



"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	+0.10	+0.48	+0.01	-0.11	+0.04	+0.02	+0.13	+0.10	+0.07	+0.09	-0.04	-0.13

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 visit the "Market" Tab in MARGINSMART®. As the temperatures and wind chills outside indicate, we are deep into January. This also means that you have received your final milk check for 2013. With that, now is a great opportunity to review your milk basis for the past year. With a full year of statements current milk basis numbers can be compared to your basis entered into Class III and/or Class IV basis levels within MARGINSMART®. If changes need to be made simply double-click on the basis you wish to change and the boxes will open. Type in the correct figures, click "OK", and click "Save" to complete. If you have questions or would like us to review your milk basis levels please contact us.

Market News

Milk: The USDA released the December 2013 Milk Production report. Production in the 23 major states totaled 15.7B lbs. up slightly from Dec. 2012. Average production per cow was 1,846 lbs. down 1 lb. from Dec 2012. Number of milk cows was 8.5B head, 6,000 more than Dec. 2012 and 1,000 more than Nov. 2013. November production revised to 14.9B lbs.

Market News (Continued)

Cows: The USDA released its monthly "Beef Cattle on Feed" report on 1/24/2014. Highlights:

- 10.6M hd on 1/1/2014 – 5% below 1/1/2013
- Dec. '13 placements 1.68M hd +1% from '12
- Dec. '13 marketing of fed cattle 1.74M head – 1% below Dec. '12

Major takeaways – more beef cows and heifers are being retained to rebuild the beef herd. Therefore, cull cow prices should remain strong. Additionally, this may impact corn feed usage at beef feedlot levels.

**MILK MARGINS
AND PROFITABILITY LEVELED
OFF OVER THE PAST WEEK**

MARGINSMART® Insight

Milk Futures prices have leveled off and in some cases dropped slightly 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 1/24/2014 Close)

	Jan. '14	+/-*	Feb. '14	+/-*	Mar. '14	+/-*	May '14	+/-*	Jul. '14	+/-*	Sep. '14	+/-*	New Crop 14'	+/-*
Class III Milk	21.05	+0.11	22.45	+0.53	20.47	-0.02	19.06	+0.07	18.47	+0.07	18.29	+0.09	17.62**	-0.13
Class IV Milk	22.25	+0.05	23.21	-0.03	23.04	-0.15	21.40	-0.24	20.45	+0.30	19.95	+0.35	18.98**	+0.38
Corn					4.29	+0.05	4.36	+0.04	4.41	+0.03	4.44	+0.01	4.49	+0.00
Soybeans					12.85	-0.31	12.70	-0.27	12.58	-0.24	11.52	-0.19	11.09**	-0.16
Soybean Meal					426	-9	410	-11	402	-10	371	-8	346**	-6

