



"For **SMART** Management"

February 17, 2014 Vol. 2, Issue 7

MARGINSMART®
1600 W. Shawano Ave. Suite 201
Green Bay, WI 54303

TOLL FREE 877-474-7589

MARGINSMART® Sample Farm Profitability Changes From Last Week

	Feb. '14	Mar. '14	Apr. '14	May '14	June '14	July '14	Aug. '14	Sep. '14	Oct. '14	Nov. '14	Dec. '14	Jan. '15
Change From Prior Week	+0.18	+0.32	+0.42	+0.35	+0.31	+0.09	+0.03	-0.07	+0.07	+0.01	+0.07	+0.03

Welcome to MARGINSMART®

The weekly newsletter will keep you up-to-date on various topics such as market news, upcoming events, and getting the most out of MARGINSMART®.

MARGINSMART® Tip of the Week

This week we will again visit the Agricultural Act of 2014; aka the "Farm Bill" and the margin computations.

The Farm Bill speaks of "actual dairy production margin" which is the difference between the all-milk price and the average feed cost. The "all-milk" price is the average price received per cwt of milk by dairy operations sold to dealers and plants in the US. The "average feed cost" is the average cost of feed used by a dairy operation to produce a cwt of milk. The sum is computed as follows:

- 1.0728 multiplied to corn price/bushel
- .00735 multiplied to soybean meal price/ton
- .0137 multiplied to alfalfa hay price/ton

All-milk, corn, and alfalfa hay prices are determined as reported in USDA's monthly Agricultural Prices report. SBM is determined by the Central Illinois prices reported in the Market News-Monthly SBM Price report. See pages 2-3 for the 2012 and 2013 calculations.

Market News

Milk: Class III and Class IV prices rebounded last week from the prior week as seen below. Analysts forecast futures prices to remain strong through May. Domestic cheese sales have declined while exports remain strong.

Market News (Continued)

Crop: The USDA released its *World Agricultural Supply and Demand Estimates* on February 10th. The projected ending corn stock estimates were reduced to 1.5B bushel from 1.6B estimated in January. Export estimates were increased to 1.6B bushels from 1.45B bushels in January. Feed use and ethanol usage estimates remained the same. The main points to take away is even though exports have increased and ending stocks have been reduced, this is still some of the highest stocks on record and prices are expected to remain fairly stable.

Please see the USDA actual dairy production margin computations for 2012 and 2013 on Pages 2 & 3.

MARGINSMART® Insight

MARGINSMART® gives you the tools to be able to make sound decisions for YOUR dairy including decisions related to the "Margin Protection Program" of the new "Farm Bill"!

Visit us on the Web at:

www.marginsmart.com

www.facebook.com/MarginSmart

Market Update (As of 2/14/2014 Close)

	Feb. '14	+/-*	Mar. '14	+/-*	Apr. '14	+/-*	May '14	+/-*	Jul. '14	+/-*	Sep. '14	+/-*	New Crop 14'	+/-*
Class III Milk	23.14	+0.19	21.04	+0.34	19.87	+0.41	19.23	+0.39	18.81	+0.01	18.54	-0.06	17.80**	+0.06
Class IV Milk	23.35	+0.17	23.00	+0.41	22.13	+0.36	21.30	+0.37	20.31	+0.12	19.66	+0.16	18.74**	+0.04
Corn			4.45	+0.01			4.51	+0.02	4.55	+0.00	4.56	-0.01	4.60**	+0.01
Soybeans			13.37	+0.05			13.25	+0.08	13.07	+0.09	11.80	+0.05	11.30**	+0.10
Soybean Meal			450	+3			432	+2	421	+2	380	+1	353**	+3

*Change from the Previous Week Price

**New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)

Copyright © 2014 Dairy Analyzer, LLC. All rights reserved.

