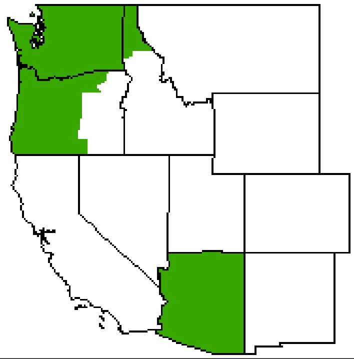
The Market Administrator's Report

Pacific Northwest & Arizona Marketing Areas



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January 2010

MARKET SUMMARIES FOR DECEMBER 2009

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

Pacific Northwest

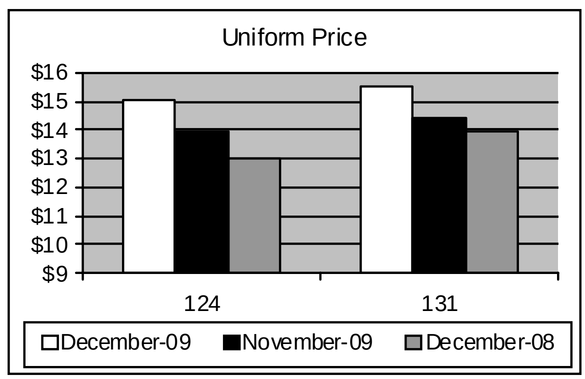
Producers delivered a total of 618.6 million pounds of milk to the market during December. Daily deliveries averaged 20.0 million pounds, down 5.2 percent from November. An estimated 634 producers delivered milk to the market during the month. Daily deliveries per producer averaged 31,476 pounds, down 4.8 percent from November.

Class I producer milk during December totaled 200.7 million pounds, 32.4 percent of total producer receipts. Daily usage averaged 6.5 million pounds, up 3.2 percent from November.

Arizona

Producers delivered a total of 345.8 million pounds of milk to the market during December. Daily deliveries averaged 11.2 million pounds, up 5.0 percent from November. An estimated 95 producers delivered milk to the market during the month. Daily deliveries per producer averaged 117,409 pounds, up 5.0 percent from November.

Class I producer milk during December totaled 123.4 million pounds, 35.7 percent of total producer receipts. Daily usage averaged 4.0 million pounds, down 2.9 percent from November. ♦



Federal Order Producer Prices and Component Levels: December 2009

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	15.05	15.50	Butterfat	3.847	3.629
Butterfat 2/	1.5433	1.5280	Protein	3.210	N/A
Protein 2/	2.8751	N/A	Other Solids	5.723	N/A
Other Solids 2/	0.1727	N/A	Nonfat Solids	8.933	N/A
PPD 1/*	0.07	N/A			
Skim 1/	N/A	10.52			

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

DECEMBER 2009 CLASS PRICES

December 2009 non-advanced Class Prices were calculated using NASS commodity price surveys from December 5, 12, 19 and 26, 2009. Component prices for the month are $2.8751 per pound of protein, $1.5433 per pound of butterfat, $0.1727 per pound of other solids, and $1.1068 per pound of nonfat solids.

December 2009 Class III and IV prices at 3.5% butterfat are $14.98 and $15.01 per hundredweight, respectively. The December Class III price compared to November is up $0.90. The Class III price is $0.30 lower than in December 2008.

Class II butterfat was announced at $1.5503 per pound. Class I skim and butterfat and Class II skim prices for December 2009 were announced on November 20, 2009. The Class II price at 3.5% butterfat is $14.25 for December 2009.

FINAL: NASS COMMODITY PRICES

	November	December	Change
Cheese*	$1.5169	$1.5969	$0.0800
Butter	$1.3817	$1.4459	$0.0642
Nonfat Dry Milk	$1.1120	$1.2858	$0.1738
Whey	$0.3471	$0.3668	$0.0197

* 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 price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a net decrease of 7.44 cents between the December 12 and the January 16 surveys, to $1.5483 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a net decrease of 3.71 cents to $1.4794 per pound.

