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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

Nov 8, 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

Even with what felt like a big down week, corn still managed to close 1 cent high on the week. Clearing weather and the thought that corn would dry down in the field quicker with warming temps contributed to the selling late week. Harvest will progress rapidly for corn once the farmer gets the beans out and we will continue to see sell pressure on the market early this week. It seems as though the wet and cold month of Oct has had little affect on total production according to some of the field people I know and most are thinking we should continue to drop until we have 70% of the crop harvested.

The USDA will release their Nov Supply/Demand report Tuesday morning. I don't think there will be any real big surprises. We could see a reduction of 100 million bushels in export demand and a drop in residual use of 50 million. We should see an increase in ethanol use of 50-100 million so I'm looking for a net increase in carryout of 50 million to 1.720 billion. The wild card is the yield number if the USDA feels we've lost test weight due to excessive drying. Either way the report should only have a mild affect on prices.

MEAL

Meal prices lost \$8.20 on the week as many agriculture commodity prices retreated from the strong early week rally. The though from analysts is that the cold wet rains of Oct had little if any affect on the yield size and are now thinking yields will actually increase .3-1 bpa. The one thing I don't understand is no one is talking about the losses in the Delta as they saw 15+ inches of rainfall last month with

ample flooding.

Meal closed above last weeks low of \$285.60 but it may be taken out in early trade this week with good harvest weather ahead of us and talk of an enormous South American crop on its way.

The weekly continuation chart below shows the market may be poised to test last winters lows of \$260, which would create the levels we are looking for to purchase the last half of our 2010 meal needs. The stochs below are at 17% and 16% and the monthly stochs are at a bearish 36% and 32%. We have at least 2 months worth of bearish timing to get through before we see the bean and meal markets bottom out. We will look to purchase the last 50% of meal on the coming correction.



MILK

We lost 18 cents last week in the Dec milk contract. The market is up against a strong retracement level at \$14.84 and the short-term bull timing is beginning to weaken. A move back to \$14-\$14.20 looks possible but I still don't see the technical picture turning enough where we would see a drop to new lows in milk prices.

As I said last week, milk prices will begin to establish a wide range for prices to move up and down against until we can either see a change in the supply/demand balance sheets. Friday we saw a new unemployment number of 10.2% and a loss of 190,000 jobs from the

quarter before. This was not a bullish number for milk producers but we did see the number of lost jobs shrink. By the end of the second quarter we will be gin to see a recovery in job creation that will give the milk traders a reason to become more optimistic. By mid to late summer we should see milk recover to trade as high as \$18 on the front end of the milk market but it's going to take another 7-9 months before things look a lot better.

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