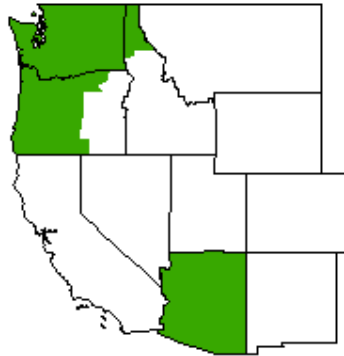


Pacific Northwest & Arizona Marketing Areas



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James R. Daugherty
 Market Administrator

October 2008

MARKET SUMMARIES FOR SEPTEMBER 2008

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

Pacific Northwest

Producers delivered a total of 627.3 million pounds of milk to the market during September. Daily deliveries averaged 20.9 million pounds, down 1.6 percent from August. An estimated 669 producers delivered milk to the market during the month. Daily deliveries per producer averaged 31,254 pounds, down 1.6 percent from August.

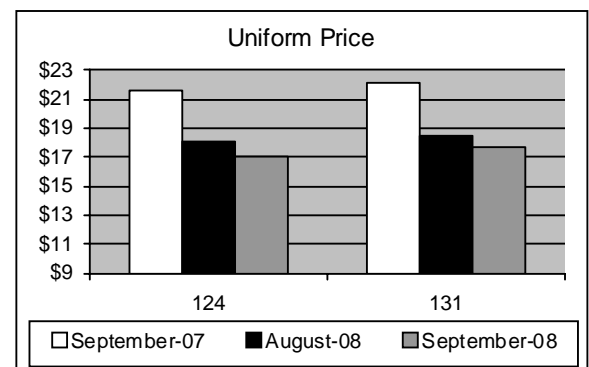
Class I producer milk during September totaled 188.9 million pounds, 30.1 percent of total producer receipts. Daily usage averaged 6.3 million pounds, up 5.6 percent from August.

Arizona

Producers delivered a total of 310.4 million pounds of milk to the market during September. Daily deliveries averaged 10.3 million pounds, up 0.7 percent from August. An estimated 101

producers delivered milk to the market during the month. Daily deliveries per producer averaged 102,455 pounds, up 0.7 percent from August.

Class I producer milk during September totaled 118.2 million pounds, 38.1 percent of total producer receipts. Daily usage averaged 3.9 million pounds, up 4.5 percent from August. ♦



Federal Order Producer Prices and Component Levels: September 2008

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	17.07	17.66	Butterfat	3.628	3.527
Butterfat 2/	1.8196	1.8092	Protein	3.089	N/A
Protein 2/	3.2689	N/A	Other Solids	5.697	N/A
Other Solids 2/	0.0234	N/A	Nonfat Solids	8.786	N/A
PPD 1/*	0.79	N/A			
Skim 1/	N/A	11.74			

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

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SEPTEMBER 2008 CLASS PRICES

September 2008 non-advanced Class Prices were calculated using NASS commodity price surveys from September 6, 13, 20, and 27, 2008. Component prices for the month are \$3.2689 per pound of protein, \$1.8196 per pound of butterfat, \$0.0234 per pound of other solids, and \$1.0455 per pound of nonfat solids.

September 2008 Class III and IV prices at 3.5% butterfat are \$16.28 and \$15.45 per hundredweight, respectively. The September Class III price compared to August is down \$1.04. The Class III price is \$3.79 lower than in September 2007. Typically, we compare the Class III price at 3.67% butterfat to the support price of \$9.90, but due to the Food, Conservation and Energy Act of 2008 the support price no longer exists.

Class II butterfat was announced at \$1.8266 per pound. Class I skim and butterfat and Class II skim prices for September 2008 were announced on August 22, 2008. The Class II price at 3.5% butterfat is \$17.58 for September 2008. Note that these are the last prices using the old make allowances.

FINAL: NASS COMMODITY PRICES

	August	September	Change
Cheese*	\$1.8699	\$1.7773	-\$0.0926
Butter	\$1.5713	\$1.6365	\$0.0652
Nonfat Dry Milk	\$1.3840	\$1.2131	-\$0.1709
Whey	\$0.2470	\$0.2183	-\$0.0287

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a net increase in price received for 40-pound blocks and for 500-pound barrels. The survey of 40-pound blocks showed a net increase of 20.00 cents between the September 13 and the October 11 surveys, to \$1.9176 per pound. The survey of 500-pound barrels (adjusted to 38% moisture) showed a net increase of 20.32 cents to \$1.9124 per pound.