The NASS butter price showed a net decrease of 11.29 cents between the weeks ending December 12 and January 16 from $1.4520 per pound to $1.3391 per pound.

The NASS nonfat dry milk showed a net increase of 1.57 cents since mid-December to $1.2879 per pound. The average price for NASS whey showed an increase of 2.68 cents since mid-December to $0.3902 per pound. ♦

FEBRUARY'S CLASS I PRICE ANNOUNCEMENT

On January 22, the February 2010 Class I price was announced at $16.74 for the Pacific Northwest Order and $17.19 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of January 9 and 16.

The February Class III and IV advance skim prices are $10.12 and $10.27 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 17.84 cents from $1.5874 to $1.4090 per pound.

The February 2010 Class II skim and nonfat solids prices were also announced on January 22. The skim price is $10.97 per hundredweight, and the nonfat solids price is $1.2189 pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	January	February	Change
Cheese*	$1.5764	$1.5578	-$0.0186
Butter	$1.4823	$1.3350	-$0.1473
Nonfat Dry Milk	$1.2701	$1.3201	$0.0500
Whey	$0.3629	$0.3893	$0.0264

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

PUBLIC COMMENTS VIEWABLE ON-LINE REGARDING RECOMMENDED DECISION TO ADOPT AMENDMENTS TO PRODUCER-HANDLER DEFINITION

On October 21, 2009, the U.S. Department of Agriculture issued a recommended decision to adopt amendments to the producer-handler definition in all Federal milk marketing orders. Interested persons had 60 days to file comments in response to the recommended decision; comments were due on or before December 21, 2009. There were numerous responses from interested parties and all are now available to the public via the Federal eRulemaking portal: *www.regulations.gov*.

The decision is based on testimony and evidence given at a public hearing held May 4-19, 2009, in Cincinnati, Ohio. Specifically, the decision recommends that the producer-handler definitions for all Federal milk marketing orders be amended to limit exemption from pooling and pricing provisions of the orders to those producer-handlers with total route dispositions of fluid milk products of three million pounds or less per month. ♦

SECRETARY VILSACK ANNOUNCES MEMBERS OF THE DAIRY INDUSTRY ADVISORY COMMITTEE

On January 6, 2010, Agriculture Secretary Tom Vilsack announced the appointment of 17 members to a federal Dairy Industry Advisory Committee. Over the next two years, the committee will review the issues of farm milk price volatility, dairy farmer profitability and consolidation, and offer suggestions on ways USDA can best address the needs of a struggling dairy industry. Representatives will include: producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and state agencies involved in organic and non-organic dairy at the local, regional, national, and international levels.

"USDA has worked tirelessly to assist dairy farmers during these tough times," said Vilsack. "We've increased support prices under the Dairy Product Price Support Program, reactivated the Dairy Export Incentive Program, and bought 200 million pounds of nonfat dry milk for federal feeding programs. This committee, whose members come from all aspects of the dairy industry, will work to find long term solutions to assist this struggling industry."

Producer members appointed to the committee are: Erick Coolidge (PA), Timothy den Dulk (MI), Debora Erb (NH), James Goodman (WI), James Krahn, (OR), Edward Maltby (MA), Manuel Souza (CA), Ed Welch (MN), and James Williams (GA).

Representatives from the processing industry include: Jay Bryant (VA), Patricia Stroup (CA), Sue Taylor (CO), and Robert Wills (WI).

Members representing state government, retail, academia, and consumers are: Rodney Nilsestuen (WI), Robert Schupper (PA), Andrew Novakovic (NY), and Paul Bourbeau (VT).

All members will serve two-year terms, beginning in January 2010, and expiring January 1, 2012. The committee was expanded this year from 15 members to 17 and will hold its first meeting in early 2010. The meeting will be open to the public and USDA encourages public participation. For additional information check the Dairy Industry Advisory Committee website, *www.ams.usda.gov/AMSv1.0/DairyAdvisoryCommittee*.♦

UNITED STATES MILK PRODUCTION DOWN 0.8 PERCENT IN DECEMBER 2009

Milk production in the 23 major States during December totaled 14.6 billion pounds, down 0.8 percent from December 2008. November revised production at 14.0 billion pounds, was down 0.8 percent from November 2008. The November revision represented an increase of 24 million pounds or 0.2 percent from its preliminary production estimate.

