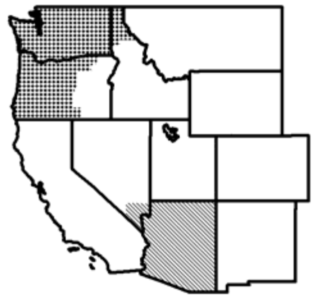
The Market Administrator's Report

Pacific Northwest & Arizona-Las Vegas Marketing Areas

1930 – 220th Street SE, Suite 102
Bothell, Washington 98021-8471
Phone (425) 487-6009
Fax (425) 487-2775
Homepage: fmmaseattle.com
E-mail: fmmaseattle@fmmaseattle.com

James R. Daugherty
Market Administrator



10050 N 25th Avenue, Suite 302
Phoenix, Arizona 85021-1664
Phone (602) 547-2909
Fax (602) 547-2906
E-mail: ma@fmma.net

November 2005

MARKET SUMMARIES FOR OCTOBER 2005

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

Pacific Northwest

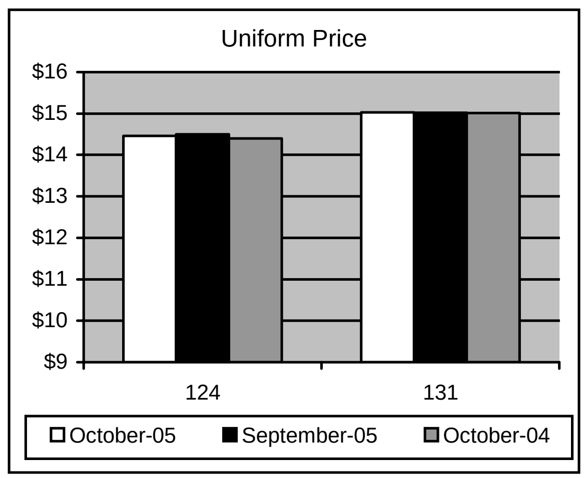
Producers delivered a total of 625.8 million pounds of milk to the market during October. Daily deliveries averaged 20.2 million pounds, down 4.4 percent from September. An estimated 862 producers delivered milk to the market during the month. Daily deliveries per producer averaged 23,420 pounds, down 4.4 percent from September.

Class I producer milk during October totaled 177.4 million pounds, 28.3 percent of total producer receipts. Daily usage averaged 5.7 million pounds, down 7.8 percent from September.

Arizona-Las Vegas

Producers delivered a total of 233.0 million pounds of milk to the market during October. Daily deliveries averaged 7.5 million pounds, up 3.5 percent from September. An estimated 85 producers delivered milk to the market during the month. Daily deliveries per producer averaged 88,427 pounds, up 3.5 percent from September.

Class I producer milk during October totaled 82.6 million pounds, 35.5 percent of total producer receipts. Daily usage averaged 2.7 million pounds, down 7.4 percent from September. ♦



Federal Order Producer Prices and Component Levels: October 2005

Producer Prices	FO124	FO131	Component Levels (%)	FO124	FO131
Uniform Price 1/*	14.46	15.03	Butterfat	3.740	3.601
Butterfat 2/	1.8256	1.8425	Protein	3.109	N/A
Protein 2/	2.3780	N/A	Other Solids	5.687	N/A
Other Solids 2/	0.1491	N/A	Nonfat Solids	8.797	N/A
PPD 1/*	0.11	N/A			
Skim 1/	N/A	8.89			

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

OCTOBER 2005 CLASS PRICES

October 2005 non-advanced Class Prices were calculated using NASS commodity price surveys from October 1, 8, 15, 22 and 29, 2005. Component prices for the month are $2.3780 per pound of protein, $1.8256 per pound of butterfat, $0.1491 per pound of other solids, and $0.8310 per pound of nonfat solids.

October 2005 Class III and IV prices at 3.5% butterfat are $14.35 and $13.61 per hundredweight, respectively. The October Class III price compared to September is up $0.05. The Class III price is $0.19 higher than October 2004. The Class III price at 3.67% butterfat is $4.75 above the support price of $9.90 at 3.67% butterfat.

