

## Outlook/Summary

Day Change		Current Cash Class III	Day Change		Current Cash Class IV
0.70		21.02	-0.14		20.96
CME Blocks	CME Barrels	June Dry Whey	CME Butter	CME NFDM Grade A	
\$ 2.1100	\$ 2.0500	\$ 0.5200	\$ 2.1250	\$ 1.6425	

**The cheese market made another strong move this morning with barrels playing a bit of catch up on unfilled bids**

### Cheese:

Bids were quick to make their way into the spot market this morning with multiple players again seen in the block market. After rallying up to \$2.1100 in blocks we did see some sell side shake loose with four blocks trading all day up to that price. On the flip side barrels continue to see a lack of sell side participation with that market rallying 9 cents on an unfilled bid. On average cheese prices broke into a new high for the year this morning. When talking with folks block prices up in these levels is attracting a bit of sell side, one reason being we aren't a sizeable discount to the world market. Something that continues to come up though is the lack of availability of barrels off the exchange. While we are starting to see some selling come into the market, cheese at these prices still feels strong. Some folks have been calling for cheese prices north of \$2.20, something I believe is a very good possibility given the momentum we're seeing. As we progress through the week I would look for cheese prices to keep moving higher with the barrel finding the steam to narrow the spread between blocks and barrels down to the three cents we normally trade at.

### Class III:

**June:** Coming off the strong show out of the spot market our pricing month met with more support today. We're through \$19.00 with today marking the 1<sup>st</sup> day of the 3<sup>rd</sup> week. At the moment I don't really see much in terms of news for the June contract. The cash market at this point feels strong which in turn should lend support to our pricing month.

**July – December:** We're starting to see a widening of the spread between the 3<sup>rd</sup> and 4<sup>th</sup> quarter with now averaging at a \$1.50 wide with Q3 trading over Q4. With the cheese market really taking off over the past couple of sessions I'm of the opinion we're seeing downside hedging take place in Q4. Talking with folks I believe there is some concern that we're going to overextend ourselves to the upside now to a price that won't be sustainable. With that in mind I feel like we're seeing downside hedging come to the market in anticipation of a sizeable correction over time. After today's close in the 4<sup>th</sup> quarter these months are pricing out about \$1.7500 cheese or roughly a 36 cent discount to the current spot market. Given the momentum we continue to carry in the spot market I would not be aggressively getting downside coverage on right now. If anything I would look for the spread between Q3 and Q4 Class III to continue to widen as August pricing out at \$1.9000 cheese seems cheap. The market right now feels a bit sensitive to sell side liquidity in the cash market; today when a bid in the block got hit sellers were quick to tap bids in July and August futures down to nearly UNCH. Essentially I would look for a choppy trade this week with the general uptrend remaining in Q3.

### Butter / Powder:

Weakness was seen in the spot butter market this morning with an unfilled offer taking the market down 1 3/4 cents. Futures responded with weakness up front, July – September down nearly three cents on light volume. Nonfat met with a bit of downside as well with a couple of our front months trading slightly lower. Over the past couple of weeks the spread between Class III and Class IV has managed to narrow significantly with today's close on a spot basis now showing Class III trading at a 6 cent premium to Class IV. Offers did start to trickle into the Class IV futures market with July – December on average settling about 10 lower with nothing trading (all lower on unfilled offers).

