The Market Administrator's Report

Facilitating the Efficient Marketing of Milk

Pacific Northwest and Arizona Marketing Areas

William A. Wise, Market Administrator

Volume 40, No. 10 October 2014 Data for September 2014

MARKET SUMMARIES FOR SEPTEMBER

Pacific Northwest (FO 124)

Producers delivered a total of 717.0 million pounds of milk to the market during September. Daily deliveries averaged 23.9 million pounds, down 0.3 percent from August. An estimated 585 producers delivered milk to the market during the month. Daily deliveries per producer averaged 40,854 pounds, down 0.3 percent from August.

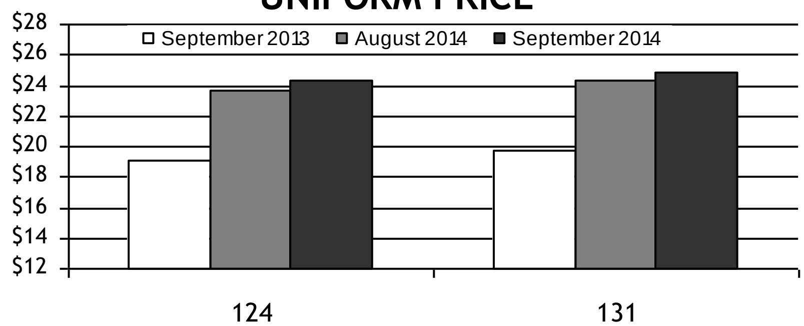
Class I producer milk during September totaled 171.2 million pounds, 23.9 percent of total producer receipts. Daily usage averaged 5.7 million pounds, up 9.7 percent from August.

Arizona (FO 131)

Producers delivered a total of 340.3 million pounds of milk to the market during September. Daily deliveries averaged 11.3 million pounds, down 8.8 percent from August. An estimated 94 producers delivered milk to the market during the month. Daily deliveries per producer averaged 120,677 pounds, down 8.8 percent from August.

Class I producer milk during September totaled 107.7 million pounds, 31.6 percent of total producer receipts. Daily usage averaged 3.6 million pounds, up 4.4 percent from August.

UNIFORM PRICE



Pool Quick Stats

Producer Prices & Component Levels	FO 124 Aug	FO 124 Sep	FO 131 Aug	FO 131 Sep
Uniform Price (at 3.5%)	$23.69	$24.30	$24.28	$24.91
Uniform Price (at test)	*$24.99*	*$26.42*	*$24.10*	*$24.85*
PPD	$1.44	($0.30)		
Butterfat	$2.8448	$3.2467	n/a	
Protein	$3.1496	$3.4991		
Other Solids	$0.5036	$0.4876		
Uniform Skim	n/a		$14.95	$14.34
Uniform Butterfat			$2.8161	$3.1641
Butterfat	3.809%	3.898%	3.433%	3.478%
Protein	3.122%	3.224%	n/a	
Other Solids	5.721%	5.717%		

HIGHLIGHTS THIS ISSUE

- ✓ October is National Cooperative Month
- ✓ Notice and Request for Comments
- ✓ Waiver of Assessments

Federal Order Price Summaries

FINAL CLASS PRICES

The September 2014 Final Class Prices were calculated using AMS commodity price surveys from September 6,13, 20, and 27, 2014. 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
Aug 2014	$25.77	$26.22	$25.34	$22.25	$23.89	$2.8448	$3.1496	$0.5036	$1.6047
Sep 2014	$25.53	$25.98	$26.11	$24.60	$22.58	$3.2467	$3.4991	$0.4876	$1.2910
Change	($0.24)	($0.24)	$0.77	$2.35	($1.31)	$0.4019	$0.3495	($0.0160)	($0.3137)

