



The Market Administrator's Report

Facilitating the Efficient Marketing of Milk

Pacific Northwest and Arizona Marketing Areas

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March 2015

Data for February 2015

MARKET SUMMARIES FOR FEBRUARY

Pacific Northwest (FO 124)

Producers delivered a total of 455.8 million pounds of milk to the market during February. Daily deliveries averaged 16.3 million pounds, down 13.0 percent from January. An estimated 424 producers delivered milk to the market during the month. Daily deliveries per producer averaged 38,395 pounds, down 3.8 percent from January.

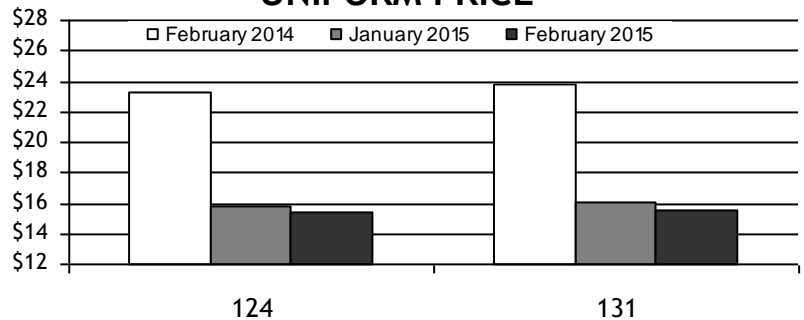
Class I producer milk during February totaled 152.3 million pounds, 33.4 percent of total producer receipts. Daily usage averaged 5.4 million pounds, down 4.0 percent from January. ▼

Arizona (FO 131)

Producers delivered a total of 383.1 million pounds of milk to the market during February. Daily deliveries averaged 13.7 million pounds, up 3.2 percent from January. An estimated 95 producers delivered milk to the market during the month. Daily deliveries per producer averaged 144,016 pounds, up 3.2 percent from January.

Class I producer milk during February totaled 101.3 million pounds, 26.4 percent of total producer receipts. Daily usage averaged 3.6 million pounds, up 1.2 percent from January. ▼

UNIFORM PRICE



Pool Quick Stats

Producer Prices & Component Levels	FO 124		FO 131	
	Jan	Feb	Jan	Feb
Uniform Price (at 3.5%)	\$15.84	\$15.42	\$16.04	\$15.56
Uniform Price (at test)	\$17.20	\$16.49	\$16.11	\$15.52
PPD	(\$0.34)	(\$0.04)		
Butterfat	\$1.6855	\$1.8296		n/a
Protein	\$2.6731	\$2.4051		
Other Solids	\$0.4001	\$0.3273		
Uniform Skim			\$10.22	\$9.55
Uniform Butterfat		n/a	\$1.7640	\$1.8122
Butterfat	3.960%	3.872%	3.544%	3.479%
Protein	3.204%	3.147%		
Other Solids	5.751%	5.737%		n/a

HIGHLIGHTS THIS ISSUE

- ✓ Changes in Exports and Commercial Disappearance
- ✓ National Organic Standards Board Invites Comments
- ✓ 2014 Year End Financial Statements

Federal Order Price Summaries

FINAL CLASS PRICES

The February 2015 Final Class Prices were calculated using AMS commodity price surveys from February 7, 14, 21, and 28, 2015. 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
Jan 2015	\$20.48	\$20.93	\$16.18	\$16.18	\$13.23	\$1.6855	\$2.6731	\$0.4001	\$0.8439
Feb 2015	\$18.14	\$18.59	\$14.48	\$15.46	\$13.82	\$1.8296	\$2.4051	\$0.3273	\$0.8544
Change	(\$2.34)	(\$2.34)	(\$1.70)	(\$0.72)	\$0.59	\$0.1441	\$0.2680	(\$0.0728)	\$0.0105

