculture. A cornerstone of your leadership is recognizing that people are our greatest resource. You have a gold mine at USDA. It has been my honor to work alongside them.

On a very personal note, I'd like to express my deepest gratitude for your confidence and support. For a farm boy from Iowa, this truly has been an opportunity of a lifetime. As I have often noted, I never dreamed of becoming Secretary of Agriculture as a child because it seemed so far removed from our 160-acre farm. I hope young people growing-up on farms and in rural communities today realize that no dream is too big in America.

Sincerely,
Mike Johanns
♦

Extension of Time to November 5, 2007, to Submit Alternative Proposals to Expand the Pacific Northwest Marketing Area

On August 17, 2007, an Invitation to Submit Proposals for a Public Hearing to Expand the Pacific Northwest Marketing Area was mailed to interested parties upon a request from Northwest Dairy Association and Dairy Farmers of America that the U.S. Department of Agriculture (USDA) hold a public hearing to consider a proposal to expand the boundaries of the Pacific Northwest marketing area and modify certain provisions of the order. The proposal would amend the pooling standards of the order and expand the marketing area to include all of the counties in the states of Washington, Oregon, Idaho, Utah and Lincoln and Uinta counties in Wyoming.

Before deciding whether a hearing would be held, USDA provided the opportunity for interested parties to submit additional proposals regarding the boundaries and pooling provisions of the expanded marketing order. The proposals were to be submitted by no later than October 3, 2007.

A request from Charles M. English, Jr., on behalf of Dean Foods, to extend the time to submit alternative proposals for the Pacific Northwest marketing area expansion was submitted to Dana

Coale, Deputy Administrator, USDA/AMS/Dairy Programs. That request has been posted on the USDA Dairy website.

The request to extend the time to submit alternative proposals has been approved. Proposals should be mailed by no later than November 5, 2007, to: Deputy Administrator, USDA/AMS/Dairy Programs, STOP-0225, Room 2968-S, 1400 Independence Avenue, S.W., Washington, DC 20250-0225. Each proposal should be accompanied by a comprehensive statement on the need for the proposal. The statement will be evaluated to determine whether the proposal will be accepted if a hearing to amend the order is held.

If USDA determines that a hearing will be held, all known interested parties 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. ♦

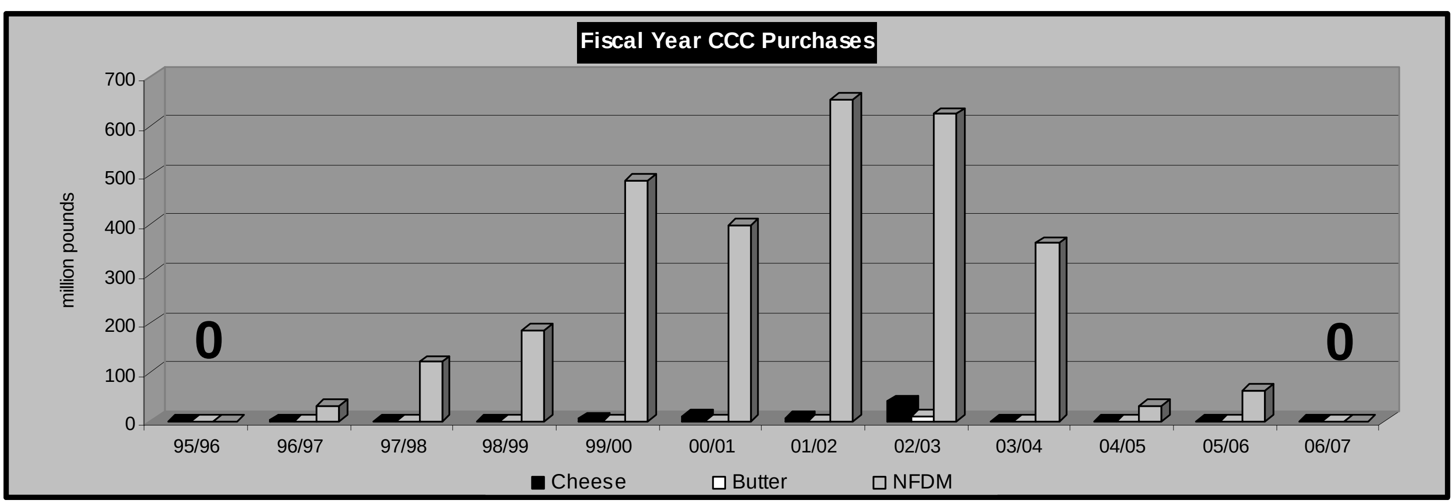
SEPTEMBER 2007 US MIILK PRODUCTION UP 2.6%

