

## Pacific Northwest & Arizona Marketing Areas



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### MARKET SUMMARIES FOR AUGUST 2007

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

#### Pacific Northwest

Producers delivered a total of 596.9 million pounds of milk to the market during August. Daily deliveries averaged 19.3 million pounds, up 1.2 percent from July. An estimated 689 producers delivered milk to the market during the month. Daily deliveries per producer averaged 27,945 pounds, up 1.2 percent from July.

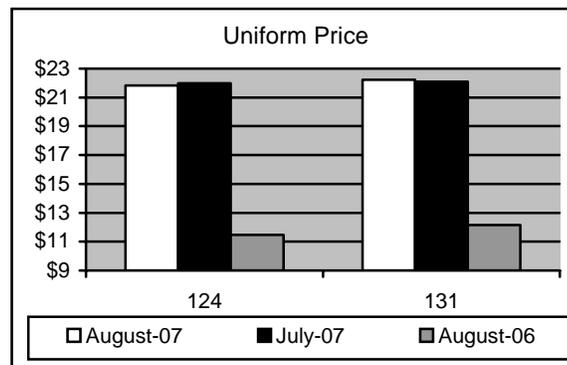
Class I producer milk during August totaled 188.0 million pounds, 31.5 percent of total producer receipts. Daily usage averaged 6.1 million pounds, up 6.0 percent from July.

#### Arizona

Producers delivered a total of 289.8 million pounds of milk to the market during August. Daily deliveries averaged

9.3 million pounds, down 6.7 percent from July. An estimated 93 producers delivered milk to the market during the month. Daily deliveries per producer averaged 100,531 pounds, down 6.7 percent from July.

Class I producer milk during August totaled 118.9 million pounds, 41.0 percent of total producer receipts. Daily usage averaged 3.8 million pounds, up 11.3 percent from July. ♦



### Federal Order Producer Prices and Component Levels: August 2007

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	21.84	22.22	Butterfat	3.621	3.527
Butterfat 2/	1.5872	1.5980	Protein	3.032	N/A
Protein 2/	3.9412	N/A	Other Solids	5.741	N/A
Other Solids 2/	0.4368	N/A	Nonfat Solids	8.773	N/A
PPD 1/*	2.01	N/A			
Skim 1/	N/A	17.23			

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

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**AUGUST 2007 CLASS PRICES**

August 2007 non-advanced Class Prices were calculated using NASS commodity price surveys from August 4, 11, 18 and 25, 2007. Component prices for the month are \$3.9412 per pound of protein, \$1.5872 per pound of butterfat, \$0.4368 per pound of other solids, and \$1.8785 per pound of nonfat solids.

August 2007 Class III and IV prices at 3.5% butterfat are \$19.83 and \$21.87 per hundredweight, respectively. The August Class III price compared to July is down \$1.55; the Class IV price is up \$0.23. The Class III price is \$8.77 higher than in August 2006 and the Class IV price is \$11.23 higher. The Class III price at 3.67% butterfat is \$10.20 above the support price of \$9.90 at 3.67% butterfat.

Class II butterfat was announced at \$1.5942 per pound. Class I skim and butterfat and Class II skim prices for August 2007 were announced on July 20, 2007. The Class II price at 3.5% butterfat is \$22.41 for August 2007.

**FINAL: NASS COMMODITY PRICES**

	<u>July</u>	<u>August</u>	<u>Change</u>
Cheese*	\$2.0002	\$1.9100	-\$0.0902
Butter	\$1.4627	\$1.4429	-\$0.0198
Nonfat Dry Milk	\$2.0180	\$2.0545	\$0.0365
Whey	\$0.7329	\$0.6197	-\$0.1132

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed increases in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed an increase of 15.53 cents between the August 11 and the September 15 surveys, to \$2.0449 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed an increase of 14.30 cents to \$2.0303 per pound.

The NASS butter price showed a net decrease of 9.55 cents between the weeks ending August 11 and September 15 from \$1.4799 per pound to \$1.3844 per pound.

The NASS nonfat dry milk showed a net decrease of 0.85 cents since mid-August to \$2.0412 per pound.

