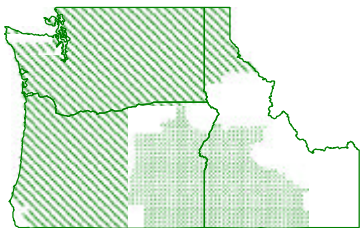


## Pacific Northwest & Southwestern Idaho- Eastern Oregon Marketing Areas

August 1999

James R. Daugherty, Market Administrator



1930 – 220<sup>th</sup> Street S.E., Suite 102

Bothell, WA 98021-8471

Phone (425) 487-6009

Fax (425) 487-2775

Homepage: fmmaseattle.com

E-mail: MAGeneric\_Seattle@usda.gov



### USDA EXPANDS DAIRY OPTIONS PILOT PROGRAM TO INCLUDE SELECTED COUNTIES IN IDAHO, OREGON, AND WASHINGTON

On July 29, 1999, Agriculture Secretary Dan Glickman announced Round II of the Dairy Options Pilot Program (DOPP). Dairy producers who complete this hands-on risk management training learn to protect their market price by buying futures options.

"With the current volatility in the milk market, dairy producers must find ways to protect their price," said Glickman, "Because the DOPP proved so effective for Round I participants, we will extend the training to an additional 61 counties in 25 states. Bringing diverse geographical areas into the pilot program will help us prepare for national implementation."

Developed by the Risk Management Agency, the program has worked particularly well due to partnerships with the Cooperative State Research, Education, and Extension Service; dairy industry groups at the state and county levels; and the two futures exchanges-the New York Board of Trade and the Chicago Mercantile Exchange.

While program partners organize the training, USDA supports participants with a cost-share program that pays 80 percent of the option premium and allows a \$30 brokerage fee per transaction. Producers are encouraged to buy up to 600,000

pounds of milk options in the 4 months following training. A unique aspect of the program is the continuing counseling and advice available during the 12-month duration of the program.

The 425 producers in 37 counties in seven states that participated in the first round of the DOPP program purchased almost 1,700 "put" options. These options gave producers the right, but not the obligation, to sell a futures contract, thereby ensuring producers a price floor for their milk. This hedging alternative can protect a producer's income if the market price falls below the "put" option price. If market price exceeds the put option price, the options can expire unused.

#### Round I Included:

California: Kings, Merced, San Joaquin, Stanislaus, and Tulare

Minnesota: Goodhue, Morrison, Otter Tail, Stearns, Todd, and Winona

New York: Chautauqua, Jefferson, Lewis, Oneida, St. Lawrence, and Steuben

Pennsylvania: Berks, Bradford, Chester, Crawford, Franklin, and Lancaster

Texas: Hopkins, Johnson, and Wood

Vermont: Addison, Caledonia, Franklin, Orange, and Rutland

Wisconsin: Chippewa, Clark, Dane, Grant, Marathon, and Vernon

*(Continued On Page 2)*

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*(Continued From Page 1)***Round II will add these counties:**

Arizona: Maricopa

California: Marin and Sonoma

Colorado: Weld

Florida: Okeechobee and Gilchrist

Georgia: Putnam and Morgan

**Idaho: Jerome, Gooding, and Twin Falls**

Illinois: Clinton and Washington

Indiana: Elkhart and Marshall

Iowa: Clayton, Dubuque, and Winneshiek

Kansas: Nemaha

Kentucky: Barren and Adair

Maryland: Frederick and Carroll

Massachusetts: Franklin

Michigan: Sanilac, Allegan, and Clinton

Minnesota: Wabasha and Fillmore

Missouri: Wright and Webster

Nebraska: Gage

New Mexico: Chaves, Roosevelt, and Lea

New York: Wyoming and Madison

North Carolina: Iredell

Ohio: Wayne, Mercer, and Ashtabula

Oklahoma: Adair and Mayes

**Oregon: Marion and Washington**

Pennsylvania: Lebanon and Tioga

South Dakota: Deuel and Grant

Tennessee: McMinn

Texas: Archer

Utah: Cache and Utah

Vermont: Washington

Virginia: Franklin and Rockingham

**Washington: Whatcom, Skagit, and Snohomish**

Wisconsin: Barron and Shawano

If you would like more information about the expanded DOPP, contact Lon Burke at (202) 720-5265, or email: [Lon\\_Burke@wdc.usda.gov](mailto:Lon_Burke@wdc.usda.gov). Program information is also available from the homepage of the Risk Management Agency: <http://www.usda.gov/rma/rme/>. ♦

