

Ag Risk Managers Insurance Agency, LLC

Francis E. Felber, Lisa K. Schultz and Mark J. Prudhomme
 Office (715) 637-3847 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.

May 31, 2009

MILK AND FEED USE MARKET LETTER

CORN

July corn gained 6 cents for the week and Dec corn gained 7 ½ cents. With the continued help of a tight bean outlook and a huge weekly rally in crude oil that closed above \$66 a barrel, corn was able to close at it's highest level since the first week of October 2008.

Last week I traveled through NE, and IA and expect for northern IA, which must have seen some large, rain days, (lots of standing water in fields) the crops looked very good. There were areas in NE and IA where the cornrows were already closed and populations looked good from the road. The market last week must have been looking at the poorer conditions in the east although they have dried out considerably. There was good progress made in getting corn planted according to the USDA's weekly crop progress report but there are still 12 million acres of corn not planted and time is running out to plant corn and receive optimum yield potential. It's also running very dry in MN and WI and that could also have helped corn to move higher. I've talked many times about a very large gap on the continuation chart at \$4.53 and we could be looking for that gap to be filled in the weeks to come.

The weekly Dec corn chart below shows that we've hit the top weekly BB and should find resistance on any further rally early this coming week. It was a strong close last week so we should start the week higher but should close below this Tuesday's highs. You can also see that we've turned the weekly corn studies from a down trend to an up trend market as I've put up the new Fib Fan lines. The next area of big resistance will be from \$4.71-\$4.84 basis Dec corn. The best support area for Dec corn is from \$4.21-\$4.32 and barring some financial disaster in the Dow or a flop in crude, I don't see corn testing this support for the foreseeable future. I look for higher prices.



MEAL

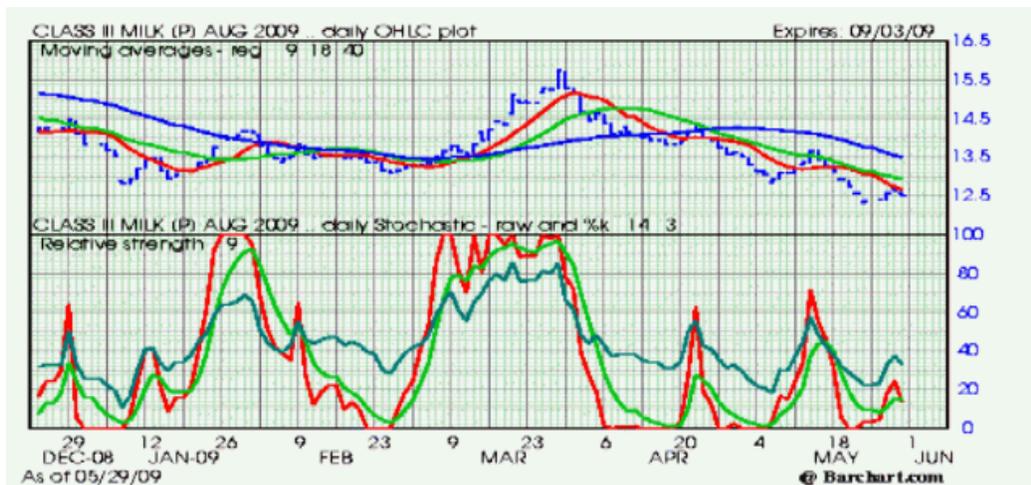
I have to admit that I underestimated the strength of the meal market the past 3 weeks but we are now entering a period

where the market is trading above the top weekly BB and other monthly indicators are over bought. We could see a continued climb in the futures for several more weeks but my indicators tell me that there will be a very sharp drop in prices in the near future. The last time the studies looked like this we had a drop of \$82 and that is what we will see eventually. At this time it's best to buy meal hand to mouth until we can see such a large correction. The tightness in bean supplies has both beans and meal move up at a rather fast formation and this type of move can't sustain itself for long. We can't kind ourselves, the trend is up and any deep drops will be bought but chasing this market at this time will prove to be wrong as patients is a blessing and we need to wait to accumulate meal purchases. \$3.40 will be a good buying area but we could see a rally that takes us above \$400 first. Be ready to purchase meal and have a plan in place for the time we see prices drop quickly.

MILK

As I mentioned about 10 days ago for those with \$15.50 puts on, If we saw a move to or below \$12.50 basis August futures you should be looking to cover. If we still have those puts I would cover them on any break back below \$12.50. Last week we got to \$12.34 but you may not have caught that move so watch for it again.

The milk market is beginning it's bottoming process. I have said that this bottom wouldn't occur until the third quarter of this year and it still seems to be the case. I continue to believe that a bottom will form between \$11 and \$12.50 and will take 4-6 weeks to form but a trend change looks to be in the cards for a move back above \$18 by the end of the second quarter of 2010. The base we are starting will or should be a long-term bottom for better prices over the next 18 months. This is a good time to make a marketing plan to get future production sold on the rallies we will see for the next year. Selling this years and next years production when we move above \$18 should be advised. I am longer-term bullish milk prices as each month moves by. Look for the market to round out a base over the next 6 weeks.



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.