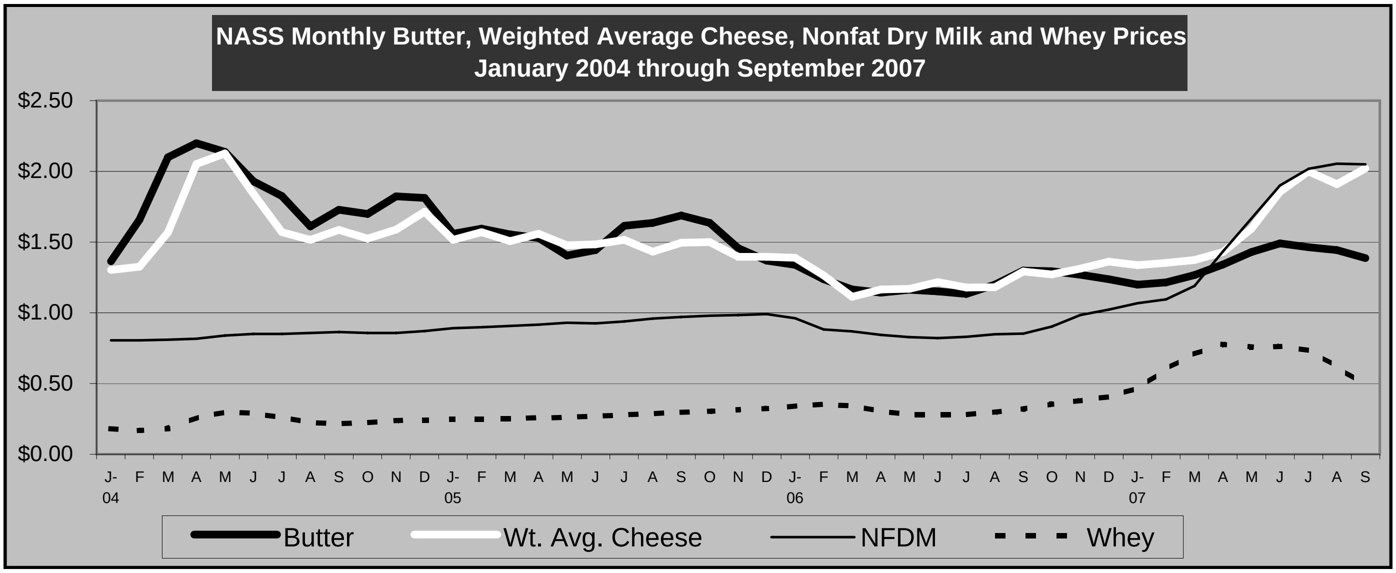
Milk production for September 2007 was up 2.6 percent for the United States compared with September 2006. United States' milk production for September 2007 equaled 14,854 million pounds, 373 million pounds more than last September. Contributing to the 2.6 percent increase from a year ago was an increase in the number of milk cows and an increase in milk per cow. Milk cows increased to 9,163,000 head, up 6,000 from August and 56,000 from a year ago Milk per cow totaled 1,621 pounds, down 76 pounds from August but up 31 pounds from a year ago. The table below shows milk production data for September 2007 for selected states with comparisons to year-ago levels. For the 23 major dairy states, milk production increased 3.1 percent to 13,715 million pounds from year ago levels. The increase was caused by an increase of 91,000 milk cows and a 31 pound increase in milk per cow. ♦

