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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 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

July 11, 2010

CORN

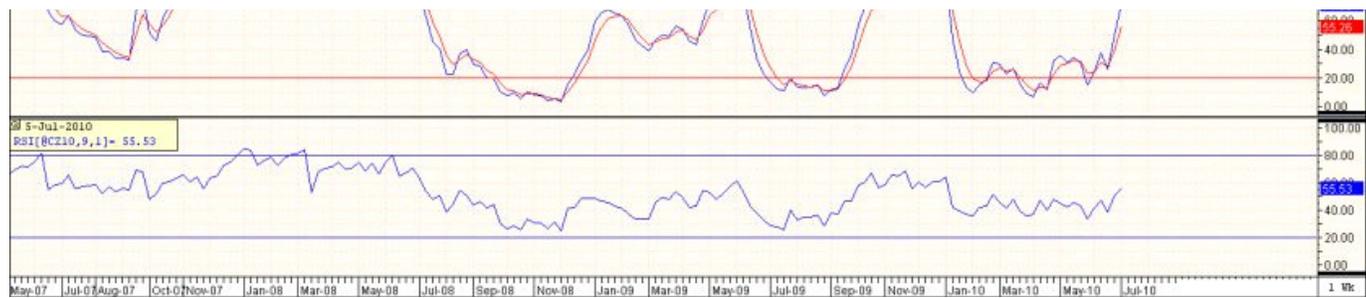
Corn closed 11 ¼ cents higher on the week but couldn't take out the long-term resistance at \$3.82 basis July. July futures will go of the board on Friday at noon and we will have to see if Sept is trading over this major resistance on Friday. Right now it doesn't look like we have the timing to hold a rally above this level but we will see. The 200 mbu drop in US carryout was expected but the trade and we closed down a penny or so on Friday. This news was baked into the market already so it will take weather to move us higher until next month's report. If the demand numbers hold steady in the months to come we will need to see a yield increase of 4 bpa to 167.5 for carryout to exceed 1.700 billion and take Dec corn back to the \$3.43 level. Those analysts predicting a carryout of over 2.100 billion and prices to fall to \$3.00 or lower should not be heard from the rest of the year.

An Important thing to watch going forward will be what happens to the stock market. Commodities are now an extremely large part of most investor's portfolio's and money managers move clients cash in and out of the commodity markets with ease. NFI's call of a bottom in the S&P at 1017 looks good right now but a break of the 995 level will send stocks and commodities reeling downward and a loss of 800 points looks very possible. There is also a chance that NFI's call for a bottom could hold and this would have a positive effect on all commodities with new money coming in. Watch the S& P closely. At the moment the S&P is at 10.62 with good resistance at 10.72 and then 1100.

The weekly chart of Dec corn shows us two things. First we have plenty of bull timing on the stochs and RSI and second, the rally will take longer to top out than usual. If you look at the length of time we traded the weekly stochs below 30% we spent the better part of 6 months doing so. With the close on the weekly studies above the weekly MA's we should see an up and down market with a slow moving market making new highs over the next 4-5 weeks.

NFI's projection in Dec corn in the next 4-5 weeks has two resistance levels, \$4.10 and \$4.23 should be areas that are very tough to get through. Of course if the rains continue to come or the rain shuts off entirely, which doesn't look very likely right now, a weather rally could take us as high as \$4.55-\$4.70 but don't hold your breath on this one.





MEAL

July meal had another big week last week by gaining \$19 and closing above the \$313 Fib retracement level. Meal also closed above the top weekly BB which should create a very quick selling opportunity. It may take another week to form a top but meal will pull back toward the \$300 level in the days ahead.

Dec meal followed suit by closing above the weekly top BB but a solid bottom looks to have been put in. This rally in beans, meal and bean oil were a surprise to the market as the reports from the USDA that we've seen over the past two weeks have not been what most would consider bullish. New crop carryout in beans remains high at 360 mbu and world stocks have continued to increase over the past 4 monthly reports. It looks like the market was caught way to short and it's those shorts that are caught with what now looks to be some very large trading losses. NFI contributes this last rally to a short squeeze in the meal market.

The weekly Dec meal chart below shows we have plenty of bull timing left to get through before a more meaningful sell off will occur. A rally in Dec meal to the \$290 would eliminate the bull timing and set the market up for a timing top that should take meal back to the \$266 measurement level. Unless we see a weather pattern change to hot and dry the meal market is going to retrace a good portion of the rally we've seen in the past two weeks.

MILK

Oct milk futures rallied to \$15.04 last week but closed in poor fashion as we approached the major resistance NFI discussed last week at \$15.20. The base that is built in the lower \$14 cent area looks to be solid but the resistance is just as large which will continue to keep milk prices in a sideways trading pattern for the next several weeks. One thing that is developing is the timing on the monthly studies. The monthly stochs are at 28 and 29 with an RSI of 31. This is the lowest monthly reading the milk market has seen since the end of 2009. We know that little has changed fundamentally with too much production both here in the US and worldwide as well but things change with time and markets will only stay low for so long before a price reversal is seen.

From a price point of view the Oct market needs to see a price rally above the \$15.50 level to leave a bottom of 6 months in the market. Such a close would put pressure on the shorts and a steady bull market would present itself. Fundamentals don't support such an event but chart timing has more power than what many would like to give it.

In the weeks ahead NFI projects a trading range between \$15.30 and \$13.87 basis Oct futures. If the market can retest the lows and hold above \$14 then a 5 week base would be formed and those short the market will reconsider their positions. NFI expects a breakout to high prices by the end of the third quarter for a move closer to \$18.

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