The average price for NASS whey showed a decrease of 16.14 cents since mid-August to \$0.4719 per pound. ♦

**OCTOBER'S CLASS I PRICE ANNOUNCEMENT**

On September 21, the October 2007 Class I price was announced at \$23.49 for the Pacific Northwest Order and \$23.94 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of September 8 and 15.

The October Class III and IV advance skim prices are \$15.33 and \$16.86 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 11.73 cents from \$1.6382 to \$1.5209 per pound.

The October 2007 Class II skim and nonfat solids prices were also announced on September 21. The skim price is \$17.56 per hundredweight, and the nonfat solids price is \$1.9511 per pound for all Federal orders. ♦

**ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS**

	<u>September</u>	<u>October</u>	<u>Change</u>
Cheese*	\$1.9014	\$2.0214	\$0.1200
Butter	\$1.4854	\$1.3876	-\$0.0978
Nonfat Dry Milk	\$2.0383	\$2.0494	\$0.0111
Whey	\$0.6429	\$0.4885	-\$0.1544

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

*(Continued from Page 8)*

**What functions do Federal milk orders carry out?**

Federal order debates are usually about money, but other services to the industry offered by orders are often forgotten in the debate.

Federal milk orders:

- Enforce a uniform set of terms of trade.
- Set payment dates and minimum payment levels to producers and cooperatives.
- Provide substantial market information for the industry and for the public.
- Provide valuable marketing service functions, working with milk testing laboratories and plants to improve the accuracy and consistency of milk testing. Along with this, oversight is provided to ensure that dairy farmers' milk is tested honestly.
- Intervene upon request as an independent third party arbitrator over testing issues between plants.

Federal order prices:

- Often used as the base level for pricing milk and dairy products throughout the country.

- "Premiums" paid to farmers are the amounts over the relevant Federal order minimum prices.

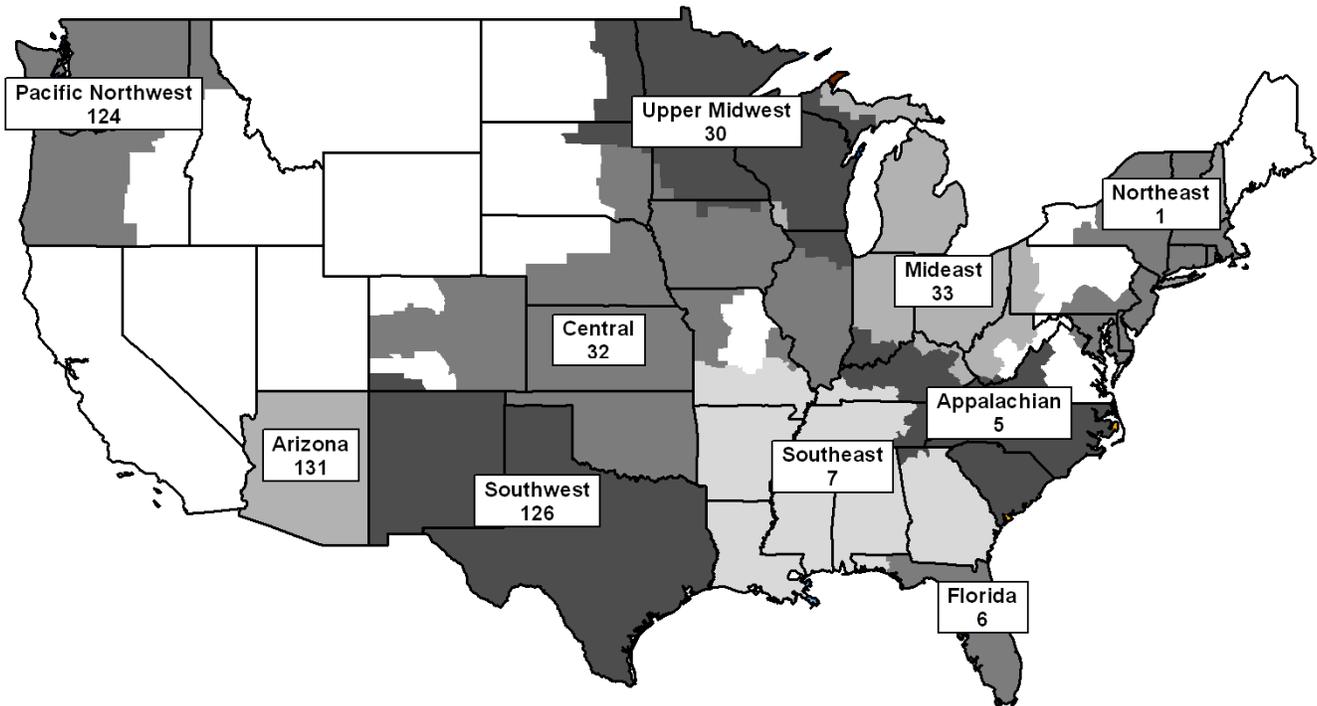
Without Federal orders, Federal order base levels go away.

