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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.

June 13, 2010

CORN

The corn market gained 9.50 cents on the week with revisions to the demand side of the USDA report showing increased ethanol use for both 2010 and 2011. Carryout came in at 1.573 bbu while the trade was expecting 1.831 billion. Dec corn tested the top end of what NFI sees as significant support at \$3.46-\$3.53 last week but resistance at \$3.80 Dec corn will be tough to get through unless there is a weather change or new buying interest from China. The US Ag Council reported last Friday that they expect China to be a buyer of 5 MMT of corn over the next 3-4 months. China is currently experiencing a drought pattern with the absence of their annual monsoon period. They've seen 2 straight weeks of mid 90 temps and are looking at a third week of hot weather with limited rains this week. China's weather needs to be monitored closely.

With new carryout numbers out just last week from the USDA, we can make different assumptions on what we could have at harvest this year. Current USDA corn yields are at 163.5 bpa but the trade is convinced we are on a 168-170 track this year. If we split the difference and go with a 166 bpa yield (new all time record yield) and consider the latest demand numbers, carryout would come in at 1.800 bbu at the end of 2010. If we also assume that the USDA will increase the number of corn acres planted by a million in their upcoming June 30th acres and stocks report, we could finish with a carryout of 1.966 billion bushels and a Dec corn price in the neighborhood of \$3.13-\$3.23. However, if we didn't plant more corn acres, the yield is less than 166 and if the Ag Council is correct on Chinese corn imports than the carryout could be as low as 1.200 billion and Dec corn is trading at \$4.20-\$4.40.



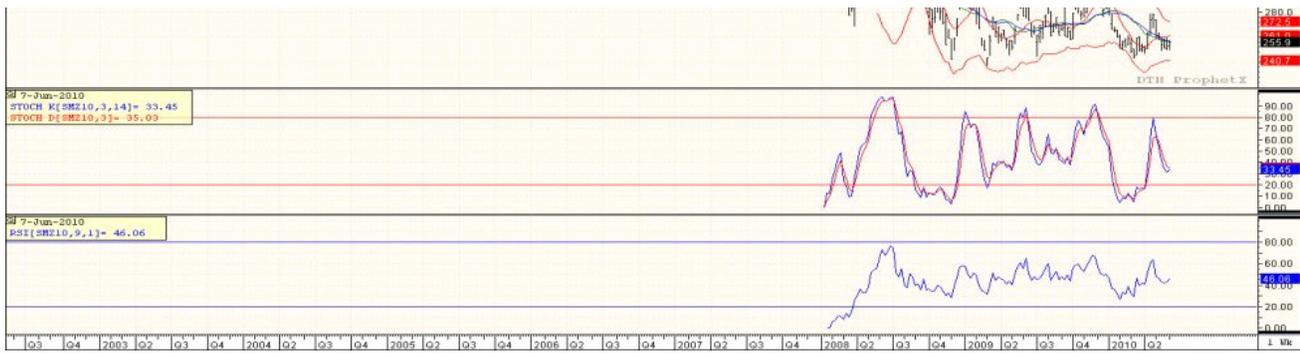
The weekly continuation chart above shows some bullish divergence showing up but the weekly RSI's are not oversold. NFI feels that a rally in July corn to \$3.60 and Dec corn to \$3.80 will be met with solid resistance and a test of last week's lows is likely. Weather, both in the US and China, needs to be watched for the next big move.

MEAL

The tightness in old crop beans has also supported the old crop meal market. Friday's strong close rally gave meal a weekly gain of \$12.50 and closed meal back above the weekly MA's. The whole technical chart study of meal is a mess with weekly stochs now in an M formation with stochs at 70 and 64 while the monthly continuation stochs at 18 with an RSI of 47%. Monthly stochs suggest a long term bottom is forming while the weekly studies tell us to look for a place to get short.

Demand for beans this year and in 2011 should be stout but world supplies of beans and meal is at all time record highs. This makes for a volatile but neutral market price for meal. A closer look at the Dec 2010 meal studies suggests that this contract should trade a range over the next year of \$236-\$305. With Dec meal closing at 256 on Friday NFI believes we are much closer to the lows of the next 12 months than we are to the highs and a plan should be in place for end users to secure meal for the next move up in prices.





MILK

The milk market had a slow week and there doesn't look to be much of a change in the weeks ahead looking at the technical side of things. We could see the Oct futures market trade a range of \$13.77-\$15.22 for the next 3-4 weeks until more is known from the fundamental side. Unemployment numbers last week were poor and if it weren't for the government hiring people we would have seen another drop in the unemployment number.

Two weeks ago USDA Today report that 41.9% of those receiving a paycheck over the past 12 months came from the private sector and 58.1% received a check from the US government. Those that receive a government check either pay no taxes or reduced taxes on these payments. The number of people receiving a check from the private sector was the lowest in US history and tells us fewer people than ever before are footing the tax bill for the entire country. That is more than disturbing.

The weekly Oct futures milk chart shows we have a massive resistance level at \$15.27 and the market is now trying to find a bottom to challenge the top once again. All the indicators that NFI runs are neutral and giving little direction to the trade. Until the fundamentals turn more bullish or we can drop prices low enough to bring back the good demand, milk prices will move sideways in a \$1.50 range.



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