

Ag Risk Managers Insurance Agency, LLC
Francis E. Felber, Lisa K. Schultz and Mark J. Prudhomme
Office (715) 637-3847 Fran (715) 340-5652 Lisa (715) 307-2386 Mark (651) 464-8122

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 (651)464-8122.

June 7, 2009

MILK AND FEED USE MARKET LETTER

CORN

For last week July corn gained 7 ¾ cents while Dec gained 8 ¼ cents and corn closed higher for the third consecutive week. The rumor mill is still rumbling that many analysts believe new crop corn carryout could be as low as 800 mbu's due to reduced yields in the east and a loss of corn planted acres. There was resistance on the July futures last week at \$4.45 and we were able to close above this level twice during the week but we unable to get anyone excited about buying that type of strong technical close. Spec longs now hold long corn positions of over 200,000 contracts and until they see a bearish change from the USDA, they will defend their long-term positions in the market. The USDA will report their monthly Supply/Demand report on Wednesday morning at 7:30 AM. Also Monday afternoon we will get the second in a string of crop condition reports and they have to look bearish for prices as some much needed rains fell in MN and WI over the weekend.

We've yet to form any kind of top in the Dec corn futures as the weekly Dec corn chart shows below but we are approaching a major resistance and retracement level on Dec corn at \$4.84. With the weekly stochs having readings in the 94% area the Wednesday report needs to confirm to the bulls that there is indeed a reduction in new crop carryout or a correction in corn to \$4.32 could be seen.

A close in Dec corn above the \$4.84 level will put a long-term bottom in corn and a new bull market will then follow. Such a close would give projections of a rally to \$5.67 where we formed a bottom back in Sept 2008 and when broken we found resistance at the same level on an attempt to rally in the same month. Downside objectives if we were to fail from \$4.84 would be for a move to \$4.32-\$4.23. A close below \$4.23 will give sell signals for a move to \$3.96. I want to caution some that I continue to see any



big breaks in Dec corn back to \$3.60-\$3.80 as long-term buying opportunities. Monthly stochs are just 29% and 26% and I continue to believe the entire trade will realize that the world is short of corn by the third quarter of this year. Over the next 18 months I believe some month of corn will print \$6.10.

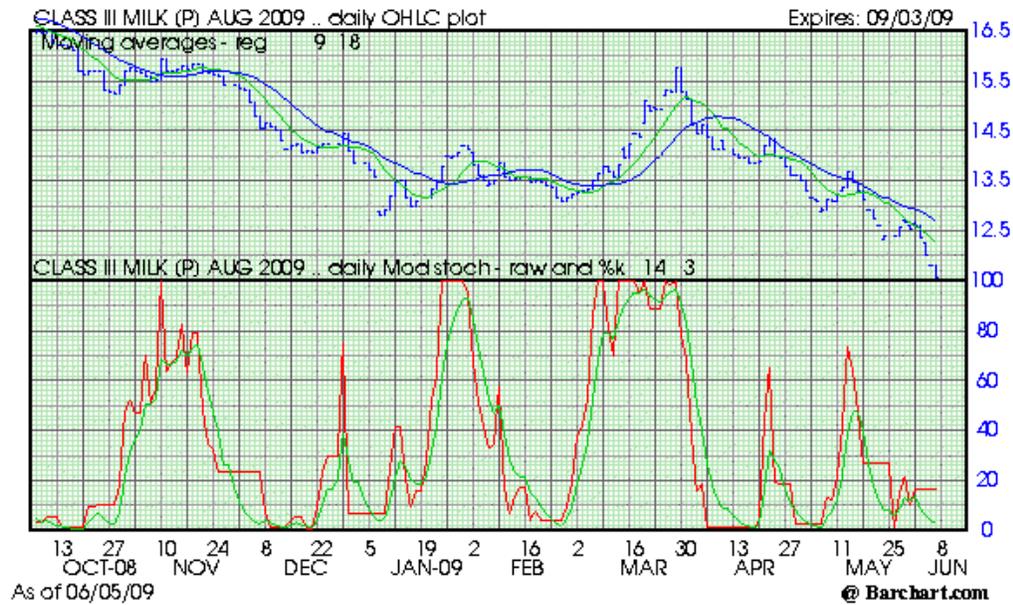
MEAL

Meal continued on its streak up the chart and the cost of feed for livestock production will be taking its toll on all livestock producers. The trend in meal is not one that can continue on the current path it is on. All you can do as an enduser is to prepare for a significant drop and what you will do when it occurs. The close in July meal above \$372 now gives us a chance to rally to \$425-\$455 but it's this area that should create a major top in prices for a move in the back end of meal to drop closer to \$325 at which point we will look at the fundamentals to see if and how much we might want to purchase. For now all we can do is buy what we need when we need it but I wouldn't load up on meal purchases.

MILK

The livestock industry took a big hit last week as the cash markets and some of the futures markets all took price hits with the leader being milk futures. All I could read last week was the over production of cattle, hogs, milk, and poultry and how producers in these areas refuse to liquidate numbers in the face of higher grain prices. To me that was the climax of the bear selling in many of these markets. I believe we are in the midst of further liquidation in many of these market places and the drop we saw; particularly in the milk market, has provided the final exhaustion in prices. One indicator that I watch to time a market chart is the Bar chart opinion sector on their web site and every one of their 17 indicators are recommending to sell.

Finding good fundamental information on milk is very difficult because of the consistent flow of production unlike grains, which take a break in the winter months. At \$10/100 this market reminds me of the hog market in the 1990's when hogs hit \$8. Your risk now to own milk futures at \$10 is for a loss of \$10 or a milk price of 0. That's not going to happen so I fully expect speculators to enter the milk market at these levels as the risk reward from the long side is the best we've seen in the past 7 years. All puts should have been covered on a break below \$12.50 from the puts bought at \$15.50. I would look to sell put premium at current levels as you sell production.



big breaks in Dec corn back to \$3.60-\$3.80 as long-term buying opportunities. Monthly stochs are just 29% and 26% and I continue to believe the entire trade will realize that the world is short of corn by the third quarter of this year. Over the next 18 months I believe some month of corn will print \$6.10.

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.