



"For SMART Management"

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MARGINSMART®

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MARGINSMART® Sample Farm Profitability Changes From Last Week

| | Aug. '14 | Sep. '14 | Oct. '14 | Nov. '14 | Dec. '14 | Jan. '15 | Feb. '15 | Mar. '15 | April '15 | May '15 | June '15 | July '15 |
|------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|---------|----------|----------|
| Change From Prior Week | +0.24 | -0.08 | -0.18 | -0.27 | -0.36 | -0.21 | -0.36 | -0.27 | -0.17 | -0.20 | -0.14 | -0.10 |

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 new Farm Bill and the margin computations. It uses the SAME calculation for ALL dairies across the USA to calculate a "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 estimated 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.

Market News

Milk: The final July '14 announced Class III price was \$21.60 per cwt. – up \$.24 from June and \$4.22 from July '13. The final July '14 Class IV price was \$23.78 per cwt. up \$.65 from June, and up \$4.88 per cwt. from July 2013.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

- The 8/11/14 USDA crop report shows 73% of corn in the good to excellent rating vs. 64% last year, and a 10 year avg. of 59%.
- The 8/11/14 USDA crop report shows 70% of soybean acreage in the good to excellent rating vs. 64% last year, and a 10 year avg. of 58%.
- Univ of Illinois projects corn for ethanol of 5.1-5.2B bushels in the 14-15 marketing year. They project that corn will hit its low at harvest and work its way higher throughout the 14-15 marketing year as consumption takes advantage of low prices.

**CHECK WITH YOUR FEED SUPPLIER
AS MANY FEEDSTUFFS CAN BE
CONTRACTED AT GREATLY
REDUCED PRICES!**

MARGINSMART® Insight

We realize that each dairy has its own feed cost and net margin so we customize our program to each dairy so they know their own numbers!

Visit us on the Web at:

www.marginsmart.com

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Market Update (As of 8/8/2014 Close)

| | Aug '14 | +/-* | Sep '14 | +/-* | Oct '14 | +/-* | Nov '14 | +/-* | Dec '14 | +/-* | Jan '15 | +/-* | Mar '15 | +/-* |
|----------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|
| Class III Milk | 21.77 | +0.30 | 21.54 | -0.03 | 20.65 | -0.17 | 19.70 | -0.22 | 19.14 | -0.34 | 18.51 | -0.19 | 17.95 | -0.25 |
| Class IV Milk | 23.18 | +0.08 | 21.85 | -0.18 | 20.63 | -0.29 | 19.15 | -0.70 | 17.94 | -0.93 | 17.93 | -0.59 | 17.75 | -0.50 |
| Corn | | | 3.52 | -0.00 | | | | | 3.63 | +0.01 | | | 3.76 | +0.01 |
| Soybeans | 12.85 | +0.70 | 11.14 | +0.41 | | | 10.85 | +0.27 | | | 10.93 | +0.26 | 11.01 | +0.26 |
| Soybean Meal | 398 | +10 | 368 | +12 | 354 | +9 | | | 351 | +9 | 350 | +9 | 350 | +7 |

*Change from the Previous Week Price

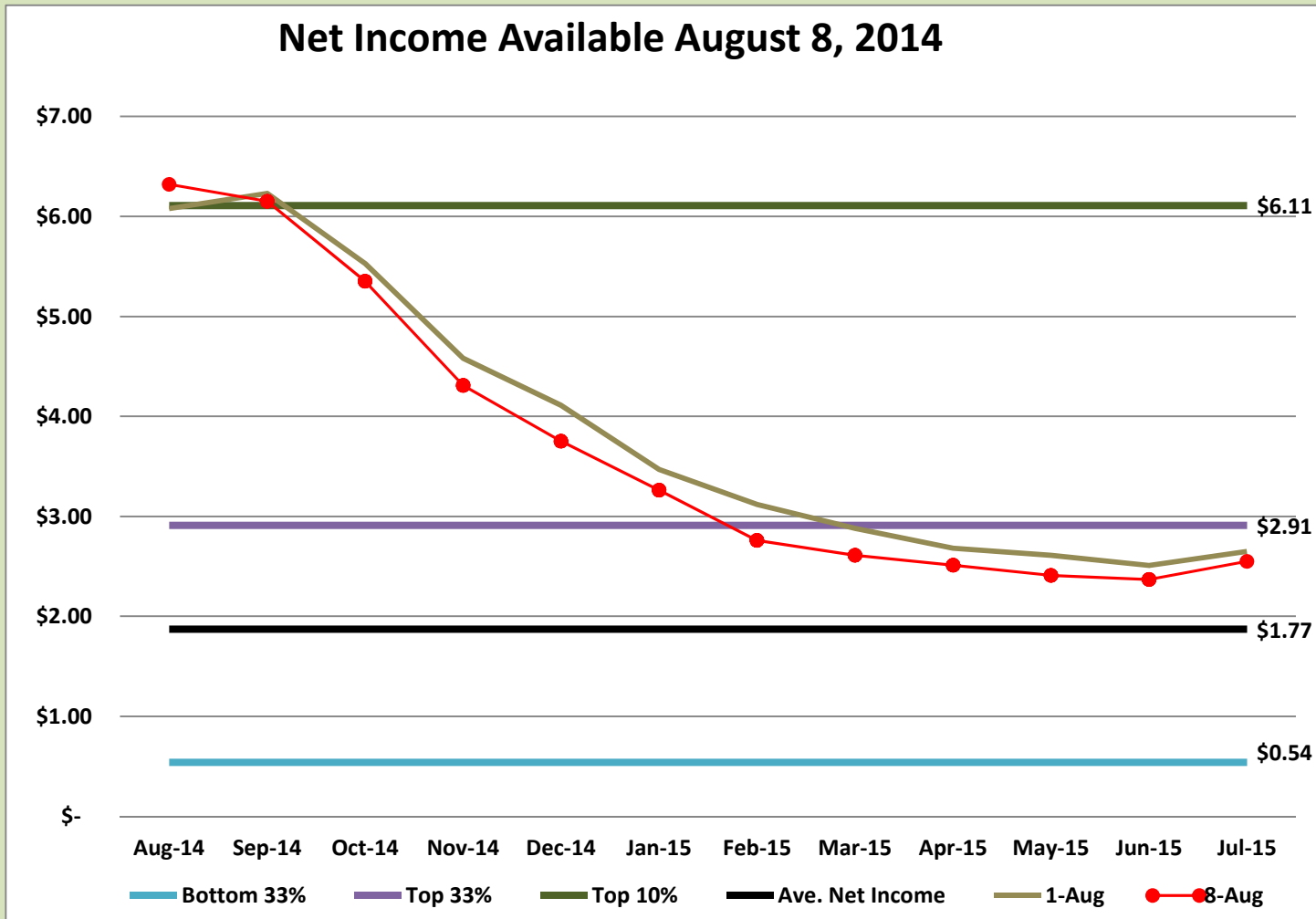
**New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)