ADVANCED CLASS I PRICE

The April 2015 Advanced Price was calculated using AMS commodity price surveys from March 7 and 14, 2015. 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
Mar 2015	\$1.8008	\$9.59	\$7.61	\$9.59	\$15.56	\$17.46	\$17.91	\$8.31	\$0.9233
Apr 2015	\$1.8442	\$9.37	\$7.93	\$9.37	\$15.50	\$17.40	\$17.85	\$8.63	\$0.9589
Change	\$0.0434	(\$0.22)	\$0.32	(\$0.22)	(\$0.06)	(\$0.06)	(\$0.06)	\$0.32	\$0.0356

Commodity Price Summaries

AMS COMMODITY PRICES FOR FINAL CLASS PRICES CALCULATION

	January	February	Change
Cheese	\$1.5807	\$1.5446	(\$0.0361)
Butter	\$1.5633	\$1.6823	\$0.1190
Nonfat Dry Milk	\$1.0202	\$1.0308	\$0.0106
Whey	\$0.5875	\$0.5169	(\$0.0706)

AMS COMMODITY PRICES FOR ADVANCED CLASS PRICES CALCULATION

	March	April	Change
Cheese	\$1.5408	\$1.5617	\$0.0209
Butter	\$1.6585	\$1.6944	\$0.0359
Nonfat Dry Milk	\$1.0213	\$1.0577	\$0.0364
Whey	\$0.5415	\$0.4935	(\$0.0480)

CURRENT COMMODITY PRICES

The AMS survey of cheddar cheese prices showed an increase in prices received for 40-pound blocks and a net increase for 500-pound barrels. The survey of 40-pound blocks showed an increase of 4.03 cents between the February 14 and the March 14 surveys, to \$1.5640 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net increase of 0.94 cents to \$1.5345 per pound.

The AMS butter price showed a net increase of 2.18 cents between the weeks ending February 14 and March 14 from \$1.6972 per pound to \$1.7190 per pound. The AMS nonfat dry milk showed a net increase of 4.94 cents since mid-February to \$1.0724 per pound. The average price for AMS whey showed a net decrease of 4.05 cents since mid-February to \$0.4835 per pound.

ERS News

CHANGES IN U.S. DAIRY COMMERCIAL EXPORTS AND DOMESTIC COMMERCIAL DISAPPEARANCE

The following is an excerpt of an “Amber Waves” article written by Jerry Cessna and Lindsay Kuberka.

Traditionally, the U.S. dairy industry was driven by the domestic market; only a small fraction of dairy products was exported. Since about 2004, however, exports have accounted for a growing share of U.S. dairy product demand, reaching a value of nearly \$7 billion in 2013. Export growth has been greatest for dry manufactured dairy products with relatively high skim-solids content (protein, lactose, minerals, and trace elements found in milk), such as nonfat dry milk (NDM) and dry whey. These products are typically easier to transport, in contrast to bulky, perishable products, such as most beverage milk products, which are more expensive to transport. Domestic demand has grown more for products with relatively high milk-fat content, such as butter and most types of cheese.

What Is Commercial Disappearance?

USDA's Economic Research Service (ERS) measures dairy demand using commercial disappearance. Total commercial disappearance is calculated as a residual after accounting for production, imports, USDA net removals, and changes in commercial stocks. The proxy is called “commercial” since it excludes USDA net removals (price support purchases plus subsidized exports, minus USDA sales to back to the commercial market).¹ Commercial exports are subtracted from total commercial disappearance to calculate domestic commercial disappearance. ERS provides estimates of these measures on both milk-fat and skim-solids milk-equivalent bases.

Growth in Commercial Exports

U.S. commercial exports have grown since 2003, largely due to increased world demand, particularly from Mexico and Southeast Asia. Also, as the European Union and the United States have reduced export subsidies, commercial exports have replaced Government-subsidized exports. In recent years, the United States has become a leading exporter of dry whey products and NDM, products with very high skim-solids content.

