

OUTLOOK/SUMMARY

Current Cash: \$20.32 [June]

The CME Spot Cheese price moved higher again this week and the block price broke \$2.00. Once again both the block and barrel price moved higher every trading day this short holiday week. The block price moved up 6 cents Tuesday, 3 ½ cents Wednesday, and 4 ½ cents Thursday with no trades occurring. Then Friday the block price moved up 10 cents to \$2.05 and a seller emerged trading just one load. In total the block price moved up 24 cents this week. Barrels also took a steady climb, 5 ¼ cents Tuesday, 1/4 cent Wednesday, 1 ½ cents Thursday and 7 ¼ cents on Friday, but no trades occurred all week. In total the barrel price moved up 14 ¼ cents to \$1.96. Hitting and then exceeding the \$2.00 market is typically met with resistance, but tight supplies of fresh cheese may continue to push prices higher.

The Spot Butter price moved lower this week with decent volume trading. On Tuesday the butter price settled 1 ¾ cents lower but actually traded lower during the trading session, but buyers stepped in and brought the price to \$2.1625 and 6 loads traded all day. There was no price change on Wednesday or Thursday but 2, and 3 loads traded respectively. On Friday another 8 loads traded and the price came down another 2 cents. In total the price settled at \$2.1425 with 19 loads trading all week.

The Grade A price increased 1/4 cent to \$1.6425 with 1 load trading all week. The **Extra grade price was again unchanged** at \$1.61 with no trades occurring all week.

