

# Ag Risk Managers Insurance Agency, LLC

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## MILK AND FEED USE MARKET LETTER

August 16, 2009

### CORN

Dec corn gained 1-¼ cents on the week as it was the bean show and corn took a breather from following the other markets. Last week the USDA raised corn yield by 6 bpa from the July supply/demand report and the corn market didn't flinch. Of course everyone has been predicting 161-163 for the past 6 weeks so 159.5 wasn't that big a surprise. The trade also expects yield to be increased again in the Sept report and with good growing weather you can't really argue this point. These two observations will keep a lid on corn rallies for the next 3 weeks. There isn't any bull news out there to get the corn market moving higher so it will have to come from demand and technical considerations if it's going to move up.

The monthly continuation chart below shows that we are once again approaching the last support trend line in the corn market using the Sept futures. There are several things that still look too lofty in the technical picture to say we are at a bottom. First I think we need to see the RSI closer to 25% and its currently trading at 37% and the monthly stochs are at 10.60% and 14.37%. I continue to look for the stochs to move into single digits before we can say we are close to the lows in the market. It doesn't have to happen but it should if the selling is over.



My measurement to get the indicators I mentioned above to levels that would give me long-term bottom buy signals would take corn to somewhere around \$3.04 with an outside chance at seeing a drop to \$2.88. With the monthly stochs where they are, it has to be noted that we are closer to a bottom than we are to the next top that would drop us another dollar. If we are going to drop even further in the future to \$2.50 as some of the more bearish traders believe we will ultimately get to, there will be a relief rally first that should take us back toward \$4.00 either in the Dec futures or the March. I'm neutral to a little bearish on corn prices.

MEAL

The bean market had a mini collapse on Friday and Nov beans closed down 57 cents on the week. Dec meal closed down \$17.90 on Friday and closed at \$2.89. I continue to believe that Dec meal should move back below \$270 at which point end users should begin to purchase meal needs for the 2010 year. Last weeks crush numbers at 120 mt was the lowest weekly total we've seen in about 6 years. The reduction in demand from the meat and poultry business has certainly dropped the demand for meal use here in the US.

**MILK**

Dec milk futures lost 16 cents on the week and it's beginning to show signs of bottoming. The bottom BB is at \$13.14 and a break of the contract lows at this level will be a buying opportunity. If Dec futures do in fact take out \$13.14 the market will not trade below this level for more than 3 weeks. It will also give us a look at some major bull divergence in milk and a very sharp rally in follow in Sept. A close above \$14.60 in Dec should give us a rally toward the \$17 level. I would forward contact milk on any move above \$18.



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