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 **A**g **R**isk **M**anagers 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

Corn was a follower again last week posting a 2 ¾ cent gain for the week. There isn't anything-bullish happening in the corn fundamentals or the technicals for that matter. Ethanol demand and some increase in export demand are showing us on breaks in the corn market. We are well behind on exports for this year and the USDA could increase corn carryout by as much as 200 million bushels in the Sept report. Such an increase would bring carryout to 1.821 billion bushels and that's without another increase in yield that I'm sure is coming the way farmers are talking about potential crop size. An increase of 4 bpa, that seems to be the consensus, would increase our carryout to 2.140 billion and will lessen the need for more corn acres next year. I still see a much greater increase in demand for 2010 but you can't out strip a 21.40 bbu carryout. We should have plenty of corn around for next year.

I see one real problem in the week ahead and that's that the daily stochs have moved from 16% to 52% and we haven't moved the market higher. That typically spells trouble in the days ahead. If we were to move the stochs back to the single digits corn would break the old lows easily. We are right in the middle of the timing that I've had for the past 8 months and it doesn't look like the timing will be any good. We've simply wasted too much time moving sideways while the indicators have moved up the page. Without some sort of bullish fundamental news I continue to look for Dec corn to trade somewhere in the $2.88-$3.04. I wouldn't chase any rally in the corn to get long on.

For the week I see resistance at $3.36, $3.43 and then $3.52. Support is at $3.22, $3.11 and then $3.04. Any rally into the $3.50's will be met will large commercial selling from what I gather and it's going to be a while until we can get anything going to the upside. We need a smaller crop and the only thing out there is an early frost, which I haven't heard about yet. We will see a lot of up and down. You sell the good rallies and buy the big breaks and you should make money.

MEAL

A big week in meal as both meal and beans continued to be squeezed with little or no beans in the pipeline. China was again a huge buyer of beans this past week and if you think about it the US is the only place for the next 6 months to buy beans from. Dec meal never made a move lower and my buy area is now light years lower in the market. I can't recommend chasing the meal at current levels so I'll have to go back and see what we might need to do. Dec meal is some $70 over the Dec so the question is, does Dec meal move higher as Sept gets ready to expire?

I have no meal coverage for any of you at this time and I'm afraid to recommend buying at current levels after the huge run up meal has seen. My best guess is to see if Dec meal can't move back toward the $2.80 mark to get something purchased.

MILK

The Dec milk contract continues to hold around the 13.10 level of support. I can't help thinking that we will see one more sharp sell off in milk to remove those last few bulls that remain in their long positions but that is the drop that the bull wants to by. Any move below 12.50 should be bought for the long haul. Monthly stochs are at 7 and 11 and we need to see the monthly stoch both in the single digits so we are very close to a multi month bottom in this market.

As we move into the month of Sept many milk producers will need silage and that might stir the pot of who will be able to hold on and who won't. It's a bloody time for milk farmers as it was for the grain producer in the 1980's and the hog producer when hogs went to $8 and as it's right been for the greedy banks and mortgage lending institutions over the past year. When there's over production things get ugly for a while but I do believe we are close to seeing the lows in milk as we carve out a bottom.

Based on short-term studies, we should see the market move back toward the $16 level and possibly as high as $16.50. That should be the high point of the market in the months to come and the market will open up a $5-$6 trading range. One should have a game plan to work their operations within these price levels for the time being. As we move into 2010 things should look better and a move steady up trend in milk will be seen.

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