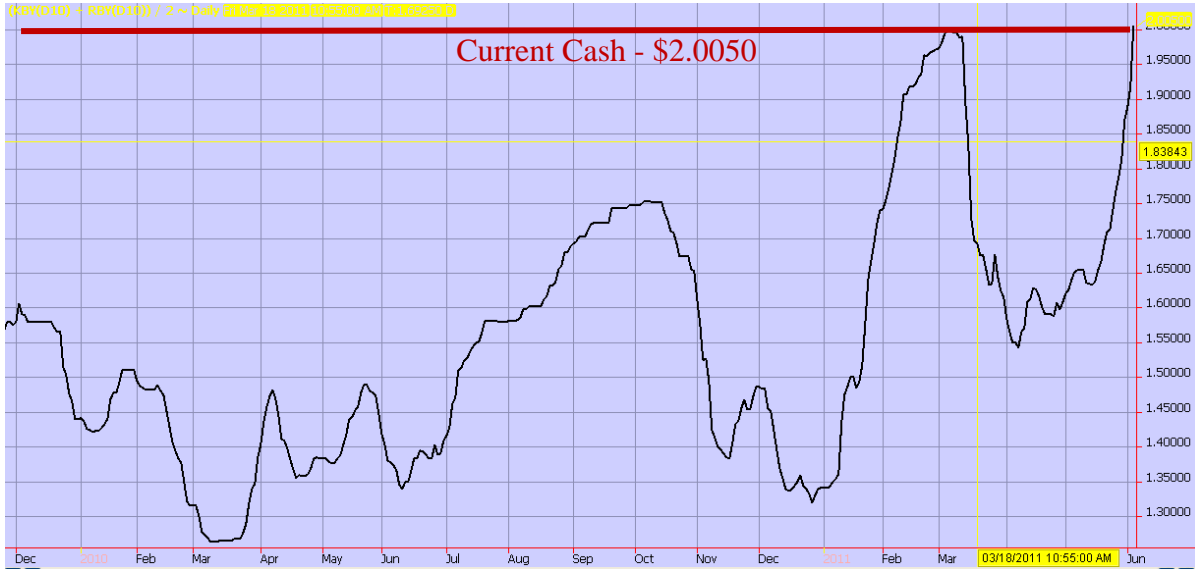
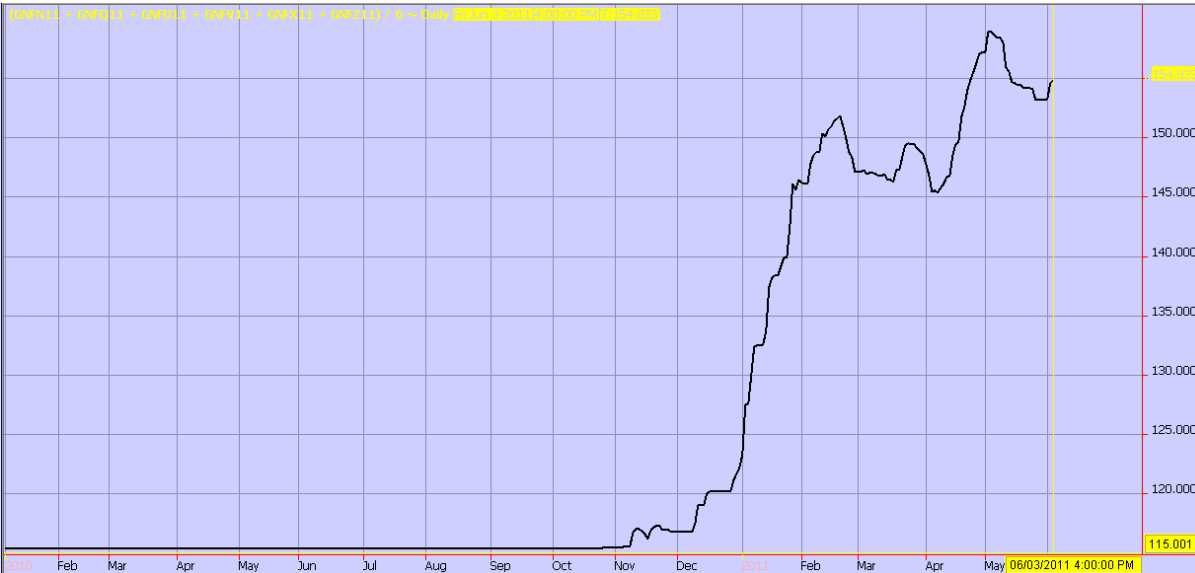
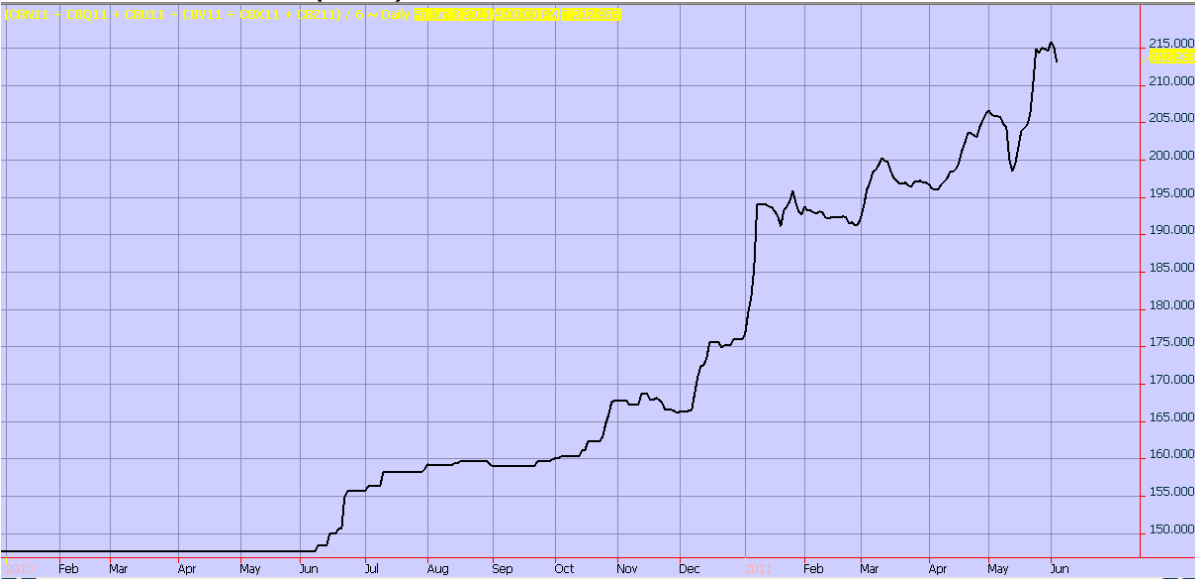
Once again the Class III price moved higher this week. The May Class III price was announced Friday at \$16.52. The June price jumped up 47 cents to \$18.95, and the July – December price increased 33 cents to \$18.72. This week's gains were made on Tuesday and Wednesday, and then the market cooled off Thursday and Friday and moved lower. Briefly on Wednesday the July – December average traded above \$19.00, which is the highest these months have traded. **The Class IV prices also moved higher this past week.** The May Class IV price was announced at \$20.29, and the June Class IV futures price traded 10 cents higher to \$20.90. The July – December average, up 12 cents from last week, is now \$20.12.