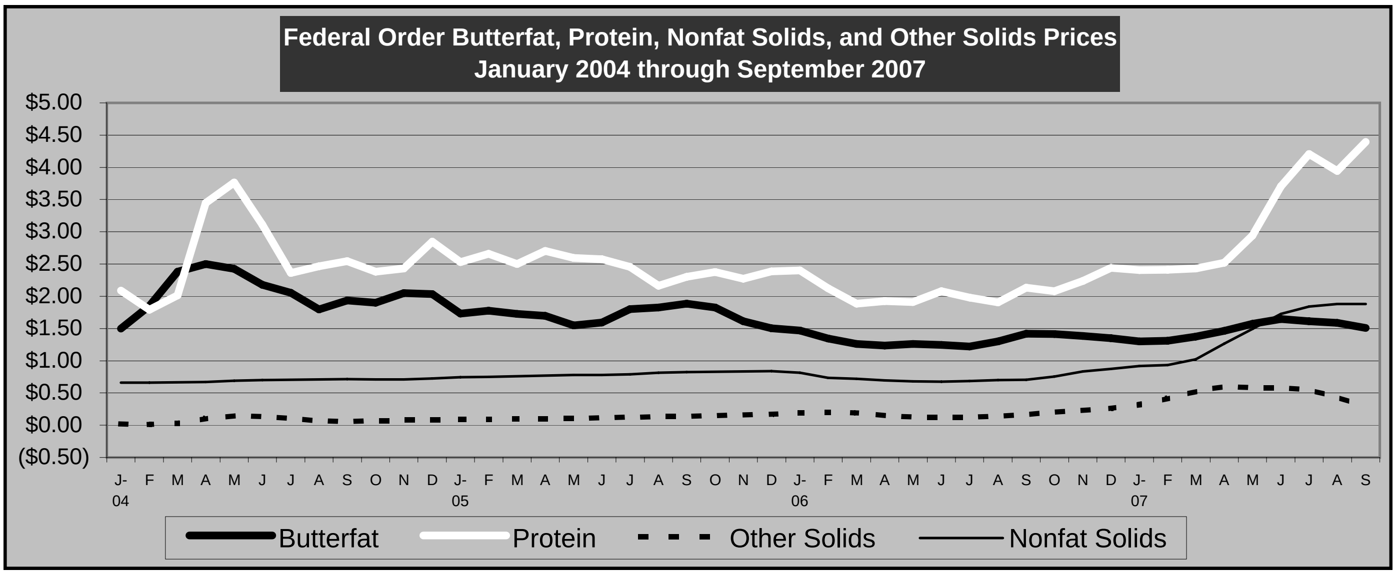
Milk Production
September 2006 – 2007

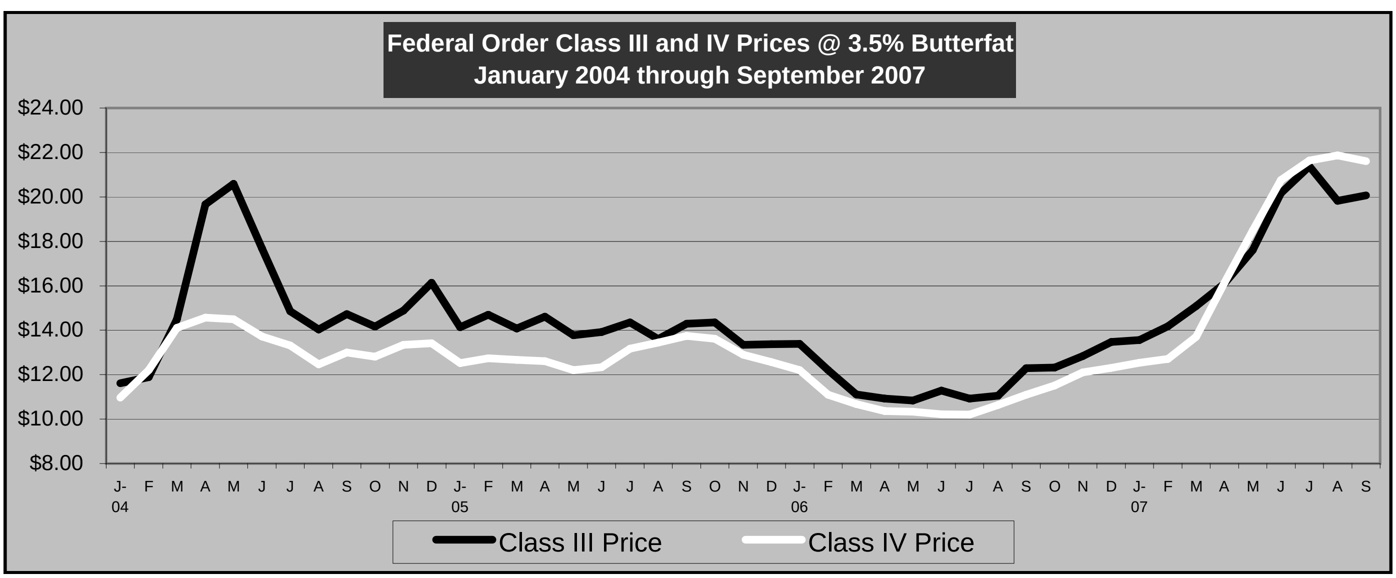
	2006	2007 1/	% Change
	- - million pounds - -		
Arizona	282	310	9.9%
California	3,147	3,252	3.3%
Colorado	214	228	6.5%
Florida	143	145	1.4%
Idaho	924	979	6.0%
Illinois	153	148	-3.3%
Indiana	263	271	3.0%
Iowa	324	342	5.6%
Kansas	184	180	-2.2%
Kentucky	97	90	-7.2%
Michigan	576	622	8.0%
Minnesota	662	681	2.9%
Missouri	136	124	-8.8%
New Mexico	594	605	1.9%
New York	956	983	2.8%
Ohio	392	399	1.8%
Oregon	185	180	-2.7%
Pennsylvania	863	853	-1.2%
Texas	536	571	6.5%
Vermont	204	205	0.5%
Virginia	135	137	1.5%
Washington	446	457	2.5%
Wisconsin	1,891	1,953	3.3%
23 Total	13,307	13,715	3.1%
US	14,481	14,854	2.6%

1/ September 2007 is preliminary.
Source: National Agricultural Statistics Service.




NASS Monthly Butter, Weighted Average Cheese, Nonfat Dry Milk and Whey Prices
January 2004 through September 2007
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
J-04 F M A M J J A S O N D J-05 F M A M J J A S O N D J-06 F M A M J J A S O N D J-07 F M A M J J A S
Butter
Wt. Avg. Cheese
NFDM
Whey


Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2004 through September 2007
$5.00
$4.50
$4.00
$3.50
$3.00
$2.50
$2.00
$1.50
$1.00
$0.50
$0.00
($0.50)
J-04 F M A M J J A S O N D J-05 F M A M J J A S O N D J-06 F M A M J J A S O N D J-07 F M A M J J A S
Butterfat
Protein
Other Solids
Nonfat Solids


Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2004 through September 2007
$24.00
$22.00
$20.00
$18.00
$16.00
$14.00
$12.00
$10.00
$8.00
J-04 F M A M J J A S O N D J-05 F M A M J J A S O N D J-06 F M A M J J A S O N D J-07 F M A M J J A S
Class III Price
Class IV Price

