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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 in 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 Pr

## **MILK AND FEED USE MARKET LETTER**

Nov 29, 2009

**MEAL PURCHASE FILL** – If you are following our recommendations, you were filled on another 25% of your 2010 meal needs at \$2.95 buy cash meal but you should now have bought 25% at \$275 and 25% at \$295. We will look to secure the other 50% at lower prices at a la

### **CORN**

With a 5 cent rally on Friday the corn market was able to close 6 ¼ cents higher for the week and what a week it was. Monday and Tuesday was the long-term uptrend line that was established from the contract low Sept 11<sup>th</sup>. The break of this trend line that was tested 6 different times the rest of the week should have seen large long liquidation and a move toward the major support at \$3.63. Instead we found Wednesday to Friday we gained another 5 ¼ cents and finished the week back above the trend line that I thought would have hurt the market. Also on Friday financial markets with Dubai deflating on a possible 89 billion dollar debt repayment that sent shock waves through all financial markets. At \$75 a barrel, the dollar was moving higher and the Dow opened 200 points lower. None of this had any effect on the corn market.

One thing I will attribute the higher corn close to and neglected to mention this and show the chart of this last Wednesday and I meant too wide spread. You can see on the daily spread chart below that corn has been losing to beans since March third and the daily stochastic readings at just reading we've seen in this spread in the history of the Dec corn 2010-Nov bean 2010 spread.



The weekly stoch readings are at 7% and 18% while the monthly stochs sit at 19% and 40%. In the coming months, this spread is going to and corn will gain significantly on the bean market and could be one of the major contributing factors for higher corn prices in 2010 particu what everyone has them growing on paper. We will see a sizable drop in corn prices as all bull markets have, usually 60-80 cents but there correction from the \$4.00 level for a drop to \$3.30-\$3.20. I think this drop will come closer from a top of \$4.40-\$4.60 basis March futures.

The price reaction to a market that has prepared itself mentally for a huge corn harvest and production numbers has surprised all of us inclu the business. I know of one major analytical firm that has hedged 30% of the 2010 corn production as low as \$3.35 ½ and continues to sell/ take us from here is anyone's guess but harvest will be over soon and as we saw in the beans and once it's over what else do we have to pu higher USDA numbers. That might be seen in the Dec report in 10 days. Watch the charts because they will give us some clues as to where

## MEAL

Meal gained a little last week and is on the brink of breaking out higher if we can get off to a good start this week. Bean exports and shipm we've ever seen with sales last week at 73 million bushels. This has kept the meal market from dropping as crush was also stellar. It is a fa switch to South America for their bean needs but we're cooking on all burners right now.

The weekly meal continuation chart below shows that we closed Friday right at the top weekly MA and mid BB. A strong close this week v

funds to add more aggressively to their current long position as funds are MA traders. You'll also notice that the weekly stochs are just 35% bullish timing in the market.



A good close on Monday would give me a measurement in meal for a move to \$340 and then to \$370. If we can't hold this market a correct place where we may have to add to our meal needs for 2010.

## MILK

We managed to squeak out a higher close for the week but more important is we held the \$14.20 support level I wrote about last week. A n looks likely now and my bullishness is getting even more so. This is a market that by all measure should be trading back closer to the lows However, in markets that are making a long-term trend change, we continue to climb a wall of worry. Most folks in the milk business that milk market. I'm not looking for the market to blow straight up but the chart studies look to me that we are turning the prices action higher



I've talked about a bottom for the past 6 months in milk and the July weekly chart below shows that we have turned the corner in prices. Prices have soared and we are over bought on the short-term studies and the weekly study is now showing a split in the BB's which is negative should be full \$1 a hundred and not hurt the trend change I'm seeing coming in the months ahead. I have a measurement now of \$17.60 in the summer back toward \$14 should be well supported.

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