GRAIN AND OILSEED OUTLOOK

New price highs for the year were scored again last week in new crop corn. Last week's planting progress report indicating 12 million corn acres will be planted after June 1st provided strong buying support to corn futures prices. This week's USDA June supply / demand report due on Thursday will provide a look at current demand trends with some expecting higher old crop stocks for corn and soybeans on weakened near term demand outlooks. Talk of reduced acres due to overly wet conditions will underpin new crop corn and soybeans values until more is known about the potential size of this year's crops. The next USDA acreage update comes on the June 30th report.

Livestock and dairy producers should look to secure summer feed ration needs and employ risk management positions with futures or options on price breaks as they occur. Summer weather will as always determine the eventual size of corn and soybean supplies but the rough start to this year's growing season has the markets very much on edge.

Grain Report written by Greg Grow of Archer Financial Services, Greg.Grow@archerfinancials.com

CME BLOCK /BARREL AVERAGE

JULY-DEC NFDM

JULY - DEC 11 BUTTER FUTURES (CB's)


CLASS III, CLASS IV, SPOT CHEESE/BUTTER, AND DAIRY FEED PRICES

CME Class III Milk Futures					Cheese Avg \$/lb.
Contract	5/29/2011 \$/cwt	6/5/2011 \$/cwt	\$/cwt wow Chng % Chng		
YTD Avg	Settle				
11-May	\$16.55	\$16.52	\$ (0.030)	-0.2%	1.65
11-Jun	\$18.48	\$18.95	\$ 0.470	2.5%	1.78
11-Jul	\$19.12	\$20.00	\$ 0.880	4.6%	1.86
11-Aug	\$18.96	\$19.35	\$ 0.390	2.1%	1.83
11-Sep	\$18.78	\$18.98	\$ 0.200	1.1%	1.81
11-Oct	\$18.22	\$18.35	\$ 0.130	0.7%	1.76
11-Nov	\$17.89	\$17.98	\$ 0.090	0.5%	1.74
11-Dec	\$17.34	\$17.65	\$ 0.310	1.8%	1.70
11-Jan	\$16.90	\$17.25	\$ 0.350	2.1%	1.68
11-Feb	\$16.54	\$16.67	\$ 0.130	0.8%	1.67
11-Mar	\$16.41	\$16.50	\$ 0.090	0.5%	1.66
11-Apr	\$16.32	\$16.50	\$ 0.180	1.1%	1.70
11-May	\$16.27	\$16.35	\$ 0.080	0.5%	1.69
11-Jun	\$16.39	\$16.35	\$ (0.040)	-0.2%	1.69

CME Class IV Milk Futures				
Contract	5/29/2011 \$/cwt	6/5/2011 \$/cwt	\$/cwt wow Chng % Chng	
YTD Avg	Settle			
11-May	\$20.21	\$20.29	\$ 0.080	0.4%
11-Jun	\$20.80	\$20.90	\$ 0.100	0.5%
11-Jul	\$20.56	\$20.70	\$ 0.140	0.7%
11-Aug	\$20.50	\$20.55	\$ 0.050	0.2%
11-Sep	\$20.20	\$20.35	\$ 0.150	0.7%
11-Oct	\$20.05	\$20.24	\$ 0.190	0.9%
11-Nov	\$19.69	\$19.85	\$ 0.160	0.8%
11-Dec	\$18.97	\$19.01	\$ 0.040	0.2%
11-Jan	\$17.75	\$17.75	\$ -	0.0%
11-Feb	\$17.50	\$17.50	\$ -	0.0%
11-Mar	\$17.50	\$17.50	\$ -	0.0%
11-Apr	\$16.00	\$16.00	\$ -	0.0%
11-May	\$15.50	\$15.50	\$ -	0.0%
11-Jun	\$15.50	\$15.50	\$ -	0.0%