**MARKETING AND ADMINISTRATIVE  
ASSESSMENTS WAIVED FOR  
JULY, AUGUST, AND SEPTEMBER 1999**

On August 10, 1999, James R. Daugherty announced that the 2-cent per hundredweight administrative assessment currently applicable to the Pacific Northwest and Southwestern Idaho-

Eastern Oregon federal milk orders will be waived for milk pooled during the months of July, August, and September 1999. Statements issued for those months will not contain an administrative assessment charge.

The 2-cent per hundredweight deduction for marketing services under each of the above-named orders will also be waived for the months of July, August, and September 1999. This deduction, which is applicable to deliveries by producers who are not members of a qualified cooperative association performing marketing services, should not be withheld from producers in making payments for milk delivered during the months of July, August, and September. Statements issued for those months will not contain a deduction for marketing services. ♦

**MARKET SUMMARIES FOR JULY****Pacific Northwest**

Producers delivered a total of 491.0 million pounds of milk to the market during July, a decrease of 75.4 million pounds from the level of a year ago. Daily deliveries increased 2.5% from the previous month but were 13.3% below the level of a year ago. Changes from the previous month and a year ago are biased due to eligible milk not pooled in June and July 1999. An estimated 848 producers delivered milk to the market during the month, a decrease of 293 producers from July 1998. Daily deliveries per producer averaged 18,676 pounds, an increase of 2,662 pounds or 16.6% from a year ago.

Class I producer milk during July totaled 169.5 million pounds, 34.5% of total producer receipts. Daily usage averaged 0.7% below that in June and 1.5% below the level of a year ago.

Producers will receive \$1.9407 per pound of protein, \$0.4788 per pound of other solids, and \$1.4290 per pound of butterfat in their deliveries of milk. Producers will also be assessed the market's producer price differential of \$0.83 per hundredweight. The market average component tests for the month were: 3.17% protein, 5.48% other solids (solids-not-fat less protein), 8.65% solids-not-fat, and 3.54% butterfat.

**Southwestern Idaho-Eastern Oregon**

Producers delivered a total of 34.1 million pounds of milk to the market during July, an increase of 1.5 million pounds from a year ago. Daily deliveries averaged 89.0% below those in the

previous month but were 4.7% above the level of a year ago. An estimated 355 producers delivered milk to the market during the month, an increase of 211 producers from a year ago. Changes from the previous month and a year ago are biased due to eligible milk not pooled in June and July 1999 and July 1998. Daily deliveries per producer averaged 31,279 pounds, an increase of 4,494 pounds or 16.8% from a year ago.

Class I producer milk during July totaled 15.4 million pounds, 45.3% of total producer receipts. Daily usage averaged 1.2% above that recorded last month and was 2.2% above the level of a year ago.

Producers will receive \$2.77 per pound of protein and \$1.43 per pound of butterfat in their deliveries of milk. Producers will also be assessed the market's weighted average differential price of \$0.61 per hundredweight. The market average component tests for the month were 3.15% protein and 3.45% butterfat. ♦

#### Estimated Uniform Price (@ 3.5% BF) July 1999

Federal Order	Per Cwt.
Pacific Northwest	\$12.76
Southwestern Idaho-Eastern Oregon	\$12.98

#### JULY BFP UP \$2.17 TO \$13.59 PER CWT.

**Basic Formula Price** - - The July 1999 Basic Formula Price (BFP) for manufacturing grade milk at 3.50% butterfat increased \$2.17 from June 1999, to \$13.59 per hundredweight. July's BFP is \$1.18 below the BFP of a year ago, but \$3.79 above the support price for milk at 3.50% butterfat.

The increase in the BFP for July resulted from a \$1.85 increase in the product price portion of the BFP between June 1999 and July 1999. The increase in the BFP from June to July was aided by a 51-cent increase in the base month M-W survey from \$11.23 to \$11.74 between May and June 1999. The BFP is calculated as the base month M-W survey price, plus the weighted average change in product prices (\$11.74 + \$1.85 = \$13.59 per hundredweight). The BFP at test was \$13.75 per hundredweight, with 3.62% butterfat, 3.07% protein, and 8.46% solids-not-fat.

