# Ag Risk Managers Insurance Agency, LLC

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MILK AND FEED USE MARKET LETTER

Sept 7, 2009

**CORN**

Needless to say my timing I've had for the past 7 months with corn bottoming on Sept fourth doesn't look like it will hold water with corn closing at $3.06 ¼ on the low of the week. My target price of $3.04-$2.88 is still good however. The USDA will issue it's supply/demand report this coming Friday and there isn't anyone who doesn't expect a abnormally high production and yield number. In fact Informa believes we will see a yield as high as 168. You can bet that someone will come out with a yield of 170 just to say they were right is it does happen.

I'm going to skip all the rhetoric about the crop and get to the charts. The monthly continuation chart shows that we still have negative time on the stochs and RSI. We need to see both stochs in the single digits as I've been saying for many months and we're only at 7% and 11%. The RSI is also too high at 35%. We need to see the RSI at or below 22% to say the market is fully sold out. This continues to lead me to believe we need to see Dec corn closer to the $2.88 level before a bottom is in.


Carryout is still the most important number in any USDA report. We're currently at 1.621 bbu but we should see a jump in this number to something over 2 billion as we've fallen short on exports and yield is obviously going to jump quite a bit. A carryout number in excess of 2.10 billion will take the market below $2.88. A carryout number as some have around 2.30 billion will take us to $2.66. I don't have the timing for that but you never know.

I also want to note that the BB's are diverging and this is the same formation we saw over a year ago when we were trading corn close to $8 a bushel. This is a signal that the current trend can't hold for any length of time.

MEAL

We've seen a sharp drop in meal over the past 6 trading days and there looks to be more room on the downside to begin the week. There doesn't seem to be any frost chances that I saw in Friday's forecast and this could drop meal further if this afternoons forecast holds the same.

I would continue to look to secure our first meal for the 2010 year once we move below the $280 level basis Dec meal. I would look to make four different purchases between $280 and $260, as this area should be a very well supported one. With demand still strong for US beans and South America not harvesting their beans until Feb/Mar 2010, it the US that holds the cushion on beans for export and should support our meal markets in the months ahead.

MILK
For the third straight week, milk is hold around the $13.10 level basis Dec futures. There is little negative timing any more in milk and the shorts have to be wondering if there are any big profits to be made in milk by being short. My answer to that question would be a resounding NO. It is possible to see Dec milk drop down to or below $12.50 but it wouldn't stay there very long. I would guess that we are in the bottom 5% of prices and I'm looking for a move back over $14.80 in the weeks ahead. We still have too many milk cows around to completely turn the market and say we are in a bull market but a bottom will be formed down here and a longer-term low is very close.

The monthly Dec milk chart shows the monthly stochs at 4% and 7% and anytime you get both stochs on a monthly chart below 9% history has shown that bottoms are not far behind. I think we've made it through the worst prices and the 6-month straight loosing streak should be broken very soon.


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