Class II butterfat was announced at $1.8326 per pound. Class I skim and butterfat and Class II skim prices for October 2005 were announced on September 23, 2005. The Class II price at 3.5% butterfat is $14.25 for October 2005 .

FINAL: NASS COMMODITY PRICES

	September	October	Change
Cheese*	$1.4958	$1.4996	$0.0038
Butter	$1.6877	$1.6363	-$0.0514
Nonfat Dry Milk	$0.9705	$0.9794	$0.0089
Whey	$0.2960	$0.3038	$0.0078

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

Current Commodity Prices - - The NASS survey of cheddar cheese prices showed a decrease in price received for 40-pound blocks and 500-pound barrels. The survey of 40-pound blocks showed a decrease of 11.27 cents between the October 15 and the November 12 surveys, to $1.3994 per pound. The survey of 500-pound barrels (**adjusted to 38% moisture**) showed a decrease of 7.21 cents to $1.3815 per pound.

The NASS butter price showed a net decrease of 15.74 cents between the weeks ending October 15 and November 12 from $1.6215 per pound to $1.4641 per pound.

The NASS nonfat dry milk showed a net increase of 0.34 cents since mid-October to $0.9782 per pound. The average price for NASS whey showed a net increase of 0.27 cent since mid-October to $0.3095 per pound. ♦

DECEMBER'S CLASS I PRICE ANNOUNCEMENT

On November 18, the December 2005 Class I price was announced at $15.47 for the Pacific Northwest Order, and $15.92 for the Arizona-Las Vegas Order. The Class I price was calculated using NASS commodity price surveys from the weeks of November 5 and 12.

The December Class III and IV advance skim prices are $8.03 and $7.52 per hundredweight, respectively. The butterfat portion of the Class I mover decreased 15.93 cents from $1.8226 to $1.6633 per pound.

The December 2005 Class II skim and nonfat solids prices were also announced on November 18. The skim price is $8.22 per hundredweight, and the nonfat solids price is $0.9133 per pound for all Federal orders. ♦

ADVANCED: NASS COMMODITY PRICES FOR CLASS I PRICE CALCULATIONS

	November	December	Change
Cheese*	$1.5205	$1.4213	-$0.0992
Butter	$1.6338	$1.5011	-$0.1327
Nonfat Dry Milk	$0.9719	$0.9834	$0.0115
Whey	$0.3055	$0.3084	$0.0029

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

PROPOSAL FOR AN EMERGENCY HEARING TO AMEND CLASS III AND IV PRICE FORMULAS IN ALL FEDERAL MILK MARKETING ORDERS

Agri-Mark, Inc., a dairy farmer cooperative headquartered in Lawrence, Massachusetts, has requested the USDA hold an emergency public hearing to consider proposals to amend the Class III and IV product price formulas in all 10 Federal milk marketing orders. Consideration is being given to limit a public hearing to reconsideration of the manufacturing allowances for cheese, whey powder, butter and nonfat dry milk powder only.

Agri-Mark's request for an emergency public hearing has received written support from a number of interested parties including: Great Lakes Cheese of New York, Inc.; Associated Milk Producers, Inc., New Ulm, MN; Foremost Farms USA, Baraboo, WI; and Upstate Farms