Production per cow in the 23 major States averaged 1,758 pounds for December, 29 pounds above December 2008. The number of milk cows on farms in the 23 major States was 8.31 million head, 206,000 head less than December 2008, and unchanged from November 2009.

Wisconsin showed the largest increase in production, increasing 88 million pounds from December 2008. California's production showed the largest decrease; December 2009's production figure was 160 million pounds less than year-ago levels. ♦

Milk Production
December 2008 – 2009

	2008	2009 1/	% Change
	- - million pounds - -		
Arizona	376	335	-10.90%
California	3,441	3,281	-4.65%
Colorado	252	224	-11.11%
Florida	179	175	-2.23%
Idaho	1,008	1,012	0.40%
Illinois	161	162	0.62%
Indiana	276	281	1.81%
Iowa	363	376	3.58%
Kansas	216	205	-5.09%
Michigan	655	671	2.44%
Minnesota	750	774	3.20%
Missouri	138	127	-7.97%
New Mexico	662	641	-3.17%
New York	1,025	1,022	-0.29%
Ohio	417	422	1.20%
Oregon	183	185	1.09%
Pennsylvania	866	872	0.69%
Texas	737	738	0.14%
Utah	150	146	-2.67%
Vermont	212	207	-2.36%
Virginia	145	145	0.00%
Washington	464	473	1.94%
Wisconsin	2,052	2,140	4.29%
23 Total	14,728	14,614	-0.77%
US	15,900	15,756	-0.91%

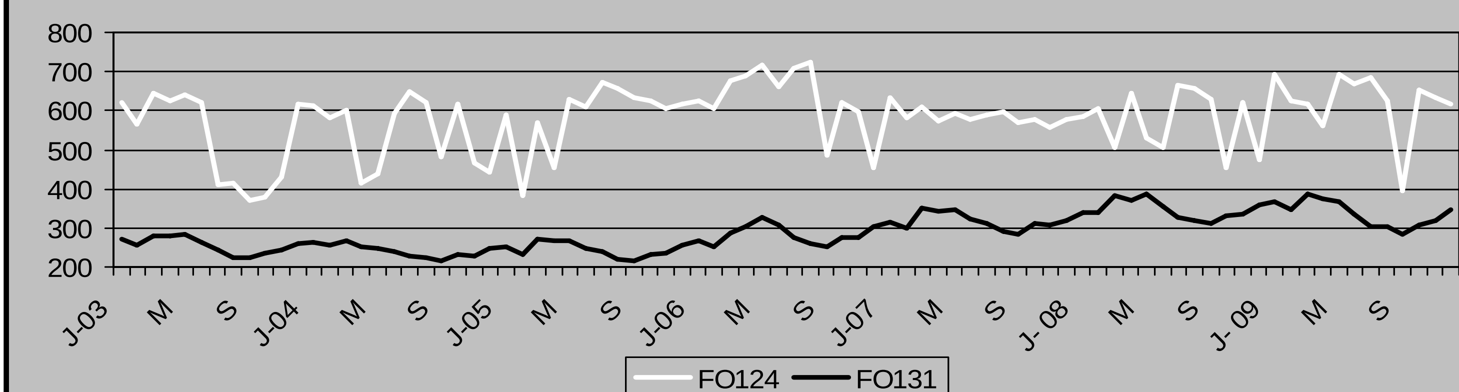
1/ December 2009 is preliminary.
Source: National Agricultural Statistics Service.