2013 U.S. Dairy Milk Margins

	2013 Monthly Prices			
	Milk	Corn	SBM	Alfalfa
January	19.90	6.96	431.39	217.00
February	19.50	7.04	440.66	218.00
March	19.10	7.13	437.33	219.00
April	19.50	6.97	422.07	215.00
May	19.70	6.97	465.72	221.00
June	19.50	6.97	496.78	220.00
July	19.00	6.79	544.59	209.00
August	19.50	6.21	464.90	200.00
September	20.10	5.40	500.39	194.00
October	20.70	4.61	443.63	193.00
November	21.60	4.35	451.13	188.00
December	22.00	4.41	498.31	187.00

Premiums

< 4,000,000 lbs		> 4,000,000 lbs	
Coverage Level	Premium Per Cwt	Coverage Level	Premium Per Cwt
\$ 4.00	\$ -	\$ 4.00	\$ -
\$ 4.50	\$ 0.010	\$ 4.50	\$ 0.020
\$ 5.00	\$ 0.025	\$ 5.00	\$ 0.040
\$ 5.50	\$ 0.040	\$ 5.50	\$ 0.100
\$ 6.00	\$ 0.055	\$ 6.00	\$ 0.155
\$ 6.50	\$ 0.090	\$ 6.50	\$ 0.290
\$ 7.00	\$ 0.217	\$ 7.00	\$ 0.830
\$ 7.50	\$ 0.300	\$ 7.50	\$ 1.060
\$ 8.00	\$ 0.475	\$ 8.00	\$ 1.360

	<u>Milk</u>	<u>Corn</u>	<u>SBM</u>	<u>Alfalfa</u>	<u>Total Feed Cost</u>	<u>Monthly Milk Margin</u>	<u>2-Month Margin</u>
January	19.90	7.47	3.17	2.97	13.61	\$ 6.29	
February	19.50	7.55	3.24	2.99	13.78	\$ 5.72	\$ 6.01
March	19.10	7.65	3.21	3.00	13.86	\$ 5.24	
April	19.50	7.48	3.10	2.95	13.53	\$ 5.97	\$ 5.61
May	19.70	7.48	3.42	3.03	13.93	\$ 5.77	
June	19.50	7.48	3.65	3.01	14.14	\$ 5.36	\$ 5.56
July	19.00	7.28	4.00	2.86	14.15	\$ 4.85	
August	19.50	6.66	3.42	2.74	12.82	\$ 6.68	\$ 5.77
September	20.10	5.79	3.68	2.66	12.13	\$ 7.97	
October	20.70	4.95	3.26	2.64	10.85	\$ 9.85	\$ 8.91
November	21.60	4.67	3.32	2.58	10.56	\$ 11.04	
December	22.00	4.73	3.66	2.56	10.96	\$ 11.04	\$ 11.04

The Farm Bill requires that the 2 Month Margin Average will be used to calculate any actual payouts based on the insurance level protected by the dairyman, so those have been highlighted in yellow.

2012 U.S. Dairy Milk Margins

	2012 Monthly Prices			
	Milk	Corn	SBM	Alfalfa
January	19.00	6.07	310.65	192.00
February	17.70	6.28	330.37	198.00
March	17.20	6.35	365.95	201.00
April	16.80	6.37	394.29	207.00
May	16.20	6.33	415.17	215.00
June	16.20	6.37	422.59	201.00
July	16.90	7.14	515.82	198.00
August	18.10	7.63	564.69	203.00
September	19.60	6.89	529.37	205.00
October	21.50	6.77	488.46	212.00
November	22.00	7.02	466.16	215.00
December	20.90	6.87	466.16	217.00

