

## Ag Risk Managers Insurance Agency, LLC

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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

July 18, 2010

### CORN RECENT WEATHER FORECAST -

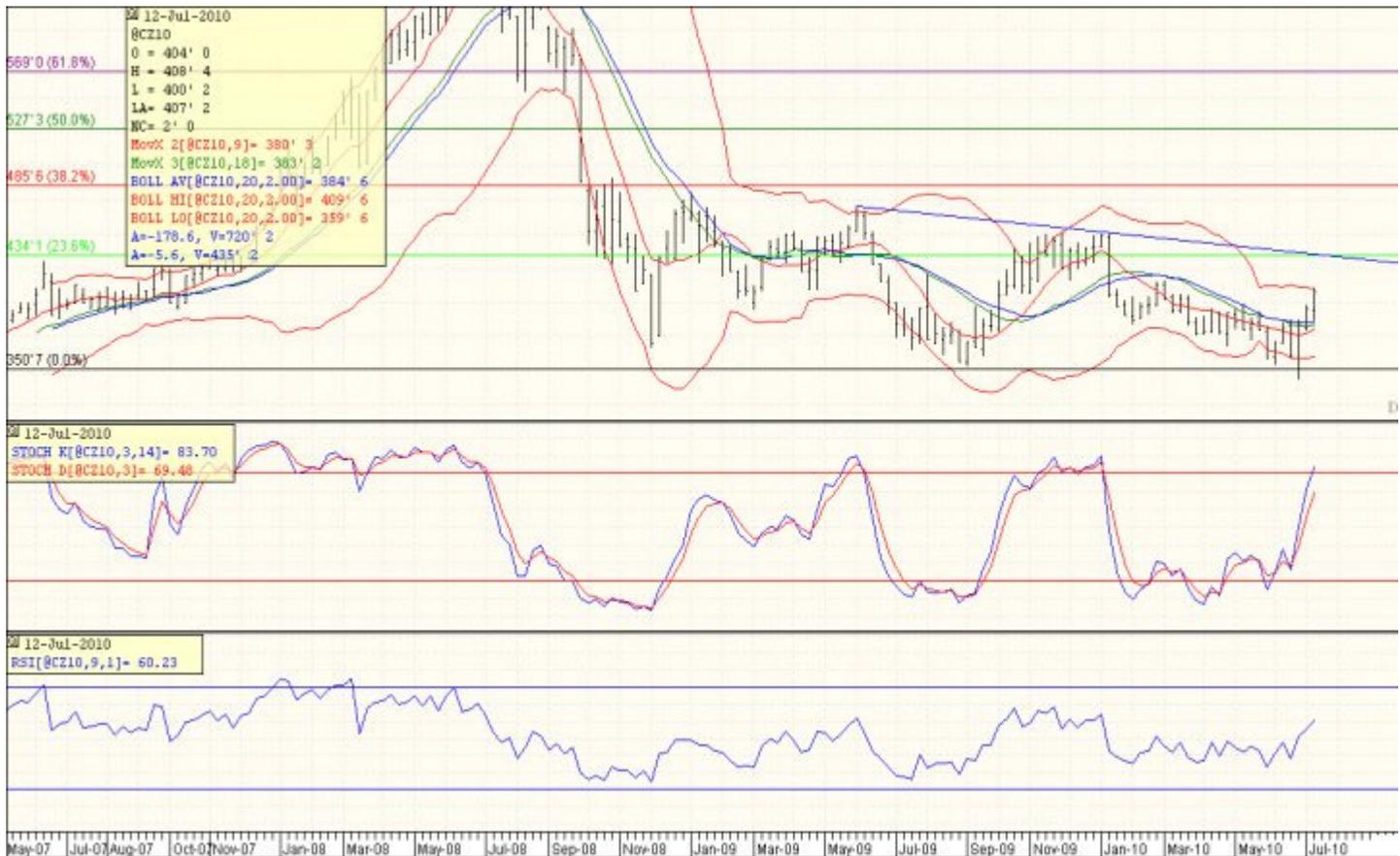
The forecast has added rainfall to the Plains and Midwest in the extended solution and is cooler r Thursday's release. Widespread precip is still projected across the Midwest, Delta and Southeast next week, with a drier and still-warm pattern to be established next Wed-Sat. Normal precip rest July 24 and temps will be warm but not threatening. Precip will impact the southern Midwest and overnight and will linger aloft the Northern Plains and central Midwest this weekend. Another ev scheduled Mon/Tues across the northern and eastern Midwest, with some light totals possible acr and Central Plains. Five-day cumulative precip is unchanged and will exist in a range of .50-1.25 MN, IA, WI and, separately, AR, MS, IN and OH. High temps have cooled relative to Thursday ; mostly in the high 80s through early next week. High pressure will be sustained aloft the Western the Corn Belt absent of any threatening heat.