Number of Producers and Pounds of Milk: By Order, State, and County, November 2009

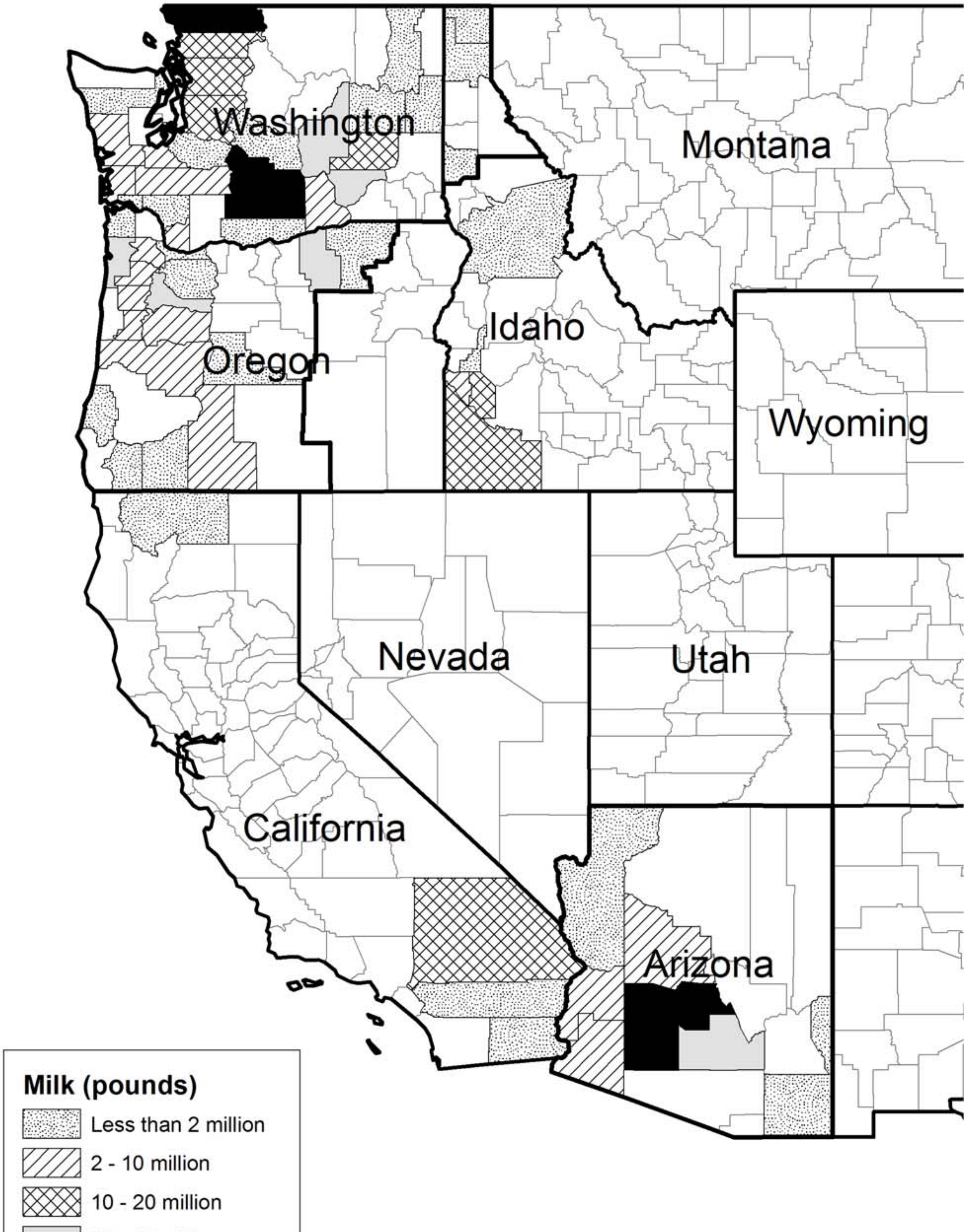
State	County	Producers	Milk
Pacific Northwest Order			
California			
	Siskiyou	3	1,067,155
Total California		**3**	**1,067,155**
Idaho			
	Bonner & Boundary	3	353,091
	Idaho & Latah	3	226,244
	Southern Idaho	10	31,992,691
Total Idaho		**16**	**32,572,026**
Washington			
Washington			
	Adams	9	14,090,141
	Clark & Cowlitz	9	7,028,745
	Franklin	10	29,697,882
	Grant & Kittitas	24	42,123,682
	Grays Harbor & Jefferson	9	3,671,991
	King	23	12,250,167
	Klickitat & Benton	6	3,651,862
	Lewis	29	8,919,475
	Lincoln & Spokane	9	1,545,588
	Pacific	8	2,123,167
	Skagit	28	19,161,526
	Snohomish & Island	27	17,308,507
	Stevens	8	1,057,333
	Thurston & Pierce	9	8,342,604
	Wahkiakum	4	524,136
	Whatcom	119	82,259,168
	Yakima	72	186,378,766
Total Washington		**403**	**440,134,740**