ADVANCED CLASS I PRICE

The November 2014 Advanced Price was calculated using AMS commodity price surveys from October 11 and 18, 2014. 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
Oct 2014	$3.1410	$13.67	$11.66	$13.67	$24.19	$26.09	$26.54	$12.36	$1.3733
Nov 2014	$3.2216	$13.25	$11.92	$13.25	$24.06	$25.96	$26.41	$12.62	$1.4022
Change	$0.0806	($0.42)	$0.26	($0.42)	($0.13)	($0.13)	($0.13)	$0.26	$0.0289

Commodity Price Summaries

AMS COMMODITY PRICES FOR FINAL CLASS PRICES CALCULATION

	August	September	Change
Cheese	$2.1074	$2.3472	$0.2398
Butter	$2.5206	$2.8525	$0.3319
Nonfat Dry Milk	$1.7887	$1.4718	($0.3169)
Whey	$0.6880	$0.6725	($0.0155)

AMS COMMODITY PRICES FOR ADVANCED CLASS PRICES CALCULATION

	October	November	Change
Cheese	$2.3062	$2.3001	($0.0061)
Butter	$2.7652	$2.8318	$0.0666
Nonfat Dry Milk	$1.4766	$1.5052	$0.0286
Whey	$0.6747	$0.6590	($0.0157)

CURRENT COMMODITY PRICES

The AMS survey of cheddar cheese prices showed a net decrease in prices received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 2.59 cents between the September 13 and the October 18 surveys, to $2.2638 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net decrease of 13.45 cents to $2.2149 per pound.

The AMS butter price showed a net decrease of 4.27 cents between the weeks ending September 13 and October 18 from $2.7793 per pound to $2.7366 per pound. The AMS nonfat dry milk showed a net increase of 4.69 cents since mid-September to $1.5147 per pound. The average price for AMS whey showed a net decrease of 1.66 cents since mid-September to $0.6523 per pound.

A current summary of various commodity prices is available at www.fmmaseattle.com/prices.htm.

October is National Cooperative Month

On September 30, 2014, Agriculture Secretary Tom Vilsack announced that the nation's farmer, rancher and fishery cooperatives set a new sales record in 2013, with total business volume of more than $246 billion. That surpasses the previous record, set in 2012, by $8 billion, a 4 percent gain. U.S. cooperatives also enjoyed robust job growth over the previous year.

This third consecutive year of record sales by agricultural cooperatives reflects increased sales in the overall farm economy in 2013. U.S. crop production and livestock sales both increased 6 percent in 2013, while production input (farm supply) sales increased 2 percent.

"These sales and net income records for ag cooperatives, combined with strong gains in employees for 2013, underscore the strength and productivity of the nation's farmer- and rancher-owned cooperatives. These co-ops play a vital and growing role in the nation's economy," Vilsack said.

Secretary Vilsack made the announcement to mark the start of National Cooperative Month in October. He also signed a Cooperative Month proclamation that salutes the nation's entire cooperative business sector, which includes about 30,000 cooperatives. In addition to agriculture, the nation's cooperatives play a major role in electricity and telecommunications services, credit and financial services, housing and in many other sectors of the economy.

Agricultural cooperatives also enjoyed record net income (before taxes) of $6.2 billion, besting the previous high of $6.1 billion, set in 2012. Cooperative income is either reinvested in the cooperative for needed improvements or returned to the member-owners. It then circulates in local communities.

In addition to marketing and processing their members' crops and livestock, cooperatives are also major players in the farm supply market. Cooperative sales of petroleum, feed, seed and crop protectants were all up in 2013. Fertilizer sales declined, the only major farm supply to see sales drop in 2013.

With grain and oilseed prices generally lower in 2014, it appears unlikely that cooperatives will set a fourth consecutive sales record when the results are tallied next year. However, livestock, poultry and dairy producers and their cooperatives will benefit from lower feed costs, which should offset at least some of the decline in revenue from grain and oilseed sales.

While 33 ag cooperatives recorded more than $1 billion in sales in 2013, 33 percent (726 co-ops) had less than $5 million in sales. The value of cooperative assets fell in 2013 by almost $1 billion, with liabilities decreasing by $5.3 billion and owner equity gaining $4.5 billion. Equity capital still remains low but is clearly showing an upward trend, with a 15 percent increase over the previous year. Patronage income (refunds from other cooperatives due to sales between cooperatives) increased by almost 33 percent, to $1.2 billion, up from $900 million in 2012.