Premiums

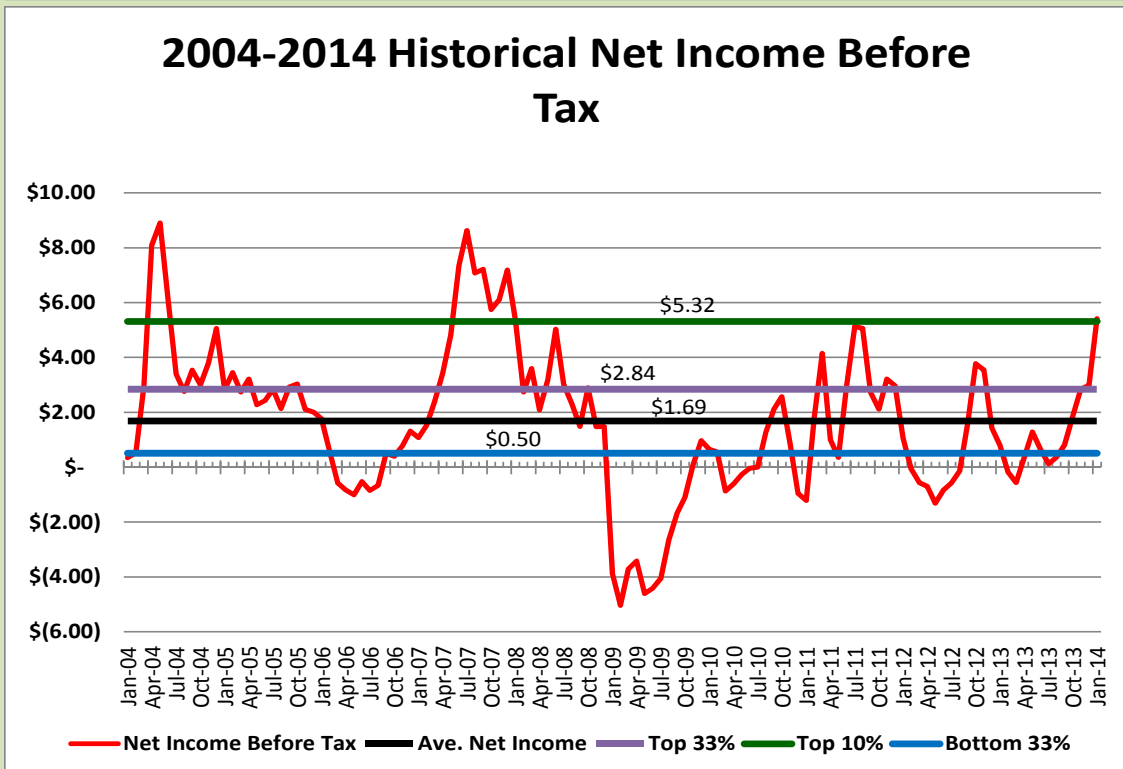
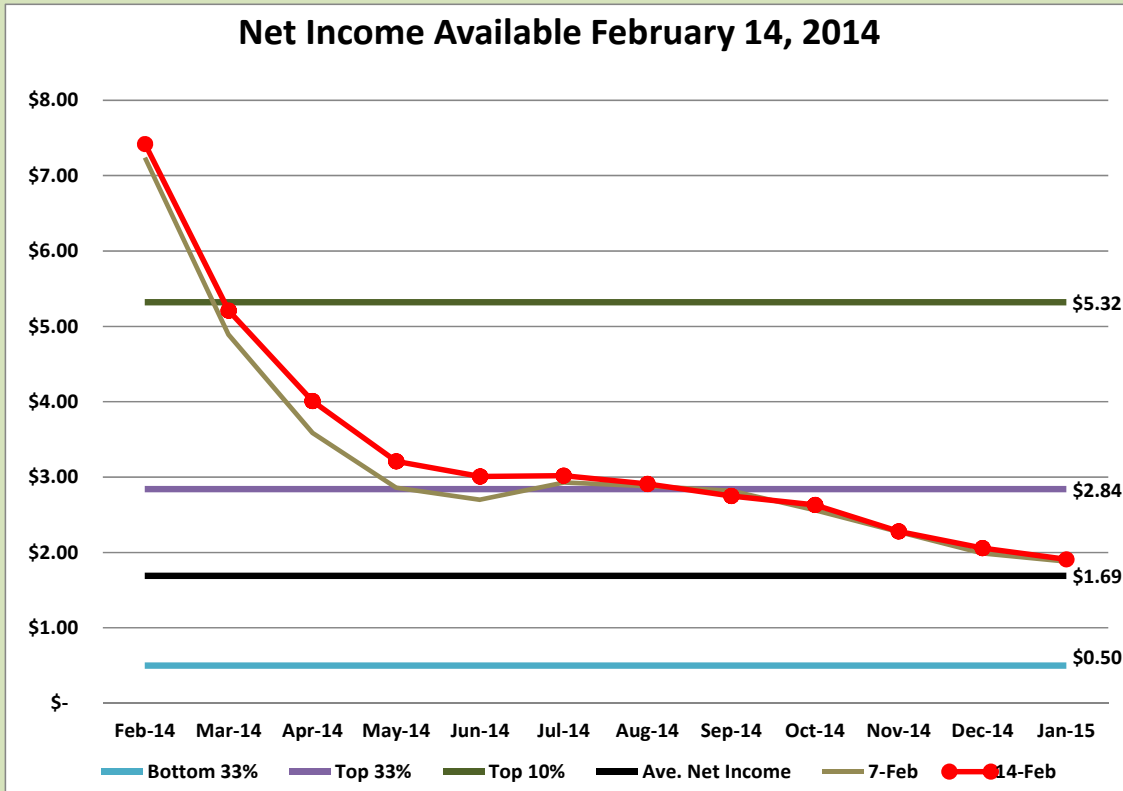
< 4,000,000 lbs		> 4,000,000 lbs	
Coverage Level	Premium Per Cwt	Coverage Level	Premium Per Cwt
\$ 4.00	\$ -	\$ 4.00	\$ -
\$ 4.50	\$ 0.010	\$ 4.50	\$ 0.020
\$ 5.00	\$ 0.025	\$ 5.00	\$ 0.040
\$ 5.50	\$ 0.040	\$ 5.50	\$ 0.100
\$ 6.00	\$ 0.055	\$ 6.00	\$ 0.155
\$ 6.50	\$ 0.090	\$ 6.50	\$ 0.290
\$ 7.00	\$ 0.217	\$ 7.00	\$ 0.830
\$ 7.50	\$ 0.300	\$ 7.50	\$ 1.060
\$ 8.00	\$ 0.475	\$ 8.00	\$ 1.360

