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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 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 produced and written by Mark Prudhomme of Northland Financial.

MILK AND FEED USE MARKET LETTER

Nov 15, 2009

MEAL PURCHASE FILL – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.95 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 25% at lower prices at a latter time.

CORN

The corn market gained 23 ½ cents for the week and it could have been better but a rumor circulated late Thursday that vomitoxin found in corn and the DDG's produced from ethanol would not be used by the feeding industry. This out some worry into the export market and many bull traders including the funds began to back off and reduce long positions. What affect this will have on the market going forward is unknown for now and we don't know if this is isolated or wide spread. If it becomes more visible as harvest continues it will hurt the already weak export market we have which is running just 36 mbu more than last years feeble export pace and well below what the USDA has for annual export totals.

A more important factor is what the technical picture is beginning to look like. A look at the daily continuation chart below shows we are getting further into the squeeze of the pennant formation I wrote about last week. The topside resistance is now at \$4.05 and the supporting trend line is up to \$3.76. We still have plenty of bull timing on the daily studies but if we move sideways for the first two days on next week and can't move above the \$4.05 level we should see the market test the up trend line and I believe we will take it out and move lower.



The daily RSI is only at 56% so this would match the stochs, which are at 65% and 59% showing us that we have time yet to break above the \$4.05 down trend line. The short-term indicators will be the ones that tell us if we've topped out or are going to see renewed buying from commercials and funds.

MEAL

The meal market closed up \$12 last week with the help from the vomitoxin rumors that hit the market on Thursday. Whether this turns into a wide spread problem or not, it will have bullish ramifications from traders going forward for a while.

The weekly continuation chart below shows that there is plenty of resistance in meal from \$321-\$328 but we are noting that the stochs are beginning to flat line right around the 18% level. The bottom BB comes in at \$2.51 but I don't believe we have the timing to see the market fall that far. A break of last week's low of \$2.84 should give sell signals to \$271 and I think the market can move down to \$261 where we should find very good demand buying.



CATTLE

Liquidation in December cattle futures kept the contract under pressure as funds rolled long December positions forward. On Friday close, Dec cattle lost \$1.57 to \$83.325. December cattle have been at a steep discount to the cash market for some time, but lower cash cattle markets have given the bear negative ideas. Sales in the N Plains were down \$2-3 in both live and dressed prices at \$83-84 and \$131-132. Trading in the Central and Southern Plains was down \$2-3 in TX at \$85 and off \$3-3.50 in KS at \$83-84. The choice beef ended the week lower, with nearly all cuts declining. Only rib and loins finished higher. This was based on slowing seasonal demand would hold for an outlook of steady to lower meat prices through the end of the year. The cash cattle market could fall back to \$80 with normal weather into year-end. Domestic beef demand doesn't look to have any legs at this time.



MILK

Prices on the Dec contract retreated as was mentioned last week to the \$14.40 level of first support. The best support in prices come the \$14 level. Daily stochs have already sunk to 36% and 23%. I think the market bears are going to get suckered in here and get o sold in a hurry. The top we've put in is large at the Fib retracement level of \$14.83 so it's going to take a few weeks to move lower a build a new base but it looks more to me now that the market is getting ready to make a move to or just above the \$16 mark by late or Feb 2010.



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