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The following newsletter is being provided as an extended service to you for being a client of **A**g **R**isk **M**anagers 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.

May 9, 2010

CORN

For the week corn lost 1.50 cents thanks mainly to very good export sales although the export shipments fell short of what we needed to see to stay on pace with the USDA's annual total. With better exports and much stronger ethanol usage in the past month the USDA should reduce old crop carryout by 25-30 million bushels. New crop estimates however are coming in with huge increases with most analysts expecting carryout to be in the area of 2.100 billion to 2.200 billion. Many are also using yield numbers of 161-163 bpa and an increase of 1-2 million more planted acres as we saw in the Informa numbers Friday morning. The USDA will report the May supply/demand balance sheet Tuesday morning at 7:30 AM.

The rapid planting pace to date is expected to be further enhanced with the release of the NASS crop progress report on Monday afternoon. The trade looks for at least 78-83% of the US corn crop to be in the ground. Central US minimum temperatures reached down into the upper 20's to the lower 30's across the Dakotas, N half of MN, WI and MI. Some minor damage could have nipped at emerged corn and spring grains, but yield/production losses are not anticipated. No damage was seen the heading US HRW wheat crop.

NFI's hopes that our readers realize that we do get negative prices when we think it's the right time. Some have told us that we're never negative on prices and our writing is also ways bullish. We have been negative prices at certain times or we wouldn't get anything sold and most (not all) of our sales have been at decent price levels since NFI began to publish the marketing letter to ARM insured clients. Our corn studies are not negative on a long-term basis yet but NFI is becoming more negative than we have been in a while. The most disturbing feature we see at this time is the market is well off its old highs and we haven't rallied that far off the lows but the weekly stochs have moved from the single digits to having the weekly corn stochs at 35% and 27%. Corn did, for the first time since Jan 10th) close the front end of the corn market above the weekly MA's. We've failed closing above this MA the past 8 times the market tested the weekly MA's.

The weekly July corn chart shows that July has failed from its top weekly MA and daily stochs are in the mid 70% level. A top is forming in the corn market but we are missing long-term bearish readings on corn if corn would turn south at this time. Once we seen the weekly MA's trade to 70% a more, a more negative long-term outlook can be taken but as we've mentioned a few weeks ago, the commodity index looked like most commodities would experience a rally into the end of the second quarter. So far that's not happening with the problems we've seen in the stock market and the financial troubles in Europe.

July corn needs a weekly close above $3.81 to get the corn market to really fire to the upside. Stochs in the 30's is not a bearish enough reading to see corn start a strong and sustained price drop. NFI doesn't rule out a possible drop in July to $3.38 but we don't see the massive sell off that most analysts are seeing. A close below $362 will look bearish in the coming week. As usual, the USDA report will more than likely be bearish so we can prepare ourselves for a drop in prices this week. The exports and more Chinese import reports would help July to move above the $3.81 resistance but we can't hang our hats on this possibility.

MEAL

Meal sold off $15 last week and July futures closed below the important $283 level. This should set the market up for a further drop to $273 and then $265. The demand for beans has not completely shut off but it is noticeably weaker than what we've seen for the last 10 months. With new crop bean planting expected to approach 45% complete in the weekly crop planting report on Monday afternoon there will be more pressure put in the new crop Nov contract and will assist in dropping the further out months in meal. One caution NFI would like to mention is that the monthly continuation chart stochs are sitting at 16% and 17% so our analysis is not to be long-term bearish on meal.

