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NFI - Milk Producers Market Letter

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The following newsletter is being provided as an extended service to you for being a client of **A**g **R**isk **M**anagers 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.

April 12, 2009

MILK AND FEED USE MARKET LETTER

For many of you who are not familiar with technical analysis (charts etc.) some of what I wrote will look foreign but over time you will learn to know how to read a chart and understand what I am try to convey to you so give it a chance to sink in.

CORN

The USDA reduced the US corn carryout to 1.700 billion from last months 1.740 billion. Not a big deal, we still have plenty of corn around the country and a new crop on the way. The decrease in carryout can from increased feed demand, which will become one of the forces that will move the corn prices higher by the third quarter this year. Before the opening on Friday, the report was viewed as neutral to bullish but the close on Friday was anything but bullish as we finished the day down 7 cents. The outside markets have put in stellar moves higher but has had little effect on the corn market. Producers are bent on selling old and new crop corn as the seasonal studies suggest a sharp down draft in corn is on the horizon.

The next big levels to watch will be in the May contract at $3.74 which is the bottom weekly MA. A close through that would send us back to the $3.40 level. The Dec corn bottom weekly MA is at $4.12 and a close below this level will send Dec corn back to $3.64. I've said this for months but the USDA is not going to give us any monster carryout number nor are they going to give us any numbers that will send the price soaring higher. The only way we will see tight corn numbers is if we have a drought that the government can't hide behind and they would be forced to lower carryout. Until then we are stuck in a wide trading range that could take us back to the $3.23 level since we continue to fail to rally at the breakout levels I've described for months.

I continue to see a market that will bottom higher than the lows we've seen over the past year and new highs will come after we feel the crop has been made. World market economies will see better times ahead and demand for agricultural stuffs will return. We will see higher corn prices that we see today a year from now. Until then I expect to see corn try to move higher still but a washout will come as we approach June.

MEAL
Meal has followed the bull move in the bean marker especially the front end of the meal market, which is trading higher than the July contract. That's because we are short of accessible beans in today's market and the enduser will buy the front end more readily. About a month ago I recommended that endusers buy meal if we saw a trade back to $269, which did happen, so those following this letter should have purchased 1/3 of this years meal needs. As you can see from the chart below, meal is now moving back toward last winter's highs and a solid resistance level of $321. I would not purchase meal at this time unless we can close above the $322 level so just wait a bit to make any further purchases for now. Fran and I will try to keep you informed as to the next best time to buy some of your feed needs.

MILK

Last week we advised buying Aug milk puts if the price moved up into the 14.50-16 cent levels which hit did and we've seen a drop back to the 14.50 levels. For now, I would hold the puts and not make any future milk cash sales to see what the makes has in store for us over the next 2-3 weeks.

The milk chart below is that of the nearby milk futures market. You can see that we are building a major bottom in the milk market that I believe will eventually turn into a move bullish price pattern but the end of the second or beginning of the third quarter of this year. We've seen 9 consecutive down days and will see buyers step into the market this week. For nearby sales you should see a rally back to the 12-12.50 levels where sales can be made. I would advise not making cash sales for the deferred months just yet as the price outlook will be better in the months ahead.

I'm not a milk insurance expert yet but between Fran's milk insurance programs and what I can supply as far as a possible price outlook Ag Risk Managers Insurance should be able to help you manage you price risk very well. Give Fran a call if you haven't already.