**Charts**

**Weekly CME Cheese Average**



**July – Sept vs Oct – Dec Class III Spread**



**Class III, CB, NFDM and Whey**

Class III					Previous Day's		Pack Avg			Cheese Average				
	Open	High	Low	Settle	Net	OI	Vol	1/4 Avg	1/2 Avg	Year Avg	Month	III's	Whey	Average
11-Jun	18.84	19.04	18.84	19.01	0.06	4967	207				11-Jun	19.01	5200	1.89
11-Jul	19.86	20.27	19.86	20.17	0.17	5293	472				11-Jul	20.17	5600	1.99
11-Aug	19.30	19.55	19.23	19.39	0.04	4622	334	Jul-Sep			11-Aug	19.39	5700	1.90
11-Sep	18.96	19.08	18.77	18.84	-0.14	4496	191	1947			11-Sep	18.84	5750	1.84
11-Oct	18.30	18.35	18.18	18.23	-0.12	3549	65				11-Oct	18.23	5750	1.77
11-Nov	17.92	17.95	17.83	17.85	-0.13	3278	50	Oct-Dec	Jul-Dec		11-Nov	17.85	5550	1.75
11-Dec	17.51	17.64	17.51	17.60	-0.05	3234	47	1789	1868		11-Dec	17.60	5400	1.74
12-Jan	17.25	17.30	17.25	17.30	0.05	618	11	2012			12-Jan	17.30	4800	1.75
12-Feb	16.65	16.65	16.63	16.63	-0.04	484	8	Jan-Mar			12-Feb	16.63	4550	1.70
12-Mar	16.50	16.50	16.50	16.50	0.00	423	8	1681			12-Mar	16.50	4625	1.68
12-Apr	16.52	16.52	16.47	16.50	0.00	342	12				12-Apr	16.50	4025	1.72
12-May	16.35	16.35	16.33	16.33	-0.02	265	8	Apr-Jun	Jan-Jun		12-May	16.33	4025	1.70
12-Jun	16.35	16.35	16.33	16.33	-0.02	238	7	1639	1660		12-Jun	16.33	4025	1.70
12-Jul	16.40	16.40	16.40	16.40	0.00	186	3				12-Jul	16.40	3950	1.71
12-Aug	16.35	16.35	16.35	16.35	0.00	187	0	Jul-Sep			12-Aug	16.35	3950	1.71
12-Sep	16.36	16.36	16.36	16.36	-0.01	173	1	1637			12-Sep	16.36	3950	1.71
12-Oct	16.30	16.30	16.30	16.30	0.00	159	0				12-Oct	16.30	3900	1.71
12-Nov	16.25	16.25	16.25	16.25	0.00	151	3	Oct-Dec	Jul-Dec	Jan-Dec	12-Nov	16.25	3900	1.71
12-Dec	16.25	16.25	16.25	16.25	0.00	161	3	1627	1632	1646	12-Dec	16.25	3900	1.71
13-Jan	16.00	16.00	16.00	16.00	0.00	2	0				13-Jan	16.00	3780	1.69
13-Feb	15.84	15.84	15.84	15.84	0.00	0	0	Jan-Mar			13-Feb	15.84	3785	1.67
13-Mar	15.78	15.78	15.78	15.78	0.00	0	0	1587			13-Mar	15.78	3790	1.67
13-Apr	15.72	15.72	15.72	15.72	0.00	0	0				13-Apr	15.72	3795	1.66
13-May	15.66	15.66	15.66	15.66	0.00	0	0				13-May	15.66	3800	1.65
<b>Totals</b>						<b>32828</b>	<b>1430</b>							

Cash Markets					Net	CME AVG	NASS					
	Open	High	Low	Settle	Net	6/3/2011		30-Apr	7-May	14-May	21-May	28-May
<b>Butter</b>	2.1250	2.1250	2.1250	2.1250	-0.0175		<b>Blocks</b>					
<b>Blocks</b>	2.1050	2.1100	2.1050	2.1100	0.0600	1.9438	Price	1.6175	1.6182	1.6262	1.6393	1.6570
<b>Barrel</b>	2.0500	2.0500	2.0500	2.0500	0.0900	0.1778	Sales	10,981,690	11,105,397	11,228,946	11,180,779	9,526,833
Other Markets							<b>Barrels</b>					
Jun Cattle	10385	10420	10170	10240	-178	1.8975	Price	1.6225	1.6187	1.6493	1.6680	1.6863
Jun Hogs	8923	8983	8853	8970	48	0.1345	Sales	8,910,661	10,224,264	9,180,680	9,754,757	9,569,990
Aug Feeders	12443	12640	12385	12410	-15		<b>Butter</b>					
Jul Natural	4772	4855	4738	4834	127	2.1575	Price	2.0088	2.0227	2.0806	1.9951	2.0466
Jul Crude	10042	10068	9855	9877	-145	0.0220	Sales	4,139,643	6,335,894	4,426,334	5,439,653	4,820,883
Jul US \$	73770	74085	73665	74000	193		<b>Whey</b>					
Jul Beans	14158	14183	13823	13833	-313		Price	0.4764	0.4891	0.4936	0.5046	0.5035
Jul Meal	3700	3719	3601	3594	-90		Sales	11,101,179	10,592,279	12,343,130	8,607,769	10,963,078
Jul Boil	5895	5899	5794	5803	-70		<b>Non-Fat</b>					
Jul Corn	7540	7580	7315	7320	-220		Price	1.5983	1.6005	1.6145	1.6171	1.6262
Jul Chgo Wht	7728	7780	7410	7440	-298		Sales	12,009,640	21,181,608	18,698,700	19,298,445	18,646,983

