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MILK AND FEED USE MARKET LETTER

CORN

For the week corn lost 14 cents with most of the drop coming on Thursday and Friday. It's become obvious that the corn market has stopped paying attention to the outside markets for its direction and is now focused on the potential for a larger crop and larger carryout numbers going forward. Importers don't seem to want to come to the party like they do in the beans and are anticipating lower prices to cover their needs.

After last weeks shape fall and closing below the bottom weekly MA. It seems like the trade is intent on selling the corn market back to the March lows around $3.40 and Dec corn to $3.75. The resistance levels are now obvious. Unless Dec corn futures can close above $4.38 the sideways to lower trend will continue. There just isn't anything now to get too bullish on now that the technicals of the market have failed. It will now be a summer of weather watching because it seems like only the weather will be able to rally us into new highs. Time is the only other friend that the corn market has. There will be another rally in the market but it will take time for it to develop. In the mean time, the corn market has begun its trek southward until we can better determine just how large this year's crop will be.

For the week ahead and focusing on Dec corn futures I'm looking for resistance at the $4.13 level with support at $3.95. The short-term indicators are getting sold out but there will be some panic selling in here to start the week so look for lower prices to start tonight. I look for the Dec corn to eventually test the $3.77 level, which should be a strong support area. My overall view of the market hasn't changed. We are in a wide range that should eventually take the front end of the market back toward the $3.23 level and eventually lead us to a major bottom in the market by the third quarter of the year with harvest lows coming early in the August-Sept time frame.

MEAL

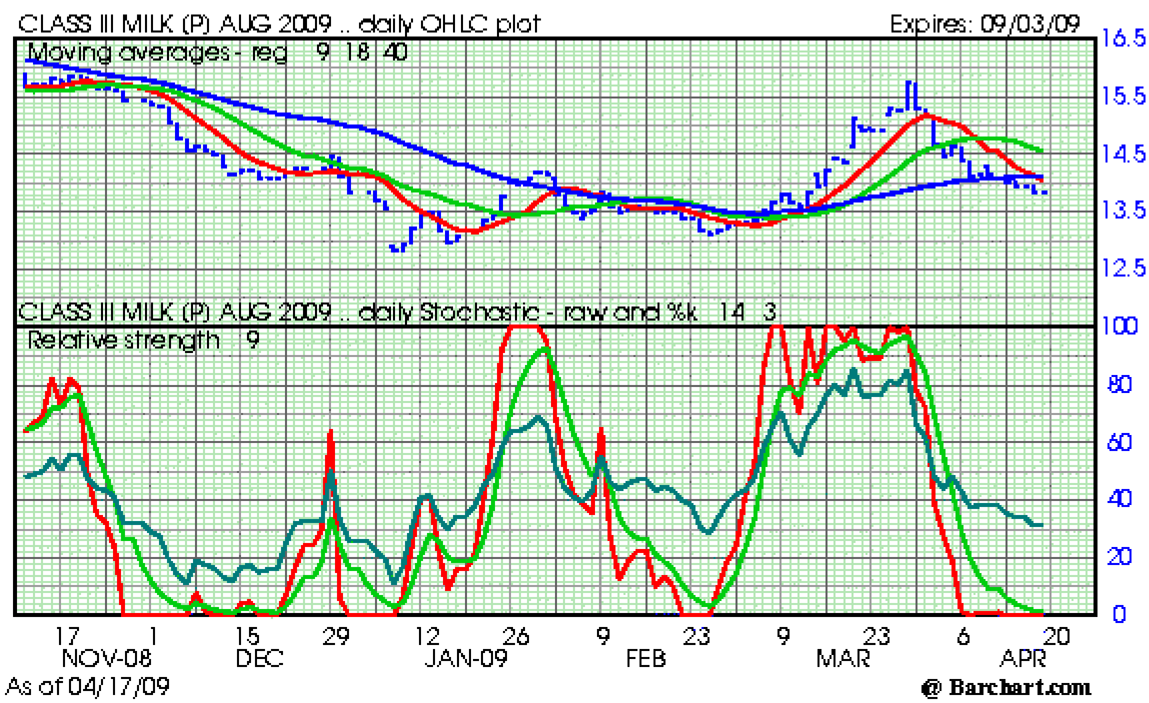
The front end of the meal market closed above the major resistance at $3.22 with a Friday close at $326.60. For those end users needing to cover nearby needs I would buy meal now for use in the next two months. If you have your meal needs purchased for the next several months I would wait on any further purchases as the July futures contract is below the $3.22 level closing Friday at $318.70.

The squeeze is on in the front end of the bean market as demand continues are a rapid pace and most producers have sold out of their old crop beans. As long as July futures trade below $322 we will wait to buy any further meal needs until we see a drop in prices. Those of you that have been taking the grain-marketing letter have already purchased half of this years meal needs at much cheaper levels.

We can expect another bullish export number in beans this week, as there was a sale last week of 275,000 mt to an unknown destination. This will keep the front end of both meal and beans in a strong price outlook for a while. When this strong demand fades is anyone's guess but for now China what's all the beans they can get.

MILK

Several weeks ago we recommended buying puts on the August contract for milk when we traded to $15.75 and Friday we closed at $13.85. There should be a bottom forming in this market in the months ahead and I don't see a strong move below the $12.90 level of support. My best guess on a range in this contract is for a range to develop between $12.80 and $16.25. Use this range to build on a marketing plan to sell cash when we approach the topside of this price range. Over time we should see a major bottom built for a move back toward the $18-$19 levels but this bottom and move higher probably won't develop until the third quarter of this year.



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