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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.

June 21, 2009

HAPPY FATHER'S DAY

MILK AND FEED USE MARKET LETTER

CORN

Corn failed to hold the bottom of my support last week at \$4.28 basis Dec futures and we continued lower to finish at \$4.19 ½ down 28 ¼ cents for the week. This puts the Friday corn close below all 6 major MA's on Dec corn and gives us the look for Dec corn to move to \$4.14 and then \$4.04. We have solid resistance at \$4.32 and then some bigger resistance at \$4.46. Without adverse weather it will now be difficult to move the market higher and be able to sustain it.

Informa came out with their new acreage guess in preparation for the USDA release on acres June 30th and they put planted corn acres at 83.1 million, down 1.825 from the USDA's old number. Allendale only cut planted acres 225,000 so they aren't as bullish. If Informa's number would be met by the USDA we would see carryout fall to 810 million bushels. I know we are already to high on exports and feed use so I believe the USDA will keep the US carryout in a range of 1.300 billion on the high side to 950 million on the low side. End user demand will surface strongly if Dec corn would move to or trade below \$4.00 in preparation for 2010 which will show we don't have enough corn in the world to satisfy demand.

The weekly continuation corn chart below shows that the RSI and the stochs have rolled over but the continuation chart's bottom weekly MA is at \$3.96 basis July. There is excellent support in the \$3.85 area on July corn. July did close below \$4.03, a solid retracement level that was resistance on the way up. If corn can trade in a sideways pattern for the next 3 weeks we will regain some bull timing and bottoms could be formed by the end of July. A lot will depend on what the USDA uses for planted acres the end of this month. I would look for a weekly trading range in Dec corn of \$4.08-\$4.35.



MEAL

We saw a severe reversal in the price of meal this week as meal lost \$33 for the week. Last weeks high of \$433 was \$8 higher than I thought we could get too but the reversal was not a surprise if you were following the chart patterns. I believe we saw a spike top in meal and a move in the August contract to \$330 should be seen. The seasonal timing usually tops out in the next two weeks but the trade seems to be anticipating this annual event.

End users should be looking to secure 4th quarter needs on a move to the \$330's and should look to purchase 1st quarter needs if we see the futures fall below \$310. There should be a higher market coming in meal as we get into the winter months but we want to make sure that we get some needs covered in the month ahead.

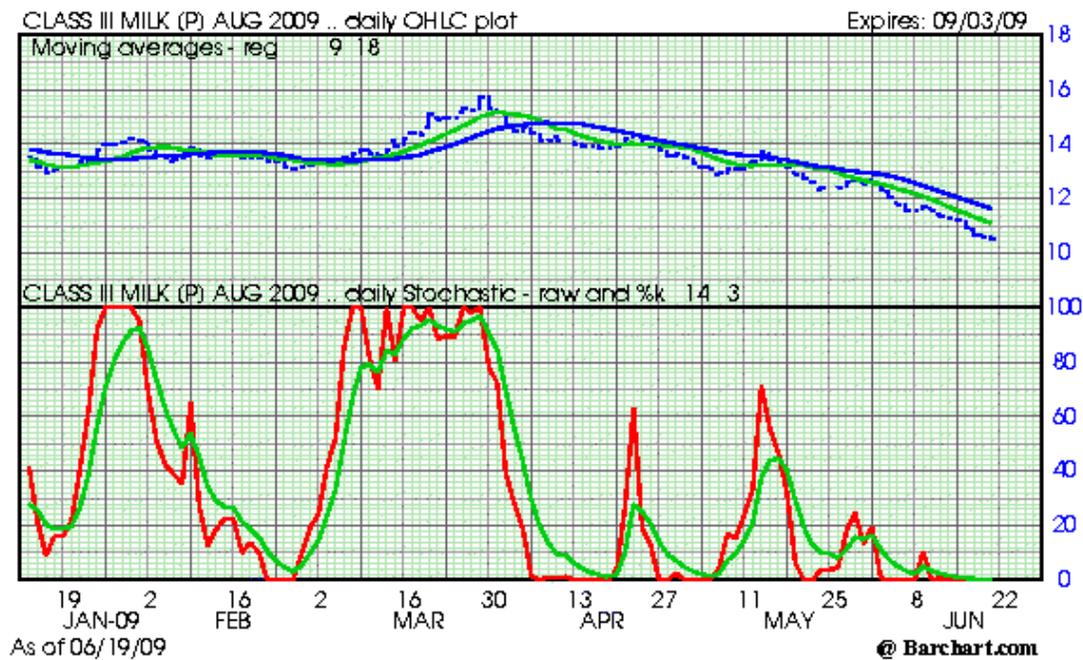
MILK

Milk prices continued lower again last week as August futures lost another \$1. The bottom study on the chart below (stochs) is only moving sideways and we have at least \$2 worth of bull divergence in the studies. A rally to \$13 should be seen over the next 2-3 weeks and a bottom will begin to be formed. We are \$10 from 0 so the lower we go right now the easier it becomes to be bullish on milk. I know it's been a long grind but there will be a bottom coming for a substantial move higher. It's just lasting a lot longer than I had expected.

The weekly MA's are at \$11.80 and that's first resistance. The down trend line comes in at \$12.20 so these two levels will provide selling points to those that aren't short yet. Those levels will not look good in the weeks to come. There is just too much bull divergence to see this pattern continue. My guess on the bottom occurring the end of July or early August that I've talked about for the past several months still looks like the time when we will see the longer-term bottom put in.

If you were forced to sell milk because of production I would move out to the Dec futures and look to sell \$11.50 put premium, as I believe we are being forced to sell very cheap milk right now. The thing

you can watch to know when the bottom is forming is when the front contract months begin to close the price difference to the Dec or Jan 2010 contracts.



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