## Options

2011			Put Premium Per Cwt.																				
Month	Vol	Settled	1400	1425	1450	1475	1500	1525	1550	1575	1600	1625	1650	1675	1700	1725	1750	1775	1800	1825	1850	1875	1900
Jun	9	1901																		1	2	7	16

2011			Put Premium Per Cwt.																				
Month	Vol	Settled	1500	1525	1550	1575	1600	1625	1650	1675	1700	1725	1750	1775	1800	1825	1850	1875	1900	1925	1950	1975	2000
Jul	19	2017									1	1	2	3	5	7	10	14	19	25	33	43	53
Aug	24	1939	1	1	2	3	4	6	8	10	13	17	22	27	34	41	50	59	70	82	95	109	124
Sep	24	1884	5	6	8	10	13	16	21	25	31	38	45	53	63	73	84	97	110	124	140	156	173
Total			6	7	10	13	17	22	29	35	45	56	69	83	102	121	144	170	199	231	268	308	350
Avg 3rd Quarter											15	19	23	28	34	40	48	57	66	77	89	103	117
Oct	25	1823	14	18	22	27	32	38	45	53	62	71	81	93	105	117	131	146	161	178	195	211	230
Nov	25	1785	23	27	33	39	46	53	62	71	81	92	104	116	130	144	159	175	191	208	225	244	263
Dec	24	1760	30	36	42	49	57	66	75	85	96	108	121	134	149	164	179	196	212	230	248	267	287
Total			67	81	97	115	135	157	182	209	239	271	306	343	384	425	469	517	564	616	668	722	780
Avg 4th Quarter			22	27	32	38	45	52	61	70	80	90	102	114	128	142	156	172	188	205	223	241	260
Avg 2nd Half											47	55	63	71	81	91	102	115	127	141	156	172	188
Jul-Dec											284	327	375	426	486	546	613	687	763	847	936	1030	1130

2011			Call Premium Per Cwt.																				
Month	Vol	Settled	1600	1625	1650	1675	1700	1725	1750	1775	1800	1825	1850	1875	1900	1925	1950	1975	2000	2025	2050	2075	2100
Jun	9	1901	301	276	251	226	201	176	151	126	101	77	53	33	17	7	3	1					

2011			Call Premium Per Cwt.																				
Month	Vol	Settled	1800	1825	1850	1875	1900	1925	1950	1975	2000	2025	2050	2075	2100	2125	2150	2175	2200	2225	2250	2275	2300
Jul	19	2017	222	199	177	156	136	117	100	85	70	58	47	38	30	21	16	13	11	7	5	4	3
Aug	24	1939	173	155	139	123	109	96	84	73	63	54	47	40	34	25	21	20	16	12	10	8	7
Sep	24	1884	147	132	118	106	94	83	74	65	57	49	43	37	32	28	23	20	17	14	12	10	8
Total			542	486	434	385	339	296	258	223	190	161	137	115	96	74	60	53	44	33	27	22	18
Avg 3rd Quarter			181	162	145	128	113	99	86	74	63	54	46	38	32	25	20	18	15	11	9	7	6
Oct	25	1823	128	115	104	94	84	76	68	60	54	47	42	37	33	28	25	21	18	16	14	12	10
Nov	25	1785	115	104	94	85	76	69	61	55	49	44	39	34	30	27	24	21	18	16	14	12	10
Dec	24	1760	109	99	89	81	73	66	59	53	48	42	38	34	30	24	21	19	16	14	12	11	9
Total			352	318	287	260	233	211	188	168	151	133	119	105	93	79	70	61	52	46	40	35	29
Avg 4th Quarter			117	106	96	87	78	70	63	56	50	44	40	35	31	26	23	20	17	15	13	12	10
Avg 2nd Half			149	134	120	108	95	85	74	65	57	49	43	37	32	26	22	19	16	13	11	10	8
Jul-Dec			894	804	721	645	572	507	446	391	341	294	256	220	189	153	130	114	96	79	67	57	47

