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

Dec 6, 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 \$2.95. We will look to secure the other 50% at lower prices at a la

### **CORN**

Corn lost 23 ½ cents for the week and it was a week that saw the market break through several key support levels. The rally in the US doll export numbers helped to cap the rally and give the market a look that has a very large top in it now.

A week ago I mentioned the lower than expected export pace and said the USDA should lower the export number by 75 million bushels on directly to the bottom line on carryout, which would then come in at 1.700 billion bushels vs. last month's 1.625 billion. When we were tra was anticipating a carryout of 2.100 billion or more so to expect a complete collapse in the corn market is off the table for now. However, decline, US corn carryout will only have one way to go and that's higher. At this time of the year there is little else to trade except exports :

The week corn continuation chart shows the damage that was done with Friday's poor close. A better looking unemployment number sent t corn in the weak spot. Fist off you can see that we tested the down trend line 4 times without being able to close above it at the \$4.05 level big failure was the markets close below the Fib Fan line support at \$3.81 for the first time since Sept 7<sup>th</sup>. We should see sellers at \$3.81-\$3 corn 2009 will go off the board at noon on Dec 14<sup>th</sup>.



Going through all the studies, it will take a while to see the negative timing exit the market. The long commodities short US Dollar trade is unwind this spread will take several weeks or more. The best support on the weekly chart rests at the \$3.64 level and then the bottom week rest at \$3.50. There's also a gap on all the studies at \$3.50-\$3.54 that I have been waiting to have filled for quite a while. The bottom month have a battle of technicals and fundamentals getting stronger as the market moves lower.

I am long-term bullish corn with monthly stochs at 44% and 36%. From the Dec 31<sup>st</sup>, 2008 close, the corn market is now down 7% on the lows at \$3.06. What this tells me is that the corn market is not ready to take a plunge below the old contract lows and the low of 2009 was 2008 close so another drop of 5%-10% is possible putting Dec corn 18-37 cents lower or a bottom at \$3.36-\$3.55. This will be the second missed the buy at the contract lows to establish a long-term bull position.

## MEAL

We lost \$5 in meal prices last week but it was still a good showing in the wake of a big rally in the US Dollar and a sharp fall in corn. Bean last week and the bears, for the past 2 months, have been waiting to see exports drop off considerably with the coming of a larger than normal don't see anything real bullish or bearish in the upcoming USDA Supply/Demand report on Dec 10<sup>th</sup>. We've already seen an increase in bean yield to 280 million and I can't see another increase in yield. I look for a neutral report.

The weekly meal continuation chart below still looks positive to me. The weekly stochs are just 39% and 34% so we have many weeks of price movement left. A drop to \$280 basis March meal futures looks like a decent buy for the end user. A move of \$20 higher is still a real possibility. The market is a little over bought. I'm not willing to chase meal higher to purchase for feed use. I think we will see a down draft in prices after the first quarter of 2010.



## CATTLE

The cattle market suffered a blow last week and finished down \$2.20 for the week. As is the case in the cattle market, there's just too many change for prices. One would have thought the unemployment number issued on Friday would have helped prices but the rally in the US D traders to the sidelines and liquidating length. It will be important now for prices to hold \$79.20 or there could be some heavy long liquidat drive prices as low as \$74 and would lengthen the time for a price turn in the cattle market.

The continuation chart below shows that we have negative timing and with the weekly RSI at a lofty 35%, I am worried that more bulls wil into the end of the year. We are below the bottom weekly BB and that usually spells a reversal in prices short term so selling cattle at this ti



I believe we will see a sizable bottom put in the cartel market in the opening months of 2010 and will have a new more bullish trend by the A move down to \$73 can't be ruled out right now but the move lower in cattle is getting long in the tooth and the bears have plenty of mon in the front end of the cattle market will drop us to \$73 and then \$70 but that would be a blow off bottom and an excellent buying opportun

## MILK

Milk prices moved fractionally higher and this rally is losing steam quickly but we've gone a lot higher than most in the market believed it

resistance in the July futures at \$16.30. There hasn't been any good fundamental changes yet in the market but it's usually the technicals that first. I continue to believe that we will eventually see a drop in total milk cow numbers that will give us what we need to see prices eventually level by midsummer 2010.

The weekly continuation chart shows that the weekly stochs are now in overbought territory so some selling along with sideways consolidation at the \$14.20 level provides the market with long-term support going forward. A range of \$14.00 to \$18.00 looks like a very possible range in future marketing quotes from that price range.



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options carries large risks.