U.S. farm numbers remained about the same in 2013 as in 2012, with USDA counting 2.1 million in both years. There are now 2,186 farmer, rancher and fishery cooperatives, down from 2,236 in 2012. Mergers account for most of the drop, resulting in larger cooperatives. Producers held 2 million memberships in cooperatives in 2013, down about 7 percent from 2012. The number of cooperative memberships is slightly less than the number of U.S. farms, but this does not mean that every producer is a member of an agricultural cooperative. Previous studies have found that many farmers and ranchers are members of up to three cooperatives, so farm numbers and cooperative memberships are not strictly comparable.

Source: USDA. Office of Communications. "Nation's Ag Co-ops Set Record for Annual Sales and Income", Release No. 0217.14. Available at www.usda.gov.

AMS News

SECRETARY VILSACK APPOINTS NEW MEMEBERS TO THE NATIONAL DAIRY PROMOTION AND RESEARCH BOARD

On October 9, 2014, Agriculture Secretary Tom Vilsack announced the appointment of 13 members to the National Dairy Promotion and Research Board. All appointees' terms will begin November 1, 2014, and end October 31, 2017.

Newly appointed members are: James E. Webb, Delta, Colo. (Region 3); William R. Anglin, Bentonville, Ark. (Region 4); Kathleen A. Skiba, North Branch, Minn. (Region 5); William J. Herr, Greenwood, Wis. (Region 6); and John S. Ballard, Gooding, Idaho (Region 8).

Reappointed to serve second terms were: Kima L. Simonson, Deer Park, Wash. (Region 1); Lynda S. Foster, Fort Scott, Kan. (Region 4); Amber Horn-Leiterman, Brillion, Wis. (Region 6); Larry R. Shover, Delhi, Iowa (Region 7); Urban A. Mescher, Maria Stein, Ohio (Region 9); Celeste D. Blackburn, Jefferson City, Tenn. (Region 10); Harold Howrigan, Sheldon, Vt. (Region 12); and Kenneth E. Meyers, Warren, N.J. (Importer).

The Secretary selected the appointees from nominations submitted by eligible producer organizations, general farm organizations and qualified dairy products promotion, research or nutrition education programs. USDA's Agricultural Marketing Service monitors the operation of the Dairy Board.

Source: USDA. Agricultural Marketing Service. Available at www.ams.usda.gov.

NOTICE AND REQUEST FOR COMMENTS FOR THE DAIRY PRODUCT MANDATORY REPORTING PROGRAM

A "Notice of Request for Extension and Revision of a Currently Approved Information Collection for the Dairy Product Mandatory Reporting Program" was published in the October 8, 2014, issue of the *Federal Register*.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the notice announces the Agricultural Marketing Service' (AMS) intention to request an extension and revision of a currently approved information collection under the Dairy Product Mandatory Reporting Program. The information collected supports the marketing of dairy products and is used to verify compliance with Federal milk marketing regulations.

Interested persons are invited to submit written comments via the Internet at www.regulations.gov or to Roger Cryan, Director, Economics Division, USDA/AMS/Dairy Programs, STOP 0229-Room 2753, 1400 Independence Avenue SW., Washington, DC 20250-0229 or via email to roger.cryan@ams.usda.gov. Comments should reference the docket number (AMS-DA-14-0068) and the date and page number of the *Federal Register* (October 8, 2014, FR60804), as well as OMB No. 0581-0274 and the Dairy Product Mandatory Reporting Program.

Comments must be received by December 8, 2014, to be considered. Comments will be made available for public inspection in the above office during regular business hours or can be viewed at www.regulations.gov. All comments received will be posted without change, including any personal information provided.