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST Sep 2007	Aug 2007	Sep 2006	Aug 2006	ARIZONA 2/ Sep 2007	Aug 2007	Sep 2006	Aug 2006
Class I Milk ($/cwt.)	$23.81	$23.66	$12.75	$12.87	$24.26	$24.11	$13.20	$13.32
Class II Milk ($/cwt.)	22.16	22.41	11.74	11.16	22.16	22.41	11.74	11.16
Class III Milk ($/cwt.)	22.07	19.83	12.29	11.06	22.07	19.83	12.29	11.06
Class IV Milk ($/cwt.)	21.61	21.87	11.10	10.64	21.61	21.87	11.10	10.64
Producer Prices								
Producer Price Differential ($/cwt.)	$ 1.58	$ 2.01	$(0.40)	$ 0.42	+	+	+	+
Butterfat ($/pound)	1.5101	1.5872	1.4191	1.3008	+	+	+	+
Protein ($/pound)	4.3929	3.9412	2.1346	1.9050	+	+	+	+
Other Solids ($/pound)	0.2890	0.4368	0.1649	0.1416	+	+	+	+
Uniform Skim Price ($/cwt.)	+	+	+	+	17.35	17.23	8.19	7.93
Uniform Butterfat Price ($/pound)	+	+	+	+	1.5457	1.5980	1.3884	1.2864
Statistical Uniform Price ($/cwt.)	$21.65	$21.84	$11.89	$11.48	$22.15	$22.22	$12.76	$12.15
Producer Data								
Number of Producers	689 *	689	621	814	93 *	93	93	92
Avg. Daily Production (lbs.)	27,462 *	27,945	26,191	28,751	101,281 *	100,531	89,571	91,295
Number of Handlers								
Pool Handlers	26	26	26	29	7	7	7	7
Producer-Handlers	5 *	5	6	6	1 *	1	1	1
Other Plants w/ Class I Use	25 *	25	25	23	20 *	20	24	23
Producer Milk Ratios								
Class I	31.42%	31.50%	39.05%	26.12%	39.28%	41.01%	46.18%	45.95%
Class II	6.95%	7.23%	8.51%	7.02%	9.35%	11.13%	8.17%	9.42%
Class III	31.29%	31.12%	6.39%	32.88%	31.92%	31.27%	41.06%	34.53%
Class IV	30.34%	30.15%	46.05%	33.98%	19.45%	16.59%	4.59%	10.10%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Aug 2007	Jul 2007	Aug 2006	Jul 2006	Aug 2007	Jul 2007	Aug 2006	Jul 2006
Production	28,641,856	28,501,172	21,424,814	21,556,262	R	R	R	R
Class I Use	20,901,829	19,681,813	16,354,734	17,157,906	R	R	R	R
% Class I Use	72.98%	69.06%	76.34%	79.60%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	163,614,612	157,206,751	168,622,464	157,594,413	96,718,315	86,756,493	102,033,764	92,973,501
By Producer-Handlers	6,522,990	6,481,648	7,959,066	7,703,623	1/	1/	1/	1/
By Other Plants	5,152,637 *	3,951,676	4,846,479	3,903,077	5,238,758 *	5,128,392	4,711,371	3,904,207
Total	175,290,239	167,640,075	181,428,009	169,201,113	101,957,073	91,884,885	106,745,135	96,877,708