CME Spot Cheese				
Contract	5/29/2011 \$/Pound	6/5/2011 \$/Pound	\$/Pound wow Chng % Chng	
Blocks	\$1.8100	\$2.0500	\$0.2400	13.3%
Barrels	\$1.8175	\$1.9600	\$0.1425	7.8%

CME Spot Butter				
Contract	5/29/2011 \$/Pound	6/5/2011 \$/Pound	\$/Pound wow Chng % Chng	
Spot	\$2.1800	\$2.1425	-\$0.0375	-1.7%

CME NFDM Spot				
Contract	5/29/2011 \$/Pound	6/5/2011 \$/Pound	\$/Pound wow Chng % Chng	
A Spot	\$1.6400	\$1.6425	\$0.003	0.2%
Extra Spot	\$1.6100	\$1.6100	\$0.000	0.0%

Dairy Feed Prices				
Corn: CME				
Contract	5/29/2011 \$/bu	6/5/2011 \$/bu	\$/bu wow Chng % Chng	
Corn	\$758.40	\$754.00	-4 2/5	-0.6%
Soybean Meal: CME				
Contract	\$/ton	\$/ton		
Meal	\$355.60	\$369.90	\$14.30	4.0%
Supreme Alfalfa: USDA				
Visalia	\$305.00	\$281.93	-\$23.07	-7.6%

DAIRY MARGIN & MARKET DASHBOARD

Net Margin for a Typical US Dairy								
	1/0/1900	Corn Cost per Cwt of Milk	Soybean Meal Cost per Cwt of Milk	TOTAL COST PER CWT	Class III Futures	2010 Settle Price Margin (\$/cwt)	Last Week's Margin (\$/cwt)	Current Margin (\$/cwt)
Year	Month							
2011	May	\$ 3.61	\$ 1.26	\$ 15.28	\$ 16.52	\$ 0.10	\$ 1.27	\$ 1.24
2011	Jun	\$ 3.61	\$ 1.26	\$ 15.28	\$ 18.86	\$ 0.38	\$ 3.20	\$ 3.69
2011	Jul	\$ 4.02	\$ 1.36	\$ 15.80	\$ 19.95	\$ 0.36	\$ 3.37	\$ 4.18
2011	Aug	\$ 4.02	\$ 1.36	\$ 15.80	\$ 19.35	\$ 1.72	\$ 3.21	\$ 3.59
2011	Sep	\$ 3.89	\$ 1.35	\$ 15.66	\$ 18.94	\$ 2.53	\$ 3.19	\$ 3.28
2011	Oct	\$ 3.89	\$ 1.32	\$ 15.63	\$ 18.33	\$ 3.10	\$ 2.65	\$ 2.73
2011	Nov	\$ 3.89	\$ 1.32	\$ 15.63	\$ 17.98	\$ 1.41	\$ 2.32	\$ 2.36
2011	Dec	\$ 3.64	\$ 1.33	\$ 15.40	\$ 17.55	\$ (0.39)	\$ 2.00	\$ 2.28
2011	Jan	\$ 3.64	\$ 1.32	\$ 15.39	\$ 17.25	\$ 1.04	\$ 1.56	\$ 1.88
2012	Feb	\$ 3.64	\$ 1.32	\$ 15.39	\$ 16.67	\$ 0.95	\$ 1.20	\$ 1.30
2012	Mar	\$ 3.70	\$ 1.32	\$ 15.44	\$ 16.50	\$ (0.50)	\$ 1.01	\$ 1.07
	Average	\$ 3.78	\$ 1.32	\$ 15.52	\$ 17.99	\$ 0.97	\$ 0.92	\$ 1.07