Growth in Domestic Commercial Disappearance

Over time, Americans have increased per capita consumption of cheese, butter, and other products with relatively high milk-fat content. Per capita consumption of fluid beverage milk has declined, partly explaining the lower growth in demand for skim solids. Fluid beverage milk has lower milk-fat content and higher skim-solids content than milk as it comes from the cow. Changes in U.S. domestic dairy demand have contributed to the availability of high skim-solids products for export, such as NDM and dry whey.

Commercial Exports as Growing Share of Total Commercial Disappearance

Exports have become a greater share of total dairy product demand over time. While commercial exports of NDM and SMP were very low in the 1990s (zero in some years), commercial exports exceeded domestic commercial disappearance by 2013, making up 56.6 percent of total NDM and SMP commercial disappearance. In recent years, major U.S. markets for NDM and SMP have been Mexico, China, Philippines, and Indonesia. 🐄

¹USDA net removals were significant in earlier years but a minor factor since 2004. The Dairy Products Price Support Program and the Dairy Export Incentive Program were repealed by the Agricultural Act of 2014.

AMS News

USDA ANNOUNCES MEETING FOR THE NATIONAL ORGANIC STANDARDS BOARD; INVITES PUBLIC COMMENTS

On March 11, 2015, the U.S. Department of Agriculture's Agricultural Marketing Service (AMS) announced that the National Organic Standards Board (NOSB) will have a public meeting in La Jolla, California, from April 27-30, 2015. In advance of the meeting, AMS is accepting public comments.

The meeting of the board, which occurs twice a year, provides a public forum for the organic community to weigh-in on issues concerning organic production and processing.

Written comments can be submitted until 11:59 p.m. Eastern on Tuesday, April 7, 2015, at www.regulations.gov. More information is available at www.ams.usda.gov/nop. 🐾

CALIFORNIA FEDERAL ORDER OUTREACH MEETINGS

USDA will hold three public outreach meetings throughout California in May 2015 to provide a forum to review proposals received regarding a Federal Milk Marketing Order (FMMO) for California. The outreach meetings will give USDA the opportunity to explain the FMMO rulemaking process and allow proposal sponsors the opportunity to explain the technical details of their submissions.

Agendas for the meetings will be released following the April 10, 2015, additional proposal submission deadline.

All attendees are encouraged to pre-register.

Meetings will begin promptly at 9:00 a.m. at the following locations:

- **Tuesday, May 5, 2015:** California State University, Chico Bell Memorial Student Union, Room 203 Corner of West 2nd and Chestnut Streets, Chico, CA 95927
- **Wednesday, May 6, 2015:** Piccadilly Inn Airport, 5115 E. McKinley Avenue, Fresno, CA 93727
- **Thursday, May 7, 2015:** Los Angeles County Farm Bureau, 41228 12th Street West, Palmdale, CA 93551

Registration is available on-line via www.ams.usda.gov/AMSV1.0/CAOutreach. 🐾

RELEASE DATES FOR FEDERAL MILK ORDER PRICE DATA, 2017-2018

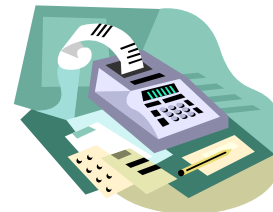
U.S. Department of Agriculture's Agricultural Marketing Service published the release date for price announcements used in the Federal milk order program applicable to January 2017 through December 2018 in the March 13, 2015, edition of *Dairy Market News*.

See www.ams.usda.gov/AMSV1.0/DairyProductMandatoryReporting for release date calendars for 2015-2018. 🐾

Source: USDA. Agricultural Marketing Service. *Dairy Programs*. "Dairy Market News", Volume 82, Report 10.

2014 YEAR END FINANCIAL STATEMENTS

The financial statements for the Administrative and Marketing Services Funds of the Pacific Northwest and Arizona Federal Milk Marketing Orders for the calendar year ending December 31, 2014, can be found on page 5. The two orders require that the market administrator conduct a marketing service program for producers who are not members of a qualified cooperative association which performs comparable services.



