



"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	-0.10	+0.32	+0.31	+0.21	+0.15	-0.02	+0.03	-0.02	-0.00	-0.07	-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

The tip of the week revolves around the release of more information and the registration period regarding the new Margin Protection Program (MPP) of the 2014 Farm Bill. The registration period for the 2014 and 2015 coverage begins September 2, 2014 and continues through November 28, 2014. We have highlighted some of the key features of the MPP on page 2 of this newsletter. **One of the key considerations of the MPP is that it is a generic program that has the same rules, premium rates and "margin calculations" for all dairy farms across the United States, even though each dairy farm will have their own unique actual milk revenue and feed costs per cwt.** You can read the full final rule by going to the website listed here. You can also make written comments to USDA by October 28, 2014.

www.federalregister.gov/articles/2014/08/29/2014-20567

Market News

Milk: Butter prices are near record levels. Cheese demand continues to outpace production. The nonfat dry milk prices are lower in all regions of the country with some being sold at a discount.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Some follow-up from the Pro-Farmer tour:

- Corn – Total projected average yield is 169.3 bu/acre. Test weight will play a major role in the total crop yield. Some areas could push 60-62 pound per bushel test weights.
- Soybeans – Total projected average yield of 45.35 bu/acre. Above average rains since the tour should be beneficial to increase yields; however, heat and humidity has resulted in some outbreaks of Sudden Death Syndrome.
- Dairy cull cows in '14 are 200K head behind '13

**Prospective Customers - Call
Curtis Gerrits for your Free
Demo Today!**

MARGINSMART® Insight

**MARGINSMART® CALCULATES YOUR DAIRY'S
EXACT MARGINS AND PROFITABILITY SO THAT YOU
CAN MAKE INFORMED DECISIONS!**

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Market Update (As of 8/29/2014 Close)

	Aug '14	+/-*	Sep '14	+/-*	Oct '14	+/-*	Nov '14	+/-*	Dec '14	+/-*	Jan '15	+/-*	Mar '15	+/-*
Class III Milk	22.24	+0.1	23.95	+0.42	22.87	+0.43	21.00	+0.38	19.80	+0.29	18.60	+0.05	18.10	+0.08
Class IV Milk	23.83	+0.23	23.00	-0.05	22.00	+0.38	20.20	+0.28	18.63	+0.35	18.30	+0.40	17.83	+0.58
Corn			3.59	-0.06					3.65	-0.06			3.78	-0.06
Soybeans			10.89	-0.77			10.24	-0.18			10.32	-0.17	10.40	-0.15
Soybean Meal			440	+7	363	-4	351	-2			348	-2	345	-2

*Change from the Previous Week Price

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

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The following highlights the key components of the MPP:

ELIGIBLE DAIRY OPERATIONS:

- All dairy farms that produce and commercially market milk from cows located in the United States
- Must provide proof of milk production at the time of registration
- Cannot be enrolled in the Livestock Gross Margin for Dairy (LGM) program. However, since some dairy operations may already be participating in the LGM program an exception is made for the 2014 and 2015 enrollment in MPP whereby a dairy can choose to enroll in MPP and have coverage start after the target month of marketings under LGM has ended and proof that the LGM policy has been cancelled.
- Must be in compliance with Highly Erodible land and other conservation programs
- Rules apply for affiliated owners of more than one dairy operation. If affiliation rules apply, all operations are combined for MPP.

REGISTRATION:

- Registration occurs at the FSA office where farm records are maintained by:
 - Establishing production history (CCC-781)
 - Completing and signing election form (CCC-782)
 - Paying administrative fee and premiums
- Registration for 2014 and 2015 is combines and runs from September 2, 2014 – November 28, 2014
- Registration thereafter is annually and periods are July 1 – September 30 of the previous year
- Requires participation in all years after registration
- There are separate rules for new dairy operations

PRODUCTION HISTORY:

- Must be provided at initial registration and is subject to verification by FSA
- Highest annual production for calendar years 2011, 2012 or 2013
- Special rules apply to new operations
- In subsequent years production history will be adjusted via national average milk production
- Otherwise No change in production history will occur

COVERAGE ELECTION:

Minimum margin level is \$4.00 per cwt.
Maximum margin level is \$8.00 per cwt.

