

Ag Risk Managers Insurance Agency, LLC  
 Francis E. Felber, Lisa K. Schultz and Mark J. Prudhomme  
 Office (715) 418-2676 Fran (715) 340-5652 Lisa (715) 307-2386 Mark (651) 464-8122

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 25, 2010

**CORN**

Corn lost 14.75 cents on the week in what turned out to be very volatile week with all kinds of proclamations about the potential crop size being bantered about. In the end, the thinking was Monday's crop progress report will show corn planting at or above 50%, a new record fast planting pace, and that early plantings always represent higher yields and more acres in the end. As was seen in 2004, the early corn planting generated a new high yield and production number in the US and the long-term belief is that we're on the same path this year. Exports were excellent for the second week in a row at 53.5 million bushels. If a similar pace can be seen for the next 4 weeks the USDA may only have to cut exports one more time to the tune of 25 million bushels. Informa put out their production guess for the 2010 crop at just over 13.15 billion bushels and put carryout at 2.100 billion. That's up 200 million from the current USDA carryout and their usage total must be running at 13 billion. Informa used a yield of 161.9 bpa to achieve their very large carryout number. If such yields are obtained then the price of Dec corn should drop to \$3.13-\$3.21 by year's end.

Many times contrarian think pays off well when everyone is thinking the same fate of any particular market. In the case of corn this year the trade is completely entrenched in believing corn yields will be high along with carryout numbers. NFI, as most know, uses technical analysis far more than attempting to guess what the fundamentals will produce in grain prices although fundamentals are incorporated in what NFI uses to predict market movement. This year however NFI's technical analysis of where corn prices will move looks to be flawed so far. The current fundamental outlook can't be ignored when looking at past history when crops are planted early. We also can't overlook that most growing years are relatively normal with pockets of drought or excess moisture but we seem to grow a decent crop of corn each and every year. NFI's technical outlook for higher commodity prices in the second quarter still stands although this past week did some major damage to where we thought corn prices would recover to. Our thought was corn prices would have a strong week last week and it was the reverse and as prices dropped the chart indicators continued to move higher which is a bearish sign.

**Dec corn weekly chart;**

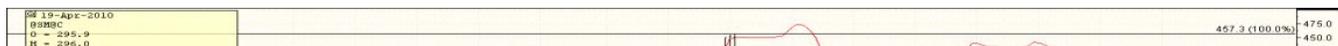


The inability for the corn market to move through the weekly MA's for the eighth time in two months is a major setback for the market. Until we can see the corn close above the weekly MA's, prices will continue to drift sideways to lower until we've achieved a price that draws out lateen demand. We are putting up the weekly Dec corn chart below which shows the continuous rally failures at the weekly MA level. Monthly stochs are pointed lower at 27% and 32% which is well off the low readings we saw in August of 2009 at 9%. Dec corn looks like it want to gravitate toward the bottom BB of \$3.53 and test the life of contract lows at \$3.50. If the monster yield predictions surface then a drop to \$3.13 looks inevitable. NFI's rally in Dec corn to \$4.20 is in major jeopardy.

Stochastic (stochs) levels must be observed however as we are getting what NFI calls the double pump that has almost always proven a bottom in market prices. Technical analysis continues to suggest that a low in Dec corn lies at \$3.57-\$3.63 and that a rally to \$4.20 can still occur in the second quarter but another lower weekly close will make that analogy unobtainable. Weekly stochs aren't at 80%, there at 11.79% and chasing market down is seldom a good decision but there are times when the belief by the trade is so strong the wishes of the make come true.

**MEAL**

The meal market gained about \$11 on the week and closed strongly through the top weekly MA and the middle BB. A strong crush report of 156 million along with excellent meal and bean exports sent the market higher. Also attributing to the rally was the thought that corn plantings will be at or exceed 50% in Monday afternoon's weekly planting progress report gave thought to more corn acres getting in the ground than what the USDA gave us at the end of March.





There are some trouble areas that lie ahead this coming week as far as chart resistance. The first level will be the bottom monthly MA at \$300 followed by the top monthly MA at \$313 plus the top monthly BB at \$3.18. With Friday's close at \$292.30 meal will begin to struggle as we approach these levels. At this time NFI sees no topping action in meal yet. Markets generally don't tune when the spread between the weekly stochs is greater than 10 points and we're currently carrying a difference of 17 points so we should continue to see support on good breaks back to \$289 for first support as that's one of the Fib retracement levels. If the market breaks back below this level than a possible move back to \$270 could occur. The trend, for now, is for higher prices until we close the spread of the weekly stochs.

**MILK**

October milk futures gained 13 cent last week in a very slow market. Fundamentals continue to be steady with enough milk cattle out there to support the demand but not bullish enough to move the market through the major resistance at \$15.30. There's plenty of bullish weekly timing to get the market above the resistance level and drive toward the \$15.90-\$16.12 resistance levels but the market needs to get moving quickly or another retreat to \$14.30 would occur.

Released April 19, 2010, by the National Agricultural Statistics Service

**March Milk Production up 0.9 Percent**

Milk production in the 23 major States during March totaled 15.4 billion pounds, up 0.9 percent from March 2009. February revised production at 13.7 billion pounds, was up 0.3 percent from February 2009. The February revision represented an increase of 17 million pounds or 0.1 percent from last month's preliminary production estimate.

Production per cow in the 23 major States averaged 1,846 pounds for March, 51 pounds above March 2009. The number of milk cows on farms in the 23 major States was 8.32 million head, 162,000 head less than March 2009, but 1,000 head more than February 2010.

January - March Milk Production down 0.1 Percent Milk production in the U.S. during the January - March quarter totaled 47.3 billion pounds, down 0.1 percent from the January - March quarter last year. The average number of milk cows in the U.S. during the quarter was 9.09 million head, 206,000 head less than the same period last year.

This month's milk production report showed we had fewer cows producing but the demand just hasn't picked up yet. There are many worries about the European economies and employment here in the US. Both factors are keeping milk product purchases less than normal in troubled areas. There will be a change coming but waiting for a better economic turn is getting old. Many have given up on seeing milk price appreciation but the longer term studies suggest that by the third quarter of 2010 better prices should be expected based on technical studies. For now however it looks like Oct milk futures will be stuck between \$14 and \$16.

The information provided in this marketing letter is not guaranteed for its accuracy. The views provided are those of Northland Financial and not those of Ag Risk Management (ARM). NFI is not responsible for losses taken when using this letter to market your own products and the reader should use this marketing letter to make their own determination as when to sell and what is in the best interest for their own situation. Trading futures and/or options carries large risks. 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,  
 Mark Prudhomme  
 Northland Financial 651-464-8122  
 Cell Phone 651-247-5331  
[northlandfi@msn.com](mailto:northlandfi@msn.com)