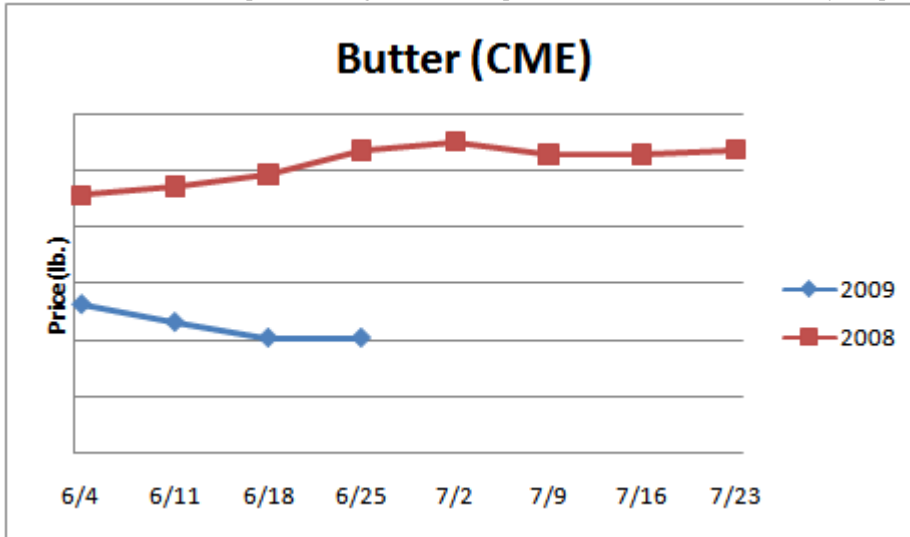


# Dairy Report

**Dairy-** US milk production during May was .1% bigger than last year and a record due to a .6% rise in milk per cow yields and despite a .5% smaller milk cow herd. Milk farmers did shed a net 11k head from the milk cow herd during May due to poor margins. Milk cow slaughter as of late has been strong due in a large part to the CWT subsidized herd retirement program. We suspect a record net reduction in the milk cow herd could occur this month. Both the cheese and butter markets are expected to begin a modest upward course soon that could carry deep into the fall.



	<u>Market Trend</u>	<u>Supplies</u>	<u>Price vs. Last Year</u>
<b>Cheese Barrels- CME</b>	Steady	Good	Lower
<b>Cheese 40 lb Blocks- CME</b>	Decreasing	Good	Lower
<b>American Cheese</b>	Decreasing	Good	Lower
<b>Cheddar Cheese</b>	Steady	Good	Lower
<b>Mozzarella Cheese</b>	Decreasing	Good	Lower
<b>Provolone Cheese</b>	Decreasing	Good	Lower
<b>Parmesan Cheese</b>	Decreasing	Good	Lower
<b>Butter- One lb Solids</b>	Steady	Good	Lower
<b>Nonfat Dry Milk</b>	Increasing	Good	Lower
<b>Whey, Dry</b>	Steady	Good	Higher
<b>Class I Milk Base</b>	Increasing	Good	Lower
<b>Class II Cream (Heavy Cream)</b>	Decreasing	Good	Lower
<b>Class III Milk- CME</b>	Decreasing	Good	Lower
<b>Class IV Milk- CME</b>	Decreasing	Good	Lower

\*This data and these comments are provided for information purposes only and are not intended to be used for specific trading strategies. Past financial results are not necessarily indicative of future performance. Any examples given are strictly hypothetical and no representation is being made that a person will or is likely to achieve profits or losses similar to those examples. Neither the information, nor any opinion expressed constitutes a solicitation to buy or sell futures or options on futures contracts or OTC products. Covered parties (as defined below) shall not be liable for any direct, indirect, incidental, special or consequential damages of any kind, whatsoever (including attorney's fees and lost profits or savings) in any way due to, resulting from, or arising in connection with the Market Trends Report, including its content, regardless of any negligence of the covered party including but not limited to technical inaccuracies and typographical errors. "Covered Parties" is defined as American Restaurant Association Inc., ARA Trading and the employees of both companies. Commodity trading involves risks, and you should fully understand those risks before trading. © 2007 American Restaurant Association Inc. This publication is protected under U.S. copyright law. Please do not redistribute without permission. Thank you.