#### What do Federal milk orders not do?

While Federal orders carry out important functions, it is important to understand the many things that Federal milk orders do not do. For individual producers, Federal orders:

- Do not guarantee a fixed price level over time (prices rise and fall).
- Do not guarantee producers a market for their milk.

Market forces generally generate prices that are higher than the Federal order minimum prices. The difference between the Federal order minimum price and the price paid by processors for milk is called an over-order premium. In the Pacific Northwest, premiums paid to producers average about \$0.20 per cwt. In the Arizona Order, premiums paid to producers are restricted. The Federal order system provides a structure in which producers and their cooperatives can effectively compete with milk buyers in the marketplace to generate milk prices that are higher than the Federal order minimum prices. Federal orders assure that a certain amount of revenue each



- Do not establish price caps (maximum prices).
- Do not restrict production.
- Do not regulate to whom a farmer may sell milk, nor regulate the quantities of milk sold by a farmer to a plant.
- Do not establish or enforce sanitary or quality standards.
- Do not set wholesale or retail prices for milk.

#### Milk Prices under Federal Orders

Federal milk marketing orders establish minimum prices for regulated milk in different use classes – classified pricing. A weighted average minimum price for milk pooled on an order is calculated from the milk volumes in each class. The Market Administrator assures that each producer whose milk is pooled on the order receives the minimum average price (adjusted for location).

month is paid through the Federal order pools. Over order premiums are paid by plants directly to individual producers and cooperatives.

#### Classified Prices – Minimum Prices

Federal orders prevent the exercise of market power over farmers selling perishable raw milk and thereby driving milk prices to levels below that consistent with dairy product prices and average costs of serving fluid milk markets. Minimum prices are based on manufactured dairy product prices and conversion factors to transform product prices into milk prices. Milk used to make dry milk powder and butter is Class IV and milk used to make cheese is Class III. Minimum prices for milk in Class II – used to make fluid cream products and soft manufactured products, include a \$0.70 per cwt. differential added to Class IV pricing factors,

reflecting the cost to convert milk powders and butterfat to manufacture Class II products. The minimum price for milk in Class I (used for bottled milk) includes a differential related to the additional costs incurred in supplying milk to fluid milk processors. The additional costs include those associated with more stringent quality control, managing deliveries to meet processing schedules, and the costs of transporting needed milk from alternative supply areas. In the Pacific Northwest Order, the Class I differentials commonly range from \$1.70 to \$1.90 per cwt. In the Arizona Order, the Class I differentials commonly range from \$2.10 to \$2.35 per cwt. In general, Class I differentials increase in markets with tighter milk supplies relative to milk demand.

### **Marketwide Performance and Pooling**

Federal milk marketing orders allow milk producers to participate in the order's revenue pool and qualify for Federal order minimum prices if the producers meet certain performance criteria related to making their milk available for fluid use when needed. The practice of marketwide pooling allows a wider producer participation in the fluid milk markets than would occur under other systems, such as individual handler pools. In 2006, Federal milk marketing orders assured payments through the pools of \$1.2 billion for Class I milk. This represents the amount of money over and above the value of milk in manufactured uses that the Federal order system assures for producers that is related to fluid milk marketing costs.

