

# **Ag Risk Managers Insurance Agency, LLC**

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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.

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### **MILK OVER VIEW**

Fran Felber asked me if I would write a Milk commentary for you, as he wants to make sure you have some alternative marketing ideas and the best information possible. Fran is moving more in the direction of milk insurance and wants to assist you in becoming even more successful with different marketing strategies. Fran and I will be meeting with each other to try to help you as when to purchase your feed needs, insurance, and our view on milk prices going forward.

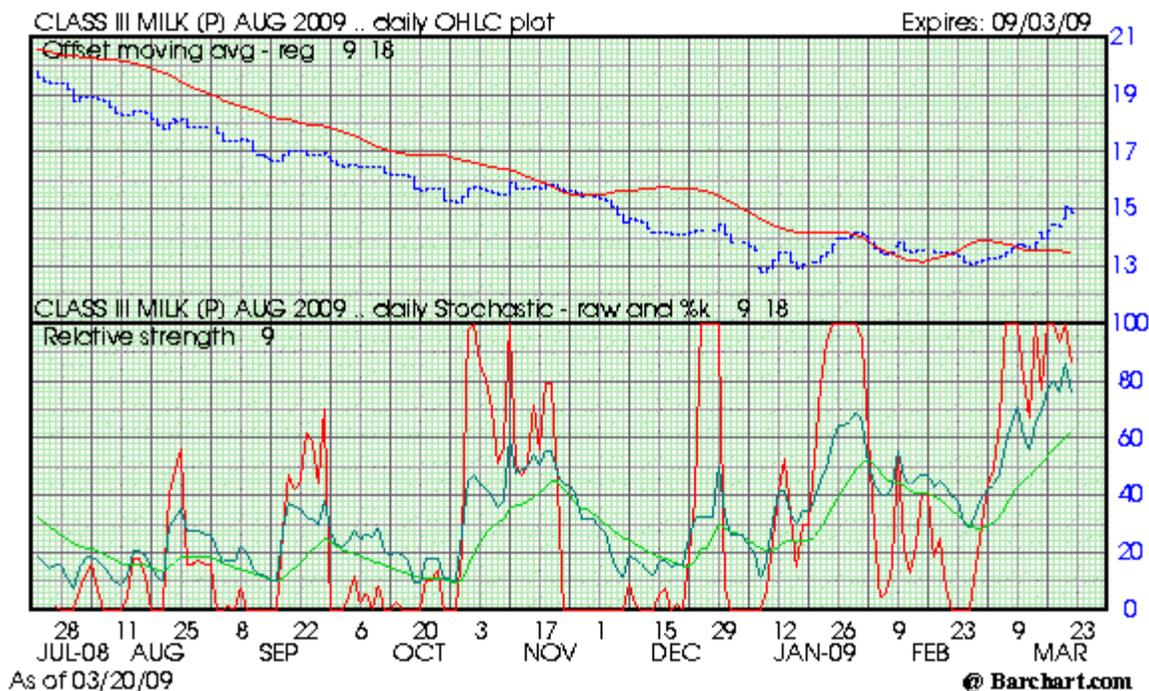
Ag Risk Managers has to be one of the most progressive insurance companies in Wisconsin and Minnesota with his knowledge of insurance and marketing experience. Both Fran and I hope this new marketing letter will help you now and in the future. If you know of anyone else that would like this letter free of charge please give Fran's office the email address.

As we read in the last USDA supply/demand report, milk prices should bottom in the first two quarters of the year do to lower fluid milk production. The USDA sees lower production per cow growth and raised the average milk price for 2009 from \$11.35 to \$11.85. Also the fact that may will be feeding some still very high corn and meal to their current herd will hurt the bottom line. Because of this we should expect to see some herd liquidation in the months ahead and the 2010 season looks to be brighter again.

One thing we need to consider are better methods to lock in cheaper feed use rates. In the grain market letter I'm am trying to give you a longer-term view of the market and hope all of you bought corn as we drove back toward my low mark of \$3.23. I see higher grain prices ahead of us in 2010 but believe we will see grain prices fall back once again as we move closer to June 1<sup>st</sup>. The next drop in prices should be a signal to milk producers to get coverage in both corn and meal for the coming year.

The daily August chart below shows we have moved \$1.50 over the simple moving average (MA). I talk about this MA often when having you look at charts. You can also see a sizable bottom at the 13-cent level and provides some good support going forward. At this time however, we have run the stochs (bottom half of chart) to levels that usually provide a market with a topping action and then followed by selling. We are over bought at this time and should see prices drop over the next week or so. There is a very large ledge at 16 cents so I would guess we will see a range of 13.00 –16 for the next several months.

If the market is able to hold the 13 cent support until we can see some visible signs of economic recovery we should see a much better price action in 2010 but my timing for a better looking economy doesn't start until the third quarter of 2009 based on my study. A return to prices back over 18 cents is possible by the first quarter of 2010 but it will take time and patients.



Any more in the short term toward the 15.50-cent level should be hedged with 15-cent puts to protect the downside. If you prefer, selling the 16.50 calls would also be a good strategy and if the market would move to 16.50 you would buy you sold calls at a loss and also sell cash milk at the same time. Either strategy will give you some kind of downside protection.

The information provided in this marketing letter is not guaranteed for its accuracy. The views provided are those of Northland Financial and not those of Ag Risk Management (ARM). NFI is not responsible for losses taken when using this letter to market your own products and the reader should use this marketing letter to make their own determination as when to sell and what is in the best interest for their own situation. Trading futures and/or options carries large risks