Whey, NFDM, Class IV, Cash Butter Packs and Other Markets

	Whey	Pack Avg			NFDM	Pack Avg			Class IV	Pack Avg			Butter	Pack Avg		
		1/4 Avg	1/2 Avg	Year Avg		1/4 Avg	1/2 Avg	Year Avg		1/4 Avg	1/2 Avg	Year Avg		1/4 Avg	1/2 Avg	Year Avg
11-Jun	5200				16150				2090				21500			
11-Jul	5600				16100				2069				21175			
11-Aug	5700	Jul-Sep	Jul-Dec		15923	Jul-Sep	Jul-Dec		2034	Jul-Sep	Jul-Dec		21100	Jul-Sep	Jul-Dec	
11-Sep	5750	5683	5300		15650	15367	14740		2024	2003	1906		21150	21417	20242	
11-Oct	5750				15450				2017				21500			
11-Nov	5550	Oct-Dec			15000	Oct-Dec			1969	Oct-Dec			21600	Oct-Dec		
11-Dec	5400	4917			14675	14113			1899	1808			20400	19067		
12-Jan	4800	2012			14265	2012			1775	2012			19100	2012		
12-Feb	4550	Jan-Mar	Jan-Jun	Jan-Dec	13400	Jan-Mar	Jan-Jun	Jan-Dec	1750	Jan-Mar	Jan-Jun	Jan-Dec	17700	Jan-Mar	Jan-Jun	Jan-Dec
12-Mar	4625	4225	4100	3985	13250	12483	12292	12208	1750	1633	1586	1541	17450	16950	16829	16325
12-Apr	4025				12100				1600				16700			
12-May	4025	Apr-Jun			12100	Apr-Jun			1550	Apr-Jun			16700	Apr-Jun		
12-Jun	4025	3975			12100	12100			1550	1538			16700	16708		
12-Jul	3950				12100				1532				16725			
12-Aug	3950	Jul-Sep			12100	Jul-Sep			1531	Jul-Sep			16700	Jul-Sep		
12-Sep	3950	3917			12100	12100			1531	1510			16700	16208		
12-Oct	3900				12100				1498				15925			
12-Nov	3900	Oct-Dec			12100	Oct-Dec			1501	Oct-Dec			16000	Oct-Dec		
12-Dec	3900	3822			12100	12150			1503	1481			16050	15433		
13-Jan	3780	2013			12150	2013			1467	2013			15100	2013		
13-Feb	3785	Jan-Mar			12200	Jan-Mar			1474	Jan-Mar			15150	Jan-Mar		
13-Mar	3790	3795			12250	12300			1480	1486			15200	15250		
13-Apr	3795				12300				1486				15250			
13-May	3800				12350				1492				15300			

Cash Settled Butter Futures						YST	Today	Non Fat Dry Milk Futures						YST	Today
	Open	High	Low	Settle	Net	OI	Vol		Open	High	Low	Settle	Net	OI	Vol
Jun	215.000	215.000	215.000	215.000	0.000	467	0	Jun	1.6150	1.6150	1.6150	1.6150	0.0000	457	0
Jul	212.000	212.000	212.000	211.750	-2.725	656	3	Jul	1.6100	1.6100	1.6100	1.6100	0.0000	437	0
Aug	212.000	212.000	211.000	211.000	-3.000	714	9	Aug	1.5923	1.5923	1.5923	1.5923	-0.0003	428	0
Sept	211.000	211.500	211.000	211.500	-2.925	575	9	Sept	1.5650	1.5650	1.5650	1.5650	-0.0100	274	2
Oct	215.000	215.000	215.000	215.000	0.000	393	0	Oct	1.5450	1.5450	1.5450	1.5450	0.0000	196	0
Nov	216.000	216.000	216.000	216.000	0.000	345	0	Nov	1.5000	1.5000	1.5000	1.5000	0.0000	125	3
Totals						3150	21	Totals						1917	5
Dry Whey Futures						YST	Today	Class IV Futures						YST	Today
	Open	High	Low	Settle	Net	OI	Vol		Open	High	Low	Settle	Net	OI	Vol
Jun	0.52000	0.52000	0.52000	0.52000	#####	332	2	Jun	20.90	20.90	20.90	20.90	0.00	577	0
Jul	0.56000	0.56000	0.56000	0.56000	#####	195	0	Jul	20.69	20.69	20.69	20.69	-0.01	708	0
Aug	0.57000	0.57000	0.57000	0.57000	0.00000	173	0	Aug	20.34	20.34	20.34	20.34	-0.21	729	0
Sept	0.57500	0.57500	0.57500	0.57500	0.00500	169	4	Sept	20.24	20.24	20.24	20.24	-0.11	584	0
Oct	0.57500	0.57500	0.57500	0.57500	0.00500	155	2	Oct	20.17	20.17	20.17	20.17	-0.07	518	0
Nov	0.55500	0.55500	0.55500	0.55500	0.00000	151	0	Nov	19.69	19.69	19.69	19.69	-0.16	437	0
Totals						1175	8	Totals						3553	0
International Skim Milk Powder						YST	Today	LIFFE International Skim Milk Powder						YST	Today
	Open	High	Low	Settle	Net	OI	Vol		Open	High	Low	Settle	Net	OI	Vol
Jun	2850.00	2850.00	2850.00	2850.00	0.00	0	0	Jul	2300.00	2300.00	2300.00	2300.00	-125.00	0	0
Jul	2800.00	2800.00	2800.00	2800.00	0.00	0	0	Sept	2300.00	2300.00	2300.00	2300.00	-100.00	0	0
Aug	2825.00	2825.00	2825.00	2825.00	0.00	0	0	Nov	2300.00	2300.00	2300.00	2300.00	-100.00	0	0
Sept	3100.00	3100.00	3100.00	3100.00	0.00	0	0	12-Jan	2300.00	2300.00	2300.00	2300.00	-100.00	0	0
Oct	3100.00	3100.00	3100.00	3100.00	0.00	0	0	Mar	2300.00	2300.00	2300.00	2300.00	-100.00	0	0
Totals						0	0	Totals						0	0
Eurex Butter Futures €						YST	Today	Eurex Skimmed Milk Powder Futures €						YST	Today
	Open	High	Low	Settle	Net	OI	Vol		Open	High	Low	Settle	Net	OI	Vol
Jul-11	4175.00	4175.00	4175.00	4175.00	0.00	0	0	Jul-11	2375.00	2375.00	2375.00	2375.00	0.00	0	0
Oct-11	4175.00	4175.00	4175.00	4175.00	0.00	0	0	Oct-11	2425.00	2425.00	2425.00	2425.00	0.00	0	0
Jan-12	3625.00	3625.00	3625.00	3625.00	550.00	0	0	Jan-12	2250.00	2250.00	2250.00	2250.00	175.00	0	0
Apr-12	3625.00	3625.00	3625.00	3625.00	550.00	0	0	Apr-12	2250.00	2250.00	2250.00	2250.00	175.00	0	0
Totals						0	0	Totals						0	0

