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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 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.

May 3, 2009

MILK AND FEED USE MARKET LETTER

CORN

Corn benefited from the strong rally in new crop bean last week and corn closed up 29 cents. May and July corn both closed into new highs for the move up off the bottom and the technicals indicate that we should continue to see a recovery rally from the top level from 9 months ago. Exports were good last week and I believe we should see continued new buying from those that import corn. Commercials are heavy short the corn market and are being pressed to make some rather sizable margin calls. This brings back shades of the money squeeze from last years rally and that makes many very nervous.

There is continued talk and a spread of the swine flu problem. Just how long this will continue is anyone's guess but if it continues to spread and more deaths are seems it will begin to have a negative effect on prices. With demand just about ready to turn the corn to better levels the timing of Swine Flu couldn't come at a worse time. The weekly MA's are at \$3.85 and \$3.82 basis May and May futures will go off the board on May 14th and it will be important to see if July corn is trading above the \$4.10 level. If we are trading above \$4.10 July, the technical picture for corn gets much more bullish. If it isn't above \$4.10, then we could be witnessing a major top for a drop for the next 3 months barring a drought in the Corn Belt.

With a new week I will try to give you a range, which I believe the corn market, could trade. The July corn contract should see first resistance at \$4.17, which is the highest level we've seen since the bottom was put in. Above this level we will see sellers at \$4.23 and the best resistance is a ledge at \$4.53. Timing is still bullish on all studies and the monthly stochs have now turned higher on the continuation studies for the first time since we turned the monthly stochs negative last June.

The bottom monthly MA is also below the closing price on Friday at \$3.98. With large rains in the central part of the country as I write this we should see follow through buying. Crop progress reports for the east should continue to show very slow planting. I look for July corn to trade a range this week of \$4.27-\$3.95.

MEAL

The meal market exploded again and it is evident that once we closed above the breakout level on May futures at \$322 the race was on. The continued huge bean export and sales numbers that came out of last weeks reports were very bullish and the lack of cash beans in the country have both meal and beans on a terror move. Those short this market is getting reminders of the upside blood bath the shorts took over a year ago.

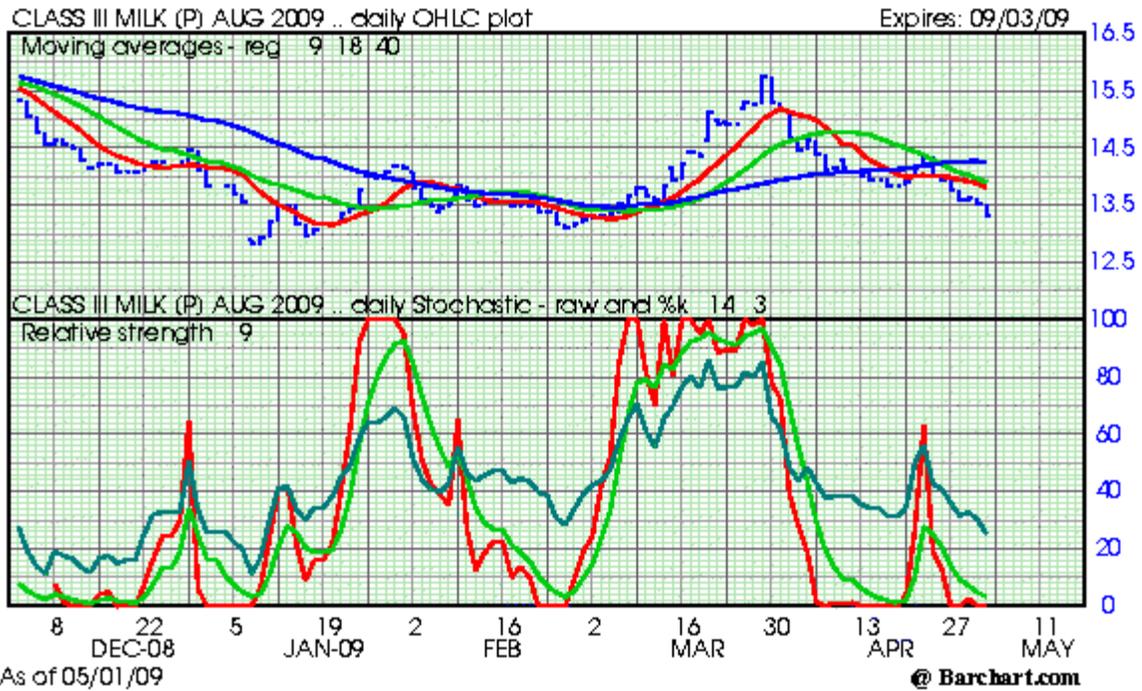
The entire chart look on meal has changed. With new highs off the lows we made several months ago, all the technical studies have turned bullish. We are substantially above some of the MA's so we will see some very sharp sell offs coming in the weeks ahead but for now those breaks are buying opportunities. The first level of support will come in around the \$315 level and we should be getting some more coverage on at that level. Where this will all stop is anyone's guess but it is a very powerful rally based on demand and demand rally are the most powerful of all.

MILK

As we suspected the Aug milk futures have dropped back toward the \$13 level. No bottom has yet been established but I would look for a bottom to develop between the \$13 level and the \$11.50 level. If you took our last advise and bought puts at the \$15.50 level you should enter a stop or exit the position if Aug milk futures trade above \$14.25.

A longer-term bottom should form over the next 6-8 weeks that should set the stage for a slow moving up trend to develop. I think a move back toward the \$18 level could be achieved by the August-Oct time frame. I would not try to establish new shorts or put options at current levels.

The world economies should begin to see the light at the end of the tunnel by the third quarter of the year. This should bring at least domestic demand back to both the cheese market and liquid milk market. Most all commodity markets should see demand pick up as we move through summer and there should be strong demand for these markets latter in the year that should last well into 2010.



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