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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 your long-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 Financial.

MILK AND FEED USE MARKET LETTER

We are now 100% purchased in meal for 2010 at an average futures price of \$275.75.

April 18, 2010

CORN

Corn gained 18.25 cents last week helped by a strong bean market and a real lack of traders wanting to take new short positions with technical indicators as low as they were. Export sales were very good last week at 53 million but shipments fell short of what was needed to stay on track with the USDA's annual projections. With exports picking up from this winters slow pace the USDA might wait a while before cutting export numbers again. The lag in exports has tightened and instead of the once thought 75 mbu cut it may only be 40-60 million bushels. No matter how you slice it, carryout should increase to over 1.950 billion bushels by the June report.

Non-commercial funds increased their net short position in corn last week by 4,000 contract and they now stand short with 62,300 contracts on. The largest net short we've seen the non-commercial hold in 2010 has been about 68,000 contracts. If they don't add to this position in the weeks ahead, a bottom would be forming and a possible short covering could be seen and assist a further rally in corn. We've witnessed some of this happening in the wheat and bean markets as technical considerations prompted them to lighten up and move both markets higher. With weekly corn stochs at 15% and 13% pressing the short side of the market holds poor risk reward measures so they may think twice at this time to increase their short holdings.

As we start the new week, planting weather has been very good in most areas and a strong increase in the planting progress number that come out Monday afternoon should be expected. This could send the corn market lower to start the week but the daily MA's basis May corn are at \$3.53 with the weeklies at \$3.60 and \$3.71. The major resistance level in corn continues to be from \$3.77 to \$3.82 as has been the case in the first quarter. NFI's research shows a rally continuing in the corn market for the majority of the second quarter. The commodity Volatility Index showed a lack of volume over the past month and the inability of corn to move through the \$3.43 support after seeing several negative USDA reports gave us a very good timing bottom. Further research showed that the Baltic Dry Index has dropped to levels where increases in commodity exports should pick up as we enter mid May.



Looking at seasonal studies the corn market has a tendency to bottom in late winter. NFI notes that over the past seven years corn cash prices have had a tendency to rally 17% from the lows. If this year would follow this move then there is a chance to see a retest of the January highs. In this case that would take the corn market back toward the \$4.20 area and put corn about even for the year. If the investment world sees the stock market as being over valued at current levels which looks to be the case from a technical perspective, we could see the money flow move from stocks back to commodities while the stock market corrects.

MEAL

Meal gained \$15.60 on the week and closed at \$280.60 and right on the top weekly MA. Export sale of meal were good and meal got a lot of help from the bean market that gained 33 cents last week. If May meal can close above \$284.80 we should be able to test the monthly MA's which rest at \$300 and \$313. Long-term support will be found in a wide range of \$260-\$244 and before it's all said and done, meal should make a move back toward the lows to see if the support will continue to be found at those levels.

This week we want to put up the monthly continuation chart of meal. It will give you an idea of what the meal market has done over the past two years and where meal could move to. You will first note that the monthly meal stochs are at 15% and 17% and trying to turn higher. These readings aren't as low as they were in 2005 and 2006 when both stochs moved into single digits but at 15% you really don't want to press the short side too hard. There is also noticeable resistance at the \$300 level and above. NFI believes meal can test these resistance points an open up a trading range back to \$260 or as low as \$244. It's this type of drop that we will want to begin purchasing meal for the 2011 feed season.

1-Apr-2010



CRUDE OIL

Crude oil took a turn lower last week with Friday's announcement that the SEC was filing fraud charges against Goldman Sachs saying Goldman issued CDO's to the retail market in connection with Paulson and Co. and then shorted the same CDO instruments that were just bundled. Someone made 1 billion and someone lost 1 billion in the deal. We might call that hedging in our markets but that's not the way the SEC sees it.

For months now the USDA has put out weekly DOE stocks on crude and gasoline supplies and almost every week we've seen continuous builds on crude oil supplies yet the market has continue higher from \$72. It could be that the speculator sees the heart of the driving season approaching and is getting long or many say it's the funds manipulating the market. Whatever the case the crude oil market is not following the fundamentals and hasn't for the past 4 months. Research shows however that crude has a tendency to rally 18% from April 1st through June before a decisive turn takes place and it looks like we are on track for this to occur again even though crude stock piles have increased from 320 million barrels to 355 million.

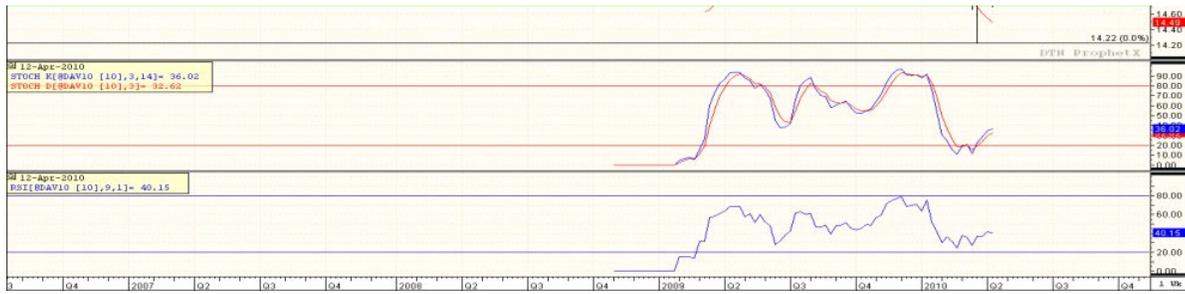


NFI has missed the up move in crude since we recommended selling out of the DBO at \$26.50 and \$28.00 while the price has traded close to \$30. NFI sees a possible move in crude into July that could take a barrel of crude to the \$93.50-\$95.00. Producers should lock in their needs through July but do not lock in the entire years needs. Crude should find a top and a trend reversal by the middle of the third quarter and a move back toward \$72 should be seen.

MILK

Oct milk futures dropped 38 cents last week and the market has turned into a sideways affair as of late. Milk production numbers will be released on Monday afternoon at 2:00 and give us some much needed direction. Milk production out east is running at full capacity while the central US is seeing slowing demand. Cheeses prices lost 28 cents last week and are trading 50-68 cents lower than we saw a year ago. Production on the milk side hasn't slowed much and the industry continues to be over productive with too many cows. Milk exports have been good as of late in all classes which gives the market a little better outlook.





Two weeks ago the milk market gave us a chance to sell or hedge Oct prices above \$15.20 which was the resistance NFI wrote about 3 weeks ago. It's difficult to see any change in how the market has been moving but the weekly stochs are still relatively low and traders will not want to press the market much below the \$13.87 level. The \$15.27-\$16.00 levels continue to look like good hedges or sales and the price ranges will continue in this area until we can see the supply side of the balance sheets improve.

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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.

Thank You,
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