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MILK AND FEED USE MARKET LETTER

July 5, 2009

CORN

The corn market finished the week on a very sour note with Dec falling 11 ¾ cents and Dec corn closing 46 ¾ cents on the week. Needless to say it was a total wipeout in the corn with a bearish USDA report and Informa on Friday putting the corn yield at 156.3 bpa vs. the last USDA yield of 153.3. That would give us a production number around 12.30 billion bushels and I would guess carryout, with reductions in feed and exports, could top 1.5 billion bushels.

What could have gone wrong for corn prices did last week with crude dropping sharply, the Dow Jones dropping with gold and of course the others I've already mentioned. I don't think we'll duplicate last weeks drop again for a while.

The weekly Dec corn chart below shows we have broken most of the support levels and I drew new Fib Fan lines down to show the resistance we will have in the months to come. The weekly stochs are at 19% and 37% and I've never seen a market turn or bottom with the stochs spread so wide so we will see continued pressure early next week.

We're set up to test the $3.49 ¼ contract lows and the speed to which we've dropped suggests we will take this level out in the next week or so. I say this because we've seen a loss of $1.16 in the past 4 weeks. My timing for a bottom looks to be right on but the severe drop in prices has me thinking we could get as low as $3.23 by August.

MEAL

A good recovery week was seen in August meal as it held the support level for the week at $371. Until we can close meal below this level the chance to see a more serious drop back toward the $340 level will have to wait. The chart indicators are suggesting that meal is about ready to begin formatting a major top for a seasonal turn to the downside.

Bean demand continues at record pace and we have more export sales on the books with 9 weeks left that the USDA has on its balance sheet for the entire year. That means any exports of any kind in beans over the next 9 weeks is very bullish for the bean and meal markets. The August contract will have resistance at $3.91-$394 and support at $368-$371. A close outside of this range will give us a stronger move up or down. I continue to believe that buying meal up here will have a negative affect on your meal purchase average over the next 12 months. We still need to just by hand –to – mouth until the market turns around and moves low and that is going to happen shortly.

MILK

Last week milk prices broke back to there contract lows in the August contract at the $10.50 area. The weekly chart below shows about $1.85 cents of bull divergence telling me that is a rally coming and we could see a move back up toward the $13.20 level. As I outlined in last Wednesday's letter we have a negative predicament in the milk industry with too much milk being produced and nowhere to take it as demand is down significantly. We are just plan and simple producing too much milk for today's economy to handle it.

The August week milk chart below shows that once again stochs are at a bottom and we are now developing bull divergence, which means the market is vastly over sold and ready for a more sustained move in the opposite direction from it's current course. If we can see August hold Friday's lows, a recovery to the $12.95 level could be seen. If we close lower than the amount of the first recovery will be less on the first move up off the bottom. We know the fundamentals are negative but the charts will tell us when the bottom is in faster than the fundamentals will.

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