The primary functions of the marketing service involve the sampling and testing of milk, and providing marketing information to producers. The principal source of income for these programs is the marketing service deduction which is applicable to all producers for whom the services are provided. 🐾

2014 Year End Financial Statements

INCOME AND EXPENSE STATEMENT*

For Year Ending December 31, 2014

	<u>Administrative Fund</u>	<u>Marketing Service Fund</u>
Income		
Assessments or Deductions	\$ 3,564,890	\$ 192,925
Late Payment Charges Assessed	1,031	-
Interest Earned	6,536	-
Total Income	<u>\$ 3,572,457</u>	<u>\$ 192,925</u>
Expenses		
Salaries and Services	\$ 2,101,199	\$ 52,972
Travel	156,641	14,242
Communications	52,345	1,091
Employer Payroll Contributions	704,075	14,307
Insurance	9,936	203
Rent-Buildings and Equipment	311,462	7,367
Repairs and Maintenance	9,413	22,152
Supplies	25,796	22,988
Testing and Weighing	52,089	54,922
Utilities	13,538	276
Depreciation of Fixed Assets	15,606	18,264
Conferences and Meetings	10,259	209
Training	26,140	4,233
Miscellaneous	1,764	36
Total Expenses	<u>\$ 3,490,262</u>	<u>\$ 213,264</u>
NET INCOME	<u>\$ 82,195</u>	<u>\$ (20,339)</u>

BALANCE SHEET*

As of December 31, 2014

	<u>Administrative Fund</u>	<u>Marketing Service Fund</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 3,908,043	\$ (123,495)
Accounts Receivable:		
Handlers	-	15,945
Other	23,684	808
<u>Other Assets</u>		
Prepaid Expenses	1,594	5,953
<u>Fixed Assets</u>		
Furniture and Equipment	712,062	14,532
Accumulated Depreciation	(702,583)	(14,338)
Laboratory Equipment	163,974	228,263
Accumulated Depreciation	(163,974)	(186,145)
Leasehold Improvements	37,544	766
Accumulated Depreciation	(9,726)	(199)
TOTAL ASSETS	<u>\$ 3,970,618</u>	<u>\$ (57,911)</u>
LIABILITIES AND OPERATING BALANCE		
<u>Current Liabilities</u>		
Accounts Payable:		
Trade Creditors	\$ 228	\$ -
Accrued Employee Salaries Payable	25,232	-
Accrued Employee Annual Leave	205,876	4,744
Payroll Contributions and Withholdings	8,439	-
<u>Operating Balance</u>	3,730,844	(62,654)
TOTAL LIABILITIES AND OPERATING BALANCE	<u>\$ 3,970,618</u>	<u>\$ (57,911)</u>

* May not add due to rounding.

Monthly Selected Statistics

PRICE & POOL DATA	PACIFIC NORTHWEST				ARIZONA			
	Feb 2015	Jan 2015	Feb 2014	Jan 2014	Feb 2015	Jan 2015	Feb 2014	Jan 2014
Producer Prices								
Producer Price Differential (\$/cwt)	(\$0.04)	(\$0.34)	(\$0.13)	\$0.58	+	+	+	+
Butterfat (\$/pound)	1.8296	1.6855	2.0109	1.7874	+	+	+	+
Protein (\$/pound)	2.4051	2.6731	4.6044	4.1870	+	+	+	+
Other Solids (\$/pound)	0.3273	0.4001	0.4453	0.4155	+	+	+	+
Uniform Skim Price (\$/cwt)	+	+	+	+	\$9.55	\$10.22	\$17.54	\$16.78
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.8122	1.7640	1.9753	1.7916
Statistical Uniform Price (\$/cwt)	\$15.42	\$15.84	\$23.22	\$21.73	\$15.56	\$16.04	\$23.84	\$22.46
Producer Data								
Number of Producers	424	469	441	585	95	95	91	92
Avg. Daily Production (pounds)	38,295	39,896	35,661	40,096	144,016	139,496	153,244	145,840
Producer Milk Ratios								
Class I	33.42%	30.28%	36.52%	25.12%	26.44%	26.98%	25.89%	28.96%
Class II	8.74%	7.09%	9.96%	5.79%	11.34%	10.14%	10.34%	8.76%
Class III	12.50%	25.19%	13.24%	38.63%	18.98%	21.83%	22.34%	26.14%
Class IV	45.34%	37.44%	40.28%	30.46%	43.24%	41.05%	41.43%	36.14%
Market Shrinkage								
Pounds	7,079,047	10,225,295	6,443,449	12,026,238	1,033,947	1,510,243	1,268,370	2,038,583
% of Producer Milk	1.55%	1.76%	1.46%	1.65%	0.27%	0.37%	0.32%	0.49%