Under The Following Assumptions Based Off of NASS Surveys: Operating cost/Cwt 9.53, \$0.89 Cost of Alfalfa Per Cwt , Corn/cow/day 22.3lbs, Soybean meal/cow/day 5.5lbs, Milk production/cow/day 75lbs

Dairy Dashboard		
	Bearish	Neutral
April Milk Production		+1.5
April Dairy Product Production	All Cheese	+2.1
	American	-1.0
	Butter	+19.4
April Cold Storage	Cheese	+2.2
	Butter	-31
April Livestock Slaughter		+1.3
March Commercial Disappearance		+1.6

WHAT SHOULD YOU DO? MILK

I am still satisfied being 50% hedged. There is a lot of bullish news in the market right now, and the upside potential seems strong. This week I thought about buying back the \$20.00 call option for July – December, currently \$0.59/cwt. By buying the call I would be removing the price ceiling, but I would have the additional cost for the call. I am currently going to keep the call (ceiling/max) in place since this was a hedge, and is still a good price relative to my farm financials.

Below are strategies to look to enter this week if you need coverage.

June – Do nothing. Prices are high enough and stable enough.

Jul – Dec – There are some attractive put options that can be purchased to protect your milk price. The July \$19.00 put settled at 25 cents on Friday. The \$17.00 put was 14 cents for August and 29 cents for September. For the October – December average the \$16.00 put was 43 cents. For the **Class IV** price I still recommend a risk reversal from \$18.00 to \$22.00 for even money.

Milking Cows	1,000
Monthly Production	2,280,000
Milk Contracts per Month	11

This week's milk activity:
Nothing

Class III						
	Contracts	Fixed	Min	Max	Premium (\$/cwt)	Market Value
May-11						
Jun-11	3		17.00		0.28	-\$1,680
Jul-11	3		16.00	20.00	0.00	-\$2,100
Aug-11	3		16.00	20.00	0.00	-\$2,100
Sep-11	3		16.00	20.00	0.00	-\$2,100
Oct-11	3		16.00	20.00	0.00	-\$2,100
Nov-11	3		16.00	20.00	0.00	-\$2,100
Dec-11	3		16.00	20.00	0.00	-\$2,100

Net Hedge Position		
	Total % Milk Hedged	Net Difference on Hedged Milk (\$/cwt)
May-11	0%	\$0.00
Jun-11	27%	-\$0.28
Jul-11	45%	-\$0.22
Aug-11	45%	-\$0.22
Sep-11	45%	-\$0.22
Oct-11	45%	-\$0.22
Nov-11	45%	-\$0.22
Dec-11	45%	-\$0.22

Class IV						
	Contracts	Fixed	Min	Max	Premium (\$/cwt)	Market Value
May-11						
Jun-11						\$0
Jul-11	2		18.00	22.00	0.00	-\$80
Aug-11	2		18.00	22.00	0.00	-\$80
Sep-11	2		18.00	22.00	0.00	-\$80
Oct-11	2		18.00	22.00	0.00	-\$80
Nov-11	2		18.00	22.00	0.00	-\$80
Dec-11	2		18.00	22.00	0.00	-\$80

WHAT SHOULD YOU DO? FEED

This week's feed activity:
Nothing

Corn						
	Contracts	Fixed	Min	Max	Premium (\$/bu)	Market Value
May-11						
Jun-11						\$0
Jul-11						\$0
Aug-11	1		6.20	7.50	0.01	\$1,685
Sep-11	1		6.20	7.50	0.01	\$1,685
Oct-11	1		5.60	7.50	0.01	\$1,400
Nov-11	1		5.60	7.50	0.01	\$1,400
Dec-11	1		5.60	7.50	0.01	\$1,400

SBM						
	Contracts	Fixed	Min	Max	Premium (\$/ton)	Market Value
May-11						
Jun-11						\$0
Jul-11						\$0
Aug-11						\$0
Sep-11	1		310.00	400.00	0.00	\$6,200
Oct-11						\$0
Nov-11						\$0
Dec-11	1		300.00	400.00	0.70	\$7,800

The Sep SBM contract will cover Jul, Aug, and Sep. The Dec SBM contract will cover Oct, Nov and Dec.

