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NFI - Milk Marketing 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 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 17, 2009

MILK AND FEED USE MARKET LETTER

CORN

Corn got hit hard on Friday closing down 11 cents as the rains in the eastern belt look to have subsided at least through next Thursday. For the week, July corn lost 3 ¾ cents and Dec lost 1 ¼ but well off the week's highs. ILL, IN, and OH saw 2+ inch rains on Wednesday and Thursday and Monday afternoon's planting progress report will show this section of the country is still well behind the 5 year average. By this time the east is typically 90%+ seeded but we will probably see plantings below 20%. The west is done with corn and moving hard on beans already. What the eastern farmer will do with the rest of the planting season is anyone's guess. The Nov beans sure haven't fallen away from corn as many think they will switch to beans over corn if it doesn't dry up in the next 2 weeks.

In talking to different analysts last week I found that many have new crop corn carryout anywhere from 1 billion to 800 million with corn acres dropping 2-3.5 million acres in the east. We know that late planting or mudding in a crop doesn't lead to optimum yields but the west should pick up the yield slack so making low carryout statements at this time is fruitless but it's also what makes the market move around. If the weather continues to be a problem for the next 2-3 weeks, we could see some fireworks develop in Dec corn. The next major resistance level is up at \$4.84, as the weekly chart below will show.



We still managed to close the Dec corn above the last Fib down trend line and the support line (line across the bottoms in corn) is well in place. The slow moving up trend line in corn will not be broken until Dec corn closes below this trend line which comes in the market this week around \$3.95. Weekly support is found at \$4.28-\$4.32.

MEAL

Meal failed its rally attempt from the \$372 retracement level and the spike tops that we had back in July and August last year. This will now become major resistance going forward and the rally is getting long in the tooth. I've now reversed the Fib Fan line support study as we've closed above the last down trend fib line. Meal is in a solid up trend and these Fib support lines will help us determine where the support levels will come from going forward.

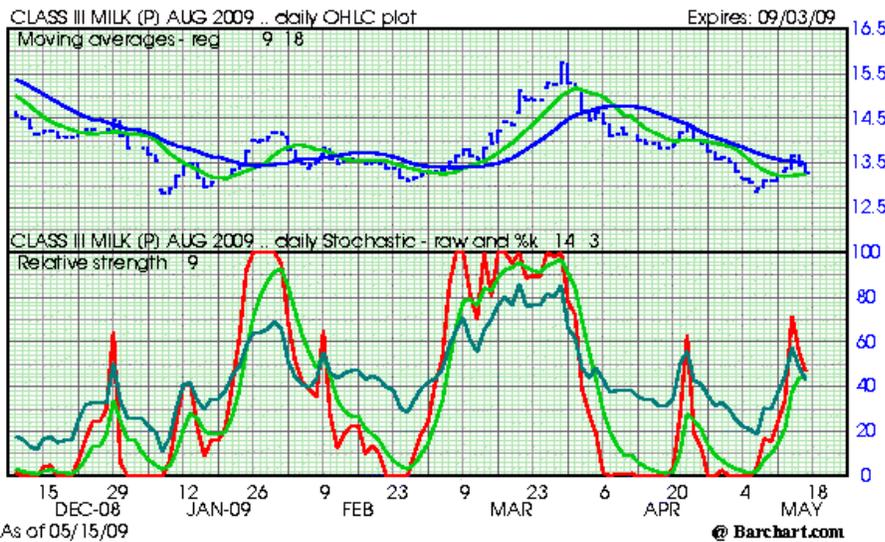
The weekly MA's also mirror the Fib support levels at \$358 and the \$325. With the weekly stochs having hit 91.88% further rallies can still come but will be excellent sell opportunities for a drop back to the more important support levels. I would not chase meal here and for those who need to be sellers I would sell any sharp one or two day rally for quick set backs. End users will need to monitor set backs to support levels to secure meal needs.



MILK

The milk market in the August contract made an attempt to clear the top MA but failed. We were still able to close slightly higher on the week and it looks more to me each week that milk is putting in a longer-term bottom for a rally in late summer into the 2010 winter months. The levels of \$14.50-\$12.30 look to be the base area and once we are able to clear the top side a move to \$16.50-\$18 should be achieved. Those still with \$15.50 puts should look to cover those on any move back to \$12.80 or less.

It looks like the bottom in milk will be a slow grind and we will hear of more negative news in many commodity markets but patients will be the call of the day. If you are able to store and hold off selling you should be well rewarded by the third quarter. If you can't store and need to sell monthly, selling put premium should give you some extra profit later on.



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