### **Over-Order Payments**

Market forces generally drive prices to levels even higher than Federal order minimum prices. The price of milk in a given fluid milk plant in a given month reflects the value of the milk in manufactured uses, the value of the agreed-to quality specifications, and the value of the milk at the plant location. The portion of this price that is above the Federal order minimum is paid outside of the Federal order system to the farmers and cooperatives supplying the milk. Premiums are paid for milk in all uses. In the Pacific Northwest Order, over-order payments for Class I milk have averaged \$0.51 per cwt. in 2006. These premiums resulted in average annual revenues of \$10.8 million per year. A portion of the premium is likely used to pay marketing costs incurred between the farm gate and the plants. In the Pacific Northwest Order, the money generated by Federal order Class I differentials and cooperative Class I over order premiums, combined, totaled \$53.2 million for

2006. In the Arizona Order, the money generated by Federal order Class I differentials totaled \$29.3 million for 2006. Over-order payments for Class I milk are restricted due to the fact that the number of handlers charging premiums is less than three.

### **Price Discussion Summary**

Federal milk marketing orders provide a marketing structure of classified pricing, a system of minimum prices based on dairy product prices and marketing costs, and a system of marketwide pooling through which a portion of the higher value of fluid milk is distributed to producers marketing milk on the order. In the Pacific Northwest, the Class I differential generates most of the Producer Price Differential. Over \$42 million was contributed by the Class I differential in 2006. For the Arizona Order, the Class I differential contributed \$79 million to producer uniform prices in 2006. The marketing structure provided by orders facilitates the clearing of milk markets by producers/cooperatives and milk buyers at prices that are generally higher than the Federal order minimum prices.

### **Are Federal milk orders voluntary?**

Yes! Federal orders:

- Are put in place only at the request of the dairy farmers and their cooperatives in an area.
- Administrative costs of the program are borne by local plants and cooperatives that have their milk "pooled".
- Use no tax dollars for the administration of an order.

### **Amendment Process**

As the dairy industry changes, so must the regulatory environment. Currently, there are a number of proceedings taking place to consider changes to some or all Federal orders. Where changes to Federal orders are proposed, producers and cooperatives will vote on whether to maintain the order in their area, or terminate it. Whenever an order is amended, at least 2/3 of the producers in an area must vote to keep the order, with the proposed amendments, or the order is terminated. This procedure allows for frequent affirmation that this voluntary program is still viewed as useful by the producers and cooperatives in an area. It only takes a little more than 33% of affected producers to vote "no" to lose the services offered by a Federal order.

### **Final Thoughts**

Federal orders are an important part of the dairy industry, and have been for many years. Having a good grasp of the functions performed by

Federal orders will help producers and cooperatives make sound judgments as they consider the future of the Federal order system. ♦

**ERS DAIRY OUTLOOK:  
GLOBAL DEMAND FOR DAIRY PRODUCTS  
COULD KEEP PRICES HIGH IN 2008  
DESPITE INCREASED PRODUCTION**

Milk production for 2007 is projected at 184.3 billion pounds, unchanged from July. Growth in cow numbers is expected to continue for the remainder of 2007 and into 2008. July's Cattle report showed 3 percent more replacement heifers on farms. The 2007/08 season-average corn price is forecast to average \$2.80 to \$3.40 a bushel and the soybean meal price is forecast to average \$200 to \$230 a ton. Alfalfa hay prices could remain high, as alfalfa producing-regions of the country are experiencing dryness. Higher milk and product prices have overcome the higher feed prices this year. The milk-feed-price ratio will likely climb to nearly 3.5 by the end of the summer and could average about 3.0 for the year. The higher expected feed-price ratio indicates a change in the milk production outlook in the second half of 2007. Higher feed prices and lower-than-expected rBST use could keep output per cow below trend this year.

In 2008, the milk-feed price ratio should still signal expansion at over 3.0. Production is forecast to reach 188.6 billion pounds as cow numbers are expected to increase each quarter and average 9.15 million head for the year compared with 9.13 million head in 2007. The outlook for higher milk prices should encourage some additional retention.