The NASS butter price showed a net increase of 8.83 cents between the weeks ending September 13 and October 11 from \$1.6124 per pound to \$1.7007 per pound.

The NASS nonfat dry milk showed a net decrease of 19.06 cents since mid-September to \$1.0230 per pound. The average price for NASS whey showed a decrease of 2.87 cents since mid-September to \$0.1928 per pound. ♦

NOVEMBER'S CLASS I PRICE ANNOUNCEMENT

On October 17, the November 2008 Class I price was announced at \$19.23 for the Pacific Northwest Order and \$19.68 for the Arizona Order. The Class I price was calculated using NASS commodity price surveys from the weeks of October 4 and 11.

The November Class III and IV advance skim prices are \$11.29 and \$7.82 per hundredweight, respectively. The butterfat portion of the Class I mover increased 9.37 cents from \$1.7451 to \$1.8388 per pound.

The November 2008 Class II skim and nonfat solids prices were also announced on October 17. The skim price is \$8.52 per hundredweight, and the nonfat solids price is \$0.9467 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	Oct.	Nov.	Change
Cheese*	\$1.7279	\$1.9323	\$0.2044
Butter	\$1.6125	\$1.6899	\$0.0774
Nonfat Dry Milk	\$1.2628	\$1.0452	-\$0.2176
Whey	\$0.2241	\$0.1970	-\$0.0271

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

ANALYSIS OF COMPONENT LEVELS IN INDIVIDUAL HERD MILK AT THE FARM LEVEL: FO 124 AND 131 FOR 2006

The Market Administrator's Office recently released a study of component levels of milk pooled on the Pacific Northwest and Arizona Orders. A copy of the full study can be found on the Market Administrator's web site at: <http://www.fmmaseattle.com/statistics/componentanalysis06.pdf>. If you would like a copy mailed to you please contact John Mykrantz at fmmaseattle@fmmaseattle.com noting your name and the address to which you'd like the study mailed. A summary of the major findings can be found below. Analyses focusing on 2007 and 2008 will be released in the near future.

Abstract

Component levels in producer milk pooled on the Pacific Northwest (FO 124) and Arizona (FO 131) Federal Milk Marketing Orders were analyzed for 2006 to determine average levels, regional and seasonal variation, and, when possible, the statistical relationship between components.

Handlers regulated under the Pacific Northwest Order report butterfat, protein, and other solids. Handlers regulated under the Arizona Order report butterfat only. Producer milk pooled was also valued using Federal order minimum producer prices for the respective orders. For 2006, a monthly average total of 871 producers were pooled on the Pacific Northwest and Arizona Orders. During 2006, these producers delivered 10.9 billion pounds to the two markets. The milk shed of the two Federal orders includes Arizona, California, Idaho, Oregon, and Washington.

Major findings of this study include:

1. The 2006 average component levels for the Pacific Northwest Order were 3.69% butterfat, 3.07% true protein, and 5.70% other solids. The 2006 average butterfat level for the Arizona Order was 3.59%.

2. In both orders, butterfat levels decrease during the summer months and increase in the late fall and winter. In the Pacific Northwest Order protein showed the same seasonality as butterfat.

3. Although the volume of producer milk, number of producers, and average milk production per producer varies greatly between regions, there are relatively small differences in aggregate component levels between geographic regions within the milk sheds of the two orders.

4. The Pacific Northwest Order's linear regression in 2006 for protein is $PRO\% = 1.42 + 0.444 * BF\%$, with an R-squared of 0.63.

5. The Pacific Northwest Order's regressions for estimating other solids using butterfat have a very poor correlation (R-squared of less than 0.1). The monthly regressions show a negative relationship; other solids levels appear to be independent of butterfat levels. ♦

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES*

Milk production forecasts for 2008 are unchanged as higher cow numbers are offset by lower milk per cow. Forecast milk production for 2009 is raised fractionally as cow numbers are forecast slightly higher. Dairy export forecasts are reduced, reflecting current slowing movement and weaker international demand. Import forecasts are also reduced from last month as cheese imports are expected to be weaker. Stocks are adjusted to reflect larger expected stocks of dairy products with notably larger stocks of nonfat dry milk (NDM). Small sales of NDM to the CCC are forecast for

2008, but no sales are forecast for 2009. Class price forecasts are lowered from last month.