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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.

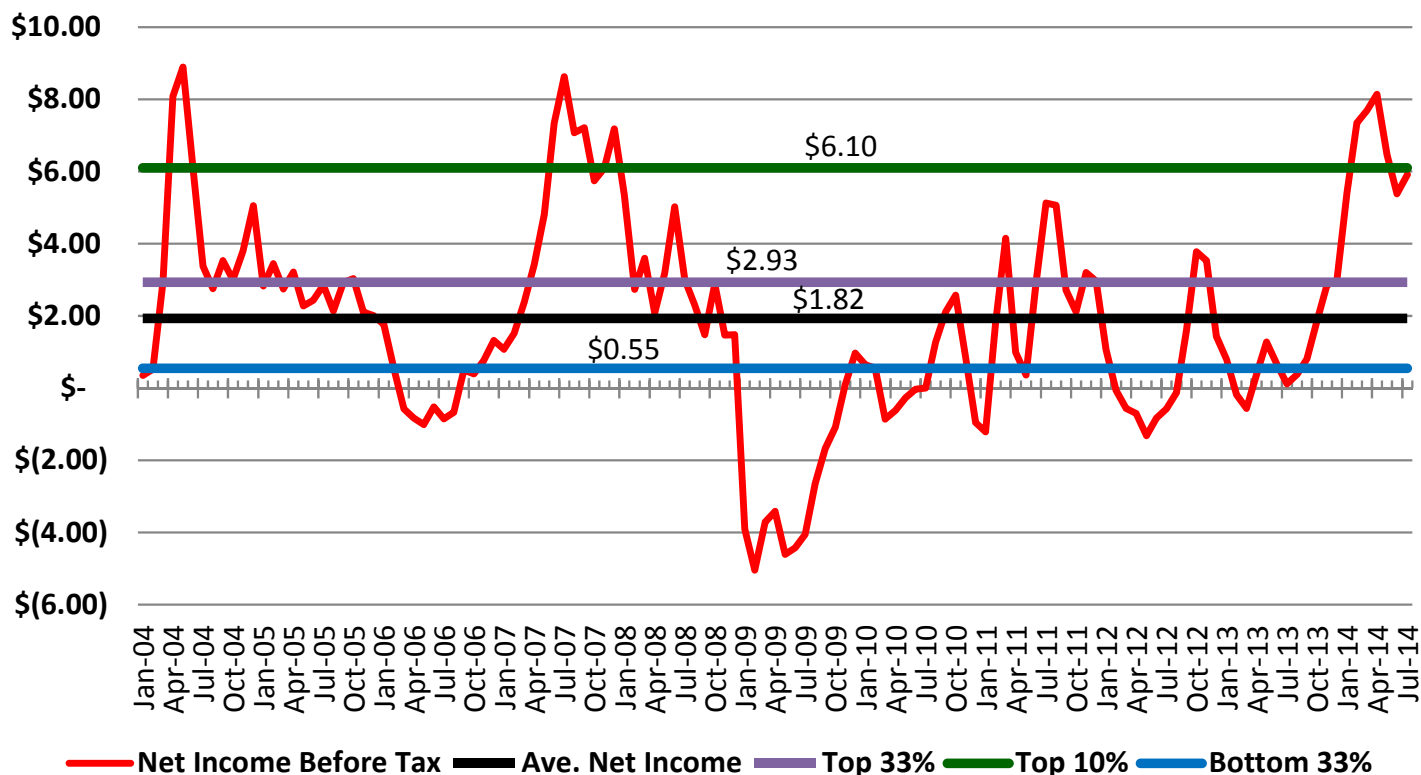
Net Income Available August 8, 2014





MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and an 85 #s (current level – this has increased over the past 10 years) 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 years' results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 10 years WITHOUT ANY contracting, and completely subject to market prices. It also shows the Top 10% (90th percentile), top 33% (67th percentage), the average and bottom 33% (33rd percentile.)

2004-2014 Historical Net Income Before Tax





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Historical Quarterly 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 |
| 2014 | 6.82 | 6.67 | | |