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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 int 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 u anything to serve you better. This newsletter is produced and written by Mark Prudhomme of Northland Financial.

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

August 1, 2010

### **CORN**

**The corn market gained 21 ½ cents last week as we moved higher due to several factors. Fir foremost, we held the weekly MA's on the continuation chart at \$3.61 which was a very key second helping factor was that wheat continued on another huge week high and that gave tl something else to talk about. There are now 8 trading days until we see the new USDA supp report for the month of August and the trade is thinking the USDA will not produce a third report and that yields will increase and demand will decrease. The demand decreases are ex come from ethanol and feed use. Exports are a close call as we have sales well above the US total but we still haven't shipped 300 mbu and there's only 4 weeks left in the marketing ye**

**One thing the market is focusing on if the availability of feed wheat around the world. With Europe and especially Russia, feed wheat will be in short supply and will have to affect wor for corn which is still, by the way, the cheapest feed crop in the world. If the USDA recogniz we will see world stocks continue to decrease to record low stocks to use. However, if the US increases US yields that would exceed 165, stocks will remain the same or possibly gain a lit will be a strong press to have US farmers plant 90 million acres or more of corn in 2011 as c increase to 13.60 billion bushels.**

**The continuation chart shows that the lows last week fell right at the weekly MA's and held of trying to break it. The Sept corn chart below shows we had what is called a weekly key re whereby we took out last week's lows and highs and closed higher than the previous week. be a major indicator of market direction but over the past 3-4 years has not meant much if the move was impressive and caught the shorts thinking the market doesn't rally much whe decent weather in most areas.**





## MILK

The Oct milk market rallied to the long term resistance at \$15.25 and is the seventh time th has rallied to \$15.22-\$15.32 since February. There are few if any changes in the fundamentals about commodity funds either wanting in to see if the market breaks the 6 month highs or v against them.

Looking at the weekly Oct chart we can see that there is plenty of bullish timing on the week. The monthly stochs are at \$15.24 and \$15.39. A close above \$15.39 would turn the milk mar and a 6 month bottom will have been established in milk. NFI would have a measurement o breakout for Oct to rally to the highs of \$16.42 and good timing shot at \$17. We don't need week but if would be good if we did. Commodity funds are long most all markets and carry position totaling 580,000 contracts. If they decide to liquidate we will see a failure at the ma resistance for the 7<sup>th</sup> time.



## OTHER STUFF

**Baltic Dry Index and EXM** - The Baltic index has rallied from 1700 to 1965 over the past two weeks. We should begin to see a bottom form in this index in the months ahead. Commodity demand should be solid and a stronger move back toward 4000 should be seen. If you took a look at what we wrote about it two weeks ago it was trading at \$4.84 and closed at \$6.16 or an increase of 26%.

**CRUDE OIL** - Weekly crude oil inventories were expected to draw 1.7 million barrels of crude oil this week but we actually saw a build of 7.3 million. NFI is bullish crude oil long term but at \$77 we don't want to chase the DBO higher and will wait to see if we can't see oil drop back toward \$70.

**S&P** - We are knocking on the door of major S&P resistance at 1129. We get unemployment data this week and if they continue to show no job growth the market should retreat back toward 1100. A close above \$1129 will bring a rally to 1190 or so. Watch the 1129 level on the S&P.

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