State	County	Producers	Milk
Pacific Northwest Order (Continued)			
Oregon			
	Benton	3	2,725,720
	Clackamas & Multnomah	9	1,064,138
	Clatsop	4	1,155,232
	Coos	7	1,701,503
	Deschutes, Jackson & Klamath	9	4,796,251
	Josephine	3	824,462
	Lane	4	4,440,157
	Linn	6	4,174,655
	Marion	31	25,291,147
	Morrow & Umatilla	6	48,420,161
	Polk	5	9,450,746
	Tillamook	110	40,972,517
	Washington	12	4,712,171
	Yamhill	6	7,525,767
Total Oregon		**215**	**157,254,627**
Arizona Order			
Arizona			
	Maricopa	69	245,630,731
	Cochise, Greenlee, & Pinal, AZ & Bailey, TX	12	43,730,017
	La Paz, Mohave, Yavapai & Yuma, AZ and Imperial, Riverside, & San Bernardino, CA	14	29,413,363
Total Arizona		**95**	**318,774,111**
Total Pacific Northwest Order		**637**	**631,028,548**
Total Arizona Order		**95**	**318,774,111**
Total		**732**	**949,802,659**

Pacific Northwest (FO124) and Arizona (FO131) Producer Milk Pooled January 2003 - December 2009 (million pounds)



Pounds of Producer Milk by County, November 2009



Note: This map does not include data for Bailey County, Texas. For your reference, Bailey County is located in the northwest area of the state, along the New Mexico/Texas border, and would have shading for the "2 - 10 million" pounds category.

