



# "For **SMART** Management"

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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	+0.02	+0.73	+0.99	+0.81	+0.65	+0.46	+0.35	+0.29	+0.23	+0.30	+0.17	+0.08

### 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 margins that pertain to the Margin Protection Program within the Farm Bill will be computed on a 2 month basis. The all milk, corn, soybean meal, and alfalfa prices are identified monthly and are then calculated into the 2 month "All US" milk margin amount. The premium level that a producer purchased is then compared to the milk margin. If the USDA calculated milk margin is lower than the premium level insured, the producer will receive the difference between the premium level insured and the margin amount less the premium. If the milk margin is above the premium level insured the producer will receive no payment. See pages 2-3 for what the 2012 and 2013 calculations would have been under this program.

### Market News

**Milk:** Analysts are reporting milk production in New Zealand is on the increase. Production was up 8.1% in Dec. 13 from the previous year. Production in the last 6 months of 2013 was up 5.4% over same time in 2012. This could affect US milk exports in the world markets. Keep an eye on this into 2014.

### Market News (Continued)

**Crop:** The USDA held an Agricultural Outlook Forum in Washington D.C. last week. Highlights:

- Projected 2014 corn planting of 92M acres compared to 95.4M in 2013
- Projected 2014 soybean planting of 79.5M acres compared to 76.5M in 2013
- Projected corn prices to fall to \$3.90 for the next marketing season.

Actual planted acres will ultimately determine if these projections are accurate. There could be price volatility if actual plantings vary from these projections.

Please see the USDA actual dairy net 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](http://www.marginsmart.com)

[www.facebook.com/MarginSmart](http://www.facebook.com/MarginSmart)

### Market Update (As of 2/21/2014 Close)

	Feb. '14	+/-*	Mar. '14	+/-*	Apr. '14	+/-*	May '14	+/-*	Jul. '14	+/-*	Sep. '14	+/-*	New Crop 14'	+/-*
Class III Milk	23.19	+0.05	21.79	+0.75	20.90	+1.03	20.01	+0.78	19.38	+0.57	18.86	+0.32	18.00**	+0.20
Class IV Milk	23.50	+0.15	23.20	+0.20	22.80	+0.67	22.16	+0.86	21.32	+1.01	20.52	+0.86	19.26**	+0.52
Corn			4.53	+0.08			4.59	+0.08	4.63	+0.08	4.61	+0.05	4.64**	+0.04
Soybeans			13.71	+0.34			13.60	+0.35	13.45	+0.38	12.15	+0.35	11.54**	+0.24
Soybean Meal			456	+6			440	+8	428	+7	387	+7	358**	+5

\*Change from the Previous Week Price

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

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## 2013 U.S. Dairy Milk Margins

	Milk	Corn	SBM	Alfalfa	Total Feed Cost	Monthly Milk	2-Month Margin	Premiums				
								< 4,000,000 lbs		> 4,000,000 lbs		
								Coverage Level	Premium Per Cwt.	Coverage Level	Premium Per Cwt.	
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	\$ 4.00	\$ -	\$ 4.00	\$ -	
May	19.70	7.48	3.42	3.03	13.93	\$ 5.77		\$ 4.50	\$ 0.010	\$ 4.50	\$ 0.020	
June	19.50	7.48	3.65	3.01	14.14	\$ 5.36	\$ 5.56	\$ 5.00	\$ 0.025	\$ 5.00	\$ 0.040	
July	19.00	7.28	4.00	2.86	14.15	\$ 4.85		\$ 5.50	\$ 0.040	\$ 5.50	\$ 0.100	
August	19.50	6.66	3.42	2.74	12.82	\$ 6.68	\$ 5.77	\$ 6.00	\$ 0.055	\$ 6.00	\$ 0.155	
September	20.10	5.79	3.68	2.66	12.13	\$ 7.97		\$ 6.50	\$ 0.090	\$ 6.50	\$ 0.290	
October	20.70	4.95	3.26	2.64	10.85	\$ 9.85	\$ 8.91	\$ 7.00	\$ 0.217	\$ 7.00	\$ 0.830	
November	21.60	4.67	3.32	2.58	10.56	\$ 11.04		\$ 7.50	\$ 0.300	\$ 7.50	\$ 1.060	
December	22.00	4.73	3.66	2.56	10.96	\$ 11.04	\$ 11.04	\$ 8.00	\$ 0.475	\$ 8.00	\$ 1.360	

