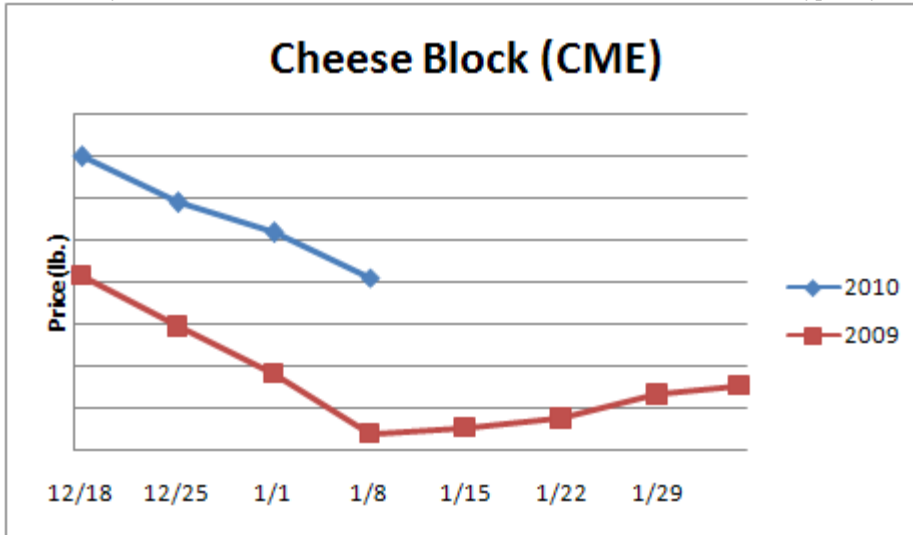


Dairy Report

Dairy- The December milk-feed price ratio was the highest for any month in nearly two years which suggests improved profitability for milk farmers. Milk farmer margins, although likely to soften some this winter, are anticipated to improve from the spring onward which could lessen the intensity of milk output declines. The CME cheese markets are mixed. History indicates that the CME cheese markets could edge downward during the next few weeks. Buyers are advised to visit milk/cheese contracts soon. The butter market typically moves lower in February.



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

*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.