

## NFI - Milk Market Letter

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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 in 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 Ma

### MILK AND FEED USE MARKET LETTER

MEAL PURCHASE FILLS – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.94 you buy cash meal but you should now have bought 25% at \$275 and 25% at \$2.95 and 25% at \$280. We will look to secure the other 25% time.

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#### CORN

The corn market gained 10 cents for the week and broke a 4 week losing pattern in the process. This now gives the corn support level at \$3.47 3/4 since topping out at \$4.26 in January. It doesn't mean we're out of the woods yet and ready to trade with the weekly MA's at \$3.83 basis March futures and the monthly MA's at \$3.61 and \$3.82. The corn market has a hard \$3.77-\$3.83 to overcome before we could think the market is forming a bottom.

The bulls have little if anything fundamentally to hang their hat on in being able to establish a more positive outlook in the other hand have all the negative fodder they need to believe the market is headed lower but most of the time in investment always more bears than bulls as down markets make money far faster than bull markets. Using the current balance sheet USDA and having traded corn below \$3.50 and having seen a 16% correction in prices already in 2010 without even having a corn crop, it will be far more difficult to drop the price of corn much below \$3.35 over the next 3 months. Early indicators

this year's corn crop just below 13 billion bushels on planted acres of around 88-88.5 million and a yield of 160.5. The 18-19 and we will then see what they think this year and the follow 9 years could bring to the corn market.

The weekly corn continuation chart below shows that the market has a small weekly bottom in it and that the stocks, all yet, are nowhere near a reading that tells us to step up sales. We note a squeeze on the daily BB's that should bring the most recent lows and probably make a new low but not by much. Resistance is evident at \$3.83 and above plus it's large press the price higher at those levels.



What we will want to see is the development of bull divergence on both the daily and weekly studies and that will take The bottoming period of the third week of March still fits in NFI's research as does the \$3.31 low. As mentioned in pre bottoms and price are very difficult to pin down but attempts at defining such levels seems important to us.

From the sources we listen to, it looks like the non-commercial traders have taken their long positions off in the corn ar

5,000 contracts. It's been over a year since the commodity funds have been net short the corn market. With corn below MA's, they will continue to defend their newly established short positions until market technicals turn more positive. E a drag on carryout numbers going forward unless foreign countries step up. With financial woes hitting Portugal, Ireland is worry on the faces of all financial markets around the world.

### **MEAL**

Meal broke a 5 week losing streak by gaining \$2.60 last week and gives the market its first chance at a low since the f has dropped 13 1/2 % since Jan 1<sup>st</sup> and the monthly stochs have dropped to 19% and 27%. The entire drop doesn't look yet but the best sale in meal is gone for now and the market will search for a better low in here to get a turn to move ba

Bean exports continue to be very strong and we've exported 92.5% of the annual total given to us by the USDA and we go. Crush numbers will continue to increase with bean oil becoming and "advanced biofuel" more bean oil will have to therefore creating more meal. This will be a price hindrance in coming months.

The weekly continuation chart shows the sharp drop in meal prices in the past 7 weeks and the weekly stochs have been august 2009. That's a long time for a weekly reading to be that low for that long without a price recovery. Still the fund meal markets aren't the best in the short run with the constant hammering on the market about just how large the SA cr the SA crop gets to 30-50% harvested we will hear less about this issue and the market will turn toward the planting int March. The outlook should be better by the end of February.



The best resistance is at \$292 to \$300 so a short term recovery should be seen but not long lasting. The measurement of meal prices on the front end of the market and timing will look very strong at that point for a recovery back to \$300. It is probable that meal prices trade in a range of \$260-\$300 for the next several months but the deep break should be met with 25% of our meal needs.

### MILK

The July milk market lost 13 last week and has plummeted \$1.70 from the most recent high of \$16.20. There's little to cattle numbers last week. The market is still digesting the bearish result of that report when we saw dairy cattle number anywhere close to what was needed to get bullish milk futures. July futures made a new contract low last week and could lower.



The front end of the milk market has held extremely well and continues to close above \$14.00. It will need to hold above \$14.00 and stay bullish and a close below this level could lead to a sharp drop in prices to \$12.60 as there isn't anything on a chart to help catch in a trading range of \$12.00-\$17.00 for the foreseeable future unless the fundamentals can get turned around.

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Mark Prudhomme is commodity licensed as an IB and is a certified CTA. Mark was securities licensed for 15 years but surrendered his license in 2001.

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