Amount Received From Premium per Cwt.										
Coverage Level > 4,000,000 Lbs.										
2-Month Margin										
	\$ 8.00	\$ 7.50	\$ 7.00	\$ 6.50	\$ 6.00	\$ 5.50	\$ 5.00	\$ 4.50	\$ 4.00	
Jan/Feb	0.63	0.43	0.16	0.20	(0.16)	(0.10)	(0.04)	(0.02)	-	
Mar/Apr	1.03	0.83	0.56	0.60	0.24	(0.10)	(0.04)	(0.02)	-	
May/June	1.08	0.88	0.61	0.65	0.28	(0.10)	(0.04)	(0.02)	-	
July/Aug	0.87	0.67	0.40	0.44	0.08	(0.10)	(0.04)	(0.02)	-	
Sep/Oct	(1.36)	(1.06)	(0.83)	(0.29)	(0.16)	(0.10)	(0.04)	(0.02)	-	
Nov/Dec	(1.36)	(1.06)	(0.83)	(0.29)	(0.16)	(0.10)	(0.04)	(0.02)	-	

Coverage Level < 4,000,000 Lbs.										
2-Month Margin										
	\$ 8.00	\$ 7.50	\$ 7.00	\$ 6.50	\$ 6.00	\$ 5.50	\$ 5.00	\$ 4.50	\$ 4.00	
Jan/Feb	\$ 1.52	\$ 1.19	\$ 0.78	\$ 0.40	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	
Mar/Apr	\$ 1.92	\$ 1.59	\$ 1.18	\$ 0.80	\$ 0.34	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	
May/June	\$ 1.96	\$ 1.64	\$ 1.22	\$ 0.85	\$ 0.38	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	
July/Aug	\$ 1.76	\$ 1.43	\$ 1.02	\$ 0.64	\$ 0.18	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	
Sep/Oct	\$ (0.48)	\$ (0.30)	\$ (0.22)	\$ (0.09)	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	
Nov/Dec	\$ (0.48)	\$ (0.30)	\$ (0.22)	\$ (0.09)	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -	

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. The calculations reflect the net amount a producer would have received or paid at each level if this program had been in effect for 2013.

## 2012 U.S. Dairy Milk Margins

	Milk	Corn	SBM	Alfalfa	Total Feed Cost	Monthly Milk	2-Month Margin	Premiums			
								< 4,000,000 lbs		> 4,000,000 lbs	
								Coverage Level	Per Cwt	Coverage Level	Per Cwt
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	\$ 4.00	\$ -	\$ 4.00	\$ -
May	16.20	6.79	3.05	2.95	12.79	\$ 3.41		\$ 4.50	\$ 0.010	\$ 4.50	\$ 0.020
June	16.20	6.83	3.11	2.75	12.69	\$ 3.51	\$ 3.46	\$ 5.00	\$ 0.025	\$ 5.00	\$ 0.040
July	16.90	7.66	3.79	2.71	14.16	\$ 2.74		\$ 5.50	\$ 0.040	\$ 5.50	\$ 0.100
August	18.10	8.19	4.15	2.78	15.12	\$ 2.98	\$ 2.86	\$ 6.00	\$ 0.055	\$ 6.00	\$ 0.155
September	19.60	7.39	3.89	2.81	14.09	\$ 5.51		\$ 6.50	\$ 0.090	\$ 6.50	\$ 0.290
October	21.50	7.26	3.59	2.90	13.76	\$ 7.74	\$ 6.63	\$ 7.00	\$ 0.217	\$ 7.00	\$ 0.830
November	22.00	7.53	3.43	2.95	13.90	\$ 8.10		\$ 7.50	\$ 0.300	\$ 7.50	\$ 1.060
December	20.90	7.37	3.43	2.97	13.77	\$ 7.13	\$ 7.61	\$ 8.00	\$ 0.475	\$ 8.00	\$ 1.360