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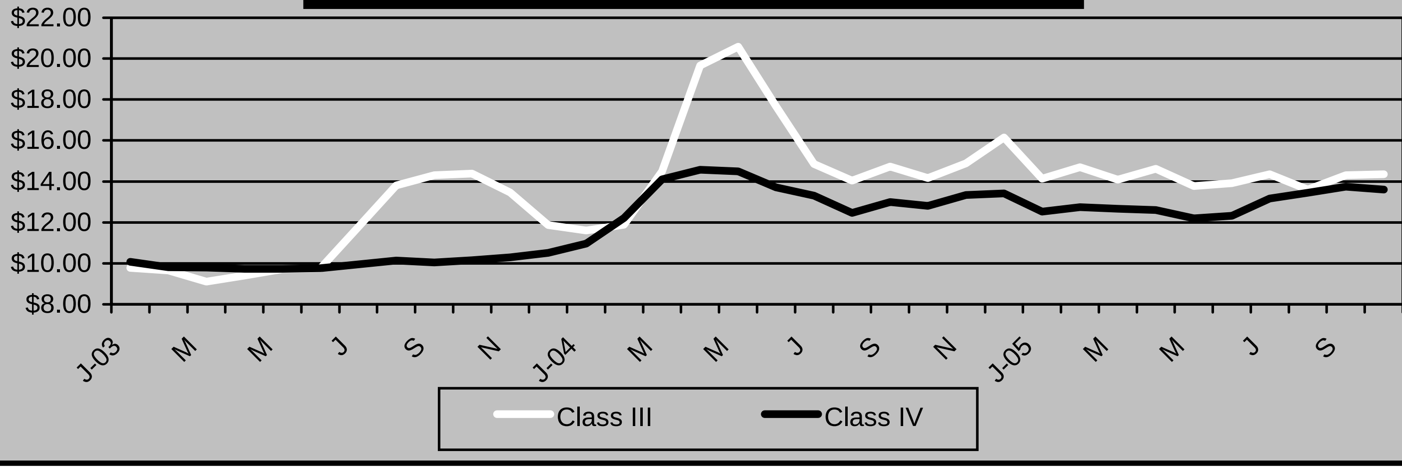
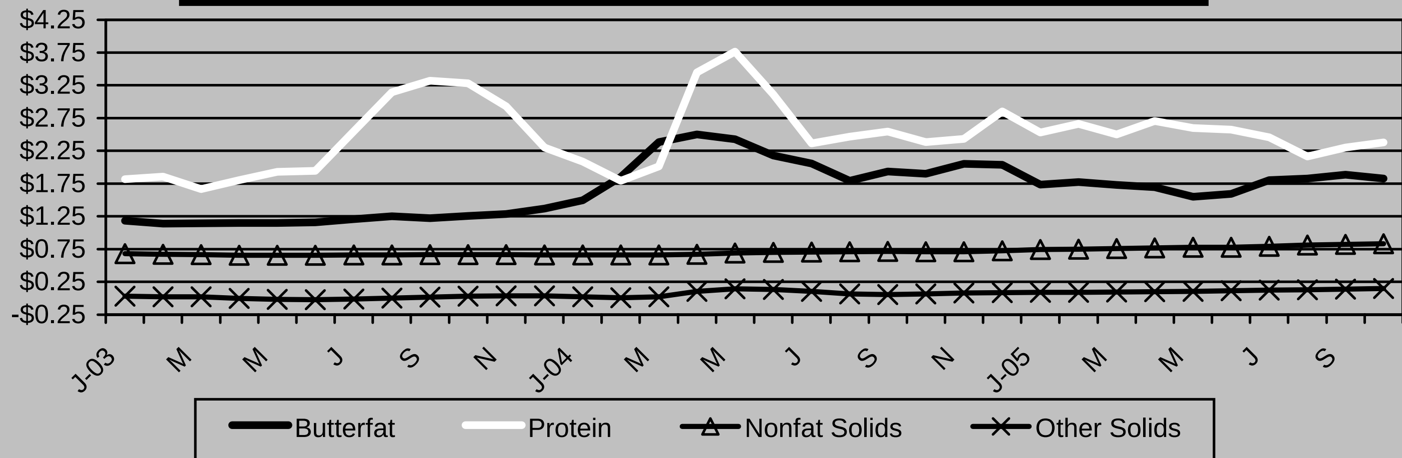
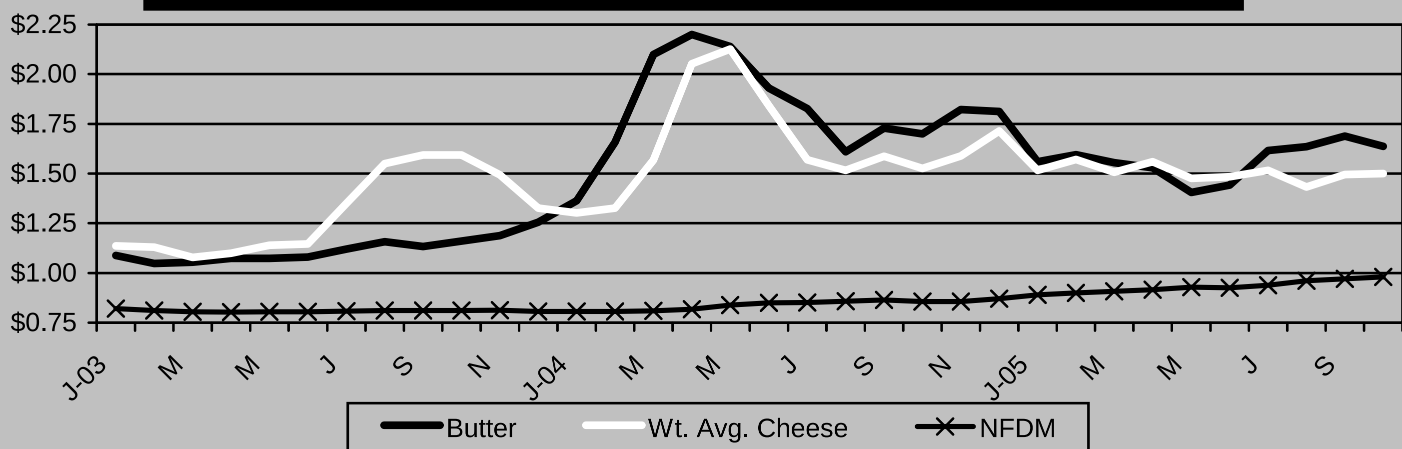
Federal Order Class III and IV Prices @ 3.5% Butterfat
January 2003 through October 2005