The BFP is the Class III price under the orders and is also used in determining the Class I price,

the Class II price, and component prices under the orders.

**Commodity Prices** - - The NASS survey of cheddar cheese prices showed increases in prices received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed an increase of 27.75 cents between the July 9 and the August 13 surveys, to \$1.7218 per pound. The survey of 500-pound barrels (adjusted to 39% moisture) showed an increase of 27.62 cents to \$1.6946 per pound.

The Mercantile Exchange Grade A butter price series (weekly average Grade AA less 9 cents) showed a net increase of 1.17 cents between the weeks ending July 16 and August 20 from \$1.2250 per pound to \$1.2367 per pound.

The average wholesale price for nonfat dry milk (low, medium and high heat combined) in the Western States production area showed an increase of 1.75 cents since mid-July to \$1.0275 per pound. The average price for western nonhygroscopic whey showed an increase of 0.75 cents since mid-July to \$0.1838 per pound. ♦

#### GLICKMAN NAMES MEMBERS TO NATIONAL FLUID MILK PROCESSOR PROMOTION BOARD

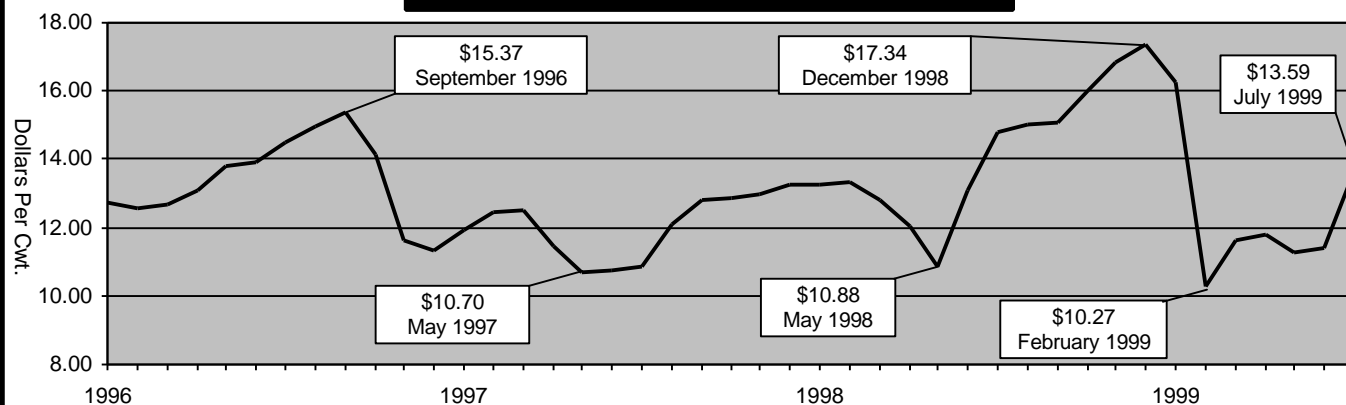
Secretary of Agriculture Dan Glickman has announced the appointment of 9 incumbents and 4 new members to the National Fluid Milk Processor Promotion Board.

Re-appointed to serve second terms were: Arthur J. Pappathanasi, Lynn, Mass., (Region 1); C. Scott Mayfield, Jr., Nashville, Tenn., (Region 4); Robert (Scott) Charlton, Lakeland, Fla., (Region 5); David G. Schwain, Arden Hills, Minn., (Region 7); Patrick R. Beaman, Dallas, Texas, (Region 10); Miriam Erickson Brown, Des Moines, Iowa, (Region 11); James T. Wilcox, Jr., Roy, Wash., (Region 13); Martin J. Margherio, Binghamton, N.Y., (at-large); and Joseph W. Van Treeck, Anchorage, Alaska, (at-large public member).

