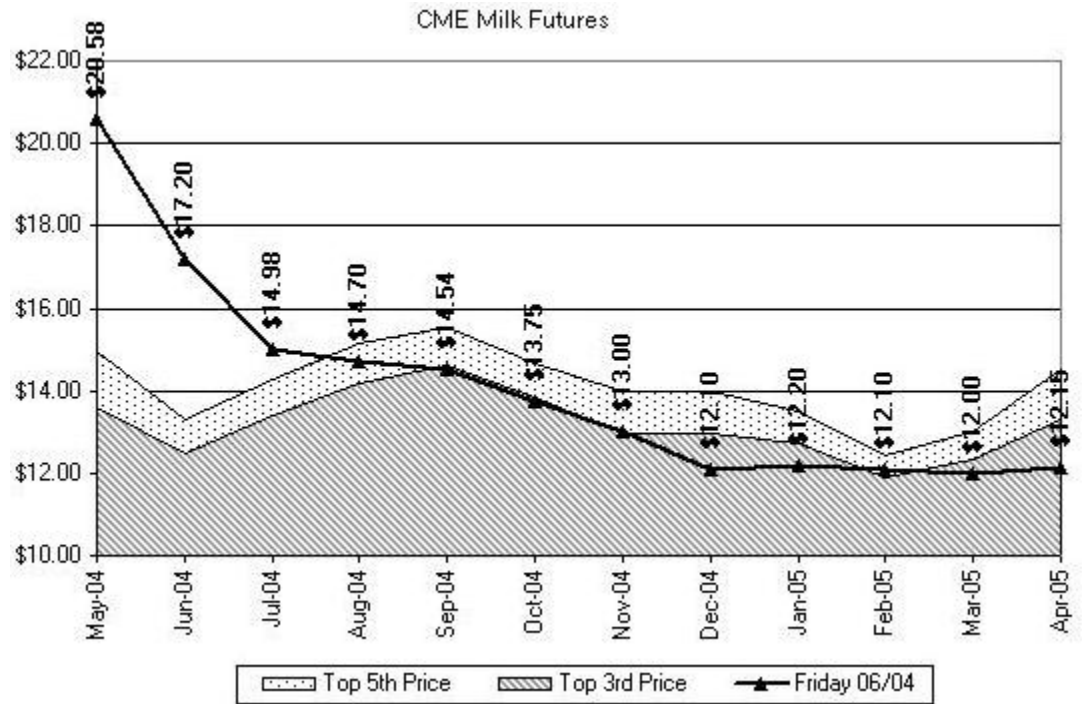




however....

- NASS averages continued their slip downward in reaction to the cash price. Blocks dropped 7.5¢ to \$2.04/lb and barrels fell 11.3¢ to \$1.92/lb. Butter decreased 6.9¢ to \$2.03/lb and dry whey saw its first drop in several weeks, falling 0.7¢ to 30¢/lb. NDM was the lone component to gain, up 0.1¢ to 84.5¢.
- It took buying 52 loads of block cheese today to hold the price at \$1.80. For the week, 107 loads of blocks changed hands; about 4.7 million lbs.
- Cheese holdings at selected warehouses was up 10% for the month, according to the Weekly Cold Storage report.
- For the week ending 05/22, the dairy cow cull was 40,900 head, down 18.7%, or 9,400 head vs. a year ago.
- Milk supplies remain heavy in the Midwest, and most milk handlers believe they have not reached the height of the spring flush yet, according to Fluid Milk & Cream Review.
- Milk output in California continues to trend higher, with an earlier than normal peak expected. Producers we spoke to this week are all having fantastic production.
- Dairy Products Report: While cheese production was below prior month levels, it was above year ago levels with American output up 4.3% and Total cheese up 5%. Higher output may not be entirely negative to the market, assuming higher demand necessitated the higher production, and it was consumed.



### Recommendation:

As we predicted, a lot more product showed up this week, with a record 52 loads of blocks trading today. However, the short-term break in futures prices didn't materialize as we expected, as nearly \$8.5 million was spent by a major co-op to buy 107 loads of block cheese and hold the price at \$1.80. In addition, only 5 barrels traded all week; far fewer than the 43 from the previous week. It may be this co-op's strategy to try and bridge the gap between the current excess situation, with a tightening of supply mid summer. If we have a tremendous cull of marginal animals, and heat, we have the potential for another climb in the cheese price. We certainly have a strong and growing economy. Will the 1 million new jobs spend some of their newfound wages at the restaurant? Demand for dairy this summer and fall will be key. If those with no current inventory wait until mid summer to find out, they may be forced to pay top dollar for cheese, and those with all the inventory will be looking a lot smarter. That's a lot of "if's", but it is possible. However, a lot more cheese will have to be purchased on the cash market in the coming weeks.

Our recommendation this week is to stand on the sidelines and watch. In the current market, having good information on near-term fundamentals doesn't help. We all know where the market would go if it were allowed to, but it's being artificially propped up. Every day, we're one buyer away from a significant drop in the cheese price, and it's anybody's guess as to when this support will end. And it may not. We just might hold the current price until the scenario above happens, if it happens. As always, we want to hear from you. Call us toll free! 877.695.8538

Trading in commodities can result in substantial losses. You should carefully consider whether the risks involved in trading in commodities is suitable for you or your organization in light of your financial condition. While the information we gather and present is deemed reliable, neither the opinions expressed on this website nor in "The KDM Dairy Report", shall be construed as an offer to buy or sell any futures or options on futures contracts. In addition, past performance is not necessarily indicative of future results.