Weaker international demand for NDM is expected to result in sharply lower forecast NDM prices. Lower NDM prices more than offset higher forecast butter prices and push the Class IV price lower. Cheese prices are forecast lower as demand is softening and weaker Class IV prices are expected to encourage milk to flow into cheese vats in 2009. Thus, coupled with lower expected whey prices Class III price forecasts are reduced from last month. The all milk price is forecast lower this month, averaging \$18.40 to \$18.50 in 2008 and \$16.50 to \$17.40 in 2009. ♦

*The World Agriculture Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; Jerry Cessna, AMS; Paul Kiendl, FAS; Roger Haskin, ERS; and Milton Madison, FSA.

Source: Dairy Market News, Volume 75, Report 41, Agricultural Marketing Service, USDA.

USDA SEEKS NOMINATIONS FOR NATIONAL FLUID MILK BOARD

On September 24, 2008, The U.S. Department of Agriculture issued a press release asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board.

The Secretary of Agriculture will appoint seven individuals from those nominated to succeed members whose terms expire June 30, 2009. Newly appointed or reappointed members will serve 3-year terms from July 1, 2009 through June 30, 2012.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990, as amended, to develop and administer a coordinated program of advertising and education to promote fluid milk products. Of the board's 20 members, 15 represent geographic regions and five are at-large members.

The at-large members must include at least three fluid milk processors and at least one member from the general public. Currently, the board's membership includes four at-large processor members and one member from the general public.

The national fluid milk program is financed by a mandatory 20-cent per hundredweight assessment on fluid milk processors who process and market commercially in consumer-type packages more

than 3 million pounds of fluid milk products per month in the contiguous 48 states and the District of Columbia, excluding those fluid milk products delivered directly to consumer residences.

USDA will accept nominations for board representation in five geographic regions and two at-large positions. Nominees for the five regional positions must be active owners or employees of a fluid milk processor. One at-large position may be either a fluid milk processor or from the general public. One at-large position must be from the general public. The geographic regions are: Region 3 (Delaware, District of Columbia, Maryland, Pennsylvania, and Virginia); Region 6 (Ohio and West Virginia); Region 9 (Alabama, Kentucky, Louisiana, Mississippi, and Tennessee); Region 12 (Arizona, Colorado, New Mexico, Nevada, and Utah); and Region 15 (Southern California). No fluid milk processor shall be represented on the board by more than three members.

Fluid milk processors and interested parties may submit nominations for regions in which they are located or market fluid milk and for at-large members.

To nominate an individual, please submit a copy of the nomination form and a signed background form for each nominee by Oct. 31, 2008, to: Whitney Rick, Chief, Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. To obtain forms or additional information, call (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at <http://www.ams.usda.gov/Dairy>. ♦

UNITED STATES MILK PRODUCTION UP 1.7 PERCENT IN SEPTEMBER 2008

Milk production for September 2008 was up 1.7 percent for the United States compared with September 2007. United States' milk production for September 2008 equaled 15,118 million pounds, 247 million pounds more than last September. The table to the right shows data for September 2008 for selected states with comparisons to year-ago levels.

Milk production in the 23 major states during September 2008 totaled 13,976 million pounds, up 1.9 percent from production in these same states in September 2007. ♦

