

**Ag Risk Managers Insurance Agency, LLC**  
**Francis E. Felber, Lisa K. Schultz and Mark J. Prudhomme**  
 Office (715) 637-3847 Fran (715) 340-5652 Lisa (715) 307-2386 Mark (651) 464-8122

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.

## MILK AND FEED USE MARKET LETTER

Sept 27, 2009

### CORN

Corn finished up 16 cents on the week and it should have been a lower week with the frost/freeze weather forecasts changing from cold to warmer. We are climbing a wall of worry at the moment and this is usually a sign that a low has been formed but we will need to get past the Oct 9<sup>th</sup> USDA supply and the Stocks report this Wednesday before we can feel more confident that the lows have been scored. The weekly close at \$3.34 was the highest weekly close since the end of July.

My take on the up coming Oct report is that we've got as much of the demand side of the balance sheet as we can. Exports look a little lofty, as does the feed side. I don't see any way to add to the demand side except a small increase in ethanol use. This report could show another 2-3 bpa (164-165) increase in yield, which will increase current carryout from 1.630 billion to 1.790- 1.870. Such an increase would take the corn market back toward the \$3.10 or lower level. Looking at the daily corn chart we have the stochs moving up toward the 70% level and the \$3.45-\$3.50 levels will show up as resistance. The daily MA's are at \$3.30 and \$3.19 with the mid BB also at \$3.19 so a move back into the lows \$3.20's will be support. This week could show a range in Dec corn of \$3.18-\$3.50.

The weekly corn continuation chart below shows that the MA's are at \$3.21 and \$3.50. This goes to show us that there is a lot of support at \$3.20 and just as good a resistance point at \$3.50. A close below \$3.20 should open the door for a move back to sub \$3.10 and a close over \$3.50 would open the door for a rally to \$3.77. The weekly stochs have turned bullish at 24% and 17% but the monthly continuation stochs are still negative at 12% and 13%. I view the corn market as trapped in a range of \$3.00-\$3.55 until we see the Oct supply/demand report on the 9<sup>th</sup>. I continue to see the corn market as bottoming for a long-term turn higher into 2010.



### MEAL

Meal didn't have a very stellar week last week but the stochs are moving closer to a bottom. The Oct 9<sup>th</sup> USDA report will hold a big key to where meal will move for the next month or so. We've made our first meal purchase or 1/4 of the 2010 needs at \$275 and will buy another 25% if we can see Dec meal at \$266 or lower. Corn just might have it's lows in but corn has to go through the same USDA reports as meal so we could see a drop in corn prices over the next two weeks.

The weekly meal chart below shows that there is no bottom in the meal market just yet but the weekly stochs at 12% and 19% tell us there should be limited downside. The long-term support in meal is down at the \$240 level so we want to hold back on some meal purchases and see what the USDA has in store for us. I do see meal being able to move back above the \$325 level in 2010 so it's important to find spots to purchase meal going forward.

MILK

Dec milk futures gained just 24 cents last week and it's beginning to look like we might be stuck in a range of \$13-\$16 for the near term. It takes a while to develop a long-term bottom and the milk market is in that process right now. We will continue to face the fundamental fact that there is still too much supply and too many cows being milked to see the balance sheet take a more bullish outlook.

The monthly Dec milk chat, which doesn't have a lot of data to view, but still shows us that we are building a solid bottom at the \$13 level. I continue to see an outside chance that the bears will run the market below \$13 but that will only last a very short time. The \$16-\$16.50 levels will show us as long-term resistance until we can clean up the supply/demand side of the market. This will occur once we start seeing the unemployment rate turn and show that jobs are being created and people are getting back to work.



The information provided in this marketing letter is not guaranteed for its accuracy. The views provided are those of Northland Financial and not those of Ag Risk Management (ARM). NFI is not responsible for losses taken when using this letter to market your own products and the reader should use this marketing letter to make their own determination as when to sell and what is in the best interest for their own situation. Trading futures and/or options carries large risks.