Federal Order Butterfat, Protein, Nonfat Solids, and Other Solids Prices
January 2003 through October 2005



NASS Monthly Butter, Weighted Average Cheese, and Nonfat Dry Milk Prices
January 2003 through October 2005



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Cooperative, Inc., LeRoy, NY; Allied Federated Cooperatives, Inc. Canton, NY; Land O'Lakes, Inc., Carlisle, PA; and National Cheese Institute.

Agri-Mark's proposals and all letters received supporting a public hearing are available for inspection on the AMS Dairy Programs website: *http://www.ams.usda.gov/dairy/* .

A hearing notice will be issued and published in the near future in the Federal Register and will be posted on the AMS Dairy website.

Actions under the Federal milk order program are subject to the "Regulatory Flexibility Act." This Act seeks to ensure that, within the statutory authority of a program, the regulatory and informational requirements are tailored to the size and nature of small businesses. For the purpose of the Federal order program, a dairy farm is a "small business" if it has an annual gross revenue of less than $750,000 resulting in a production guideline of 500,000 pounds per month. A handler is a "small business" if it has fewer than 500 employees. If the plant is part of a larger company operating multiple plants that collectively exceed the 500-employee limit, the plant will be considered a large business even if the local plant has fewer than 500 employees.

All known interested persons will be mailed a copy of the hearing notice. Anyone who desires to present evidence on proposals set forth in the hearing notice will have an opportunity to do so at the hearing.

Once a hearing notice is issued and until the issuance of a final decision, Department employees involved in the decisional process may not discuss the merits of a proceeding on an ex parte basis with any persons having an interest in the proceeding. For this purpose, the Market Administrator and his staff are considered to be involved in the decisional process. Thus, it is suggested that any discussions that you may wish to have with Department personnel regarding hearing proposals be initiated soon. Procedural matters may be discussed at any time.

If you have any questions concerning this notice or desire a copy of the present order, please contact this office. ♦

ANALYSIS OF HAULING CHARGES AND PRODUCER MILK BY LOCATION AND SIZE RANGE OF PRODUCTION 2005

Hauling charges were examined for 819 producers in May 2005. The milk represented in this study was producer milk (Grade A) pooled on the Pacific Northwest Order. Hauling charges, stop charges, and milk production were obtained from producer payrolls submitted by handlers to the Market Administrator's office. The terms "milk production" and "producer milk" in this study are synonymous. Hauling charges in this paper are given on a per hundredweight basis. The reference to a particular year refers to May of that year. Some comparisons to previous years are reported, but due to changes in Federal order boundaries and order provisions, these comparisons may be biased.

