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The following newsletter is being provided as an extended service to you for being a client of Ag Risk Managers Insurance Agency. ARM Insurance believes that the integration of marketing into your crop is a key to success. We at ARM Insurance are committed to adding value to your business. Be sure to let us know if we can do anything to serve you better. This newsletter is produced and written by N

MILK AND FEED USE MARKET LETTER

January 3, 2010

MEAL PURCHASE FILLS – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.95 cash meal but you should now have bought 25% at \$2.75 and 25% at \$2.95. We will look to secure the other 50% at lower prices at a later t

We want to be buyers of another 25% of our 2010 meal needs if the front end of meal trades to \$280. This would put us 75% bought

CORN

The corn market gained 6 cent for the week but remained below the March chart contract highs of \$4.25. As we start the New Year everyone is talking about "funds going to invest large amounts of money in the New Year". We saw a good amount of buying in the tail end of 2009 in most commodities. The front burners of most commodity managers. Economists are seeing an end to corporate losses and raising unemployment claims. A better outlook for food consumption as is the probability of seeing inflation and better economic growth in 2010. These are just a few factors that could continue to push prices year ahead or at least prevent it from a major price drop.

Of course there are those other fears that could change the outlook in grains to a more negative vein. Over production would be number one on the list. A washout in the banking and lending arenas. But if cooler heads prevail and Obama's stimulus package works, we should see a market that resembles the old style supply/demand commodity trading but I wouldn't bet on that.

So what might happen in early 2010 for corn prices? A best guess would be for the corn market to attempt a rally to \$4.35-\$4.50, which should drop as we go into February. This would fit into a bottoming market that is turning its trend more bullish as research shows that when a market is followed by a 40%-50% correction. Such a correction from a \$4.40 top would allow the market to drop to \$3.70-\$3.80 which would seem to fit the year's patterns. We could see the first two weeks of 2010 dropping prices back to the \$3.85-\$3.93 level and then begin a more earnest run for what the commodity funds feel they need to be invested in early 2010. The weekly continuation chart shows that corn continues to be in a bearish trend below \$3.82 to turn the trend negative on a weekly chart. To accomplish this, we would have to see the Dow Jones turn negative and believe that the carryout number is a real possibility.



One thing that we just don't hear anyone talking about is the fact that world soybean stocks are near 4 decade long lows at just 17% of world usage. The weight going forward and this number was only achieved by the US producing its second largest crop in history in 2009.

MEAL

The front end of the meal market gained \$12.40 on the week and as long as the bean market continues to export at the current rate it's going to stay in the current range it's in. Meal exports on their own have also been pretty good and several analysts believe that this pattern will disappear eventually but they've been predicting this for the better part of 3 months now.

Weekly meal timing as well as RSI readings is still very bullish and it won't be long before Jan meal drops off the board and March futures trading \$8 lower than Jan right now the longer term charts should stay positive for the next 2-3 weeks. There is excellent support for meal at the \$293 level basis March futures but weekly MA's on the continuation chart are at \$310 and \$306 and with March trading at \$306 the pressure is on this week.

