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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 insurance is vitally important for term financial 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 Mark Prudhomme of Northland

MILK AND FEED USE MARKET LETTER

January 17, 2010

MEAL PURCHASE FILLS – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.95 Dec futures. I know most of you buy as 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 time.

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 for 2010.

CORN

The corn market lost 5 1/2 cents last week and managed to close below all six of the major MA's with the last being the bottom monthly MA at \$3.72 3/4. The USDA numbers last Friday nailed in the coffin of the bulls with the increase in yields, harvested acres and carryout. The next thing to figure out is where the next market bottom will be and will there be enough total back to some reasonable sell levels.

With the corn spreads showing good carry it can be assumed that the commercials are comfortable with the level of excess corn we have going forward. Spreads can always help one the market is bullish or bearish with the way the market reads them. The talk on the floor has now turned more to the demand side of the balance sheet and with as poor as the export it seems likely that the USDA has plenty of room to decrease total export for the remainder of the marketing year by 100-150 million bushels taking current carryout toward the 1.900 bushel mark. The next thing that can move the market if the USDA sticks with the January numbers will be planting intentions at the end of March. The general consensus for that report moment is for an increase of 4-5 million acres. If we do add 4 million acres and have a yield of 158 bpa we will be able to meet next year's current demand of 13,070 bbu. Both the yield and acreage number seem rather lofty at this point. It would take another good weather year to get this accomplished plus a perfect spring planting season.

From our work on price direction, and with the close below all the MA's it looks like we will be headed for the open gap on the weekly continuation charts at \$3.50-\$3.54 in the week. There is a lot of negative timing on the weekly study as you can see below and the news in the corn pit doesn't hold any bullish surprises at the moment. Exports will have to be watched as any foreign demand begins to surface as prices trend lower in the weeks ahead.

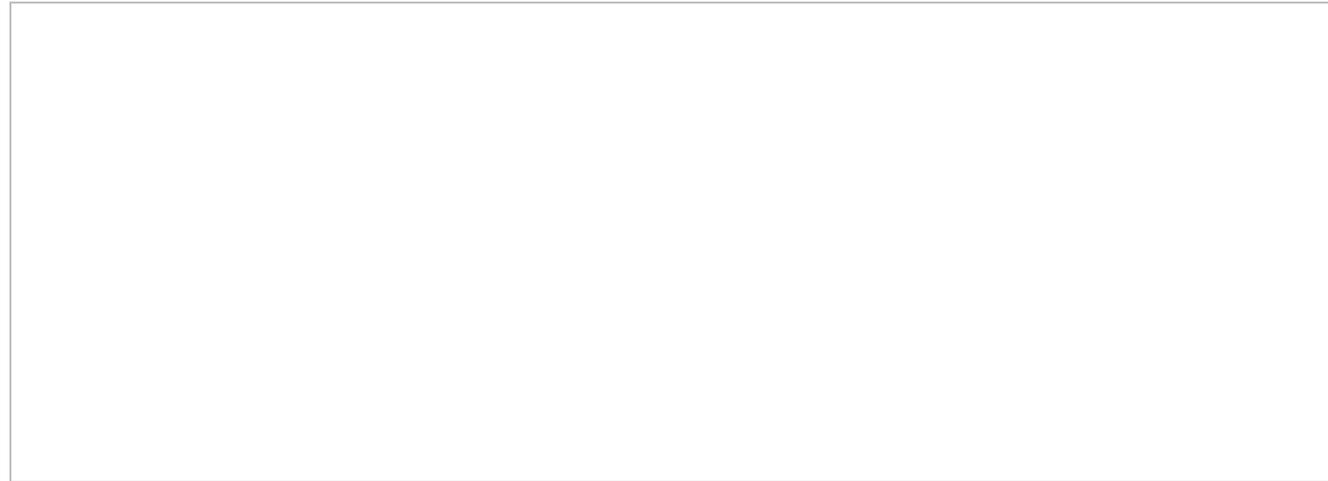
Our research shows that over the past 4 years the lowest the daily RSI has ever printed has been 16%. As of Friday's close the RSI currently stands at 23%. Our measurement to get would take the corn market as low as \$3.56 basis March futures or 15 cents lower. Early measurement work looks like the corn market could move as low as \$3.31 with a bottom in March or the first week of April. NFI is sticking with the long-term outlook of higher corn and bean prices by the third quarter of 2010 to the first quarter of 2011 and we see this as a term bottoming formation.