Milk Production September 2007 – 2008

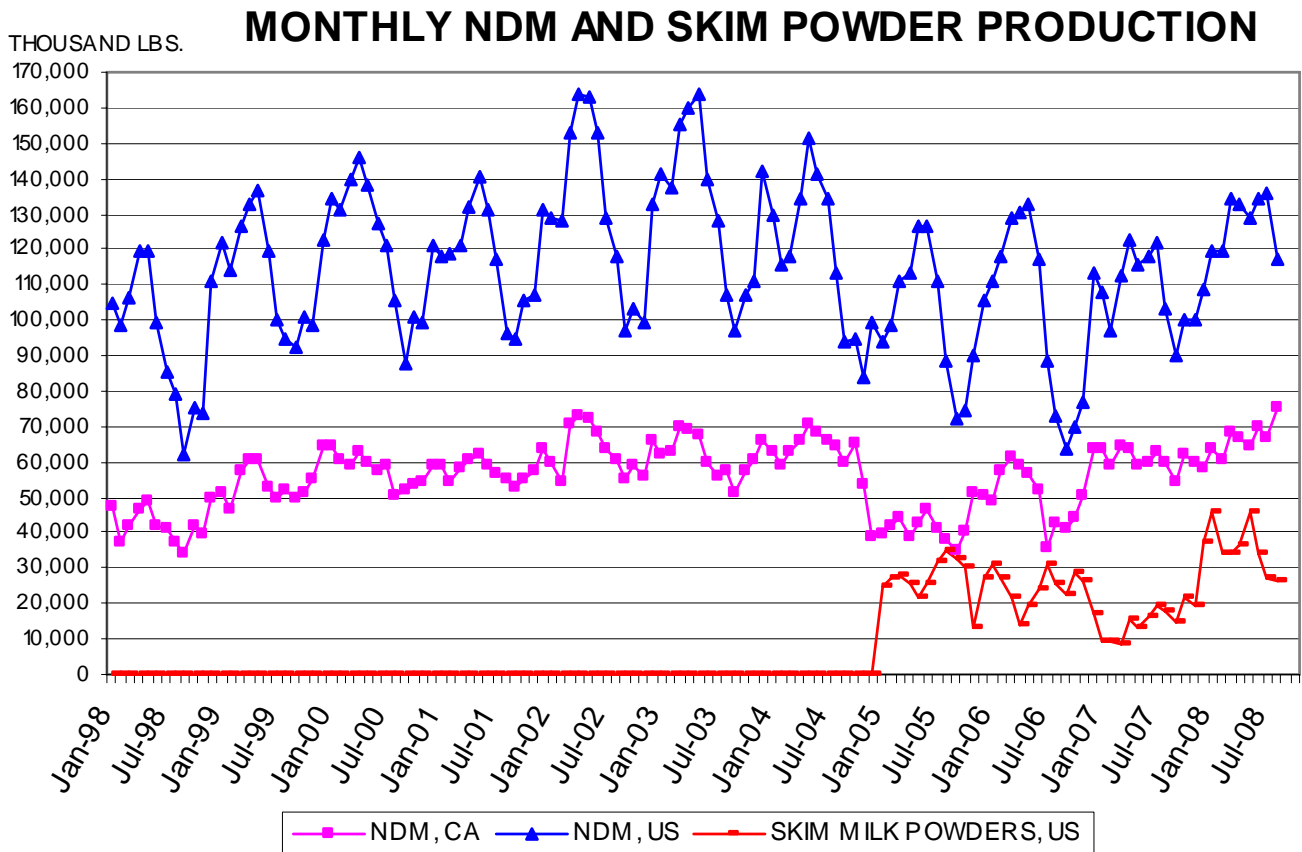
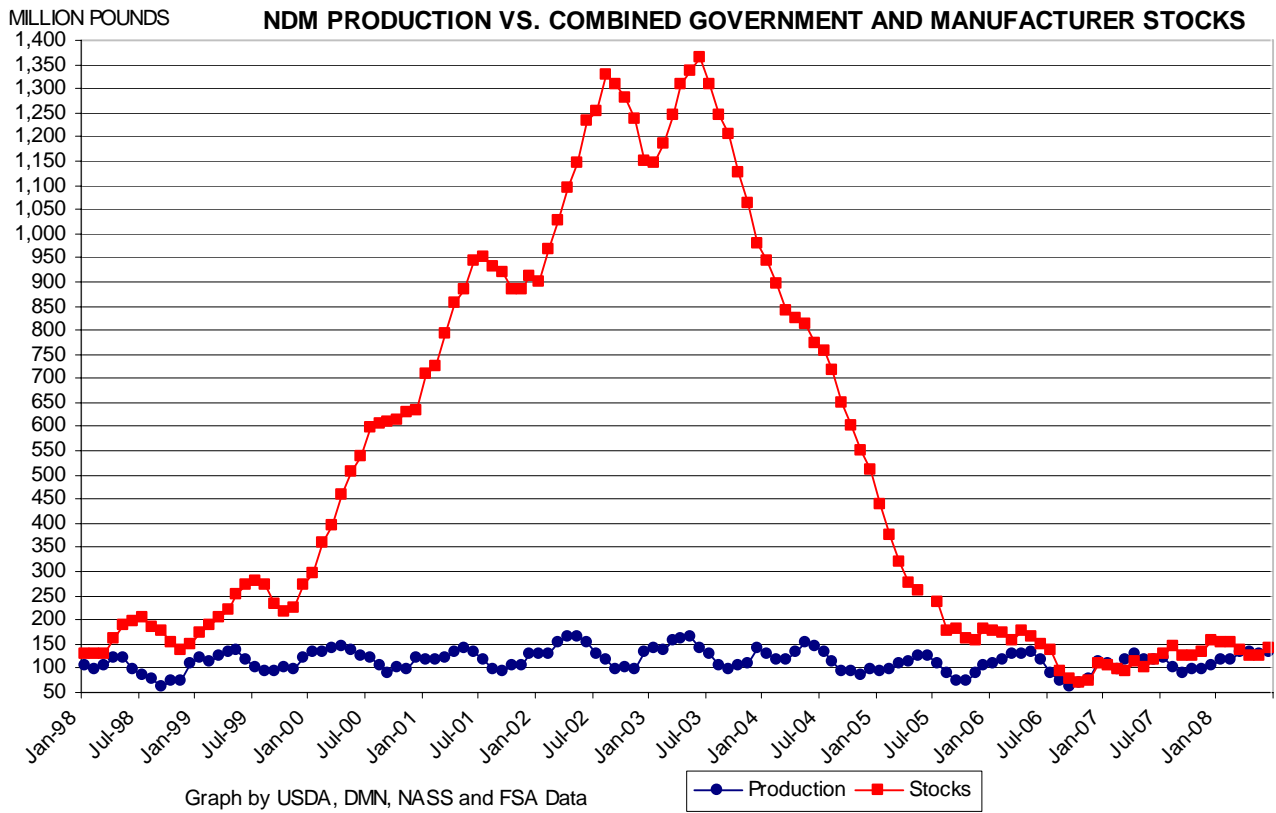
	2007	2008 1/	% Change
	-- million pounds --		
Arizona	310	316	1.94%
California	3,252	3,277	0.77%
Colorado	228	241	5.70%
Florida	144	140	-2.78%
Idaho	979	1,036	5.82%
Illinois	148	145	-2.03%
Indiana	271	257	-5.17%
Iowa	340	350	2.94%
Kansas	174	190	9.20%
Kentucky	92	89	-3.26%
Michigan	620	620	0.00%
Minnesota	688	698	1.45%
Missouri	124	122	-1.61%
New Mexico	605	632	4.46%
New York	983	995	1.22%
Ohio	395	403	2.03%
Oregon	178	182	2.25%
Pennsylvania	853	838	-1.76%
Texas	571	658	15.24%
Vermont	205	204	-0.49%
Virginia	135	133	-1.48%
Washington	457	464	1.53%
Wisconsin	1,966	1,986	1.02%
23 Total	13,718	13,976	1.88%
US	14,871	15,118	1.66%

