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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

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MEAL PURCHASE FILL – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at $2.95 Dec futures. I know most of you buy cash meal but you should now have bought 25% at $275 and 25% at $2.95. We will look to secure the other 50% at lower prices at a latter time.

CORN

With all the movement last week the corn market finished with a gain of just ½ cent. The biggest factor in corn not being able to rally like the bean market did was the poor performance in the export market. Compared to last year's very week export market we are just 4% higher than last year at this time. Last years total exports came in at 1.6 mbu and the USDA has us penciled in for total exports of 2.100 billion. The USDA will have to reduce exports in the Dec supply/demand report by 75-100 mbu. This would increase carryout to 1.700 billion from 1.625 billion. However, a similar reduction in total production could also be seen with a reduction in yield or an increase in ethanol. The report might be neutral to slightly negative.

Corn harvest should come in somewhere around 65% this week and we've seen some pressure from corn harvest from commercial sources as US farmers lock in cash sales. One interesting thing that we saw happen in the beans over the past two weeks is once harvest is past the 74% mark most of the hedge pressure is gone and the bears have fired all their guns at the market so it leaves an opening for the longs to move back in with less pressure.

The weekly corn continuation chart below shows that the weekly stochs are in an M formation, which his typically a bearish formation and the weekly RSI is showing bearish divergence. In order to get these indicators moving higher we must make and close into new highs above $4.13 basis Dec futures. I continue to believe we are caught in a range of $3.50-$4.20 basis Dec and I

would use this range to make market moves but stay away from the middle of this range. My belief is that corn will make higher highs in 2010 but a drop in the market can take place any time with weekly indicators moving toward the top of the charts.

We tested the top end of the pennant formation last week so we continue to trade in this support and resistance trend line chart formation.

MEAL
For the week, meal gained $16 on a rather large crush number and the vomitoxin talk of last wee, which turned out to be a much bigger deal than I thought it would. The bean market also gained 59 cents for the week and also lent support to meal.

The charts are always more import to me than the fundamentals and the weekly continuation chart below shows that meal is at a very import crossroads if this is going to turn into a bull market. One of the weekly MA's are just above Friday's close basis the Dec futures as is the mid BB but we also have one of the weekly MA's below the market at $3.91. The weekly stochs have just turned up after moving sideways for the past 4 weeks, which is also a bullish signal. I think we will have trouble and I also think we will fail this rally at this time around the $324 level because the RSI is just too high for this rally to have a lot of legs left to it.

On Tuesday we will see another crush number. Last weeks crush of 158 mbu was well in excess of what the trade was looking for and shows that we may have turned the corner on meal demand. A close above $325 would give buy signals to $361. I keep waiting for the market to break to add to our feed use in meal but it just doesn't happen. I'm not willing to chase the market to buy more now.

MILK

The information below was acquired from another analytical company that I share information with. Whether their analysis is right or not might be debatable but it's another view on product.

US Dairy exports have always hinged upon develop countries' disposable income, which until September 2008 had been rising steadily but has since fallen in all regions. Similar to beef market dynamics, foreign demand has fallen in tandem with reduced disposable incomes and global economic uncertainty. US cheese and curd exports in September totaled 8,814.6 MTs, vs. 8,848 in August and 10,711 in September of 2008. Despite cheese prices in the US existing significantly below those in Australia, falling disposable income simply limits export demand from all origins. ARC estimates cheese and curd exports to continue well below 2008 levels and projects 2009 shipments at 97,000 MTs, vs. 131,000 in 2008 and 99,000 in 2007. 2009 cheese ending stocks are estimated at a 404,000 MTs. Stocks/Use will thus exist a record high 8.6%.

Butter and milk fat exports this year have been an even greater disappointment. Exports in September were recorded at just 2,350.5 MMTs. This is an improvement from 780.2 MTs in August and running average in 2009 of 1,511 MTs, but is considerably below the 6,606.1 MTs shipped in September of 2008. Also notice in the graphic that exports through the past 7 months has been well below the current 5-year average. US butter prices have also been consistently below those in Australia and Europe, but demand has simply declined. We expect this trend to continue, and estimates 2009 butter and milk fat exports at just 18,000 MTs, vs. the USDA's estimate in November of 25,000 and vs. 90,000 MTs in 2008. Butter ending stocks are estimated at 64,000 MTS, vs. 54,000 in 2008. Stocks/Use at 8.7% is the third highest in 16 years, but reduced production in 2009 has kept stocks balanced.

Non-fat dry milk exports in September totaled 19,778.2 MTs, vs. 28,400 in August and 29,230 MTs in September of 2008. Though exports have been consistently below year-ago levels, they have been trending generally higher since February. ARC estimates 2009 nonfat dry milk exports at 233,000 MTs, vs. the USDA's 200,000 MT projection and vs. 391,000 MTs in 2008. Simultaneous to drastically reduced demand, milk production was sustained above 85 MMTs and milk production per cow until recently continued on an upward slope, and only in recent months has federal buyout programs discouraged dairy herd numbers. The advance of dairy product prices in 2008 was tied directly to impressive and surprising exports – though not comprising a great portion of total demand, exports provide the greatest relative changes in price. We estimate that not until late 2010 will solid dairy exports resume, and not until the US dairy herd contracts further will milk supply and demand reach equilibrium.