Under the Dairy Product Mandatory Reporting Program (7 CFR part 1170), various manufacturer reports are filed electronically on a weekly basis. USDA publishes composites of the information obtained to help industry members make informed marketing decisions regarding dairy products. The information is also used to establish minimum prices for Class III and Class IV milk under Federal milk marketing orders. Additional paper forms are filed by manufacturers on an annual basis to validate participation in the mandatory reporting program. USDA uses the information collected to verify compliance with applicable regulations.

The complete *Federal Register* document is available on the Market Administrator's website via www.fmmaseattle.com/announcements/RequestForComments10082014.pdf.

Industry News

CLIMATE CHANGE, HEAT STRESS, AND U.S. DAIRY PRODUCTION

The following is an excerpt of a report published by USDA's Economic Research Service

What is the Issue?

In many parts of the United States, climate change is likely to result in higher average temperatures, hotter daily maximums, and more frequent heat waves, which could increase heat stress for livestock. Heat stress is characterized by changes in respiration, heart rate, sweating, blood chemistry, and hormones. It can also alter the metabolism of minerals and water and the digestion of nutrients. Animals generally increase their water intake and reduce their feed intake. Depending on the species, heat stress can reduce meat and milk production and lower animal reproduction rates. Livestock producers can mitigate heat stress with shade structures, cooling systems, or altered feed, but these methods increase production and capital costs. Dairy cows are particularly sensitive to heat stress; higher temperatures lower milk output as well as its fat, solids, lactose, and protein content.

The U.S. Global Change Research Program recognizes that increased heat stress will increase livestock production costs, lower feed efficiency, and compromise livestock health. While the physiological and production responses to heat stress have been widely studied, there have been no attempts to quantify the costs to the U.S. dairy industry of climate change-induced heat stress. In this report, we use operation-level economic data coupled with finely scaled climate data to estimate how the local thermal environment affects U.S. dairies' effectiveness at producing outputs with a given level of inputs. We use this information to estimate the potential decline in milk production in 2030 resulting from climate change-induced heat stress.

What Did the Study Find?

The report found evidence of a significant negative relationship between heat stress and the productivity of U.S. dairies. In 2010, heat stress lowered the value of annual milk production for the average dairy by about $39,000, which equates to $1.2 billion in lost production for the entire dairy sector.

Find the full report at www.ers.usda.gov/publications/err-economic-research-report/err175.

Source: USDA. Economic Research Service. Economic Research Report No. (ERR-175) 45pp, September 2014. Available at www.ers.usda.gov.

WAIVER OF ADMINISTRATIVE ASSESSMENT

On October 17, 2014, the market administrator issued a handler letter announcing that the 3.5-cent per hundredweight administrative assessment currently applicable to the Pacific Northwest and Arizona federal milk orders will be waived for the months of October, November, and December 2014. Statements issued for those months will not contain an administrative assessment charge.

The 4-cent per hundredweight deduction for marketing services under each of the above-named orders will continue to be deducted. This deduction, which is applicable to deliveries by producers who are not members of a qualified cooperative association performing marketing services, is to be withheld from producers in making payments for milk delivered during the month.

Monthly Selected Statistics

PRICE & POOL DATA	PACIFIC NORTHWEST Sep 2014	Aug 2014	Sep 2013	Aug 2013	ARIZONA Sep 2014	Aug 2014	Sep 2013	Aug 2013
Producer Prices								
Producer Price Differential ($/cwt)	($0.30)	$1.44	$0.99	$1.02	+	+	+	+
Butterfat ($/pound)	3.2467	2.8448	1.5196	1.5104	+	+	+	+
Protein ($/pound)	3.4991	3.1496	3.5419	3.4775	+	+	+	+
Other Solids ($/pound)	0.4876	0.5036	0.3914	0.3901	+	+	+	+
Uniform Skim Price ($/cwt)	+	+	+	+	$14.34	$14.95	$14.96	$14.56
Uniform Butterfat Price ($/pound)	+	+	+	+	3.1641	2.8161	1.5301	1.5319
Statistical Uniform Price ($/cwt)	$24.30	$23.69	$19.13	$18.93	$24.91	$24.28	$19.79	$19.41
Producer Data								
Number of Producers	***585***	585	482	483	***94***	94	93	92
Avg. Daily Production (pounds)	***40,854***	40,970	41,651	43,130	***120,677***	132,347	118,920	126,346
Producer Milk Ratios								
Class I	23.88%	21.71%	28.92%	27.88%	31.64%	27.64%	33.44%	32.17%
Class II	6.18%	6.74%	7.08%	6.22%	12.41%	10.02%	10.33%	8.83%
Class III	41.71%	43.55%	49.90%	49.37%	26.18%	32.90%	29.70%	29.47%
Class IV	28.23%	28.00%	14.10%	16.53%	29.77%	29.44%	26.53%	29.53%
Market Shrinkage								
Pounds	11,265,076	10,035,122	11,037,750	8,308,293	1,286,684	1,500,985	1,752,787	1,916,465
% of Producer Milk	1.57%	1.35%	1.83%	1.29%	0.38%	0.39%	0.53%	0.53%

