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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

July 26, 2009

CORN

Dec corn lost 4 ¼ cents last week but we got some help on Thursday with the announcement by NASS that they would take another look at the total corn acres that were planted. The trade believes that if the NASS changes the total corn plantings number it will be one million acres or less and with such a good yield in front of us it makes little difference if they would give back a few acres.

Two weeks ago the funds were still long about 82,000 contracts of corn. As of Friday, the funds are now short about 21,000 contracts. This is negative for the short term view of corn prices but bullish long-term as the funds typically don't make all that much money for the amount of funds they put into a position. If they were to escalate their short position to match the number of long contracts they once had we would see a massive price decline in Dec futures. I could estimate we could get as low as \$2.40 if the funds put out everything they could.

The August report comes out on the 12th and it should be a barn burner as the yield the USDA gives us in this report will set the tone for what might be coming down the pipe in future reports. If the USDA doesn't come in with a yield over 157 bpa, it will change the minds of many of the bears who would then anticipate that to get to 162 bpa we would have to see yields climb more than 6 bpa with 4 reports left to the final. The longer the USDA hesitates to deliver a number closer to 161 the less bearish the market will become. Good growing weather continues to keep pressure on corn values and it's difficult to argue that we won't produce a very good crop this year if frost doesn't come too early.

The cattle report on Friday showed that we continue to loose total head and this pattern looks to continue into the fall. Weights are higher but we are feeding the lowest number of beef cows since 1973. The calf crop also dropped 4.1% and this indicates that the US cattle herd size will continue to decline well into 2010. I would look for continued pressure on corn prices n any rallies in Dec back toward \$3.40 and the market is still on track to more lower and bottom some time at the end of the third quarter to early fourth quarter. Prices could move as low as \$2.84 if the USDA comes up with the high yields the trade believes they will.

MEAL

Dec meal closed about unchanged for the week and this week will be very important to see if this contract can hold the lows of 267.30. If we can break it, meal should then make a move down toward the 246-240 levels of support. At that point end users should buy first quarter needs for their 2010 season. If you've already purchased these needs buy for the second quarter. A negative USDA report on August 12th could move the market as low as the contract low 230 at which point I would step up and make users you have 70% of all your meal needs for 2010 secured.

MILK

We saw the best rally in months in the Dec milk futures last week with a low in Dec of 13.30 and closed the week at \$14.57. There isn't much of a base built for a major rally but bottoms come when no one thinks it can. The market formation is also in a W, which is a bullish price formation. Resistance will be found at \$14.91-\$15.37.



The cattle herd inventory numbers were released on Friday by the USDA and the milk side of the equation was more negative than one might have thought. The dairy herd shrunk much less than thought with a reduction of just 150,000 head. The July-July numbers looked like we would have seen a reduction of 233,000 head. With such a bearish number it will be interesting to see how the market responds to a bad number. If we move lower but can't make a new low Dec this week then many in the trade were anticipating such a number and we could see some solid short covering in the days ahead. Bottoms are put in markets when things look bad.

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