MONTHLY SELECTED STATISTICS

	PACIFIC NORTHWEST				ARIZONA			
Minimum Class Prices (3.5% B.F.)	Dec 2009	Nov 2009	Dec 2008	Nov 2008	Dec 2009	Nov 2009	Dec 2008	Nov 2008
Class I Milk ($/cwt.)	$15.89	$14.76	$17.33	$19.23	$16.34	$15.21	$17.78	$19.68
Class II Milk ($/cwt.)	14.25	13.24	11.21	14.45	14.25	13.24	11.21	14.45
Class III Milk ($/cwt.)	14.98	14.08	15.28	15.51	14.98	14.08	15.28	15.51
Class IV Milk ($/cwt.)	15.01	13.25	10.35	12.25	15.01	13.25	10.35	12.25
Producer Prices								
Producer Price Differential ($/cwt.)	$ 0.07	$(0.16)	$(2.28)	$(0.22)	+	+	+	+
Butterfat ($/pound)	1.5433	1.4656	1.2998	1.7730	+	+	+	+
Protein ($/pound)	2.8751	2.6991	3.6390	3.1301	+	+	+	+
Other Solids ($/pound)	0.1727	0.1524	(0.0269)	(0.0099)	+	+	+	+
Uniform Skim Price ($/cwt.) . . .	+	+	+	+	10.52	9.71	9.41	9.91
Uniform Butterfat Price ($/pound)	+	+	+	+	1.5280	1.4327	1.3961	1.7913
Statistical Uniform Price ($/cwt.) . .	$15.05	$13.92	$13.00	$15.29	$15.50	$14.38	$13.97	$15.83
Producer Data								
Number of Producers	634 *	637	512	667	95 *	95	100	102
Avg. Daily Production (lbs.) . . .	31,476 *	33,059	29,785	31,045	117,409 *	111,851	115,651	109,815
Producer Milk Ratios								
Class I	32.44%	29.80%	43.09%	29.41%	35.68%	38.58%	33.65%	34.37%
Class II	6.47%	6.80%	7.39%	6.05%	7.95%	8.64%	7.12%	6.62%
Class III	33.94%	39.41%	8.85%	32.47%	27.83%	28.74%	27.01%	28.20%
Class IV	27.15%	23.99%	40.67%	32.07%	28.54%	24.04%	32.22%	30.81%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Number of Handlers	Nov 2009	Oct 2009	Nov 2008	Oct 2008	Nov 2009	Oct 2009	Nov 2008	Oct 2008
Pool Handlers	28	28	27	25	7	7	7	7
Distributing Plants	*15*	*15*	*15*	*15*	*5*	*5*	*5*	*5*
Supply Plants 2/	*8*	*8*	*7*	*5*	*1*	*1*	*1*	*1*
Cooperatives	*5*	*5*	*5*	*5*	*1*	*1*	*1*	*1*
Producer-Handlers	5	5	6	6	0	0	1	1
Other Plants w/ Class I Use . . .	24	25	22	21	26	26	25	25
Class I Route Disposition In Area								
By Pool Plants	174,481,311	183,924,546	170,038,934	179,554,866	98,419,709	99,970,885	95,814,514	98,937,514
By Producer-Handlers	6,984,345	7,043,908	6,743,293	7,216,641	0	0	1/	1/
By Other Plants	7,581,557 *	8,069,974	6,452,929	7,031,767	5,373,912 *	5,386,904	4,573,238	4,739,729
Total	189,047,213	199,038,428	183,235,156	193,803,274	103,793,621	105,357,789	100,387,752	103,677,243
Producer-Handler Data								
% Class I Use	88.42%	85.91%	82.45%	88.97%	0.00%	0.00%	R	R
% of Total In-Area Route Dispositions	3.69%	3.54%	3.68%	3.72%	0.00%	0.00%	R	R

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants. 2/ Includes Cooperative Pool Manufacturing Plants