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

Monthly Supplemental Statistics

SUPPLEMENTAL DATA	PACIFIC NORTHWEST Aug 2014	Jul 2014	Aug 2013	Jul 2013	ARIZONA Aug 2014	Jul 2014	Aug 2013	Jul 2013
Number of Handlers								
Pool Handlers	*24*	*24*	*24*	*24*	*7*	*7*	*7*	*7*
Distributing Plants	*12*	*12*	*14*	*13*	*5*	*5*	*5*	*5*
Supply Plants 1/	*7*	*7*	*5*	*6*	*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***	*20*	*17*	*17*	***22***	*23*	*20*	*21*
Class I Route Disposition In Area								
By Pool Plants	145,649,794	143,620,716	160,643,127	149,191,509	84,815,992	78,879,947	89,805,921	81,344,146
By Producer-Handlers	6,760,583	6,794,153	7,323,016	7,181,011	0	0	0	0
By Other Plants	***12,415,074***	10,903,134	9,872,167	10,089,456	***7,580,270***	7,559,344	6,706,342	6,518,157
Total	164,825,451	161,318,003	177,838,310	166,461,976	92,396,262	86,439,291	96,512,263	87,862,303
Producer-Handler Data								
% Class I Use	62.14%	62.36%	66.98%	68.40%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	4.10%	4.21%	4.12%	4.31%	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 Sep 2014	Aug 2014	Sep 2013	Aug 2013	ARIZONA Sep 2014	Aug 2014	Sep 2013	Aug 2013
Receipts of Milk								
Total Producer Milk	716,980,054	742,995,567	602,276,859	645,785,530	340,308,360	385,658,019	331,787,563	360,338,680
Receipts From Other Sources	7,593,785	10,194,975	9,971,922	11,355,714	9,121,065	5,952,049	4,944,423	4,743,823
Opening Inventory	37,417,525	33,867,986	30,948,099	32,641,602	22,105,388	21,756,840	21,353,849	17,914,590
Total To Be Accounted For	**761,991,364**	**787,058,528**	**643,196,880**	**689,782,846**	**371,534,813**	**413,366,908**	**358,085,835**	**382,997,093**
Utilization of Receipts								
Whole milk	33,356,217	34,449,424	33,091,565	35,603,455	23,636,584	24,345,476	23,163,678	24,686,834
Flavored milk & drinks	13,205,043	7,897,938	13,029,323	8,793,799	6,610,031	6,145,126	5,929,375	6,146,018
2% milk	60,648,690	61,958,781	64,599,940	68,159,753	30,225,159	30,848,505	30,689,937	32,505,704
1% milk	23,894,087	21,764,713	25,140,609	24,254,578	14,447,389	14,639,855	14,921,302	15,886,815
Skim milk	18,091,411	18,069,307	21,296,833	22,301,913	8,399,201	8,450,030	9,569,481	10,193,529
Buttermilk	1,456,499	1,509,631	1,372,317	1,529,629	379,508	387,000	356,862	387,021
Class I dispostions in area	150,651,947	145,649,794	158,530,587	160,643,127	83,697,872	84,815,992	84,630,635	89,805,921
Class I dispositions out of area	14,911,346	14,958,480	14,787,511	16,989,395	23,253,542	23,610,508	24,527,719	25,894,159
Other Class I usage	19,897,528	16,205,806	17,104,747	18,199,174	11,839,856	11,055,648	13,791,735	11,932,200
Utilization by Class								
Total Class I Use	185,460,821	176,814,080	190,422,845	195,831,696	118,791,270	119,482,148	122,950,089	127,632,280
Total Class II Use	49,624,433	54,972,024	49,260,374	50,130,365	43,509,549	39,502,556	34,974,842	32,515,451
Total Class III Use	299,096,020	326,453,326	302,565,905	320,697,066	89,422,866	128,963,939	100,368,584	107,043,050
Total Class IV Use	227,810,090	228,819,098	100,947,756	123,123,719	119,811,128	125,418,265	99,792,320	115,806,312
Total Accounted For	**761,991,364**	**787,058,528**	**643,196,880**	**689,782,846**	**371,534,813**	**413,366,908**	**358,085,835**	**382,997,093**