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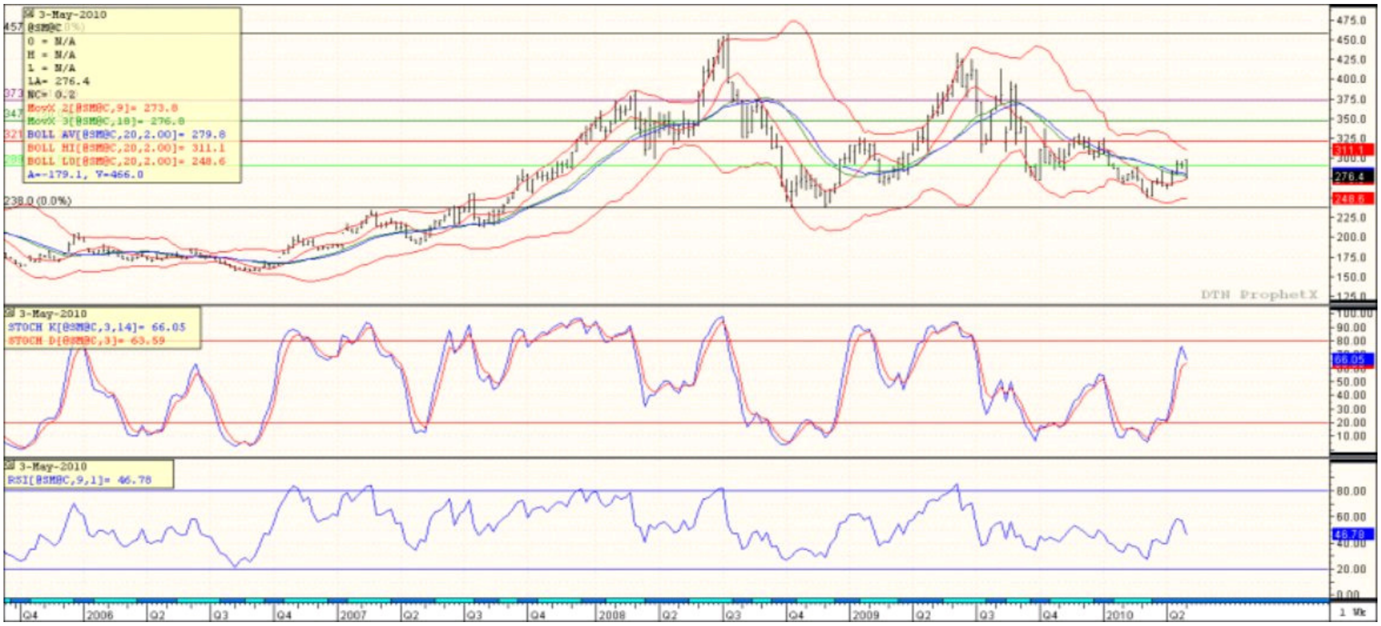
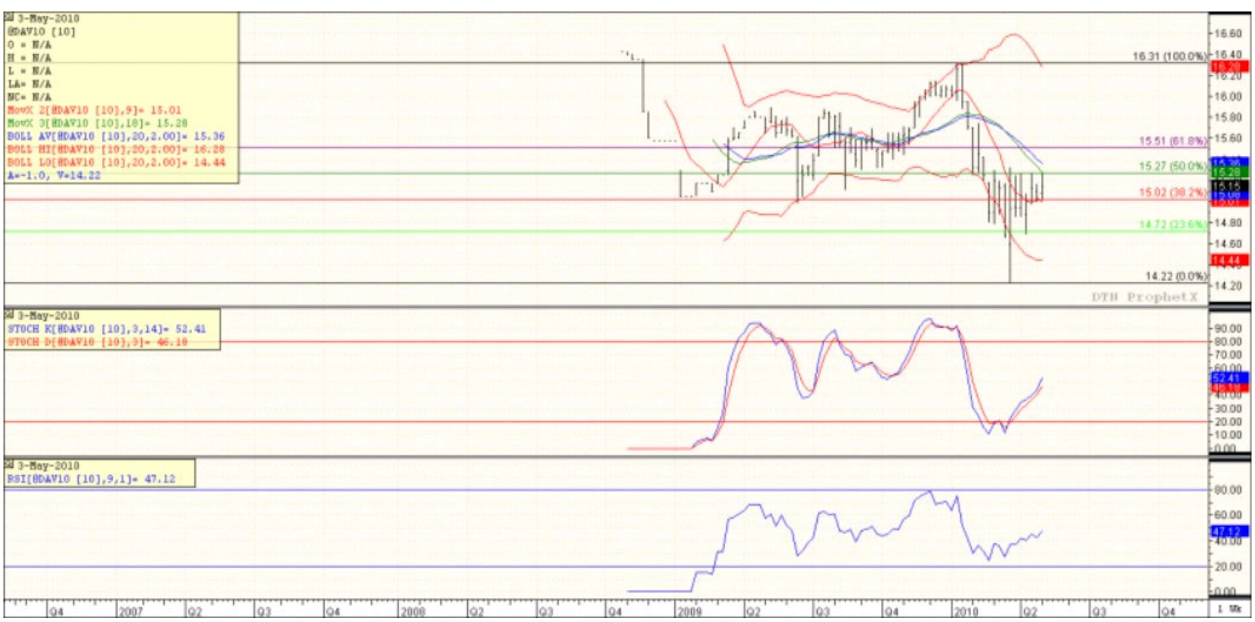
Weekly stochs are turning lower and the front end of meal is about to turn through the weekly MA's setting up for a further drop in prices. The weekly chart below shows that the weekly stochs traded below the 22% level for the better part of 3 months. This suggests that the next drop will result in a much quicker turn in the stochs on a retest of the 22% mark. It's this type of drop where we will recommend to begin 2011 meal purchases. Our guess is Dec meal will be trading around the $235-$248 levels.



MILK

Milk futures hung in very well with all the negative prices fluctuations in commodities and the Dow Jones. Last time this happened the milk market was one of the last market to take a plunge and producers must be aware of this. We pressed the major resistance at the top weekly MA and Fib retracement level. If milk is unable to move through this level basis the Oct futures, a sharp selloff could follow. Unemployment remains around 9.9% and last week's better than expected unemployment numbers did little to instill any confidence that things will get better. The European financial problems continue in Grease and are expanding to Spain and Portugal and there is intense worry over there and our stock market felt it last week.



A drop this week below $14.80 will put a major top in the milk market and a drop to $14.00 would be in the cards. The month on month resistance that milk contracts are finding at $15.27 is becoming large and commodity funds may see this as a place to short the market. NFI would take put protection in milk with some $14.50 puts. With monthly stochs at 41% we are in a neutral position with milk ready to make some big move. The best guess looks for the market to move lower again.

Thank You,
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