Major findings of this study include:

1. In May 2005, the weighted average hauling charges on the Pacific Northwest Order was 51.71 cents per hundredweight, up 2.21 cents from May 2004.
2. By state, Oregon had the lowest weighted average hauling charge, followed by Idaho, Washington, and California.
3. In general, hauling charges in the Northwest appear to be determined by the density of farms in a region; and their proximity to metropolitan areas or areas of intense milk processing. Hauling charges per hundredweight appear to have become somewhat less dependent on the volume

Weighted Average Hauling Charge by State

State	May 2000	May 2001	May 2002	May 2003	May 2004	May 2005
		- - - - - - - - cents per cwt. - - - - - - - -				
California	77.26	66.51	37.77	71.38	73.90	76.92
Idaho	109.74	41.88	56.41	116.69	37.87	39.85
Oregon	33.02	32.48	32.26	34.39	31.81	31.36
Washington	45.67	41.53	41.49	44.54	54.61	57.14
Total	43.31	40.10	39.71	42.76	49.50	51.71

of milk a producer delivers to the market. The increased use of volume premiums paid to producers who deliver larger quantities of milk instead of lowering their hauling rates contributes to this change.

4. Based on producer milk pooled, the average monthly deliveries per producer for the Pacific Northwest Order was 736,802 pounds.

The complete study can be found on the internet at: *http://www.fmmaseattle.com* under historical data. ♦

USDA SEEKS NOMINATIONS FOR NATIONAL FLUID MILK BOARD

The U.S. Department of Agriculture is asking dairy 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, 2006. Newly appointed or reappointed members will serve 3-year terms from July 1, 2006, through June 30, 2009.

The National Fluid Milk Processor Promotion Board was established by the Fluid Milk Promotion Act of 1990 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, there is one member from the general public serving on the board.

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 3,000,000 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 the residence of a consumer.

USDA will accept nominations for board representation in five geographic regions and two at-large positions. Nominees for the five regional and one at-large processor positions must be active owners or employees of a fluid milk processor. 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 December 5, 2005, to: 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/dairyrp.htm. ♦

UNITED STATES MILK PRODUCTION UP 4.1 PERCENT IN OCTOBER 2005

Milk production for October 2005 was up 4.1 percent for the United States compared with October 2004. United States' milk production for October 2005 equaled 14,651 million pounds, 581 million pounds more than last October. The table on page 8 shows data for October 2005 for selected states with comparisons to year-ago levels.

Milk production in the 23 major states during October 2005 totaled 13,353 million pounds, up 4.1 percent from production in these same states in October 2004.

In ranking the order of contribution, Idaho, Wisconsin, California, New York, New Mexico and Texas were the primary sources of increases in milk production. The total increases from these states more than offset the decreases in the other states. In a similar method of ranking, Missouri, Kentucky, Iowa, Arizona, and Florida showed decreases in milk production from year-ago levels.

(Continued on Page 8)

MONTHLY SELECTED STATISTICS

Minimum Class Prices (3.5% B.F.)	PACIFIC NORTHWEST Oct 2005	Sep 2005	Oct 2004	Sep 2004	ARIZONA-LAS VEGAS Oct 2005	Sep 2005	Oct 2004	Sep 2004
Class I Milk ($/cwt.)	$16.17	$15.60	$16.68	$15.84	$16.62	$16.05	$17.13	$16.29
Class II Milk ($/cwt.)	14.25	14.35	13.57	13.66	14.25	14.35	13.57	13.66
Class III Milk ($/cwt.)	14.35	14.30	14.16	14.72	14.35	14.30	14.16	14.72
Class IV Milk ($/cwt.)	13.61	13.75	12.81	13.00	13.61	13.75	12.81	13.00
Producer Prices								
Producer Price Differential ($/cwt.)	$ 0.11	$ 0.20	$ 0.24	$(0.28)	+	+	+	+
Butterfat ($/pound)	1.8256	1.8872	1.9020	1.9354	+	+	+	+
Protein ($/pound)	2.3780	2.3009	2.3814	2.5431	+	+	+	+
Other Solids ($/pound)	0.1491	0.1411	0.0677	0.0589	+	+	+	+
Uniform Skim Price ($/cwt.) . . .	+	+	+	+	8.89	8.77	8.65	8.79
Uniform Butterfat Price ($/pound)	+	+	+	+	1.8425	1.8728	1.9025	1.9128
Statistical Uniform Price ($/cwt.) . .	$14.46	$14.50	$14.40	$14.44	$15.03	$15.02	$15.01	$15.18
Producer Data								
Number of Producers	862 *	862	889	844	85 *	85	92	93
Avg. Daily Production (lbs.) . . .	23,420 *	24,492	22,396	19,006	88,427 *	85,420	80,886	77,967
Number of Handlers								
Pool Handlers	27	26	29	29	5	5	5	5
Producer-Handlers	9 *	9	8	7	3 *	3	3	2
Other Plants w/ Class I Use . . .	20 *	20	22	23	27 *	27	30	32
Producer Milk Ratios								
Class I	28.34%	29.38%	29.95%	37.89%	35.45%	39.64%	35.03%	37.82%
Class II	5.95%	5.57%	6.36%	7.63%	10.30%	10.97%	8.31%	10.65%
Class III	28.95%	27.41%	35.59%	17.59%	41.70%	36.31%	41.89%	40.38%
Class IV	36.76%	37.64%	28.10%	36.89%	12.55%	13.08%	14.77%	11.15%