CLASSIFICATION OF RECEIPTS	PACIFIC NORTHWEST Sep 2014	Aug 2014	Sep 2013	Aug 2013	ARIZONA Sep 2014	Aug 2014	Sep 2013	Aug 2013
Producer milk								
Class I	171,216,947	161,307,592	174,199,007	180,042,493	107,682,519	106,614,414	110,933,813	115,907,775
Class II	44,327,080	50,058,702	42,637,553	40,188,374	42,242,772	38,639,604	34,261,875	31,827,474
Class III	299,076,935	323,589,127	300,510,233	318,797,138	89,089,244	126,900,039	98,537,963	106,201,927
Class IV	202,359,092	208,040,146	84,930,066	106,757,525	101,293,825	113,503,962	88,053,912	106,401,504
Other receipts								
Class I	14,243,874	15,506,488	16,223,838	15,789,203	11,108,751	12,867,734	12,016,276	11,724,505
Class II	5,297,353	4,913,322	6,622,821	9,941,991	1/	1/	1/	1/
Class III	1/	2,864,199	2,055,672	1,899,928	1/	1/	1/	1/
Class IV	25,470,083	20,778,952	16,017,690	16,366,194	20,117,702	14,841,155	14,281,996	10,933,908
Avg. daily producer receipts	23,899,335	23,967,599	20,075,895	20,831,791	11,343,612	12,440,581	11,059,585	11,623,828
Change From Previous Year	19.04%	15.05%	41.85%	54.08%	2.57%	7.03%	5.40%	11.13%
Avg. daily Class I use	6,182,027	5,703,680	6,347,428	6,317,151	3,959,709	3,854,263	4,098,336	4,117,170
Change From Previous Year	-2.61%	-9.71%	-0.63%	-1.33%	-3.38%	-6.39%	-7.08%	-5.46%

1/ Restricted - Included with Class IV.

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www.fmmaseattle.com

FEDERAL ORDER STATISTICS FOR SEPTEMBER

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)	2,071.8	760.2	36.69%	$26.88	$26.16
Appalachian (FO 5)	447.4	327.4	73.19%	$27.03	$27.23
Florida (FO 6)	219.1	190.3	86.85%	$29.03	$29.29
Southeast (FO 7)	396.1	325.3	82.12%	$27.43	$27.86
Upper Midwest (FO 30)	2,820.2	305.0	10.81%	$25.43	$24.76
Central (FO 32)	1,250.2	409.9	32.79%	$25.63	$24.83
Mideast (FO 33)	1,468.6	526.6	35.85%	$25.63	$25.07
Pacific Northwest (FO 124)	717.0	171.2	23.88%	$25.53	$24.30
Southwest (FO 126)	1,133.9	369.7	32.60%	$26.63	$25.80
Arizona (FO 131)	340.3	107.7	31.64%	$25.98	$24.91

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