1/ September 2008 is preliminary.

Source: National Agricultural Statistics Service.

NONFAT DRY MILK AND SKIM POWDER

During the period of October 1-10, 2008, the Commodity Credit Corporation purchased 8.3 million pounds of nonfortified nonfat dry milk, the first support price program purchase of the commodity since July 2006 and the first purchase under the dairy support price program as recently modified by the Food, Conservation, and Energy Act of 2008. The product was purchased at \$0.80 per pound and, according to the new support price program, it can be sold back to the market at no less than \$0.88 per pound or 110% of the support price. To illustrate recent history of nonfat dry milk production and stocks, two graphs can be found on page 5 which show a history of nonfat dry milk production vs. combined government and manufacturer stocks and monthly nonfat dry milk and skim milk powder production.



Source: Dairy Market News, Volume 75, Report 41, Agricultural Marketing Service, USDA.

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST				ARIZONA 2/			
	Sep 2008	Aug 2008	Sep 2007	Aug 2007	Sep 2008	Aug 2008	Sep 2007	Aug 2007
Class I Milk (\$/cwt.)	\$19.55	\$20.37	\$23.81	\$23.66	\$20.00	\$20.82	\$24.26	\$24.11
Class II Milk (\$/cwt.)	17.58	17.45	22.16	22.41	17.58	17.45	22.16	22.41
Class III Milk (\$/cwt.)	16.28	17.32	20.07	19.83	16.28	17.32	20.07	19.83
Class IV Milk (\$/cwt.)	15.45	16.64	21.61	21.87	15.45	16.64	21.61	21.87
Producer Prices								
Producer Price Differential (\$/cwt.)	\$ 0.79	\$ 0.71	\$ 1.58	\$ 2.01	+	+	+	+
Butterfat (\$/pound)	1.8196	1.7413	1.5101	1.5872	+	+	+	+
Protein (\$/pound)	3.2689	3.6497	4.3929	3.9412	+	+	+	+
Other Solids (\$/pound)	0.0234	0.0529	0.2890	0.4368	+	+	+	+
Uniform Skim Price (\$/cwt.)	+	+	+	+	11.74	12.88	17.35	17.23
Uniform Butterfat Price (\$/pound)	+	+	+	+	1.8092	1.7352	1.5457	1.5980
Statistical Uniform Price (\$/cwt.) . .	\$17.07	\$18.03	\$21.65	\$21.84	\$17.66	\$18.50	\$22.15	\$22.22
Producer Data								
Number of Producers	669 *	669	688	689	101 *	101	93	93
Avg. Daily Production (lbs.)	31,254 *	31,770	27,501	27,945	102,455 *	101,755	101,281	100,531
Number of Handlers								
Pool Handlers	27	27	26	26	7	7	7	7
Producer-Handlers	6 *	6	5	5	1 *	1	1	1
Other Plants w/ Class I Use	23 *	23	24	25	24 *	24	21	21
Producer Milk Ratios								
Class I	30.10%	28.05%	31.42%	31.50%	38.07%	36.70%	39.28%	41.01%
Class II	6.88%	7.13%	6.95%	7.23%	6.27%	6.57%	9.35%	11.13%
Class III	31.43%	31.63%	31.29%	31.12%	33.06%	31.91%	31.92%	31.27%
Class IV	31.59%	33.19%	30.34%	30.15%	22.60%	24.82%	19.45%	16.59%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Aug 2008	Jul 2008	Aug 2007	Jul 2007	Aug 2008	Jul 2008	Aug 2007	Jul 2007
Production	27,514,671	27,832,067	28,641,856	28,501,172	R	R	R	R
Class I Use	22,248,039	20,422,738	20,901,829	19,681,813	R	R	R	R
% Class I Use	80.86%	73.38%	72.98%	69.06%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	166,523,196	159,380,190	163,614,612	157,206,751	94,770,197	83,786,563	96,718,315	86,756,493
By Producer-Handlers	6,766,842	6,732,554	6,522,990	6,481,648	1/	1/	1/	1/
By Other Plants	7,317,658 *	5,506,913	5,152,637	3,951,676	5,825,297 *	4,794,107	5,238,758	5,128,392
Total	180,607,696	171,619,657	175,290,239	167,640,075	100,595,494	88,580,670	101,957,073	91,884,885