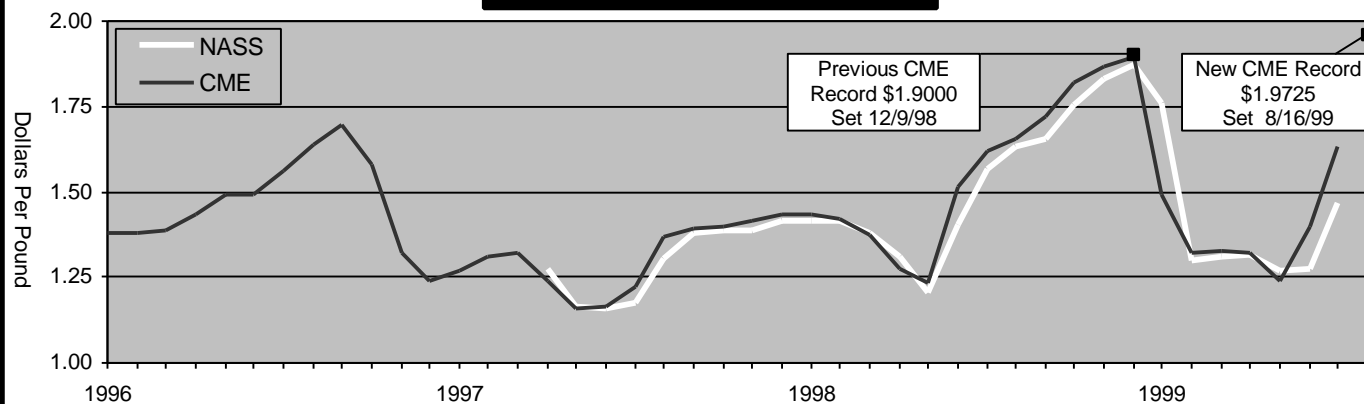
Newly appointed were Jeffrey W. Stephen, Chelsea, Mass., (Region 2); G. Irwin Gordon, Dallas, Texas, (Region 8); Ronald M. Foster, Modesto, Calif., (Region 14); and Ann Puelz

(Continued On Page 5)

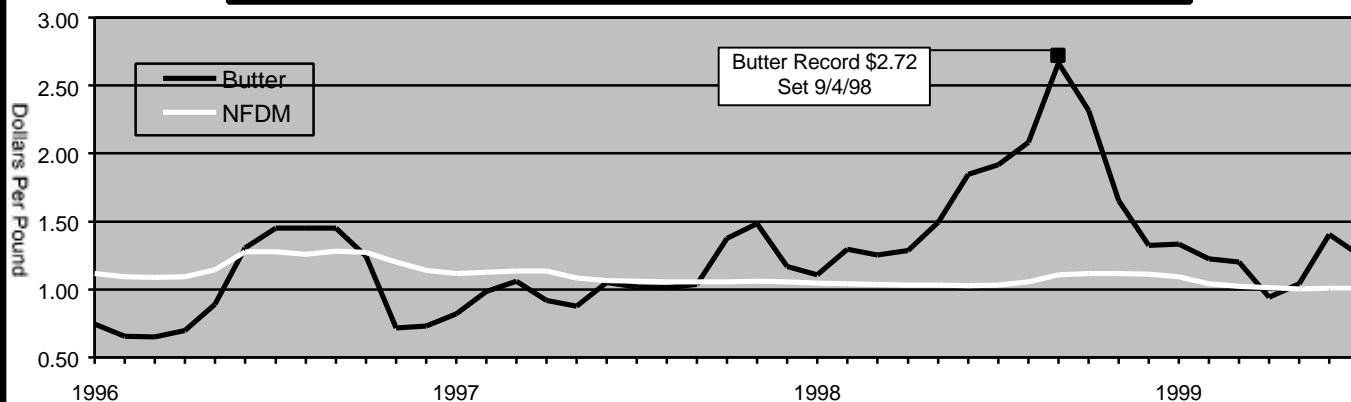
**The Basic Formula Price @ 3.5% Butterfat  
January 1996 through July 1999**



**CME and NASS Cheese Prices  
January 1996 through July 1999**



**CME Grade A Butter Price Series and Western Nonfat Dry Milk Price  
January 1996 through July 1999**



(Continued From Page 3)

Ocana, Phoenix, Ariz., (at-large).

The appointments for regions 1, 4, 7, 10, 13, one at-large, and one at-large (public member) expire on May 31, 2001.

The appointments for regions 2, 5, 8, 11, 14, and one at-large expire on May 31, 2002.

The National Fluid Milk Processor Promotion Board is composed of 15 fluid milk processors from 15 geographic regions and five at-large members. At least three at-large members must be fluid milk processors and at least one must be from the general public. The board was established by the Fluid Milk Promotion Act of 1990 to develop and administer a coordinated program of advertising and promotion to increase the consumption of fluid milk products.

