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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.**

May 2, 2010

### CORN

On the week – May corn rose \$.1325 Bu; July was up \$.1425 Bu; Dec gained \$.14 Bu. For April – May was up \$.2125; July up \$.1825, Dec \$.14 BU higher. Thanks to announcements by China that they were in the US market to import corn we were able to rally the front end continuation charts back to the top weekly MA. This is the 10 time we've attempted to take out the weekly MA's on the daily charts. The big question now is will we finally do it on a weekly basis? The bears argue that China's corn purchases were an attempt to accelerate China's producers to release the corn bushels they continue to hold rather tightly. The bulls argue that this is a change in China's supply of corn due to large increases in cattle and hog numbers and that China will be in and out of our corn export market for months to come. Whatever the case, every move China makes importing US corn is new demand that the USDA doesn't have figured in the balance sheets.

It's estimated that we will have 65% of this year's corn in the ground on the Monday afternoon planting progress report and much of that will be pollinated before July 6<sup>th</sup> if good weather conditions continue. Some replanting may occur in KY and TN as more than a foot of rain fell in TN on Sunday. There is still 35-40% of the corn that still needs to get in the ground but it is early yet and the non planting fears have subsided with the long-term forecasts.

We've blown up the chart of the corn weekly corn continuation chart to show you just how many times the market has tested the top weekly MA. You can also see that the weekly stochs have turned up at 40% and 28% with a very large bottom on the stoch. With the point spread of 12 we will not see the corn market roll over and drop measurably this week and the chances of seeing further short covering in corn this week is high.

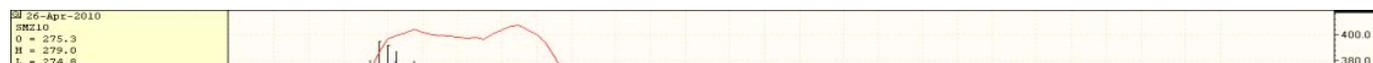


If corn can muster a close in the May contract above \$3.68 then another attempt to take out the long-term weekly resistance from \$3.77-\$3.82 will be on deck. With daily stochs and other daily readings approaching 70% NFI believes the sells will be large around the \$3.80 level. Any corn purchases from China however could move the front end of corn as high as \$3.98 basis May.

### MEAL

Meal lost \$1.00 for the week in a very slow moving trade. The Chinese announcements had little effect on the bean and meal markets last week but remain in a bullish technical outlook none the less. Exports for both meal and beans last week were much lower than what we've become accustomed to and fell a little short of what was needed to stay on track with the USDA annual totals. The beans still have the upper hand in price outlook if you are a believer in bean carryout increasing to 375 million bushels by harvest. NFI is not in that camp with an outlook of 310 million bushels if everything comes off perfect.

For the balance of the year NFI will turn our attention to the Dec 2010 meal chart as we have secured all our 2010 meal needs and should now focus on next year. The weekly Dec meal chart shows that we've made a low of \$243 and have moved up some \$30 and now should test the \$285 BB resistance area. As China finally begins to turn their attention to SA for larger purchases a drop in meal prices should follow in the months ahead. A solid bottom has been formed however and if the large bean crop along with larger bean and meal carryout that most are proclaiming will happen the \$243 lows may be the bottom of the market for a long time to come.





The technical key to the meal will be the \$270 level of support, which happens to be the bottom monthly MA, and is just \$8.40 lower than where Dec meal closed on Friday. With daily readings already in the 90% range, it's going to be difficult to keep the strong uptrend we've seen over the past 3 months continue. Under normal usage, we should see meal move as high as \$300 and a measurement move lower would indicate a drop to \$255-\$258 should be seen. It's at these levels we would be making a purchase for future use but NFI would prefer to see how the studies look at that time and why the market has moved lower but it would be a good place to get started with 2011 needs.

**MILK**

The milk market for Oct futures seems to have fallen asleep as the range over the past 2 weeks has been a whopping 29 cents. The biggest problem we've seen recently has been the European nations have run into more financial problems with Greece, Portugal and Spain all having massive financial problems. The Euro Dollar has taken sharp drops over the past 2 months indicating there are real problems over there. So as we see the US economy turning a more positive corner in steps Europe to turn the thinking more negative once again. Sometimes it's just hard to win.

The weekly Oct milk chart below shows just how range bound the prices have been since the third week of Feb. We should also note that both the top weekly MA and the mid BB come in around the \$15.33 level and that will be the major resistance level in the weeks ahead. The is plenty of bullish timing on the studies so we have a good chance that prices in the near future could take this \$15.30-\$15.40 resistance out, which would open the door for a move to \$15.80-\$16.20. At this time we don't see the market being able to move much below the \$14.30 level and have a slight bias for prices to move higher with NFI having a more bullish commodity market stance for the second quarter.



So far, for the past several weeks, the market has been sold at NFI's resistance that was discussed several weeks ago at the \$15.25 level. The market is going through a phase that looks complacent to traders so we expect there is a possibility that the milk market could see a very fast move higher in prices. It would be wise to have sell orders in the market to market or hedge milk prices on any quick move higher in the Oct contract at \$16.30.

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