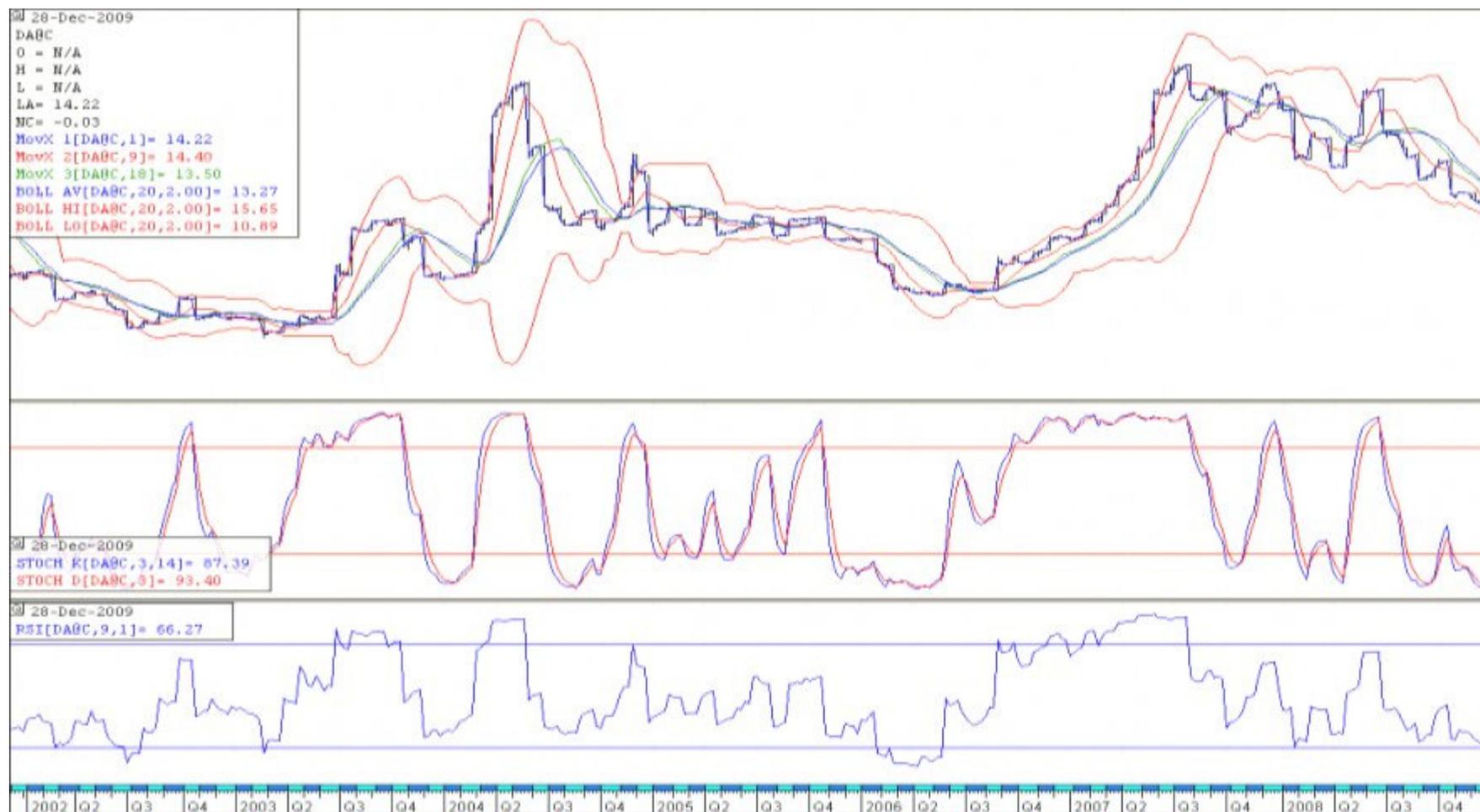


If March meal can move above \$310 before Jan goes off the board. March meal should make a move toward the \$320-\$330 areas of resistance swing point in meal prices basis March.

MILK

July milk futures tried to fall apart last week but buyers moved the market back up to close 7 cents off the week's lows. Since the July milk \$16.23, we've seen a drop of 37 cents that has dropped the daily stochs from 99% on the daily chart to Friday's 24% and the daily RSI has also seeing the trade bull spread the milk by buying the front end of the market and sell the back end. This usually represents a change in the overall attitude of the traders. Milk now has more bullish traders in it that it has in over a year.

In 2010 and on the chart below, we have moved from the July milk contract to a continuation chart that will represent more current milk and milk sales program for futures weeks instead of future months. Weekly MA's are at \$14.40 and \$13.50 and if we can experience some order and move closer to \$13.50, another solid move higher in the market will be seen. The timing suggests that by the end of the first quarter, milk is at \$15.35-\$15.80 but it is going to take a little time to accomplish this move.



Supply/Demand fundamentals seem to be getting better with fewer cows being milked and a pickup in cheese demand. Unemployment should be a concern but the biggest growth will have to wait until the third quarter but usage will continue to increase on milk and milk products giving us a better price.

It seems like we've been bullishly writing about milk prices for years but it's only been 11 months. We've had to stay optimistic through the corner as far as having prices free falling. There's a lot of work yet to be done by milk producers with the biggest task not to expand too

looks to be better times ahead but getting it marketed at the right time is key.

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