The National Fluid Milk Program is financed by a mandatory 20-cent per hundredweight assessment on all fluid milk processed and marketed commercially in consumer-type packages in the contiguous 48 states and the District of Columbia. Processors who commercially process and market 500,000 pounds or less per month are exempt from assessments.

USDA's Agricultural Marketing Service monitors the operations of the board. It is USDA's policy that membership on industry governed boards and committees accurately reflect the diversity of individuals served by the programs.

#### IN-AREA DISPOSITION OF FLUID MILK PRODUCTS: JANUARY THROUGH JUNE 1999

The Pacific Northwest Order showed a small decrease of in-area route dispositions for the period January through June 1999, compared to a year earlier, while the Southwestern Idaho-Eastern Oregon Order showed an increase (see tables to the right).

##### Pacific Northwest

For the period of January through June 1999, disposition of fluid milk products in the marketing area of the Pacific Northwest Order totaled 1,091.0 million pounds, down 0.51% from the same period in 1998. The decrease was due to significant declines in 2%, Flavored Whole Milk, Skim Milk, Buttermilk, and Miscellaneous Lowfat Products. All other categories showed increases from 1998.

##### Southwestern Idaho-Eastern Oregon

For the period of January through June 1999, disposition of fluid milk products in the marketing area of the Southwestern Idaho-Eastern Oregon Order totaled 92.8 million pounds, up 5.21% from the same period in 1998. The increase was due to increases in Whole Milk, Flavored Whole Milk, 2%, 1%, Skim Milk, and Flavored Lowfat. ♦

#### Pacific Northwest 1/

	January - June		
	1998	1999	% Chg. 3/
<b>Whole Milk Products</b>	- Million Pounds -		
Whole	174.5	181.5	+4.06%
Flavored	8.6	8.4	-2.37%
<b>Total Whole Milk 3/</b>	183.1	189.9	+3.76%
<b>Low-fat Milk Products</b>			
2%	484.8	473.3	-2.38%
1%	159.3	161.2	+1.20%
Skim	202.2	198.3	-1.88%
Flavored Low-fat	42.1	45.9	+8.93%
Buttermilk & Other 2/	25.3	22.4	-11.28%
<b>Total Low-fat Milk 3/</b>	913.6	901.1	-1.37%
<b>Combined Total 3/</b>	1,096.7	1,091.0	-0.51%

\* footnotes for this table can be found below the table for Southwestern Idaho-Eastern Oregon.

#### Southwestern Idaho-Eastern Oregon 1/

	January - June		
	1998	1999	% Chg. 3/
<b>Whole Milk Products</b>	- Million Pounds -		
Whole	14.9	15.5	+4.02%
Flavored	0.8	1.4	+78.78%
<b>Total Whole Milk 2/</b>	15.7	16.9	+7.77%
<b>Low-fat Milk Products</b>			
2%	40.1	40.7	+1.53%
1%	15.0	16.2	+8.18%
Skim	11.7	12.9	+9.60%
Flavored Low-fat	4.7	5.1	+9.05%
Buttermilk & Other 4/	0.9	0.9	-2.17%
<b>Total Low-fat Milk 2/</b>	72.5	75.9	+4.65%
<b>Combined Total 2/</b>	88.2	92.8	+5.21%

1/ Based on total in-area route disposition by handlers, handlers regulated by other Federal orders, partially regulated handlers, and producer-handlers. 2/ May not add due to rounding. 3/ Percent change is based on unrounded data. Not adjusted for calendar composition. 4/ May include small amounts of miscellaneous products.

## MONTHLY SELECTED STATISTICS

## Formula Prices

	Jul 1999	Jun 1999	Jul 1998
Basic Formula Price	\$ 13.59	\$ 11.42	\$ 14.77
Butter, Grade A, CME Price Series	1.2544	1.4031	1.9185
Nonfat Dry Milk, Grade A - Western	1.0098	1.0056	1.0324
Cheese, 40 lb. blocks, NASS	1.4702	1.2747	1.5656

