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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.

MILK AND FEED USE MARKET LETTER

Oct 18, 2009

MEAL PURCHASE FILL – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.95 Dec futures. I know most of you buy cash meal but you should now have bought 25% at \$275 and 25% at \$2.95. We will look to secure the other 50% at lower prices at a latter time.

CORN

Corn closed the week with a gain of 9 ¾ cents but the information seen late Friday with far less rain in the forecast for the coming week should put pressure on the corn market Sunday night and Monday. Exports are also loosing traction early in the marketing year as movement is slow with the harvest problems and the rally in corn has put our cash price over others overseas. So for now the market is loosing some of it's bullish traction after this month's supply/demand report and a correction should now follow with the new lack of rain this coming week.

The weekly continuation chart shows that we still have bullish timing and the spread between the two stochs is wide at 70% and 56% and we typically don't put timing tops in the corn or bean markets when the stoch spreads are more than 8 points apart. You can also see that there is a lot of support on the weekly study down at the \$33.30-\$33.37 area. The daily studies have support at \$3.62-\$3.54. With the carryout not even getting close to what the trade was thinking a month ago and test weight problems with this years crop still a possibility, I would guess that we will see buyers anywhere close to the \$3.50-\$3.56 area this week. I have no signals that a major top has been put in the corn so far.



Resistance will be found at \$3.85-\$3.91 and then \$4.00 to \$4.10. I believe that we have a good chance to make a higher high before we see more of a harvest sell off come.

MEAL

The meal market actually closed \$2.50 lower on the week, as there it's as much polish on the meal market as there has been on the beans and bean oil as of late. Crush numbers are down significantly with the delayed harvest of this years bean crop and China has secured enough beans to halt the need for more meal in that country.

Longer-term I see a base continuing to be built in both beans and meal but it's not going to happen over night. I see the bottom on meal

being formed in the \$260-\$275 area provided the weather forecasts clear enough to get the beans off in a timely fashion. If the weather doesn't cooperate we could see the meal market move sharply higher without a significant base having formed. The top side of the meal market should be around the \$345-\$370 area so we have plenty of room to the upside in this market. For now we will try to be patient and see if we can't get meal to test the lows of 2 months ago to make additional purchases.

MILK

Milk had a poor week last week as the market moved to the retracement level of \$14.84 and found resistance at that point. We have a sufficient base built on the monthly and weekly charts to support the market from dropping below the \$13 level. I would look for support to show up at \$13.80 and then at \$13.40. To fully get this market turned around on a technical basis, a drop back to the two support levels just mentioned and a hold of that sell off would make the technical picture even more bullish. I am looking for milk prices to make an attempt to rally as high as \$15.20 before year-end and as high as \$16.60 by the end of the first quarter of 2010. The longer we can spend time below \$14 and hold the contract lows, the more powerful the rally will be in the first half of 2010.



I would not sell milk if possible on any break below \$13.50 and look for rallies over \$15 to make short-term sales.

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