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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 integrity of 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 how we can to serve you better. This newsletter is produced and written by Mark Prudhomme of Northland Financial.

MILK AND FEED USE MARKET LETTER

August 15, 2010

CORN

The corn market gained 6 ¾ cents on the week thanks to another bullish USDA report and a shift in the central corn belt especially central and eastern IA where flooding was commonplace. The market is transitioning from watching summer weather for growing purposes to watching late summer and fall weather for harvest purposes. Most of the Corn Belt will still need a couple of good rain events to get out kernels but harvest this year should be ahead of schedule and harvest will begin in 3-4 weeks in most areas.

Crop losses in Canada, the Russian area and the European Union, has caused the USDA to make adjustments in its major grain S&D outlooks – which offers a much more bullish view into the future. Compared to the old crop year, 2010/11 world corn production is forecast 23 MMTs larger than 2009, wheat is 35 MMTs smaller at 646 MMTs, and the world soybean crop is down 6 MMTs. Combined 2010/11 corn, soybean and wheat production is forecast at 1,731 MMTs, less than 2009 and 13.7 MMTs below the July estimate. This has shifted the market from a bear market to what could be a demand driven bull market through winter. Major world crop expansion continues as world populations and economies expand. In the last 45 years, there have been just 5 years in which world major grain demand contracted. The August demand estimates show combined demand at 1,743 MMTs, up 43 MMTs from 2009 - and 3.9 MMTs above the July estimate. Corn demand increased by 17.9 MMTs, soybeans by 13.5 MMTs, and wheat by 11.6 MMTs. That means that world corn, wheat, and soybean demand will exceed production by 12 MMTs. The first time world grain stocks in several years. This puts most analysts reversing their outlook from selling to buying good breaks.



The weekly corn continuation chart above shows the continued winding of the weekly stock 70% level which is matching NFI's forecast of corn spending much more time above the \$4. the weeks ahead we should see the market drop on large profit taking as harvest nears but it will be bought based on what we discussed above. The US will have to plant 91-92 MA of corn to satisfy demand and to keep the balance sheet with excess carryout.

The \$4.34 level should give us some problems on rallies and then the spike top of two weeks NFI's measurement has corn trading to \$4.63 ultimately where we should see a drop in price cents. Early break in corn back to \$4.04 and then \$3.93 will represent buying opportunities. indications yet to begin selling the 2011 corn crop.

MEAL

The fundamentals for the soy complex remain a little negative going forward but it's the future side of the balance sheet that has the attention of the trade. New Year bookings for soybean 32% of next year's demand outlook and the New Year doesn't begin until Sept first. Even with production and yield on this year's bean crop the USDA was unable to increase new crop but although at 360 mbu's carryout is still hefty.

The weekly meal continuation chart shows that meal has developed bearish divergence as the meal has made new highs but not the stochs. The market is also pressing up against the top which suggests over the next two weeks, meal will build a top that will result in some sizable taking.



Resistance on the Dec contract should show up at the \$309 level and possible as high as \$313. A rally should be followed by a drop in Dec meal prices to \$387 and then \$374.

MILK

Oct milk futures closed 12 cent higher on the week following yet another attempt to take out term resistance at \$15.22-\$15.29. This is the 9th time Oct futures have tested this resistance level week of March 2010. The milk market is readying itself to blow through this resistance level then turn into long term support. When it happens is anyone's guess but few with the month 36% it's going to happen.

The view of the weekly Oct milk chart shows the major resistance while the weekly stochs continue to move up the page. It's possible that we see a retreat in prices before the \$15.29 level is taken. A retreat at this time would develop very strong bullish timing.



NFI believes that drops to \$13.87-\$14.10 will find good support for the Oct contract. If brok could drop to \$12.55 in a final decent before the next bull market begins to develop. Upside measurements would suggest a price rally to \$18.13.

**Thank You,
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