The greater availability of milk, both for the balance of 2007 and into 2008, is expected to moderate prices, but precipitous declines from 2007 price levels are unlikely next year. Robust demand, both domestically and, especially, internationally, will keep prices high. Sales of fluid milk through April have been about 2 percent above previous year's levels in Federal Market Order areas and California. This represents a change in the downward trend of recent years. Low fat and skim milk product consumption has grown faster than whole milk. Organic milk sales have climbed at double-digit rates, albeit from a small base. Higher

prices at retail could limit gains for the balance of the year, making more milk available for manufacturing.

Commercial disappearance through May for butter, American style cheese, and nonfat dry milk (NDM) are ahead of 2006 totals for the same period, with butter leading the way at a nearly 9-percent year-over-year rise. Strong demand for cheese and butter will keep prices high. The average cheese price is expected to be \$1.690 to \$1.710 per pound this year. World supplies of butter are tight and the United States may commercially export butter this year. Butter price is expected to average \$1.385 to \$1.425 per pound. Next year, increased production could lower prices slightly. The cheese price is expected to average \$1.565 to \$1.665 per pound and butter \$1.310 and \$1.440 per pound.

Commercial disappearance of NDM and whey dipped below year-earlier levels earlier this spring, mainly because high domestic prices, driven by high international prices, rationed supply. However, it is global demand for NDM and other dry milk products and whey that are supporting U.S. prices and constraining disappearance. Exports of NDM and whey have soared since 2005 (see figure), and exports are expected to continue at least through 2008 as world demand continues to outstrip supply. The NDM price is expected to average \$1.675 to \$1.695 per pound in 2007, with only a slight drop to \$1.605 to \$1.675 per pound anticipated in 2008. Whey price is projected to average 65.5 to 67.5 cents per pound in 2007 and drop in 2008 to average 59.5 to 62.5 cents per pound.

Demand for products will keep milk prices high both this year and next. Class IV price is projected to average \$18.30 to \$18.60 per cwt in 2007 and decline slightly to \$17.45 to \$18.55 in 2008. Likewise, Class III price is expected to average \$18.00 to \$18.20 per cwt this year and soften to \$16.40 to \$17.40 per cwt next year. The all milk price will average \$19.15 to \$19.345 per cwt in 2007. A decline to between \$18.25 and \$19.25 is expected in 2008. ♦

Source: Livestock, Dairy, & Poultry Outlook/LDP-M-158/August 20, 2007.

# MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	Aug 2007	Jul 2007	Aug 2006	Jul 2006	Aug 2007	Jul 2007	Aug 2006	Jul 2006
Class I Milk (\$/cwt.) . . . . .	\$23.66	\$22.81	\$12.87	\$13.24	\$24.11	\$23.26	\$13.32	\$13.69
Class II Milk (\$/cwt.) . . . . .	22.41	21.40	11.16	10.83	22.41	21.40	11.16	10.83
Class III Milk (\$/cwt.) . . . . .	19.83	21.38	11.06	10.92	19.83	21.38	11.06	10.92
Class IV Milk (\$/cwt.) . . . . .	21.87	21.64	10.64	10.21	21.87	21.64	10.64	10.21
<b>Producer Prices</b>								
Producer Price Differential (\$/cwt.)	\$ 2.01	\$ 0.60	\$ 0.42	\$ 0.37	+	+	+	+
Butterfat (\$/pound) . . . . .	1.5872	1.6110	1.3008	1.2228	+	+	+	+
Protein (\$/pound) . . . . .	3.9412	4.2068	1.9050	1.9807	+	+	+	+
Other Solids (\$/pound) . . . . .	0.4368	0.5534	0.1416	0.1257	+	+	+	+
Uniform Skim Price (\$/cwt.) . . .	+	+	+	+	17.23	16.98	7.93	7.80
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.5980	1.6300	1.2864	1.2350
Statistical Uniform Price (\$/cwt.) . .	\$21.84	\$21.98	\$11.48	\$11.29	\$22.22	\$22.09	\$12.15	\$11.85
<b>Producer Data</b>								
Number of Producers . . . . .	689 *	689	814	821	93 *	93	92	95
Avg. Daily Production (lbs.) . . . .	27,945 *	27,602	28,751	27,788	100,531 *	107,701	91,295	93,832
<b>Number of Handlers</b>								
Pool Handlers . . . . .	27	27	29	28	7	7	7	7
Producer-Handlers . . . . .	6 *	6	6	6	1 *	1	1	1
Other Plants w/ Class I Use . . . .	27 *	27	23	23	21 *	21	23	21
<b>Producer Milk Ratios</b>								
Class I . . . . .	31.50%	30.10%	26.12%	24.24%	41.01%	34.41%	45.95%	37.91%
Class II . . . . .	7.23%	7.56%	7.02%	6.10%	11.13%	10.93%	9.42%	9.03%
Class III . . . . .	31.12%	31.47%	32.88%	31.37%	31.27%	29.77%	34.53%	35.31%
Class IV . . . . .	30.15%	30.87%	33.98%	38.29%	16.59%	24.89%	10.10%	17.75%