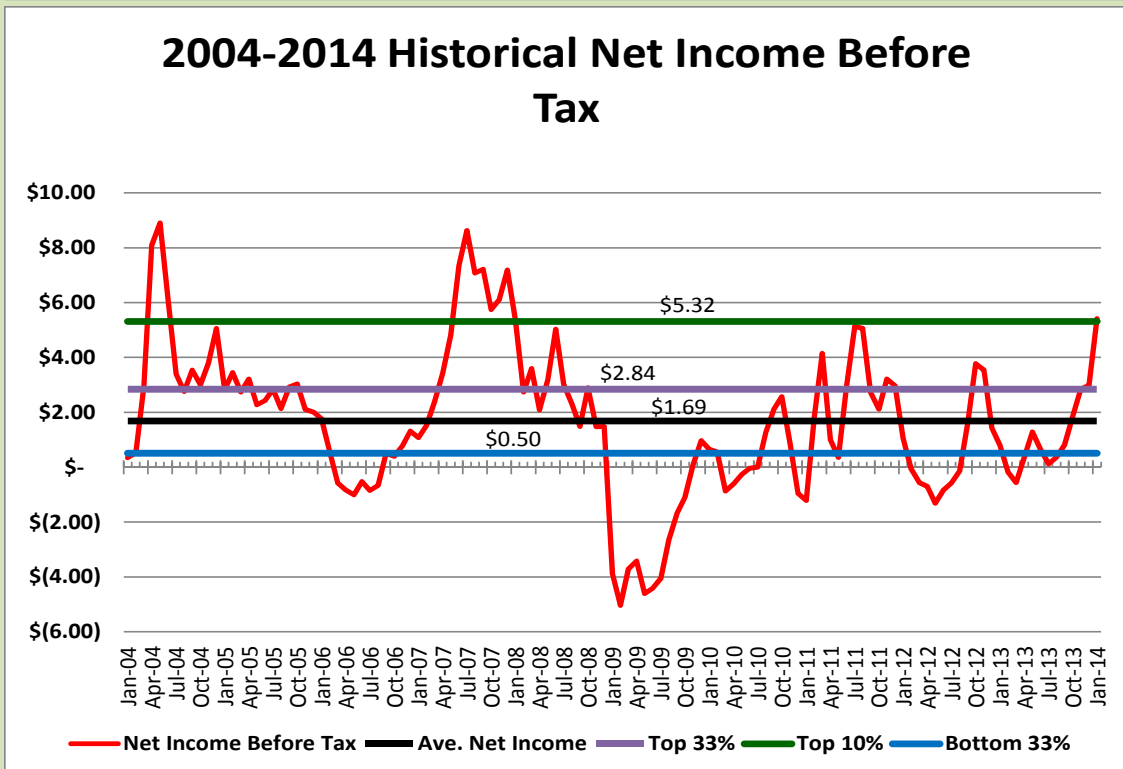
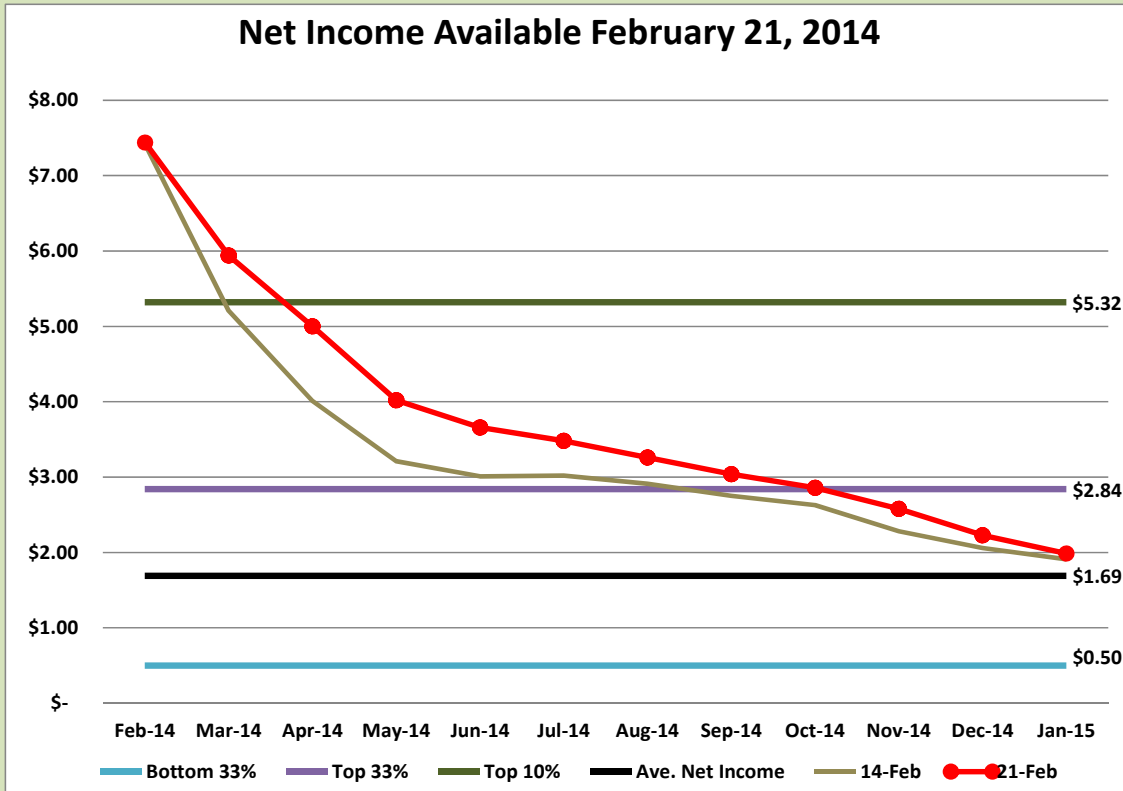
Amount Received From Premium per Cwt. for 2012									
Coverage Level > 4,000,000 Lbs.									
2-Month Margin									
	\$ 8.00	\$ 7.50	\$ 7.00	\$ 6.50	\$ 6.00	\$ 5.50	\$ 5.00	\$ 4.50	\$ 4.00
Jan/Feb	\$ (0.06)	\$ (0.26)	\$ (0.53)	\$ (0.29)	\$ (0.16)	\$ (0.10)	\$ (0.04)	\$ (0.02)	\$ -
Mar/Apr	\$ 2.05	\$ 1.85	\$ 1.58	\$ 1.62	\$ 1.26	\$ 0.81	\$ 0.37	\$ (0.02)	\$ -
May/June	\$ 3.18	\$ 2.98	\$ 2.71	\$ 2.75	\$ 2.39	\$ 1.94	\$ 1.50	\$ 1.02	\$ 0.54
July/Aug	\$ 3.78	\$ 3.58	\$ 3.31	\$ 3.35	\$ 2.99	\$ 2.54	\$ 2.10	\$ 1.62	\$ 1.14
Sep/Oct	\$ 0.01	\$ (0.19)	\$ (0.46)	\$ (0.29)	\$ (0.16)	\$ (0.10)	\$ (0.04)	\$ (0.02)	\$ -
Nov/Dec	\$ (0.97)	\$ (1.06)	\$ (0.83)	\$ (0.29)	\$ (0.16)	\$ (0.10)	\$ (0.04)	\$ (0.02)	\$ -

Coverage Level < 4,000,000 Lbs.									
2-Month Margin									
	\$ 8.00	\$ 7.50	\$ 7.00	\$ 6.50	\$ 6.00	\$ 5.50	\$ 5.00	\$ 4.50	\$ 4.00
Jan/Feb	\$ 0.83	\$ 0.50	\$ 0.08	\$ (0.09)	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -
Mar/Apr	\$ 2.94	\$ 2.61	\$ 2.19	\$ 1.82	\$ 1.36	\$ 0.87	\$ 0.39	\$ (0.01)	\$ -
May/June	\$ 4.07	\$ 3.74	\$ 3.32	\$ 2.95	\$ 2.49	\$ 2.00	\$ 1.52	\$ 1.03	\$ 0.54
July/Aug	\$ 4.67	\$ 4.34	\$ 3.92	\$ 3.55	\$ 3.09	\$ 2.60	\$ 2.12	\$ 1.63	\$ 1.14
Sep/Oct	\$ 0.90	\$ 0.50	\$ 0.08	\$ (0.09)	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -
Nov/Dec	\$ (0.09)	\$ (0.30)	\$ (0.22)	\$ (0.09)	\$ (0.06)	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ -

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. The calculations reflect the net amount a producer would have received or paid at each level for 2012.



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