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

Monthly Supplemental Statistics

SUPPLEMENTAL DATA	PACIFIC NORTHWEST				ARIZONA			
	Jan 2015	Dec 2014	Jan 2014	Dec 2013	Jan 2015	Dec 2014	Jan 2014	Dec 2013
Number of Handlers								
Pool Handlers	23	25	24	24	7	7	7	7
<i>Distributing Plants</i>	13	13	13	13	5	5	5	5
<i>Supply Plants 1/</i>	5	7	6	6	1	1	1	1
<i>Cooperatives</i>	5	5	5	5	1	1	1	1
Producer-Handlers	5	5	5	5	0	0	0	0
Other Plants w/ Class I Use	21	19	18	18	23	23	21	22
Class I Route Disposition In Area								
By Pool Plants	154,756,610	156,358,454	162,032,393	161,763,523	87,673,877	88,281,083	94,306,246	91,461,682
By Producer-Handlers	6,970,448	7,396,060	7,540,405	7,541,468	0	0	0	0
By Other Plants	11,634,843	11,822,675	9,948,621	10,411,456	7,084,882	7,892,272	8,815,016	8,502,952
Total	173,361,901	175,577,189	179,521,419	179,716,447	94,758,759	96,173,355	103,121,262	99,964,634
Producer-Handler Data								
% Class I Use	63.57%	65.72%	67.02%	66.85%	0.00%	0.00%	0.00%	0.00%
% of Total In-Area Route Dispositions	4.02%	4.21%	4.20%	4.20%	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				ARIZONA			
	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan
	2015	2015	2014	2014	2015	2015	2014	2014
Receipts of Milk								
Total Producer Milk	455,830,012	580,046,841	440,337,893	727,142,637	383,083,139	410,814,676	390,466,338	415,936,349
Receipts From Other Sources	9,541,728	21,887,367	7,943,149	9,566,294	8,066,742	6,426,075	5,953,886	8,622,126
Opening Inventory	33,699,001	32,070,512	29,445,005	39,538,135	22,947,165	20,586,654	24,319,666	23,383,257
Total To Be Accounted For	499,070,741	634,004,720	477,726,047	776,247,066	414,097,046	437,827,405	420,739,890	447,941,732
Utilization of Receipts								
Whole milk	31,764,002	35,425,232	30,072,143	33,805,849	22,519,185	24,927,646	22,224,476	25,594,228
Flavored milk & drinks	12,464,650	13,415,139	11,445,442	12,639,948	5,804,148	6,676,191	5,856,854	6,237,660
2% milk	52,181,801	59,112,482	59,479,345	67,179,644	28,573,678	31,634,881	29,372,967	33,922,499
1% milk	23,957,800	27,062,983	22,232,282	25,787,599	13,462,354	15,012,964	14,154,030	16,649,048
Skim milk	16,407,017	18,272,313	19,021,495	21,223,926	8,080,216	8,984,543	9,413,831	11,493,921
Buttermilk	1,293,749	1,468,461	1,296,569	1,395,427	403,102	437,652	403,617	408,890
Class I dispositions in area	138,069,019	154,756,610	143,547,276	162,032,393	78,842,683	87,673,877	81,425,775	94,306,246
Class I dispositions out of area	14,499,190	15,492,491	15,670,230	17,903,294	22,159,845	23,651,846	21,477,029	24,995,939
Other Class I usage	19,518,822	22,099,708	20,023,406	20,875,155	9,342,390	9,174,378	12,882,127	14,588,989
Utilization by Class								
Total Class I Use	172,087,031	192,348,809	179,240,912	200,810,842	110,344,918	120,500,101	115,784,931	133,891,174
Total Class II Use	47,162,462	46,375,918	46,877,436	48,691,185	44,238,307	42,307,901	41,052,541	39,730,070
Total Class III Use	56,989,126	157,002,428	59,070,909	282,958,627	72,699,181	89,688,531	87,327,774	110,049,370
Total Class IV Use	222,832,122	238,277,565	192,536,790	243,786,412	186,814,640	185,330,872	176,574,644	164,271,118
Total Accounted For	499,070,741	634,004,720	477,726,047	776,247,066	414,097,046	437,827,405	420,739,890	447,941,732