**Cheese Futures / Cheese Packs / Dairy Profitability**

	Cheese					Previous Day's		Pack Avg		
	Open	High	Low	Settle	Net	OI	Vol	1/4 Avg	1/2 Avg	Year Avg
11-Jun	1.882	1.882	1.882	1.882	0.007	392	0			
11-Jul	1.990	1.990	1.990	1.990	0.027	220	0			
11-Aug	1.889	1.889	1.889	1.889	0.000	185	0			
11-Sep	1.855	1.855	1.855	1.855	0.000	195	0	Jul-Sep		
11-Oct	1.777	1.777	1.777	1.777	-0.016	251	0	1.840		
11-Nov	1.739	1.739	1.739	1.739	-0.029	303	0			
11-Dec	1.717	1.717	1.717	1.717	0.000	259	0	Oct-Dec	Jul-Dec	
12-Jan	1.666	1.666	1.666	1.666	0.000	31	0	1.707	1.774	
12-Feb	1.653	1.653	1.653	1.653	0.000	30	0	2012		
12-Mar	1.660	1.660	1.660	1.660	0.000	30	0	Jan-Mar		
12-Apr	1.683	1.683	1.683	1.683	0.000	30	0	1.665		
12-May	1.693	1.693	1.693	1.693	0.000	30	0			
12-Jun	1.693	1.693	1.693	1.693	0.000	30	0	Apr-Jun	Jan-Jun	
12-Jul	1.700	1.700	1.700	1.700	0.000		0	1.695	1.680	
12-Aug	1.700	1.700	1.700	1.700	0.000		0			
12-Sep	1.725	1.725	1.725	1.725	0.000		0	Jul-Sep		
12-Oct	1.730	1.730	1.730	1.730	0.000		0	1.718		
12-Nov	1.735	1.735	1.735	1.735	0.000		0			
12-Dec	1.732	1.732	1.732	1.732	0.000		0	Oct-Dec	Jul-Dec	Jan-Dec
13-Jan	1.745	1.745	1.745	1.745	0.000		0	1.737	1.728	1.704
13-Feb	1.750	1.750	1.750	1.750	0.000		0	2013		
13-Mar	1.755	1.755	1.755	1.755	0.000		0	Jan-Mar		
13-Apr	1.760	1.760	1.760	1.760	0.000		0	1.755		
13-May	1.765	1.765	1.765	1.765	0.000		0			
Totals						1986	0			