+ Not Applicable. * Preliminary.

MONTHLY SUPPLEMENTAL STATISTICS

Producer-Handler Data	Sep 2005	Aug 2005	Sep 2004	Aug 2004	Sep 2005	Aug 2005	Sep 2004	Aug 2004
Production	34,751,555	38,512,454	19,234,489	20,073,882	R	R	R	R
Class I Use	29,765,534	29,572,011	16,660,782	16,472,221	R	R	R	R
% Class I Use	85.65%	76.79%	86.62%	82.06%	R	R	R	R
Class I Route Disposition In Area								
By Pool Plants	159,854,144	150,453,918	161,726,503	155,529,721	79,586,893	79,222,271	76,229,015	77,082,824
By Producer-Handlers	21,409,117	20,443,974	16,262,374	15,492,724	1/	1/	1/	1/
By Other Plants	2,843,575 *	3,130,591	3,978,166	3,418,305	28,522,435 *	28,966,886	27,832,793	30,784,731
Total	184,106,836	174,028,483	181,967,043	174,440,750	108,109,328	108,189,157	104,061,808	107,867,555

* Preliminary. R = Restricted. Not included. 1/ Restricted. Included with other plants.

MONTHLY STATISTICAL SUMMARY

(Product pounds based upon reports of handlers)

