



"For SMART Management"

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MARGINSMART®
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MARGINSMART® Sample Farm Profitability Changes From Last Week

	Jan. '14	Feb. '14	Mar. '14	Apr. '14	May '14	June '14	July '14	Aug. '14	Sep. '14	Oct. '14	Nov. '14	Dec. '14
Change From Prior Week	+06	+65	+95	+59	+13	+13	+24	+27	+17	+09	+13	+09

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 "Market" Tab in MARGINSMART® and cover basis levels for the feed commodities. Feed prices have been rather volatile the last few months which means basis levels have likely changed. It is very important to keep your basis levels updated to get the optimal information for your operation from MARGINSMART®. To change your feed commodity basis go to the "Market" tab in MARGINSMART®. Go to the "Basis Levels" portion of the tab and double-click the commodity you would like to change. Enter your updated numbers then click "OK" and "Save" when finished. Contact us with questions or if you would like us to make changes.

Market News

Milk: The USDA released its annual "Milk Cost of Production Estimates" for 2013 on 1/30/2014 for all herd sizes. The highlights are yearly averages per cwt.

- Total costs \$26.35 up from \$25.65 in '12
- Total operating costs \$17.78 up 35 cents from '12
- Total feed costs \$14.53 up from \$14.26 in '12

Let MARGINSMART® help you identify YOUR specific feed and overall costs.

Market News (Continued)

Cows: The USDA released its "Cattle" report on 1/31/2014. Highlights are in reference to 2013:

- 87.7M all cattle and calves in US; down 2%
- 29M beef cows; down 1%
- 5.5M beef replacement heifers; up 2%
- 9.2M milk cows; unchanged
- 4.5M milk replacement heifers; unchanged

These numbers reiterate last weeks "Beef Cattle on Feed Report" indicating cull cow prices should remain strong and may impact corn feed usage at beef feedlot levels.

**MILK MARGINS
AND PROFITABILITY REMAINED
STRONG OVER THE PAST WEEK**

MARGINSMART® Insight

Milk Futures prices have remained strong along with Feedstuff prices remaining fairly steady (see separate sheet). CHECK YOUR OPPORTUNITIES before the possibility of a significant decline.

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Market Update (As of 1/31/2014 Close)

	Jan. '14	+/-*	Feb. '14	+/-*	Mar. '14	+/-*	May '14	+/-*	Jul. '14	+/-*	Sep. '14	+/-*	New Crop 14'	+/-*
Class III Milk	21.12	+07	23.11	+66	21.47	+1.00	19.20	+14	18.73	+26	18.46	+17	17.70**	+08
Class IV Milk	22.23	-02	23.26	+05	23.11	+07	21.62	+22	20.79	+34	20.15	+20	19.09**	+11
Corn					4.34	+05	4.39	+03	4.44	+03	4.46	+02	4.50**	+01
Soybeans					12.83	-02	12.68	-02	12.52	-06	11.44	-08	11.04**	-05
Soybean Meal					426	+0	411	+1	401	-1	368	-3	344**	-2