+ Not Applicable. \* Preliminary.

## MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Jul 2007	Jun 2007	Jul 2006	Jun 2006	Jul 2007	Jun 2007	Jul 2006	Jun 2006
Production . . . . .	28,501,172	27,577,549	21,556,262	21,264,420	R	R	R	R
Class I Use . . . . .	19,681,813	21,096,217	17,157,906	17,441,730	R	R	R	R
% Class I Use . . . . .	69.06%	76.50%	79.60%	82.02%	R	R	R	R
<b>Class I Route Disposition In Area</b>								
By Pool Plants . . . . .	157,206,751	158,663,825	157,594,413	164,240,021	86,756,493	88,683,183	92,973,501	90,479,325
By Producer-Handlers . . . . .	6,481,648	6,422,022	7,703,623	7,839,310	1/	1/	1/	1/
By Other Plants . . . . .	3,951,676 *	4,686,491	3,903,077	3,455,142	5,128,392 *	5,572,316	3,904,207	4,210,607
Total	167,640,075	169,772,338	169,201,113	175,534,473	91,884,885	94,255,499	96,877,708	94,689,932

\* 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/				
	Aug 2007	Jul 2007	Aug 2006	Jul 2006	Aug 2007	Jul 2007	Aug 2006	Jul 2006	
TOTAL PRODUCER MILK	596,875,028	589,556,323	725,511,094	707,227,782	289,831,832	310,501,278	260,372,400	276,335,324	
RECEIPTS FROM OTHER SOURCES	40,973,174	45,331,284	24,612,912	20,171,198	28,089,859	23,280,003	4,168,566	21,906,479	
OPENING INVENTORY . . . . .	33,400,935	31,438,273	28,787,938	30,654,796	19,561,559	20,834,593	20,249,447	17,725,144	
<b>TOTAL TO BE ACCOUNTED FOR</b>	<b>671,249,137</b>	<b>666,325,880</b>	<b>778,911,944</b>	<b>758,053,776</b>	<b>337,483,250</b>	<b>354,615,874</b>	<b>284,790,413</b>	<b>315,966,947</b>	
<b>UTILIZATION OF RECEIPTS</b>									
Whole milk . . . . .	33,474,355	32,797,558	34,961,986	32,910,072	27,328,663	26,910,078	30,565,586	29,985,023	
Flavored milk & milk drinks . . . . .	6,581,652	6,707,570	7,626,034	5,954,171	6,429,484	2,419,036	7,043,616	2,811,854	
2% milk . . . . .	68,160,262	64,419,103	70,476,139	66,245,871	36,238,477	33,935,331	37,848,739	36,279,190	
1% milk . . . . .	25,920,430	24,829,640	25,808,679	24,237,916	13,572,564	12,220,126	13,188,425	11,286,514	
Skim milk . . . . .	27,914,877	26,971,719	28,231,298	26,765,636	12,664,580	10,816,360	12,908,574	12,169,007	
Buttermilk . . . . .	1,563,036	1,481,161	1,518,328	1,480,747	484,547	455,562	478,824	441,913	
CLASS I ROUTE DISP. IN AREA. . .	163,614,612	157,206,751	168,622,464	157,594,413	96,718,315	86,756,493	102,033,764	92,973,501	
Class I dispositions out of area . . .	19,990,569	17,933,449	16,111,229	12,621,791	22,373,811	21,321,256	15,334,033	14,160,786	
Other Class I usage . . . . .	21,890,161	18,187,856	19,739,033	18,278,225	11,214,918	11,515,814	10,644,828	8,304,047	
TOTAL CLASS I USE. . . . .	205,495,342	193,328,056	204,472,726	188,494,429	130,307,044	119,593,563	128,012,625	115,438,334	
TOTAL CLASS II USE . . . . .	50,966,746	51,365,963	57,008,079	48,078,728	33,235,990	34,909,442	25,478,101	25,945,657	