RECEIPTS, UTILIZATION AND CLASSIFICATION OF MILK	PACIFIC NORTHWEST				ARIZONA-LAS VEGAS			
	Oct 2005	Sep 2005	Oct 2004	Sep 2004	Oct 2005	Sep 2005	Oct 2004	Sep 2004
TOTAL PRODUCER MILK	625,819,629	633,363,684	617,207,024	481,232,360	233,004,093	217,820,732	230,687,234	217,527,462
RECEIPTS FROM OTHER SOURCES	18,894,111	20,773,655	16,669,404	136,308,717	16,971,232	23,954,350	26,216,792	6,838,144
OPENING INVENTORY	31,297,077	28,138,722	31,544,635	30,730,395	14,568,330	14,082,353	13,540,510	12,761,344
TOTAL TO BE ACCOUNTED FOR	676,010,817	682,276,061	665,421,063	648,271,472	264,543,655	255,857,435	270,444,536	237,126,950
UTILIZATION OF RECEIPTS								
Whole milk	30,537,177	29,954,544	30,241,284	29,703,340	19,331,477	19,862,915	20,295,573	19,937,053
Flavored milk & milk drinks	13,535,811	12,005,541	12,921,851	11,678,896	5,903,451	6,113,111	5,988,528	6,136,022
2% milk	64,790,358	65,584,424	67,727,937	68,091,902	29,964,299	30,928,536	30,388,073	29,350,494
1% milk	25,163,003	24,829,564	25,363,516	24,826,573	10,931,207	11,434,450	10,114,222	10,034,355
Skim milk	26,492,687	26,178,743	26,541,951	26,120,499	10,540,609	10,791,710	10,509,074	10,249,153
Buttermilk	1,286,717	1,301,328	1,292,974	1,305,293	486,017	456,171	526,414	521,938
CLASS I ROUTE DISP. IN AREA. .	161,805,753	159,854,144	164,089,513	161,726,503	77,157,060	79,586,893	77,821,884	76,229,015
Class I dispositions out of area . . .	14,092,377	15,483,448	13,965,976	14,473,226	5,036,483	4,750,294	4,065,494	3,960,672
Other Class I usage	19,077,594	24,461,553	22,343,642	22,157,203	9,287,820	8,838,058	8,589,934	9,132,661
TOTAL CLASS I USE.	194,975,724	199,799,145	200,399,131	198,356,932	91,481,363	93,175,245	90,477,312	89,322,348
TOTAL CLASS II USE	43,213,921	42,471,339	45,522,447	46,799,127	25,020,150	24,939,586	19,858,715	24,023,134
TOTAL CLASS III USE	186,997,494	182,913,399	223,357,221	201,844,479	97,595,799	79,609,004	97,377,141	88,420,783
TOTAL CLASS IV USE	250,823,678	257,092,178	196,142,264	201,270,934	50,446,343	58,133,600	62,731,368	35,360,685
TOTAL ACCOUNTED FOR	676,010,817	682,276,061	665,421,063	648,271,472	264,543,655	255,857,435	270,444,536	237,126,950
CLASSIFICATION OF RECEIPTS								
Producer milk: Class I . .	177,360,097	186,073,679	184,876,568	182,378,520	82,594,058	86,320,883	80,833,157	82,281,131
Class II .	37,250,654	35,297,840	39,258,177	36,700,704	24,010,427	23,903,890	19,163,409	23,160,129
Class III .	181,150,816	173,596,993	219,636,128	84,635,442	97,160,542	79,095,033	96,624,795	87,835,314
Class IV .	230,058,062	238,395,172	173,436,151	177,517,694	29,239,066	28,500,926	34,065,873	24,250,888
Other receipts: Class I .	17,615,627	13,725,466	15,522,563	15,978,412	31,539,562	38,036,703	39,757,302	19,599,488
Class II .	5,963,267	7,173,499	6,264,270	10,098,423	1/	1/	1/	1/
Class III .	5,846,678	9,316,406	3,721,093	117,209,037	1/	1/	1/	1/
Class IV .	20,765,616	18,697,006	22,706,113	23,753,240	1/	1/	1/	1/
Avg. daily producer receipts	20,187,730	21,112,123	19,909,904	16,041,079	7,516,261	7,260,691	7,441,524	7,250,915
Change From Previous Year . .	1.40%	31.61%	63.75%	29.47%	1.00%	0.13%	-1.66%	-2.02%
Avg. daily Class I use	6,289,539	6,659,972	6,464,488	6,611,898	2,951,012	3,105,842	2,918,623	2,977,412
Change From Previous Year . .	-2.71%	0.73%	-2.65%	5.12%	1.11%	4.31%	-2.56%	2.27%

1/ Restricted - Included with Class I.

HIGHLIGHTS THIS ISSUE:

- **Market Summaries for October 2005**
- **October 2005 Class Prices**
- **Class I Price for December 2005**
- **Proposal for an Emergency Hearing to Amend Class III and IV Price Formulas in All Federal Milk Marketing Orders**
- **Analysis of Hauling Charges and Producer Milk by Location and Size Range of Production 2005**
- **USDA Seeks Nominations for National Fluid Milk Board**
- **United States Milk Production Up 4.1 Percent in October 2005**

(Continued Form Page 5)

Milk Production
October 2004 – 2005

	2004	2005 1/	% Change
	- - million pounds - -		
Arizona	298	296	-0.67%
California	3,080	3,151	2.31%
Colorado	184	198	7.61%
Idaho	781	884	13.19%
Indiana	241	261	8.30%
Missouri	148	137	-7.43%
New Mexico	546	590	8.06%
New York	960	1,008	5.00%
Ohio	375	389	3.73%
Oregon	189	192	1.59%
Pennsylvania	825	865	4.85%
Texas	470	514	9.36%
Washington	443	470	6.09%
Wisconsin	1,826	1,899	4.00%
23 Total	12,824	13,353	4.13%
US	14,070	14,651	4.13%

1/ October 2005 is preliminary.
Source: National Agricultural Statistics Service.

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