MEAL

The meal market has performed rather well over the past three weeks as beans have taken it on the chin. Crush and exports have been very good and has lent support in meal pricing. Negative going forward is meal has closed below all of the major MA's and \$307 now represents a major resistance level for the next 6 weeks or so.

What we think we will see through the remaining winter months is for meal to make a slow decline toward the \$260 mark as the bean market should continue to move toward the \$9.00 long-term support. According to the latest USDA numbers, SA will harvest the largest bean crop in its history and if realized we will be riddled with ample stocks of beans, meal and soy. However, the chart studies do call for lower prices near term but the longer-term outlook for prices isn't as negative as most would like us to believe.

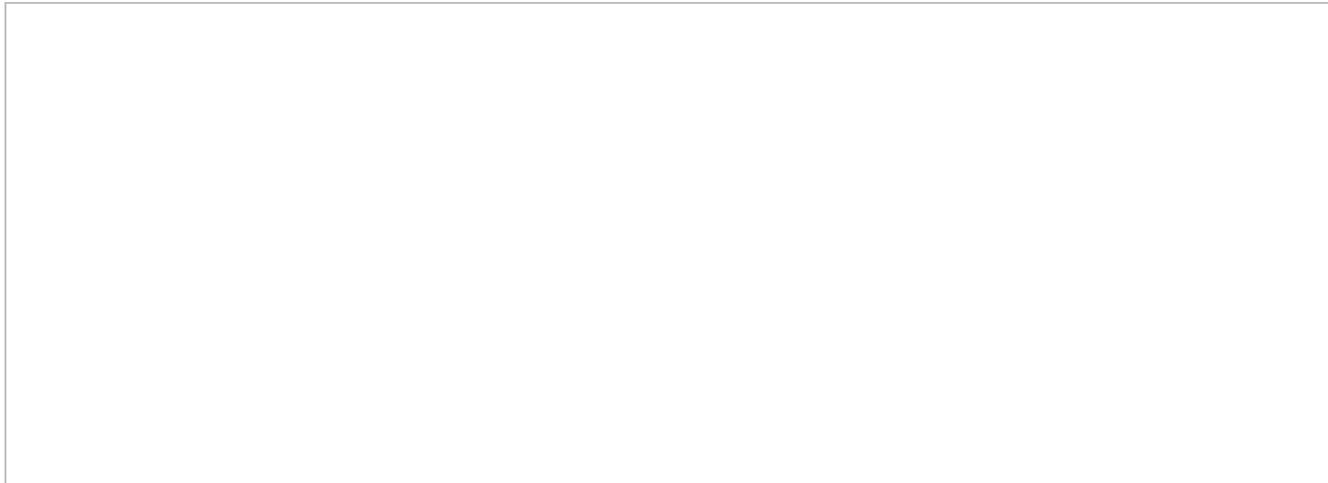
The monthly continuation chart below shows that timing is negative and prices should head lower in the weeks ahead but the stocks at 38% and 34% don't paint as negative a picture :



The reduction in corn and meal prices is a God send to the livestock producer and both markets are giving this industry one more chance to lock in cheaper prices if they missed it the around. Dec 2010 corn should be purchased by end users on a scale down from \$4.00 to \$3.60. In its latest supply/demand report the USDA gave us an average corn sales price of and meal \$265-\$315. In both cases we are at or below the USDA's projected cash price. This makes a good case for buying both markets on any hard down drafts in the market to locked in.

MILK

Milk prices are like watching paint dry. We must be seeing some of the lowest volume trading days in recent history. Last week's trading range covered a whopping 9 cents but it is in the market held up this week in the face of most commodity market falling hard. The fundamentals of the market are better than they were 6 months ago but still not good enough to push market back toward the long-term resistance from \$16.20-\$18.50.



In the coming weeks a close below \$13.54 on the front end of the market would turn the price action negative and a move to the best support at \$12.45-\$12.60 would follow. The re \$14.90-\$15.30 should provide near term resistance so it might just be that milk futures will be stuck in a range of \$12-\$15.50 for the foreseeable future. None of the timing we have seen milk prices are preparing to rally a lot higher at this time.

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Mark Prudhomme is commodity licensed as an IB and is a certified CTA. Mark was securities licensed for 15 years but surrendered his license in 2001.