

# **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.

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

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### **CORN**

Thanks to a late day rally and profit taking in corn, Dec finished the week down 6 ½ cents, which marks the 6<sup>th</sup> straight week of lower closes. This weekend I traveled through south central, and southwestern MN and drop down 35 to Dows, IA and zigzagged over to Fort Dodge and up to Blue Earth, MN. If green is your favorite color this trip was for you. I was planning on staying over night on Saturday somewhere west of Fort Dodge but after driving 600 miles and seeing nothing but beautiful thick green plants I decided to head home. I would say 50% of the corn in IA was tasseled and setting cobs. I counted 18 rows around and 38 rows deep on the best sample. With rain over the next 4 weeks IA will have one whopper crop of corn. The beans were average to below. A lot of small plants that weren't even close to covering the rows. Many fields with poor population and some having had way too much rain. Beans were disappointing compared to the corn.

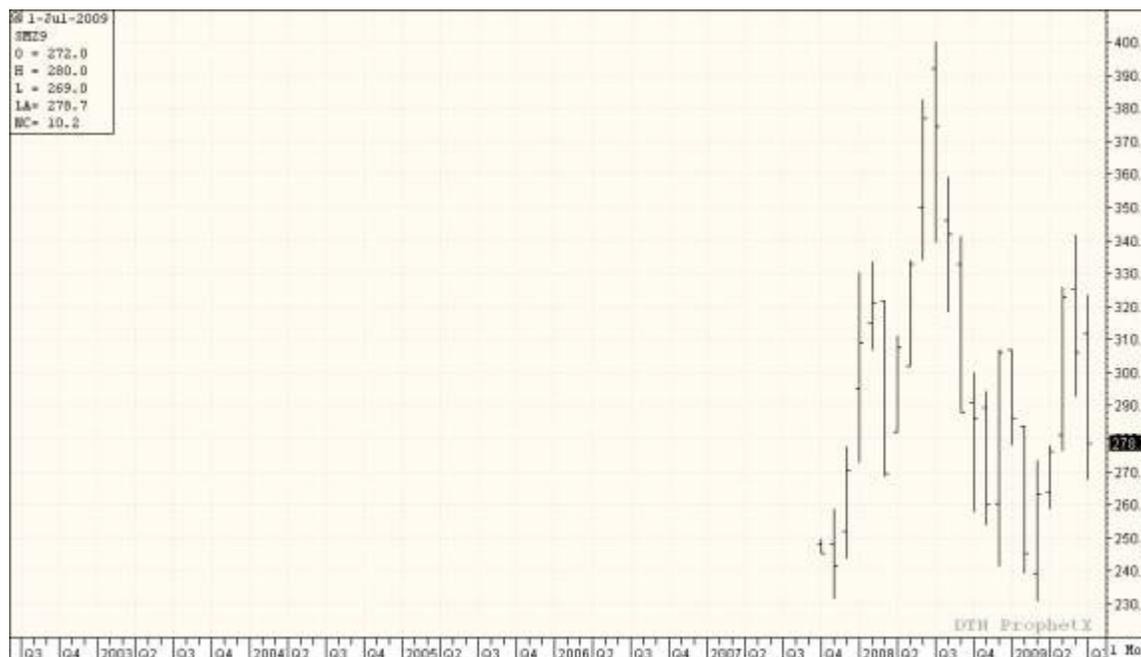
I listened to DTN's chief market analysts on a web cast last Thursday and he believes corn will print a number below \$3 and a move to at least \$2.90 was in the cards. DTN is also estimating through crop condition reports that a yield of 160 or better is at hand with a good finish. They believe we will see a corn carryout of 2.100 billion bushels or more by the final in Jan 2010 compared to the current USDA carryout number of 1.550 billion.. Nothing more needs to be said about this outlook.

My swing number of \$3.23 still stands. We traded as low as \$3.24 ¼ last week so we will need to watch the \$3.23 level. A close below would give sell signals to \$3.04-\$3.11 basis Dec futures. The inability of Dec corn to fill the gap from #3.50 ½ to \$3.57 with a high last week of \$3.49 ½ is a testament to the folks that want to sell this market. Funds have gone from a long position of 210,000 contracts to less than 75,000. This should mean that they would attempt to at least get their position even and stand aside of the corn market. Monthly stochs on the continuation chart are at 13% and 17% with an RSI of 37.77%. Typically to see a bottom put in we need the stochs to both be in signal digits and have an RSI at 30% or less. This would indicate that corn would move closer to \$3 basis Sept futures.

The trend continues down in a strong fashion but market indicators continue to show that although there are lower prices ahead daily, weekly and monthly indicators are getting cheaper by the week. Another 20 cents lower will send most long-term sellers to the sidelines for quit some time. It's been three years since this whole rally began and it's been a little over a year ago since we saw the market print a historic high close to \$8. Markets cycle up and down and each trend has a beginning and an end. Right now we are closer to the end of this cycle and will find a new reason to begin a new up cycle. How much longer we go down and at what price the market will bottom at should be found in a matter of months.

## MEAL

Dec meal moved down to \$268.50. I believe Dec meal should be purchased any where from last weeks low of \$258.50 to \$240 for end users for the first quarter 2010 feed needs. The one-month drop in meal has been staggering as to the velocity of how fast this thing has dropped. The monthly Dec meal chart below shows just how fast we've dropped from the high of \$342. Soy demand is still very strong and it doesn't look as though we will build large ending stocks in the soybean market. A longer-term bottom should be formed in the low \$2.20's at worst.



## MILK

We say a reversal in August milk futures last week, as sellers have to be wondering how far they can press the market and still feel good about making money. As I've said several times in the past month, but the market still went down, at some point an investor is going to look at milk and tell themselves that you can buy meal and risk \$16,000 if milk went to 0. Well we all know that we're not going to stand in front of the grocery store and give gallons of milk away. Milk has now become an investment and not a speculative trade.

The \$13 level will become resistance for a while and a base will have to be built but the bottom has to be coming very close to reality. Watch for both corn and meal purchases to lock in 2010 feed

costs. As in milk, corn and meal can't drop forever and in the case of corn the technical indicators are getting cheap. We're not at the bottom yet in corn and meal but getting very close.

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