

# Ag Risk Managers Insurance Agency, LLC

**Francis E. Felber, Lisa K. Schultz and Mark J. Prudhomme**  
Office (715) 418-2676 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

Oct 4, 2009

### CORN

The corn market finished Friday's session down 7 cents and we lost ½ cent on the week. The bean market was the leaded lower on Friday, which dragged corn down with it. Informa put out a yield number on Friday morning of 164.7 bushels per acre, which looked negative to the market and would give us a production number of 13.127 billion bushels for the year. In the USDA doesn't change any of the other numbers in the balance sheet and they would report a yield of 164.7 bpa, carryout would increase from the current 1.635 billion to 1.859 billion. Such a carryout number would take the Dec corn market back to or just below the contract lows of \$3.05 ¼.

This coming Friday we will see the USDA new supply/demand report. The trade now has the thought that yields will increase once again and should be somewhere around the 163.5-165 level. A number below 163 would look slightly bullish and a number over 165 will be bearish. Early yield results from the southern growing areas are large so a bigger yield is not any big surprise at this time.

The weekly corn continuation chart below shows that we made a move at testing the top weekly MA at \$3.54 with the weeks high of \$3.47. The \$3.50 resistance that I wrote about last Wednesday held up and we should now move down to test support around the \$3.20 level. Weekly stochs have moved up to 32% and 25% and we really haven't gone anywhere so that looks a little negative at this time. Daily stochs have turned negative with Friday's poor showing so the over all timing is a bit negative also. For the coming week the resistance will remain at \$3.47-\$3.54 while the best support will be found at \$3.16-\$3.20 with some support at \$3.25-\$3.28. Harvest is upon us and it will be difficult to rally the market without different fundamental news.



### MEAL

The meal market took a hit with the beans last Friday and for the week Dec meal lost \$7 to close at \$272. We've already made a 25% purchase for the 2010 usage year and I would enter an order to buy another 25% if Dec meal would print \$266 or better. This would get us to 50% bought for meal use for 2010.

Weekly stochs are at 6% and 12%, which his getting cheap but the weekly RSI is still at a fairly lofty 35%. The monthly stochs are very negative at 31% and 42% so we are still a ways away from seeing a good timing bottom in meal. There is an outside chance, based on timing that Dec meal could trade as low as \$230 but that just looks to low on the weekly and monthly studies. If the USDA follows the Informa yield number of 44 bushels per acre we would see a jump in bean carryout from the current 250 million bushels to as much as 350 million and that would take meal to the lower end of what I see could be possible for meal prices at \$240.

**MILK**

Over the past several weeks we've seen milk prices slowly crawl off the lows and production costs have eased a bit. Still the looses range around \$90-\$110 lost per cow per month and that's just not sustainable. Even with such losses the milk industry still isn't seeing the reduction in milk heard numbers it needs to in order to get the fundamental picture turned around.

The July 1<sup>st</sup> USDA cattle inventory report showed a drop of just 2% in the milk cow heard and the heifer inventory number was left unchanged from a year ago. The most recent milk production number released for the month of Aug showed a slight 42 million LB decline from last year and total milk production was estimated at 128 bil LB or 214 mil LB less than a year ago. Year -to-date the CWT dairy herd retirement program has removed 226,000 head of cows and a fourth buy out was announced last week but this one will include heifers.

It's not only demand that is keeping milk prices low, demand is just as bad on the other side of the balance sheet. US consumers have also cut back on milk and milk by produces as the unemployment rate has moved even higher as was seen last week when unemployment jumped to 9.8% nation wide. If demand and exports can't turn the corner one source I read thinks the milk industry will have to cut 9-11 bil more LB of production before profit margins will return.

The weekly Dec milk chart below shows that although we've seen a bottom form, the weakness of the recovery is negative. Weekly stochs have moved form 3.5% to 75% and the market has rallied a paltry \$1.44 from the \$13 lows. We will find hard resistance from \$14-\$15 and support in the \$12.50-\$13 area. We might be stuck in this range until we see more of a fundamental change.



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.