	<u>Milk</u>	<u>Corn</u>	<u>SBM</u>	<u>Alfalfa</u>	<u>Total Feed Cost</u>	<u>Monthly Milk Margin</u>	<u>2-Month Margin</u>
January	19.00	6.51	2.28	2.63	11.43	\$ 7.57	
February	17.70	6.74	2.43	2.71	11.88	\$ 5.82	\$ 6.70
March	17.20	6.81	2.69	2.75	12.26	\$ 4.94	
April	16.80	6.83	2.90	2.84	12.57	\$ 4.23	\$ 4.59
May	16.20	6.79	3.05	2.95	12.79	\$ 3.41	
June	16.20	6.83	3.11	2.75	12.69	\$ 3.51	\$ 3.46
July	16.90	7.66	3.79	2.71	14.16	\$ 2.74	
August	18.10	8.19	4.15	2.78	15.12	\$ 2.98	\$ 2.86
September	19.60	7.39	3.89	2.81	14.09	\$ 5.51	
October	21.50	7.26	3.59	2.90	13.76	\$ 7.74	\$ 6.63
November	22.00	7.53	3.43	2.95	13.90	\$ 8.10	
December	20.90	7.37	3.43	2.97	13.77	\$ 7.13	\$ 7.61

The Farm Bill requires that the 2 Month Margin Average will be used to calculate any actual payouts based on the insurance level protected by the dairyman, so those have been highlighted in yellow. Every 2 month period of 2012 was under the \$8.00 per cwt. maximum.



MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and an 85 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based on 100% market prices for milk and feed, and full operating activities. We also calculated the past 10 years results (with adj. milk / day) and show the projected actual and various percentile averages on the charts below.





MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and an 85 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. We calculated the past 10 year's results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 10 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 10 years. The charts below are a breakdown of the information in the historical graph above.

Historical Yearly Average Net Income Before Tax

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95

Historical Quarterly Average Net Income Before Tax

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2004	1.27	7.70	3.22	3.95
2005	3.01	2.64	2.64	2.38
2006	0.58	-0.79	-0.34	0.83
2007	1.66	5.19	7.64	6.34
2008	3.90	3.43	2.27	1.95
2009	-4.22	-4.15	-2.79	-0.01
2010	0.11	-0.30	1.13	0.82
2011	1.58	1.42	4.30	2.76
2012	0.15	-0.95	0.30	2.92
2013	0.02	0.77	0.43	2.57