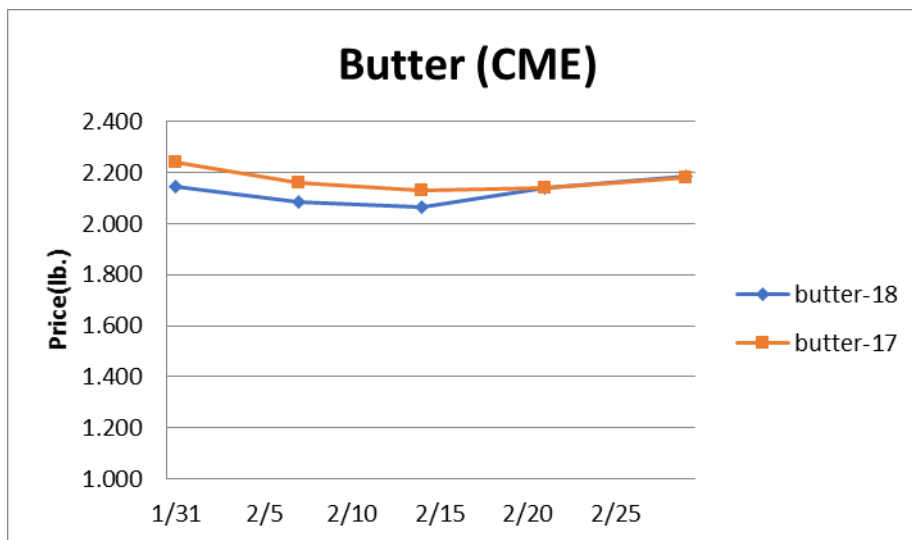


Dairy

U.S. milk production continues to expand. During January, the U.S. produced 1.8% more milk than the previous year due to a .5% larger milk cow herd and a 1.3% gain in milk per cow yields. A net 4,000 head was added to the herd during the month making it the biggest since 1996. Seasonally strong milk output this spring could weigh on the dairy markets. Cheese prices have been relatively range-bound during the last week. Export interest is starting to escalate which could underpin the cheese markets in the near term. Butter prices could find near term support as well.

Product Description	Market Trend	Supplies	Price vs. Last Year
Cheese Barrels (CME)	Decreasing	Good	Lower
Cheese Blocks (CME)	Decreasing	Good	Lower
American Cheese	Increasing	Good	Lower
Cheddar Cheese (40 lb)	Increasing	Good	Lower
Mozzarella Cheese	Increasing	Good	Lower
Provolone Cheese	Steady	Good	Same
Parmesan Cheese	Increasing	Good	Lower
Butter (CME)	Increasing	Good	Higher
Nonfat Dry Milk	Increasing	Ample	Lower
Whey, Dry	Decreasing	Good	Lower
Class I Base	Decreasing	Good	Lower
Class II Cream, heavy	Increasing	Good	Higher
Class III Milk (CME)	Decreasing	Good	Lower
Class IV Milk (CME)	Increasing	Good	Lower



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