CLASSIFICATION OF RECEIPTS	PACIFIC NORTHWEST				ARIZONA			
	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan
	2015	2015	2014	2014	2015	2015	2014	2014
Producer milk								
Class I	152,317,361	175,662,097	160,808,957	182,638,359	101,299,394	110,849,947	101,076,194	120,448,701
Class II	39,834,148	41,096,580	43,867,597	42,072,013	43,437,752	41,636,973	40,383,388	36,431,280
Class III	56,961,697	146,089,971	58,306,338	280,877,774	72,699,181	89,688,531	87,225,097	108,721,299
Class IV	206,716,806	217,198,193	177,355,001	221,554,491	165,646,812	168,639,225	161,781,659	150,335,069
Other receipts								
Class I	19,769,670	16,686,712	18,431,955	18,172,483	9,045,524	9,650,154	14,708,737	13,442,473
Class II	7,328,314	5,279,338	3,009,839	6,619,172	1/	1/	1/	1/
Class III	1/	1/	764,571	2,080,853	0	1/	1/	1/
Class IV	16,142,745	31,991,829	15,181,789	22,231,921	21,968,383	17,362,575	15,564,815	18,562,910
Avg. daily producer receipts	16,279,643	18,711,188	15,726,353	23,456,214	13,681,541	13,252,086	13,945,226	13,417,302
Change From Previous Year	3.52%	-20.23%	-31.75%	4.08%	-1.89%	-1.23%	3.07%	4.46%
Avg. daily Class I use	6,145,965	6,204,800	6,401,461	6,477,769	3,940,890	3,887,100	4,135,176	4,319,070
Change From Previous Year	-3.99%	-4.21%	-2.82%	-2.83%	-4.70%	-10.00%	-3.51%	3.53%

1/ Restricted - Included with Class IV.



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FEDERAL ORDER STATISTICS FOR FEBRUARY

Federal Order Name (Number)	Producer Deliveries	Class I Receipts	Class I Utilization	Class I Price	Uniform Price
	<i>- million pounds -</i>			<i>- per cwt (at location) -</i>	
Northeast (FO 1)	2,016.0	700.8	34.76%	\$19.49	\$17.75
Appalachian (FO 5)	440.3	314.2	71.36%	\$19.64	\$18.55
Florida (FO 6)	225.5	191.2	84.80%	\$21.64	\$20.84
Southeast (FO 7)	414.1	318.6	76.94%	\$20.04	\$19.24
Upper Midwest (FO 30)	2,911.0	281.0	9.65%	\$18.04	\$15.64
Central (FO 32)	1,291.6	388.3	30.06%	\$18.24	\$15.78
Mideast (FO 33)	1,570.8	493.8	31.43%	\$18.24	\$15.77
Pacific Northwest (FO 124)	455.8	152.3	33.42%	\$18.14	\$15.42
Southwest (FO 126)	1,174.5	340.2	28.96%	\$19.24	\$16.64
Arizona (FO 131)	383.1	101.3	26.44%	\$18.59	\$15.56

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