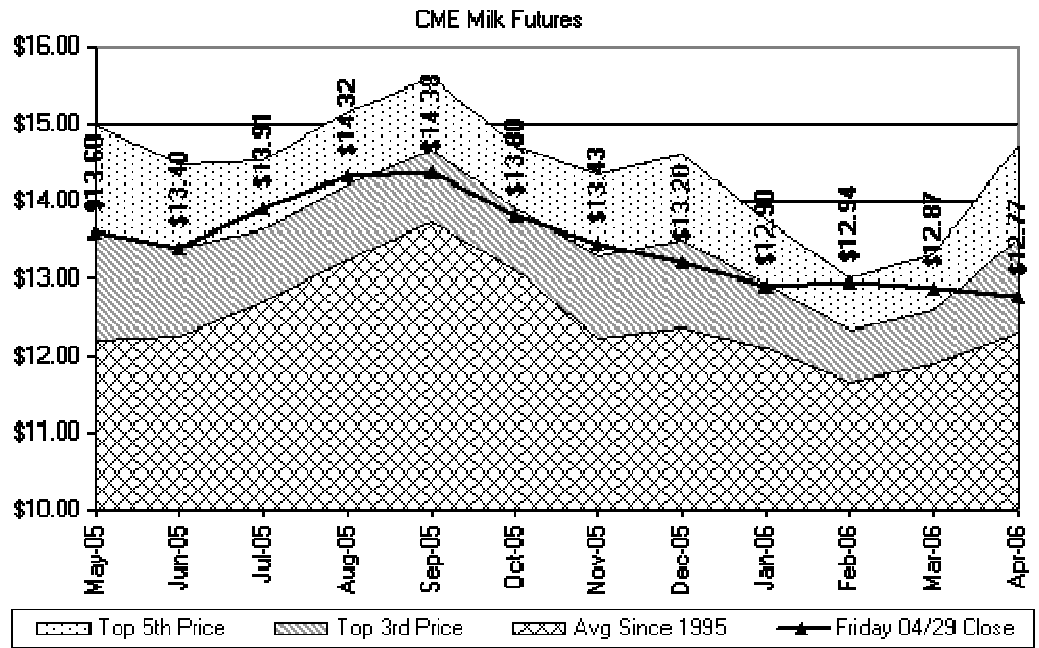


Recommendation:

Our sentiment this week is decidedly more negative, at least for the front months. Cow numbers and production are the keys to where dairy prices are heading. With cool temps and few biting bugs, cow comfort is currently very high. Until the summer arrives and puts a crimp in milk supply via some "sustained hot weather", we are going to see a continuation of good milk production.

Cheese demand has been good but a slow-down seems normal this time of year as we transition from holiday sales, to the grilling season and soft serve ice-cream. Sell May and June at \$13.60 or higher. May is already affected by the past two week's cash cheese numbers so the NASS numbers in the coming weeks may give May a limited down side. June looks to be under more pressure as we approach that \$1.40 cheese price, which is about \$13 equivalent Class III. Looking at the chart above, most prices are still very close to top-third historical pricing. With next month's production and cold storage reports likely to be bearish, it may not be a bad idea to get a percentage of your production sold through March 2006.



Give us a call and we'll help you put together a risk management plan for your operation!

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