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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 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

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Fran, Lisa and Mar

Milk Market letter

August 22, 2010

NEW ADVICE – Buy 30% of your 2011 meal needs in the July 2011 contract at $284.

CORN

Corn gained 9 ½ cents on the week and it came mostly from spread trade. NFI's research la noted the corn/bean and corn/wheat spreads were at very low RSI and stoch levels. We shou written about it last week as it meant a lot to last week's trade and that was our fault. None spreads kicked in and corn was the leader. These spreads are a little over done but could co another 3-4 days. That might be enough to see corn move toward the $4.55-$4.63 level. NFI move to or over $4.63 over the next two weeks as a major exhaustion level and a sharp corr 45-60 cents would be seen at this level.

In the past 70 days we've seen the corn market turn from a bear supply driven market to a demand drive market. That used to take a year and now it takes less than 3 months. Times changed haven't they? Many of the supply/demand fronts have gone 180 degrees as many a their yield outlooks from the 165 given to us by the USDA a few weeks ago to 161-164. Whe around the world will increase corn use in 2011 an NFI believe we will see an enormous inc

and cattle numbers as prices are some of the best in years which will also increase feed use i With corn the cheapest feed grain in the world, demand for corn is seen as increasing sharp next two years.
The Pro Farmer tour concluded that this year's corn yields will be 164.1 bpa and beans wei record 44.9 bpa but let's take a look at their history. Since 2003, Pro Farmer's track record predicting final yields has been anything but stellar. Here's how they've faired.

Corn yield by Pro Farmer vs. USDA final yield:

2003- To low by 3.10 bpa
2004 – Low by 13.1
2005- Low by 11.3
2006- To high by 2.39
2007- High by 2.37
2008- Right on
2009- To low by 4.60 bpa

BEAN yield by PF vs. USDA final
2003- Over by 3.80 bpa
2004- Low by 4.30
2005- Low by 4.45
2006- Low by 1.80
2007- Close
2008- Close
2009- Low by 3.0 bpa.

The track record is not very good but they did have the best year of any to measure kernels pods this year with the early planting and maturity of this year's crop. Maybe this is their y

Friday's close above $4.34 is bullish as we've written about for the past two weeks. The mai 6 cents in the last 4 minutes to achieve the close over $4.34 so the opening on Sunday night i Indicators tell NFI that if we don't see a drop quickly on Sunday the corn market should m and then $4.63. The weekly continuation chart below shows the stochs finally moving into tl area for the first time since January and it is our belief that the stochs will remain above 65 next 5 months. A move to or over $4.63 will be an area that will eventually produce a drop l $4.20-$4.18. We also continue to hold the uptrend line that's gives the bulls a reason to by b early sharp drop Sunday night could be negative to weekly prices.

MEAL
Dec meal has hit major resistance at the $303 level and retreated last week. Many of the ana putting bean yields well above the 44 bpa the USDA current is using. This is keeping a lid o now and little attention is being given to reports of SDS in IL and IA.

If we look at the monthly continuation chart of meal you will notice that the stochs are at 2 Sept is carrying a $7 premium to Dec and $8 to July 2011. If this premium to Sept continue next 3 weeks, as Sept goes off the board we will see a dip in the stochs and RSI that will brin indicators even lower. This will give us an entry point to purchase a portion of our meal nee 2011.

It’s been just over 2 years since the monthly stochs on meal have traded to or over 90%. Ty these market cycles will begin to turn at their latest point of 2 ½ years. Meal should build a base over the next 3 months and begin a long term move higher though most of 2011.

MILK

Milk is hanging in there very well as it retested the $15.27 level of the $15.22-$15.30 resistar that’s held the market down for the past 6 months. NFI believes that the milk market is bui for a sustained rally back toward the $18.80-$20.30 levels of longer term resistance.

NFI isn't real familiar with this but with live cattle futures now trading to $100 there is mo be made in selling cattle than raising cows for milk and some in the milk industry might tak advantage of this opportunity. Milk cow numbers still need to drop if there is going to be ar much higher milk prices that can be sustained. NFI is bullish on milk longer term but a dro toward the $14 level might be needed first to complete a bottom.

OTHER STUFF
DBO – NFI has already recommended buying the DBO at $23.40 on 30% that was filled sev months ago. A drop to a drop to $22.80 should be entered on the DBO to purchase another 2011 diesel needs. Crude should hold the $68-$70 PPB level.

WHEAT
NFI has written about this several times but wheat is beginning to consolidate for what we t possible move back toward the $8 in the next 3 months.

Not much else is showing up for farm investment ideas but we'll keep looking. Continue to on breaks to or below $5 if you don't own it already below $5.

Mark Prudhomme is commodity licensed as an IB and is a certified CTA. Mark was securities licensed for 15 years but surrendered his license in 2001 securities in this letter should be researched by the reader for future investment and not rely on Mark's opinion alone.