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST Dec 2009	PACIFIC NORTHWEST Nov 2009	PACIFIC NORTHWEST Dec 2008	PACIFIC NORTHWEST Nov 2008	ARIZONA Dec 2009	ARIZONA Nov 2009	ARIZONA Dec 2008	ARIZONA Nov 2008
TOTAL PRODUCER MILK	618,633,627	631,764,987	472,744,942	621,205,625	345,769,430	318,774,111	358,518,117	336,032,616
RECEIPTS FROM OTHER SOURCES	12,412,915	15,040,375	18,765,518	26,763,102	4,229,982	2,642,993	3,848,556	8,459,198
OPENING INVENTORY	33,627,409	33,169,534	30,838,390	29,518,196	23,529,441	23,866,131	22,958,414	21,451,591
TOTAL TO BE ACCOUNTED FOR	664,673,951	679,974,896	522,348,850	677,486,923	373,528,853	345,283,235	385,325,087	365,943,405
UTILIZATION OF RECEIPTS								
Whole milk	33,687,258	31,774,647	34,136,632	31,576,382	25,578,160	24,891,733	25,681,582	24,259,603
Flavored milk & milk drinks	15,350,868	16,949,412	14,466,725	15,936,935	6,975,600	7,537,355	7,052,342	7,049,208
2% milk	73,986,800	69,690,930	74,153,408	67,834,267	37,838,380	36,774,475	38,121,059	37,010,747
1% milk	27,528,630	26,623,017	27,573,891	25,998,352	15,254,585	15,616,454	13,460,929	13,776,111
Skim milk	28,994,253	28,050,146	28,898,986	27,353,647	13,056,142	13,176,188	13,200,757	13,235,285
Buttermilk	1,364,435	1,393,159	1,364,083	1,339,351	454,541	423,504	529,387	483,560
CLASS I ROUTE DISP. IN AREA . .	180,912,244	174,481,311	180,593,725	170,038,934	99,157,408	98,419,709	98,046,056	95,814,514
Class I dispositions out of area . . .	18,612,881	14,725,385	18,680,039	16,872,338	24,295,231	23,706,262	22,538,290	21,680,976
Other Class I usage	18,928,077	17,820,223	18,322,518	15,844,496	14,038,474	14,074,963	12,920,090	12,770,632
TOTAL CLASS I USE.	218,453,202	207,026,919	217,596,282	202,755,768	137,491,113	136,200,934	133,504,436	130,266,122
TOTAL CLASS II USE	49,788,813	52,661,679	41,335,195	41,804,249	29,222,587	28,502,061	26,207,570	22,809,292
TOTAL CLASS III USE	212,024,875	251,412,241	41,839,068	211,109,957	96,773,552	92,194,817	96,855,902	94,751,947
TOTAL CLASS IV USE	184,407,061	168,874,057	221,578,305	221,816,949	110,041,601	88,385,423	128,757,179	118,116,044
TOTAL ACCOUNTED FOR	664,673,951	679,974,896	522,348,850	677,486,923	373,528,853	345,283,235	385,325,087	365,943,405
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I . .	200,656,896	188,242,075	203,708,667	182,730,222	123,367,848	122,987,352	120,643,586	115,520,980
Class II .	40,031,701	42,957,227	34,945,279	37,553,495	27,498,369	27,550,680	25,509,092	22,230,285
Class III .	209,987,356	248,969,997	41,823,070	201,702,368	96,235,223	91,620,950	96,842,191	94,751,947
Class IV .	167,957,674	151,595,688	192,267,926	199,219,540	98,667,990	76,615,129	115,523,248	103,529,404
Other receipts: Class I .	17,796,306	18,784,844	13,887,615	20,025,546	14,123,265	13,213,582	26,806,970	29,910,789
Class II .	9,757,112	9,704,452	6,389,916	4,250,754	2/	2/	1/	1/
Class III .	2,037,519	2,442,244	15,998	9,407,589	2/	2/	1/	1/
Class IV .	16,449,387	17,278,369	29,310,379	22,597,409	13,636,158	13,295,542	1/	1/
Avg. daily producer receipts	19,955,923	21,058,833	15,249,837	20,706,854	11,153,853	10,625,804	11,565,101	11,201,087
Change From Previous Year . .	30.86%	1.70%	-18.31%	11.49%	-3.56%	-5.14%	11.65%	8.97%
Avg. daily Class I use	7,046,877	6,900,897	7,019,235	6,758,526	4,435,197	4,540,031	4,306,595	4,342,204
Change From Previous Year . .	0.39%	2.11%	3.61%	-6.03%	2.99%	4.56%	4.59%	-1.34%

1/ Restricted - Included with Class I.
2/ Restricted - Included with Class IV.
3/ Restricted - Included with Flavored milk & milk drinks.

HIGHLIGHTS THIS ISSUE:

- **Market Summaries for December 2009**
- **December 2009 Class Prices**
- **Class I Price for February 2010**
- **Public Comments Viewable On-line Regarding Recommended Decision to Adopt Amendments to Producer-Handler Definition**
- **Secretary Vilsack Announces Members of the Dairy Industry Advisory Committee**
- **United States Milk Production Down 0.8 Percent in December 2009**
- **Producer and Producer Milk by Order, State, and County: November 2009**

PRODUCERS AND PRODUCER MILK BY ORDER, STATE, AND COUNTY: NOVEMBER 2009

During the month of November 2009, a total of 732 producers, on a combined basis, were associated with the Pacific Northwest and Arizona Orders. These producers delivered a total of 949.8 million pounds of milk to the markets during the month. The table on page 4 contains the number of producers and milk pooled on the orders. Counties and states with fewer than three producers were combined with adjacent counties. The map on page 5 does not combine counties with fewer than three producers due to the use of size-ranges. ♦