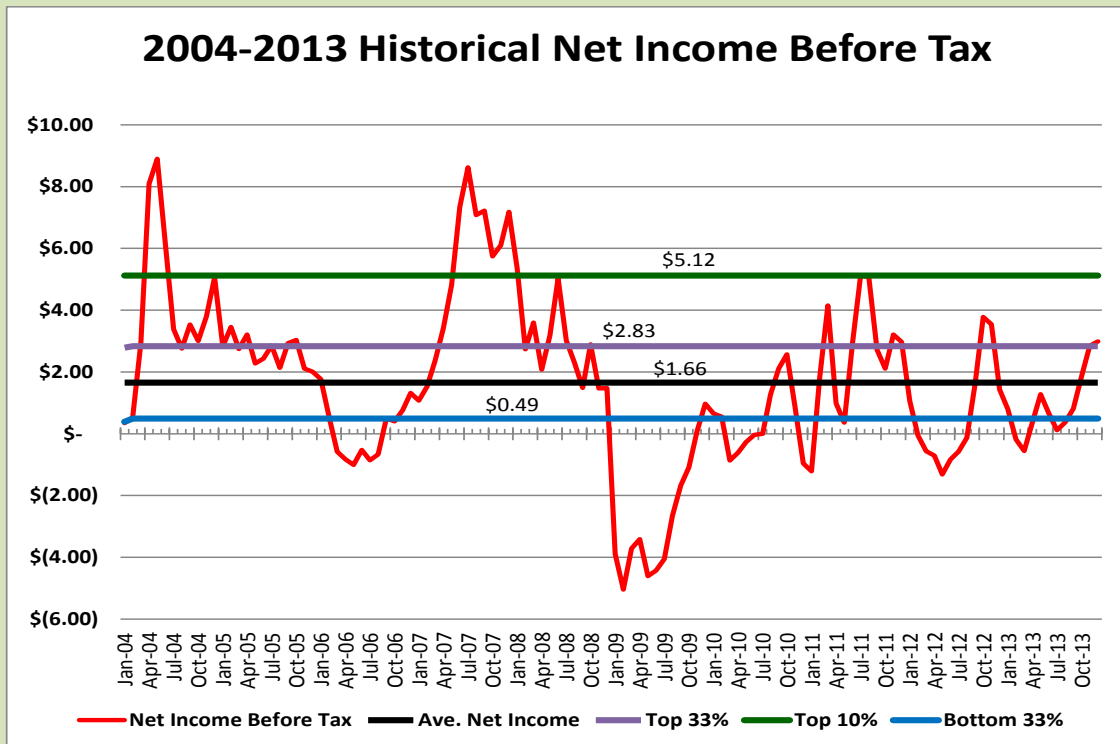
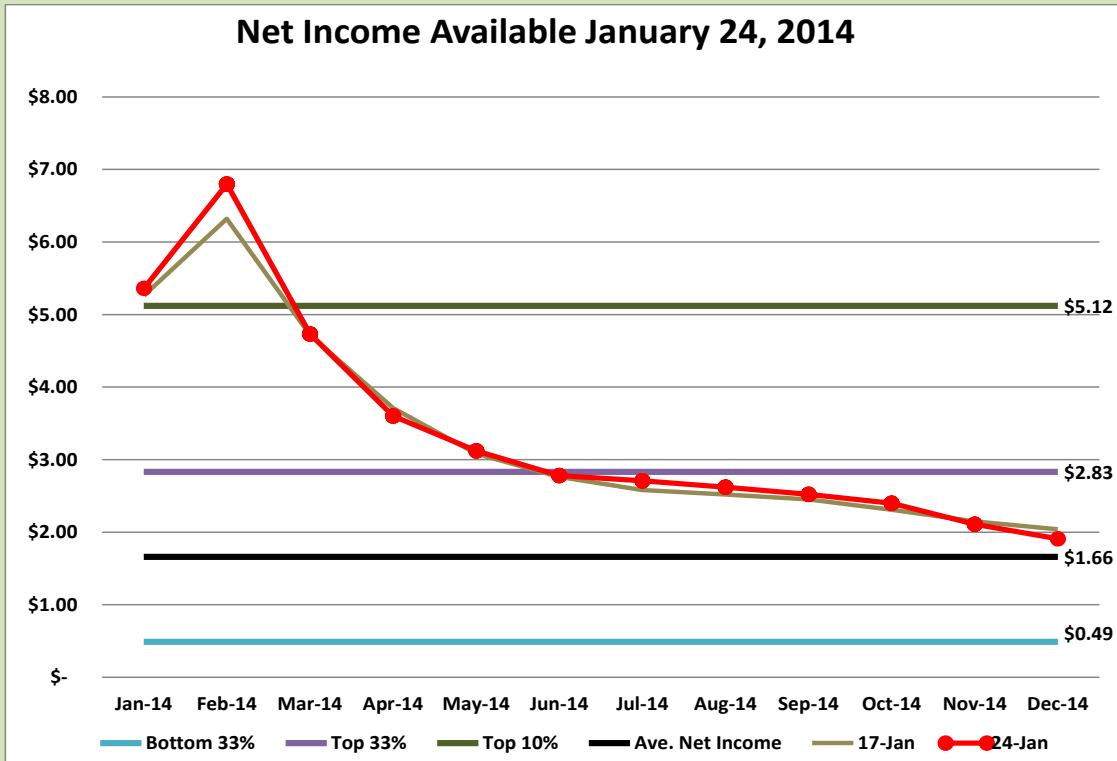
*Change from the Previous Week Price

**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