* 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 2007	Aug 2007	Sep 2006	Aug 2006	Sep 2007	Aug 2007	Sep 2006	Aug 2006
TOTAL PRODUCER MILK	567,630,263	596,875,028	487,936,887	725,511,094	282,574,022	289,831,832	249,902,608	260,372,400
RECEIPTS FROM OTHER SOURCES	31,767,260	40,973,174	16,345,339	24,612,912	25,225,504	28,089,859	3,667,711	4,168,566
OPENING INVENTORY	29,730,482	33,400,935	27,155,200	28,787,938	16,679,475	19,561,559	16,576,546	20,249,447
TOTAL TO BE ACCOUNTED FOR	629,128,005	671,249,137	531,437,426	778,911,944	324,479,001	337,483,250	270,146,865	284,790,413
UTILIZATION OF RECEIPTS								
Whole milk	29,476,626	33,474,355	34,077,180	34,961,986	25,272,786	27,328,663	29,661,444	30,565,586
Flavored milk & milk drinks	11,797,876	6,581,652	12,585,116	7,626,034	6,431,350	6,429,484	7,486,471	7,043,616
2% milk	64,604,885	68,160,262	68,281,183	70,476,139	34,801,544	36,238,477	32,044,132	37,848,739
1% milk	26,704,125	25,920,430	27,069,180	25,808,679	12,917,838	13,572,564	13,543,571	13,188,425
Skim milk	26,121,897	27,914,877	27,820,557	28,231,298	12,005,398	12,664,580	17,273,281	12,908,574
Buttermilk	1,441,738	1,563,036	1,389,548	1,518,328	453,753	484,547	462,794	478,824
CLASS I ROUTE DISP. IN AREA. .	160,147,147	163,614,612	171,222,764	168,622,464	91,882,669	96,718,315	100,471,693	102,033,764
Class I dispositions out of area . . .	16,917,864	19,990,569	17,856,752	16,111,229	19,884,434	22,373,811	14,352,376	15,334,033
Other Class I usage	19,421,309	21,890,161	17,797,721	19,739,033	10,485,627	11,214,918	11,524,593	10,644,828
TOTAL CLASS I USE.	196,486,320	205,495,342	206,877,237	204,472,726	122,252,730	130,307,044	126,348,662	128,012,625
TOTAL CLASS II USE	44,331,901	50,966,746	46,346,060	57,008,079	27,113,887	33,235,990	21,695,579	25,478,101
TOTAL CLASS III USE	191,673,335	202,693,752	31,183,586	243,795,500	90,637,542	93,499,752	103,206,608	90,595,021
TOTAL CLASS IV USE	196,636,449	212,093,297	247,030,543	273,635,639	84,474,842	80,440,464	18,896,016	40,704,666
TOTAL ACCOUNTED FOR	629,128,005	671,249,137	531,437,426	778,911,944	324,479,001	337,483,250	270,146,865	284,790,413
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I . .	178,370,355	188,027,003	190,533,143	189,438,076	110,988,700	118,865,853	115,373,758	119,631,932
Class II .	39,439,747	43,174,783	41,521,413	50,959,413	26,421,941	32,255,253	20,425,195	24,528,892
Class III .	177,604,126	185,724,454	31,183,586	238,556,831	90,188,819	90,624,202	102,621,392	89,908,104
Class IV .	172,216,035	179,948,788	224,698,745	246,556,774	54,974,562	48,086,524	11,482,263	26,303,472
Other receipts: Class I .	18,115,965	17,468,339	16,344,094	15,034,650	41,904,979	47,651,418	20,244,257	24,418,013
Class II .	4,892,154	7,791,963	4,824,647	6,048,666	1/	1/	1/	1/
Class III .	14,069,209	16,969,298	0	5,238,669	1/	1/	1/	1/
Class IV .	24,420,414	32,144,509	22,331,798	27,078,865	1/	1/	1/	1/
Avg. daily producer receipts	18,921,009	19,254,033	16,264,563	23,403,584	9,419,134	9,349,414	8,330,087	8,399,110
Change From Previous Year . .	16.33%	-17.73%	-22.96%	10.19%	13.07%	11.31%	14.73%	17.94%
Avg. daily Class I use	6,549,544	6,628,882	6,895,908	6,595,894	4,075,091	4,203,453	4,211,622	4,129,440
Change From Previous Year . .	-5.02%	0.50%	3.54%	10.70%	-3.24%	1.79%	35.60%	41.42%

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 September 2007**
- **September 2007 Class Prices**
- **Class I Price for November 2007**
- **Letter of Resignation from Secretary Johanns to the President**
- **Extension of Time to November 5, 2007, to Submit Alternative Proposals to Expand the Pacific Northwest Marketing Area**
- **US Milk Production Up 2.6 Percent in September 2007**
- **Markets are Tight - Zero CCC Purchases, Fiscal Year 2006/07**

MARKETS ARE TIGHT - ZERO CCC PURCHASES, FISCAL YEAR 2006/07

During the fiscal year October 1, 2006-September 30, 2007, the Commodity Credit Corporation (CCC) purchased no nonfat dry milk, no cheese and no butter under the dairy price support program. The last time the CCC had no purchases occurred in fiscal year 1995/96, eleven years ago. The 2006/07 purchases compared to no butter or cheese, and 63.99 million pounds of nonfat dry milk during 2005/06 fiscal year. See graph on page 4. ♦

Source: Dairy Market News, Volume 74, Report 39.