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MILKAND FEED USE MARKET LETTER

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MEALPURCHASE FILL – If you are following our recommendations, you were filled onanother 25% of your 2010 meal needs at $2.95 Dec futures. I know most of you buycash meal but you should now have bought 25% at $275 and 25% at $2.95. We willlook to secure the other 50% at lower prices at a latertime.

Wewant to be buyers of another 25% of our 2010 meal needs if the front end of mealtrades to $280. This would put us 75% bought for 2010.

January10, 2010

CORN

Thecorn market gained 8 ½ cents last week with the big day coming on Friday when weclosed up 5 ½ cents. Fund buying was the culprit of the rally as the fundsrebalance for 2010. Exports for the week were poor again and export numbers willhave to be dropped as we've wasted too many months with below performancenumbers.

Thebig event for the week will be the January USDA Supply/Demand report in what iscalled the FINAL for 2009 but we all know that this number will change manytimes in the months or even a year from now. NFI believes exports will bedropped 50-75 mbu and residual numbers should also come down 25 mbu. This shouldincrease US carryout about 10 mbu but we also think the yield level will drop,because of the poor test weight and corn left in the field, about 75 mbu so thenet effect to the balance sheet should be an increase of 2 mbu or so and takecarryout between 1.700 billion and 1.725 billion bushels. The fundamentalpicture in corn continues to be one of adequate supplies with a god possibilityof seeing increase of 3-5 million more acres of corn in 2010 due to thecorn/bean ratio.

Anotherfactor that continues to be present is the relationship between the equitymarkets and commodity markets. As long as fund managers in the equity marketscontinue to see improved earnings for stocks and a continued recovery in US andworld economies, they will continue to buy commodities as part of their balancedportfolios. NFI views the current chart formations in equities as one with apoor risk/reward ratio. There could be another 200-300 points to the upside inthe Dow but the risk we see is a move all the way back to 1018 on the S&P ora drop of about 900 points. That gives one a risk/reward of 1 to 3 and we seethe Dow as getting to be a high risk trade without a meaningfulcorrection.

Theweekly corn continuation chart below shows that the technical side of the marketis approaching an area where things are getting a bit over bought. We stilldon't show any bearish divergence and that's one indicator we always look for toget a decent handle on where a top could form in a particular market. Thethought that the corn market could still spike to a high around $4.40 remains apossibility but that will take further fund buying and a USDA report that isneutral to bullish. Weekly support rests at $3.98 and $3.75.

WHEAT

Thisis a market that couldn't buy a bullish weekly export number let alone a bullishSupply/Demand balance sheet. US and world stocks continue to climb and thereisn't an end in sig We did plant fewer winter wheat acres but those arealready in the market. If it weren't for the funds stepping in to support priceswe just might be looking to break $5.00 again. Mos not all analysts believewheat is ready to head back toward the $4.74 level of support or a drop of over$1.00 a bushel. I can't remember seeing a market that is so negatively viewed byjust about everyone except the fund players.

Theway we look at the wheat studies doesn't suggest any kind of drop like the onejust presented above. Monthly and Weekly timing is still bullish and suggestinga move to $5.90 ar possibly as high as $6.34. A move to $6.00 should be soldhowever for producers as the profits are there for the taking. The best supportin the market is back at $5.03-$5.09 so th is developing risk of a drop inthe market.

Worldnumbers in the upcoming USDA report should reveal that fundamentals continue tobe negative so if the funds do come in and help us out with a shot higher in themarket producers should reward such a rally with sales. Being 65% sold out oflast year's wheat production should be a goal by producers.

MEAL

Weknow the fundamentals in beans aren't the beast at the moment and meal stocksand exports haven't been the best either but we continue to hold the front endof meal above $30 This is an important level as we've bottomed there beforewith sharp rallies following.

Thereare several problems facing the meal market in the days and weeks ahead. Firstis Tuesday's report and second is the fact that Jan meal goes off the board nextweek and Marc meal becomes the lead month. If $304 is a pivotal level, Marchmeal is currently trading $298.30. This will put meal in a sell formation nextweek unless we are able to move and clos above it at the end of next week andthat doesn't look like a reality at the moment.

Thenext good support area in this market shows up at the retracement level we'vetested several times with small dips below the $288.60 level and printing $284.With the timing we have NFI still like's meal to go higher long-term but therecould be a break as low as $270. The long-term outlook we see for meal is for amove back to $370 but the end of the thir quarter 2010. Endusers should besecuring meal needs to finish out 2010 and also looking to get some on for 2011on any good breaks.

MILK

Forthe week, milk gained 15 cents in what looks to be a low volume, lacklustermarket. There just doesn't seem to be many players in the milk market lately andit's showing up in pr movement over the past 3 weeks. This is neither apositive nor a negative but past experience tells us that when volume dries upyou can expect a big move is coming. The short term timing suggests that if thefront end of the market can hold the $13.87 level the market will take a veryquick move to $15.30-$15.55. This type of move should put another top in themilk advance but the trend is up and milk should continue to ride the wavehigher.

Monthlytiming is still bullish with at least 3 weeks of this timing remaining. Theweekly studies haven't given a sell signal yet and we should see bearishdivergence occur before a meaningful sell off shows up. This could send pricesas high as the $16 level on the front end of the market. A close below the$13.80 level would send the market back to first suppo at $12.70 but we thinkit's more likely to move into the $15 level before we see a move to$12.70.

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MarkPrudhomme is commodity licensed as an IB and is a certified CTA. Mark wassecurities licensed for 15 years but surrendered his license in2001.