Net Hedge Position				
	Total % Milk Hedged	Net Difference on Hedged Milk (\$/cwt)	Net Difference on Hedged Feed (\$/cwt)	Net Difference on all Hedges (\$/CWT)
May-11	0%	\$0.00		
Jun-11	27%	-\$0.28		-\$0.28
Jul-11	45%	-\$0.22		-\$0.22
Aug-11	45%	-\$0.22	\$0.17	-\$0.05
Sep-11	45%	-\$0.22	\$0.79	\$0.57
Oct-11	45%	-\$0.22	\$0.14	-\$0.08
Nov-11	45%	-\$0.22	\$0.14	-\$0.08
Dec-11	45%	-\$0.22	\$0.92	\$0.70

OPTIONS

Pit Option Settlement *settlements are slightly different from Globex settles																								
Class 3 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	1895	1	1	4	9	20
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	20	2000	.	.	.	.	.	.	.	1	1	2	3	5	7	10	14	19	25	33	42	52	65
Aug	24	1935	1	2	2	3	5	6	8	11	14	19	23	29	36	44	52	62	73	85	98	113	128	
Sep	24	1898	6	7	8	10	12	15	19	24	29	35	42	50	59	69	80	92	104	118	133	148	165	
Total			7	9	10	13	17	21	27	36	44	56	68	84	102	123	146	173	202	236	273	313	358	
Avg 3rd Quarter			.	.	.	.	.	.	.	12	15	19	23	28	34	41	49	58	67	79	91	104	119
Oct	25	1835	14	17	21	26	31	37	43	51	59	68	78	89	101	113	126	141	156	172	188	204	222	
Nov	25	1798	21	26	31	37	43	51	59	68	77	88	99	111	124	138	153	168	184	200	218	236	255	
Dec	24	1765	30	35	42	49	56	65	74	84	95	107	119	133	147	162	177	194	210	227	246	264	284	
Total			65	78	94	112	130	153	176	203	231	263	296	333	372	413	456	503	550	599	652	704	761	
Avg 4th Quarter			22	26	31	37	43	51	59	68	77	88	99	111	124	138	152	168	183	200	217	235	254	
Avg 2nd Half			12	15	17	21	25	29	34	40	46	53	61	70	79	89	100	113	125	139	154	170	187	
Jul-Dec			72	87	106	123	147	174	208	239	275	319	364	417	474	536	602	676	752	835	925	1017	1119	
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	1895	295	270	245	220	195	170	145	120	96	71	49	29	15	7	2	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	20	2000	207	185	164	144	125	108	92	77	65	53	43	35	28	21	16	13	10	7	5	4	3	
Aug	24	1935	171	154	137	122	108	95	83	73	63	54	47	40	34	27	23	20	17	13	10	8	8	
Sep	24	1898	157	142	128	115	102	91	81	71	63	55	48	42	36	32	30	23	20	18	15	13	11	
Total			535	481	429	381	335	294	256	221	191	162	138	117	98	80	69	56	47	38	30	25	22	
Avg 3rd Quarter			178	160	143	127	112	98	85	74	64	54	46	39	33	27	23	19	16	13	10	8	7	
Oct	25	1835	136	123	111	101	91	82	73	65	58	52	46	41	36	31	28	24	21	18	16	14	12	
Nov	25	1798	122	111	101	91	82	74	67	60	54	48	43	38	34	30	27	24	21	18	16	14	12	
Dec	24	1765	112	102	92	84	76	68	62	55	50	44	40	35	32	25	22	19	17	15	13	11	10	
Total			370	336	304	276	249	224	202	180	162	144	129	114	102	86	77	67	59	51	45	39	34	
Avg 4th Quarter			123	112	101	92	83	75	67	60	54	48	43	38	34	29	26	22	20	17	15	13	11	
Avg 2nd Half			151	136	122	110	97	86	76	67	59	51	45	39	33	28	24	21	18	15	13	11	9	
Jul-Dec			905	817	733	657	584	518	458	401	353	306	267	231	200	166	146	123	106	89	75	64	56	

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