TOTAL CLASS III USE . . . . .	202,693,752	203,990,378	243,795,500	229,469,076	93,499,752	93,598,323	90,595,021	98,718,275	
TOTAL CLASS IV USE . . . . .	212,093,297	217,641,483	273,635,639	292,011,543	80,440,464	106,514,546	40,704,666	75,864,681	
<b>TOTAL ACCOUNTED FOR . . . . .</b>	<b>671,249,137</b>	<b>666,325,880</b>	<b>778,911,944</b>	<b>758,053,776</b>	<b>337,483,250</b>	<b>354,615,874</b>	<b>284,790,413</b>	<b>315,966,947</b>	
<b>CLASSIFICATION OF RECEIPTS</b>									
Producer milk:	Class I . .	188,027,003	177,475,258	189,438,076	171,442,820	118,865,853	106,845,592	119,631,932	104,721,239
	Class II . .	43,174,783	44,567,579	50,959,413	43,141,992	32,255,253	33,924,751	24,528,892	24,966,422
	Class III . .	185,724,454	185,544,880	238,556,831	221,845,328	90,624,202	92,439,893	89,908,104	97,584,890
	Class IV . .	179,948,788	181,968,606	246,556,774	270,797,642	48,086,524	77,291,042	26,303,472	49,062,773
Other receipts:	Class I . .	17,468,339	15,852,798	15,034,650	17,051,609	47,651,418	44,114,596	24,418,013	39,631,623
	Class II . .	7,791,963	6,798,384	6,048,666	4,936,736	1/	1/	1/	1/
	Class III . .	16,969,298	18,445,498	5,238,669	7,623,748	1/	1/	1/	1/
	Class IV . .	32,144,509	35,672,877	27,078,865	21,213,901	1/	1/	1/	1/
Avg. daily producer receipts . . . . .		19,254,033	19,017,946	23,403,584	22,813,799	9,349,414	10,016,170	8,399,110	8,914,043
Change From Previous Year . . . . .		-17.73%	-16.64%	10.19%	5.09%	11.31%	12.36%	17.94%	14.34%
Avg. daily Class I use . . . . .		6,628,882	6,236,389	6,595,894	6,080,465	4,203,453	3,857,857	4,129,440	3,723,817
Change From Previous Year . . . . .		0.50%	2.56%	10.70%	3.47%	1.79%	3.60%	41.42%	33.85%

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 August 2007
- August 2007 Class Prices
- Class I Price for October 2007
- ERS Dairy Outlook: Global Demand for Dairy Products Could Keep Prices High in 2008 Despite Increased Production
- Federal Milk Marketing Orders: What Do They Really Do? (Part II)

**FEDERAL MILK MARKETING ORDERS:  
WHAT DO THEY REALLY DO? (PART II)**

*This article originally appeared in the Upper Midwest Dairy News and is reprinted here with permission for your convenience. Small changes have been made to make the article more relevant to the Pacific Northwest and Arizona Orders and fit in this publication. (Part I of "Federal Milk Orders – What Do They Really Do?" was published in August 2007.)*

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Federal milk orders have been in the news a lot recently. A lot of the discussion and debate has taken place recently over the merits of Federal orders. Much of the discussion centers on a few "hot button" issues, and not on the many things orders do, or do not do. Covered here is a continued discussion of some of the basics on Federal milk orders.

*(Continued on Page 2)*