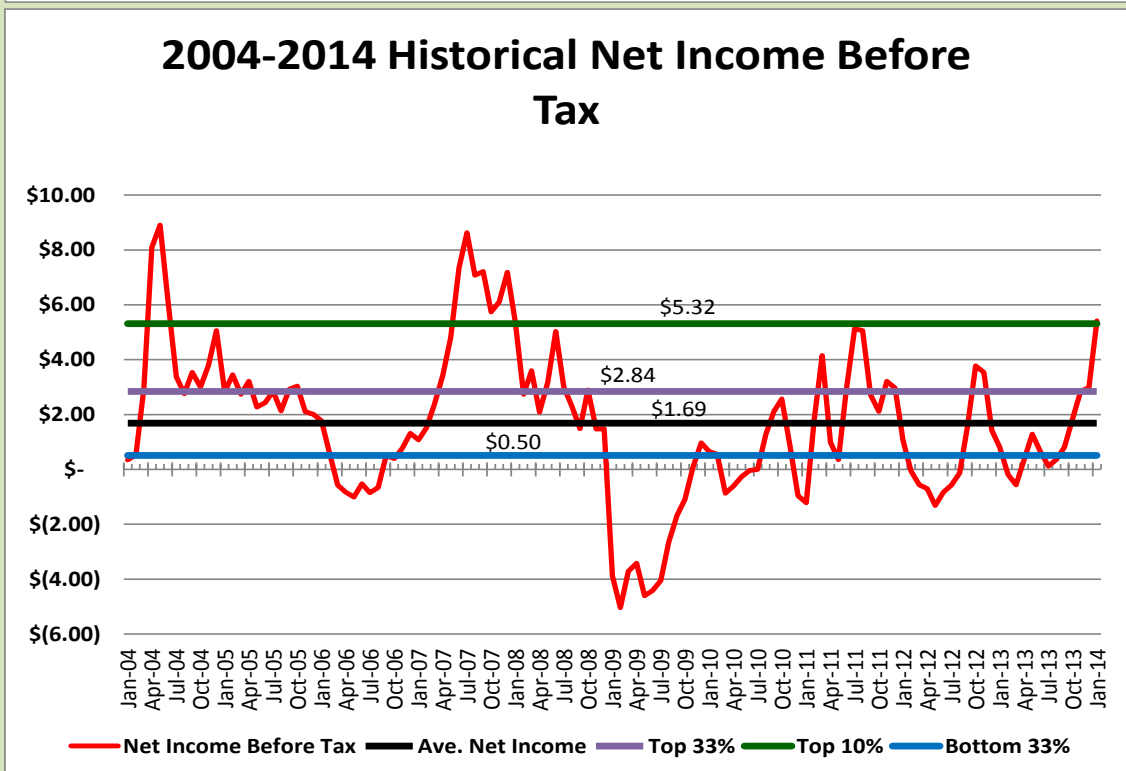
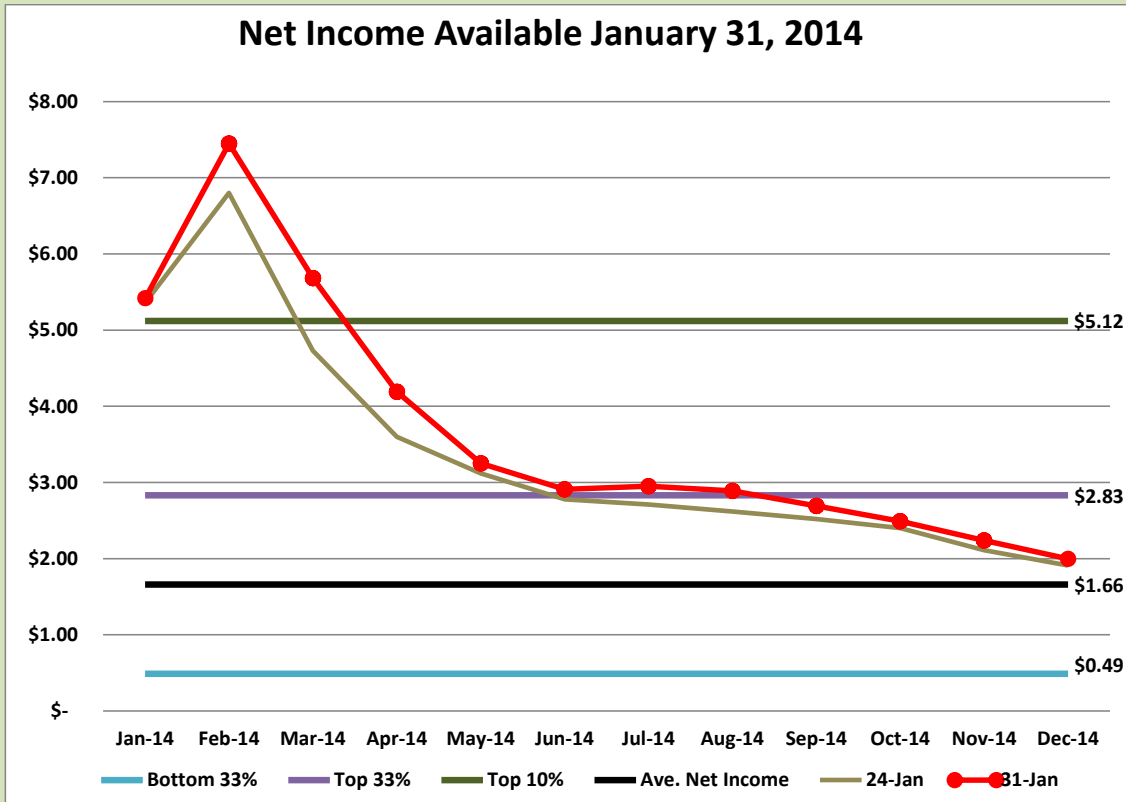
*Change from the Previous Week Price

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

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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 9 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