

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 25, 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

The new 10 day forecast comes out about 4:30 this afternoon so I don't know what it will say. On Friday some of the wetter weather was taken out of the forecast and we hit the major resistance levels on Dec corn that I wrote about on Wednesday and the market retreated sharply. We traded just over the \$4.10 and \$4.11 resistance levels and closed at \$3.97 ³/₄. We still gained 25 ³/₄ cents on the week and closed above all the major MA's except the top monthly MA, which is found at \$4.35.

It won't be long and we'll have another USDA report and there are a lot of questions as to what they will show. They could reduce yields, reduce exports or reduce feed use. My best guess is they will reduce yield by 1 or 2 bpa and they will reduce exports by 50-100 mbu. Over all I think we will see a slight reduction in carryout for something closer to 1.635 billion from last months 1.672 billion. This is one reason why I don't think the corn market will drop too far below \$3.70 on the Dec corn.

The weekly corn chart below shows the resistance we just saw on Friday in the corn market with \$4.10 being a major fib level and \$4.11 being the top weekly BB. We also closed below the \$4.02 ³/₄ Fib retracement level. Last week I also mentioned that the market would create bearish divergence on the daily studies and we would have to make a new high above \$3.89 and trade between \$4.00 and \$4.10 and that also happened. We are now set up to either move straight down toward \$3.70 or find support at \$3.87 and rally back toward \$4.10 before selling off to \$3.60-\$3.70. Either way I believe we will see the Dec contract trade back to the \$3.70 level. I'm neutral corn at

this point.



If the weather clears most are looking for the corn market to get destroyed to the down side and I have to disagree. There would be little reason to see corn drop below the \$3.60 level with the USDA already having increased corn yield from 152.5 in June to 164.2 in Oct, the worst numbers are now behind us. I am looking for a range in Dec corn of \$3.62-\$4.20 over the next 4 weeks.

MEAL

The meal market gained a bit last week and closed on Friday at \$303.30. We've seen the meal market trade almost sideways for the past week and some of the fundamentals in this market are not very bullish. Exports are down sharply mostly due to the lack of bean harvest and buyers are moving more to the South American market than the US at this time. Crush rates are dropping, as is the profitability of crushers with the lack of beans in the pipeline.

The weekly continuation meal chart below shows that the weekly indicators are attempting to carve out a bottom in the market. We

should find very good support in the \$270-\$281 levels on the front end of meal and a drop to \$250-\$260 would have to be an excellent long-term buy. We currently have 50% our meal needs purchased for 2010 but we need to get more on. The thought is beans will drop after the first of the year because of the size of the expected SA plantings. This would become our window to get 100% bought.



MILK

For the past three weeks the milk market has been trading sideways. There seems to be ample sellers above \$14.80 and if the market can close above \$14.90 we would have successfully traded through a large majority of the sells. This would open the door for a move to or above \$16, which I view as long-term resistance. The monthly stochs are currently at 28% and 21% so we are nowhere near being over bought on a long-term view of milk prices. The RSI is at 50% and that puts the market in a neutral position. I don't see the market breaking the already established contract lows and moves between \$14-and \$13.50 should show up as very good support.

We will still battle the fundamentals of the market with lower demand and too much production. It will take another 2-3 months to see the affects of further cattle liquidation but 2010 still looks a lot brighter to me than what we've seen recently. If we can trade sideways to

lower to end the year and bring down some of the slightly over bought technical indicators we would establish a bottom that would take us as high as \$18 in the first half of 2010.

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