**Dec corn gained 12 cents last week as funds continue to buy and shorts continue to cover th For the first time in 2 years there is a reason to be bullish the corn market. The last time the stochs registered a stoch of 80% was July 2008 which makes a full market cycle when looki length of time it takes for the monthly stochs to go from 80 to 20 and back to 80. With carry dropped from 1.900 billion bushels in April to the current 1.373 billion last week and the cr same record yielding condition it was last year we've seen a 67 cent rally in the market.**

**More importantly, the lead month of Sept (On the continuation chart) has moved through a above the long-term resistance of \$3.77-\$3.82 which should now be solid support for the Sep**

**NFI wants you illustrate what the close above the major resistance means to the market and this market should find support on breaks. If you look at the weekly Dec corn chart below v to first notice the length of time the corn market bottom on the stochs in the July 2009 time reading took 2 months to form. The market then rallied and formed a stoch top from Nov 1**

Jan 4th or about 2 months before falling again. Now look at the bottom in the stochs that to from Feb 2010 through June with the lead stoch never trading above 35% and bottoming a: The 4 months it took to bottom the timing should reverse itself and the corn market should next 3-4 months trading in a range of 60% to 94%. This should give Dec corn prices a chan a range of \$3.70 to \$4.34 based solely on timing. If the weather changes a more solid sell off place.



Of course we will see weather forecasts change multiple times a day and volatility we once a very volatile. The \$4.10 level is major Fib number and was also this week's high and if broke see a rally to \$4.23. The top weekly BB is also going to be at \$4.10 on Monday so this is a vel level for the bears. If \$4.10 holds as resistance through Tuesday, NFI expects the market to toward the week's low of \$3.86.

As mentioned months ago, NFI's research showed that the year following a record yield year in 2009, yields have dropped 4-15 bpa. With this year's field surveys that we've seen from p viewers not coming even close to what we saw last year, NFI highly doubts that yields can si current 163 ½ that the USDA shows on their supply/demand balance sheet. With normal we year carryout should stay in a range of 1.200 billion if yields drop 1 bpa and a high of 1.590 USDA would cut exports and ethanol demand for the balance of the 2010 production year. ] bottom of \$3.46 could have been the low for the year.

## MEAL

Even with a continued bearish carryout in new crop beans the new crop bean market and has experienced a solid rally over the past two weeks. Demand has rebounded as interest in increased with the recent rally. A close at \$290 puts us \$13 short of the spike top of \$303 we We closed above the top weekly BB which typically is a signal that a correction top will forr week or so. It is not advised to chase the meal market for purchase.

The weekly Dec meal chart is giving a negative sell signal with the market not only above th BB but we also not that the top BB is turning up and the bottom BB is now turning down. A readings is also a negative short term signal and a sharp drop in Dec meal prices should occ relatively short order. One thing that is keep the sellers at bay is the NOAA issued a long te outlook for above normal temps and below normal rainfall for the month of August which i month in which beans are made.



Look for resistance in Dec meal as e approach the \$300-\$303 level but good support is now \$271-\$263.

## MILK

October milk futures rallied back toward the resistance point last week with a high of \$15.0 at \$14.86. The resistance at \$15.30 is going to be tough to get through as it's been the high o since Feb and we've tested this level on 7 different weeks. Monthly MA's are at \$15.23 and do have plenty of bull timing on the studies. More base building has to be seen before the m

**make an assault on the \$15.30 mark but our technical research suggest that milk will perform better as the year progresses.**

**On a measurement basis, if we can back milk up to the mid to lower \$14 area and hold it for a move in Oct to \$16.00-\$16.30 is very possible and likely. Still in order to turn the milk market need a change either in the fundamentals or a show of world economic strength. It's been many months that a turn in world economies should begin to occur by the end of the third quarter is coming on fast. If unemployment can make a turn, \$18 is definitely achievable.**

## **OTHER THINGS**

**S&P – From NFI's bottom of 1017 on the S&P last week we saw a rally to 1100. The 1125 level is a major resistance and we saw the Dow drop sharply on Friday after the S&P hit just over 1100. The market looks trapped between 1017 and 1125 for now.**

**US DOLLAR – Last week we wrote that the dollar (85.30) could drop to 81.50 and we are at that level quickly. We should see the market bottom in this area and make a move back toward a top should form for a deeper drop to 76.**

**GOLD – NFI was all wrong about Gold. It rallied back over \$1200/oz when we thought it should move toward \$1115/oz.**

**CRUDE OIL – Looks like it is going nowhere.**

**WHEAT – Three weeks ago NFI wrote about a major wheat bottom coming but the explosion came much faster than thought and wheat has rallied \$1.60 a bushel. No buy there anymore.**

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