## PACIFIC NORTHWEST, F.O. #124

## SW IDAHO-E OREGON, F.O. #135

## Handler Prices (3.5% B.F.)

	Jul 1999	Jun 1999	Jul 1998	Jul 1999	Jun 1999	Jul 1998
Class I Milk	\$13.16	\$13.71	\$12.78	\$12.76	\$13.31	\$12.38
Class II Milk	11.56	12.11	11.18	11.56	12.11	11.18
Class III Milk	13.59	11.42	14.77	13.59	11.42	14.77
Class III-A Milk	12.30	13.21	15.62	12.30	13.21	15.62
1/ Other Solids	0.4788	0.0466	0.0686	+	+	+
1/ Protein	1.9407	1.6826	2.0666	2.80	1.76	2.19

## Producer Prices

PPD/WAD 2/	\$(0.83 )	\$ 1.27	\$(0.73)	\$(0.61)	\$0.08	\$(1.69)
1/ Other Solids	0.4788	0.0466	0.0686	+	+	+
1/ Protein	1.9407	1.6826	2.0666	2.77	1.76	2.18
Est. Uniform Price	12.76 ***	12.69 ***	14.04 ***	12.98 ***	11.50 ***	13.08 ***
1/ Butterfat Price	1.4290	1.6679	2.2997	1.43	1.67	2.30

## Producer Data

Number of Producers	848 *	864	1,141	355 *	324	144
Avg. Daily Production (lbs.)	18,676 *	17,889	16,014	31,279 *	31,456	26,784

## Number of Handlers

Pool Handlers	27	27	26	10	11	10
Producer-Handlers	12	12	15	0	0	0
Other Plants w/ Class I Use	4	4	4	5	5	5

## Producer Milk Ratios

Class I	34.53%	35.62%	30.39%	45.31%	4.91%	46.42%
Class II	10.30%	11.20%	9.21%	22.36%	2.81%	21.26%
Class III	55.17%	53.18%	60.40%	32.33%	92.28%	32.32%
Class III-A	**	**	**	**	**	+

+ Not Applicable. \* Preliminary. \*\* Restricted Included with Class III. \*\*\* Estimated. 1/ Per Pound.

2/ Producer Price Differential (PPD) for FO 124 and Weighted Average Differential (WAD) for FO 135.

## MONTHLY SUPPLEMENTAL STATISTICS

## Producer-Handler Data

	Jun 1999	May 1999	Jun 1998	Jun 1999	May 1999	Jun 1998
(Thousand lbs.)						
Production	21,936 *	22,199 *	22,262 *	0	0	0
Class I Use	17,884 *	17,425 *	17,680 *	0	0	0
% Class I Use	81.53%	78.50%	79.41%	0	0	0

## Class I Route Disposition In Area

(Thousand lbs.)						
By Pool Plants	157,818	168,192	158,116	13,436	14,368	13,033
By Producer-Handlers	17,023 *	16,733 *	16,807 *	0	0	0
By Other Plants	853	1,375	941	2,044	1,568	684
Total **	175,693	186,301	175,864	15,481	15,936	13,717

\* Partially Estimated.

\*\* May not add due to rounding.

# MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST			SW IDAHO - E OREGON		
	Jul 1999	Jun 1999	Jul 1998	Jul 1999	Jun 1999	Jul 1998
TOTAL PRODUCER MILK	490,964,872	463,692,621	566,419,786	34,062,245	300,857,075	32,536,638
RECEIPTS FROM OTHER SOURCES	13,778,336	11,634,387	11,618,281	2,470,020	2,563,652	2,647,682
OPENING INVENTORY . . . . .	20,801,739	23,055,003	22,028,412	2,762,401	2,724,617	2,405,834
TOTAL TO BE ACCOUNTED FOR	525,544,947	498,382,011	600,066,479	39,294,666	306,145,344	37,590,154
UTILIZATION OF RECEIPTS						
Whole milk . . . . .	26,338,783	25,537,169	25,646,196	2,581,094	2,420,105	2,473,466
Flavored milk & milk drinks . . . . .	4,772,552	7,043,184	4,823,707	543,238	586,375	402,058
2% milk . . . . .	74,428,823	71,655,388	70,702,860	6,470,086	6,366,529	6,140,191
1% milk . . . . .	23,084,077	22,295,322	27,544,552	2,289,883	2,130,180	2,070,347
Skim milk . . . . .	29,795,851	29,797,529	30,837,144	1,859,201	1,804,687	1,862,667
Buttermilk . . . . .	1,449,836	1,488,949	1,820,633	119,040	128,374	135,535
CLASS I ROUTE DISP. IN AREA. . . . .	159,869,922	157,817,541	161,375,092	13,862,542	13,436,250	13,084,264
Class I dispositions out of area . . . . .	10,787,385	8,772,745	8,691,516	1,709,342	1,708,413	1,591,743
Other Class I usage . . . . .	11,254,087	12,321,167	15,367,767	1,553,203	1,526,054	2,353,552
TOTAL CLASS I USE. . . . .	181,911,394	178,911,453	185,434,375	17,125,087	16,670,717	17,029,559
Mixtures (1/2 & 1/2) . . . . .	3,833,483	3,409,701	3,436,618	219,780	189,889	215,500
Whipping Cream . . . . .	2,036,535	2,035,728	1,679,532	147,807	106,090	121,943
Sour Cream . . . . .	3,147,721	3,169,359	3,306,721	1/	1/	1/
Yogurt . . . . .	4,367,848	5,294,164	5,945,484	0	0	0
Other Class II Usage . . . . .	48,213,886	47,512,217	49,873,294	9,964,321	10,599,533	9,141,840
TOTAL CLASS II USE . . . . .	61,599,473	61,421,169	64,241,649	10,331,908	10,895,512	9,479,283
TOTAL CLASS III USE * . . . . .	282,034,080	258,049,389	350,390,455	11,837,671	278,579,115	11,081,312
TOTAL ACCOUNTED FOR . . . . .	525,544,947	498,382,011	600,066,479	39,294,666	306,145,344	37,590,154
CLASSIFICATION OF RECEIPTS						
Producer milk: Class I . . . . .	169,538,060	165,179,829	172,149,826	15,434,092	14,762,442	15,103,943
Class II . . . . .	50,563,691	51,926,433	52,140,978	7,615,802	8,448,940	6,917,373
Class III * . . . . .	270,863,121	246,586,359	342,128,982	11,012,351	277,645,693	10,515,322
Other receipts: Class I . . . . .	12,373,334	13,731,624	13,284,549	1,690,995	1,908,275	1,925,616
Class II . . . . .	11,035,782	9,494,736	12,100,671	2,716,106	2,446,572	2,561,910
Class III * . . . . .	11,170,959	11,463,030	8,261,473	825,320	933,422	565,990
Avg. daily producer receipts . . . . .	15,837,577	15,456,421	18,271,606	1,098,782	10,028,569	1,049,569
Change from previous year . . . . .	- 13.32%	17.42%	14.01%	4.69%	101.55%	- 87.89%
Avg. daily Class I use . . . . .	5,868,109	5,963,715	5,981,754	552,422	555,691	549,341
Change from previous year . . . . .	- 1.90%	.21%	- 1.10%	.56%	1.09%	3.29%

\* Includes Class III-A milk. 1/ Restricted - Included with other Class II usage.

**HIGHLIGHTS THIS ISSUE:**

- **USDA Expands Dairy Option Pilot Program to Include Counties in Idaho, Oregon, and Washington**
- **Market Administrator Waives Assessments July, August, and September 1999**
- **July Market Summaries**
- **BFP Up \$2.17 for July to \$13.59 per Hundredweight**
- **Dairy Graphs: BFP, Cheese, Butter, and NFDM**
- **Glickman Names Members to National Fluid Milk Processor Promotion Board**
- **In-Area Disposition of Fluid Milk Products Down 0.5% in Pacific Northwest Marketing Area But Up 5.2% in the Southwestern Idaho-Eastern Oregon Marketing Area**

**MARKET BRIEF FOR JULY: EXTENSIVE DEPOOLING DUE TO INVERSE PRICES**

For the month of July 1999, handlers elected to not pool 108.2 million pounds of eligible milk on the Pacific Northwest Order and 346.1 million pounds of eligible milk on the Southwestern Idaho-Eastern Oregon Order. The Pacific Northwest Order had three handlers electing to not pool eligible milk. The Southwestern Idaho-Eastern Oregon Order had five handlers electing to not pool eligible milk.

The reason for the extensive depooling for the month of July was that the Class III price (the BFP) was greater than the Class I, II, and III-A prices for the orders. This price "inversion" resulted in a uniform price that was lower than the Class III price making it financially disadvantageous to pool eligible milk diverted to Class III (cheese) nonpool plants.

Comparisons of pool data to June 1999 and July 1998 may be biased.