* 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/				
	Sep 2008	Aug 2008	Sep 2007	Aug 2007	Sep 2008	Aug 2008	Sep 2007	Aug 2007	
TOTAL PRODUCER MILK	627,276,528	658,885,806	567,630,263	596,875,028	310,438,226	318,594,178	282,574,022	289,831,832	
RECEIPTS FROM OTHER SOURCES	36,792,429	38,358,351	31,767,260	40,973,174	3,758,891	13,731,449	25,225,504	28,089,859	
OPENING INVENTORY	30,798,927	31,450,171	29,730,482	33,400,935	22,343,268	19,856,829	16,679,475	19,561,559	
TOTAL TO BE ACCOUNTED FOR	694,867,884	728,694,328	629,128,005	671,249,137	336,540,385	352,182,456	324,479,001	337,483,250	
UTILIZATION OF RECEIPTS									
Whole milk	31,517,386	32,744,003	29,476,626	33,474,355	24,067,800	24,747,654	25,272,786	27,328,663	
Flavored milk & milk drinks	13,977,467	9,369,128	11,797,876	6,581,652	6,555,571	5,865,679	6,431,350	6,429,484	
2% milk	67,407,151	69,620,144	64,604,885	68,160,262	36,659,303	37,163,078	34,801,544	36,238,477	
1% milk	26,584,127	25,280,892	26,704,125	25,920,430	13,766,722	14,780,809	12,917,838	13,572,564	
Skim milk	27,623,213	28,095,094	26,121,897	27,914,877	12,785,146	11,776,689	12,005,398	12,664,580	
Buttermilk	1,415,043	1,413,935	1,441,738	1,563,036	450,533	436,288	453,753	484,547	
CLASS I ROUTE DISP. IN AREA.	168,524,387	166,523,196	160,147,147	163,614,612	94,285,075	94,770,197	91,882,669	96,718,315	
Class I dispositions out of area	16,588,554	19,850,682	16,917,864	19,990,569	22,696,838	22,657,293	19,884,434	22,373,811	
Other Class I usage	17,117,463	14,880,226	19,421,309	21,890,161	11,782,355	10,710,667	10,485,627	11,214,918	
TOTAL CLASS I USE.	202,230,404	201,254,104	196,486,320	205,495,342	128,764,268	128,138,157	122,252,730	130,307,044	
TOTAL CLASS II USE	49,515,027	51,878,749	44,331,901	50,966,746	20,217,727	21,559,681	27,113,887	33,235,990	
TOTAL CLASS III USE	207,194,295	216,334,590	191,673,335	202,693,752	102,617,135	101,664,824	90,637,542	93,499,752	
TOTAL CLASS IV USE	235,928,158	259,226,885	196,636,449	212,093,297	84,941,255	100,819,794	84,474,842	80,440,464	
TOTAL ACCOUNTED FOR	694,867,884	728,694,328	629,128,005	671,249,137	336,540,385	352,182,456	324,479,001	337,483,250	
CLASSIFICATION OF RECEIPTS									
Producer milk:	Class I	188,861,125	184,880,117	178,370,355	188,027,003	118,211,225	116,911,730	110,988,700	118,865,853
	Class II	43,138,001	46,947,387	39,439,747	43,174,783	19,463,806	20,943,708	26,421,941	32,255,253
	Class III	197,141,142	208,385,531	177,604,126	185,724,454	102,617,135	101,664,824	90,188,819	90,624,202
	Class IV	198,136,260	218,672,771	172,216,035	179,948,788	70,146,060	79,073,916	54,974,562	48,086,524
Other receipts:	Class I	13,369,279	16,373,987	18,115,965	17,468,339	26,102,159	33,588,278	41,904,979	47,651,418
	Class II	6,377,026	4,931,362	4,892,154	7,791,963	1/	1/	1/	1/
	Class III	10,053,153	7,949,059	14,069,209	16,969,298	1/	1/	1/	1/
	Class IV	37,791,898	40,554,114	24,420,414	32,144,509	1/	1/	1/	1/
Avg. daily producer receipts		20,909,218	21,254,381	18,921,009	19,254,033	10,347,941	10,277,232	9,419,134	9,349,414
Change From Previous Year		10.51%	10.39%	16.33%	-17.73%	9.86%	9.92%	13.07%	11.31%
Avg. daily Class I use		6,741,013	6,492,068	6,549,544	6,628,882	4,292,142	4,133,489	4,075,091	4,203,453
Change From Previous Year		2.92%	-2.06%	-5.02%	0.50%	5.33%	-1.66%	-3.24%	1.79%

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 September 2008
- September 2008 Class Prices
- Class I Price for November 2008
- Analysis of Component Levels, 2006
- October Milk Supply and Demand Estimates
- USDA Seeks Nominations for National Fluid Milk Board
- U.S. Milk Production up 1.7 Percent in September 2008
- Nonfat Dry Milk and Skim Milk Powder

TREAT THE KIDS TO A DELICIOUS AND HEALTHY HALLOWEEN

Treat the kids to a delicious and healthy Halloween with the official drink of Halloween, chocolate milk. Go online for fun recipes to share with your friends and family at

http://www.whymilk.com/recipes_halloween.php.

