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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 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

August 2, 2009

CORN

Dec corn gained 22-¼ cent last week with help from the Dow Jones, a weaker US dollar and a very strong old crop bean market. August beans gained 92 ½ cents last week. Exports were also a helping factor as some of the worlds economies seem to be thinking that their own GDP's look stronger going forward. China's economy looks the strongest followed by India and then eastern Asia. The EIA also showed very strong ethanol use in the past quarter, which was helped by an increase in the reopening of many plants in the Midwest. Corn lost 17 /34 cents for the month of July and fined in the upper half of the months range.

Sunday night could be interesting with the chance to see a 4 week island gap if on Monday we open above $3.51 and don't trade lower. Island gaps are rare but sometimes very powerful chart indicators. I would guess if we see a high blocking ridge in Sunday afternoons weather comments we could see this gap become reality next week. It will be interesting to watch. Non-commercial funds bought 7,849 contracts last week to reduce their net short position to 12,553 contracts. A big move in corn is coming and the direction will hinge on whether the funds want to get real short or flip their position over to the long side. We should all follow the money next week.

From the technical side of things, a close in Dec corn above the gap at $3.57 would give indications that we've bottomed the short-term seasonal trends and a rally back to $3.77 and then $4.06 is possible. The weekly Dec chart below shows that with a good week we will break above the current 4-week bottom we've put in and a further rally should follow. I will caution however that if we fail early this week timing is such that we could pile through the $3.14 ¾ lows and measure out a new low near $2.80. This would correspond with my timing low of the third week of August to the first week of Sept. A lot will depend on what yield the USDA gives us on the 12th report.

MEAL
Meal had a big week up following the beans as the USDA announced on Thursday morning that China had purchased 70.5 million bushels of US beans. This took everyone by surprise and the bean and meal markets shot straight up. I had a feeling that meal was looking like a bottom but I didn't recommend buying meal needs hard enough. I hope you were able to buy a little something when I wrote about meal buying over the past several weeks. If not we will have to look at upping our price targets to get some done.

The top weekly MA on Dec meal sits at $303. As long as Dec closes below this level we have a chance to see Dec drop back into the low $280's. If you see this buy 25% of 2010 needs and buy another 25% if you see Dec in the low to mid $270's. I've said since the beginning of the year that the bean market would be the most bullish market of all commodities in 2009 and it's not disappointing me. A close in Dec meal above $303 would send the market to $323-$340. Watch this market closely.

MILK
After digesting the numbers from the USDA last week with fewer dairy cattle having been slaughtered, we saw milk prices retreat sharply from $14.57 to $Friday's close of $13.80. We cam very close to the $15 retracement level I've been showing you on the weekly Dec charts but couldn't quite print it.

With the new information, we can look at the Dec weekly milk chart and see that there will be support on the lows at $13.15 and the sellers will hang out from $14.65-$15.00 for now. The monthly stochs are creating a W formation (Bullish) that past history shows is a very strong bottoming signal. That's not to say we will send prices straight up in the near future but a longer-term bottom looks to be forming. Until se can see reductions in herd size it's not likely we will see further big gains in price. There's a lot of inventory to work through and we need to see some of the people who've lost their jobs going back to work. Pizza sales, for one, are down significantly in 2009 as is milk consumption across most major countries. The odds are high that until we see some changes in the fundamentals, milk will stay in a range of $16-$10 for the next 6 months or so or until we see housing and job creation changes here in the US.

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