- Intervals are every \$.50 per cwt. between \$4.00 and \$8.00 per cwt.
- Dairy operations may only select one level per year
- ALL producers that share risk in the dairy operation must agree to the level on the contract
- Can elect coverage between 25%-90% in 5% levels
- Can change coverage annually

PRODUCER PREMIUMS:

The first 4M pounds per year selected will be at a lower price (Applies even if prod. history exceeds 4M pounds)

Coverage	1 st 4M Pounds	Over 4M Pounds
<u>Level</u>	<u>Per Cwt.</u>	<u>Per Cwt.</u>
\$4.00	None	None
\$4.50	\$0.010	\$.020
\$5.00	\$0.025	\$.040
\$5.50	\$0.040	\$.100
\$6.00	\$0.055	\$.155
\$6.50	\$0.090	\$.290
\$7.00	\$0.217	\$.830
\$7.50	\$0.300	\$1.06
\$8.00	\$0.475	\$1.36

- For 2014 and 2015 a 25% reduction will be effective for all premiums (except the \$8.00 level) for the 1st 4M pounds
- Premiums for 2014 are due at registration
- For all other at premiums can either be paid in full at registration, or ½ at registration and the balance by June 1 of the calendar year of coverage
- If premiums are not paid, no coverage or benefits will be available

MARGIN CALCULATIONS:

- Calculated for every 2 month period
- The difference between the national all-milk price and the *national average feed cost calculated as:*
 - (A) The product determined by multiplying 1.0728 by the price of corn per bushel.
 - (B) The product determined by multiplying 0.00735 by the price of soybean meal per ton.
 - (C) The product determined by multiplying 0.0137 by the price of alfalfa hay per ton

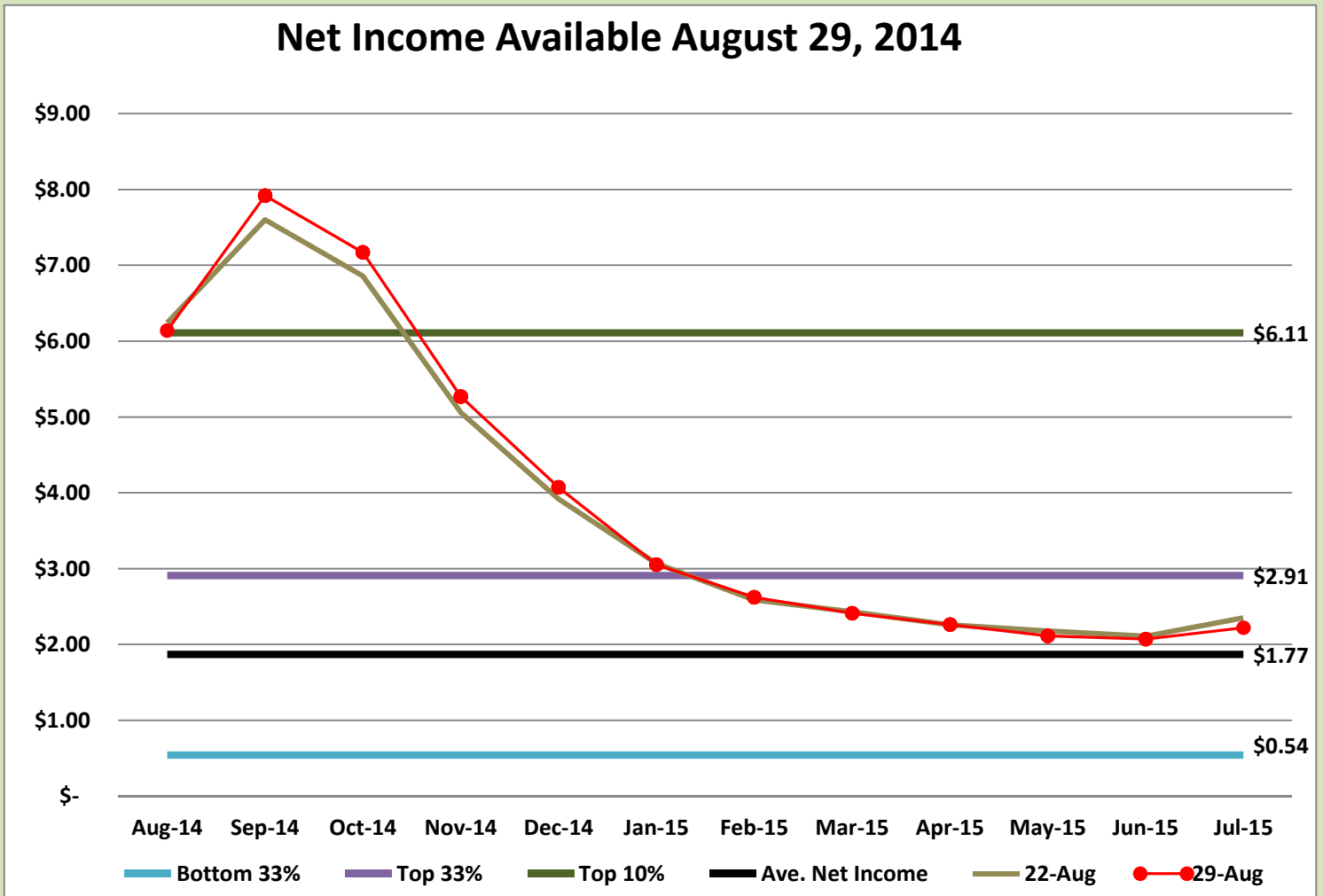
CONTRACT MODIFICATIONS:

- Available for death and various other changes
- Notify FSA office for approval



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.

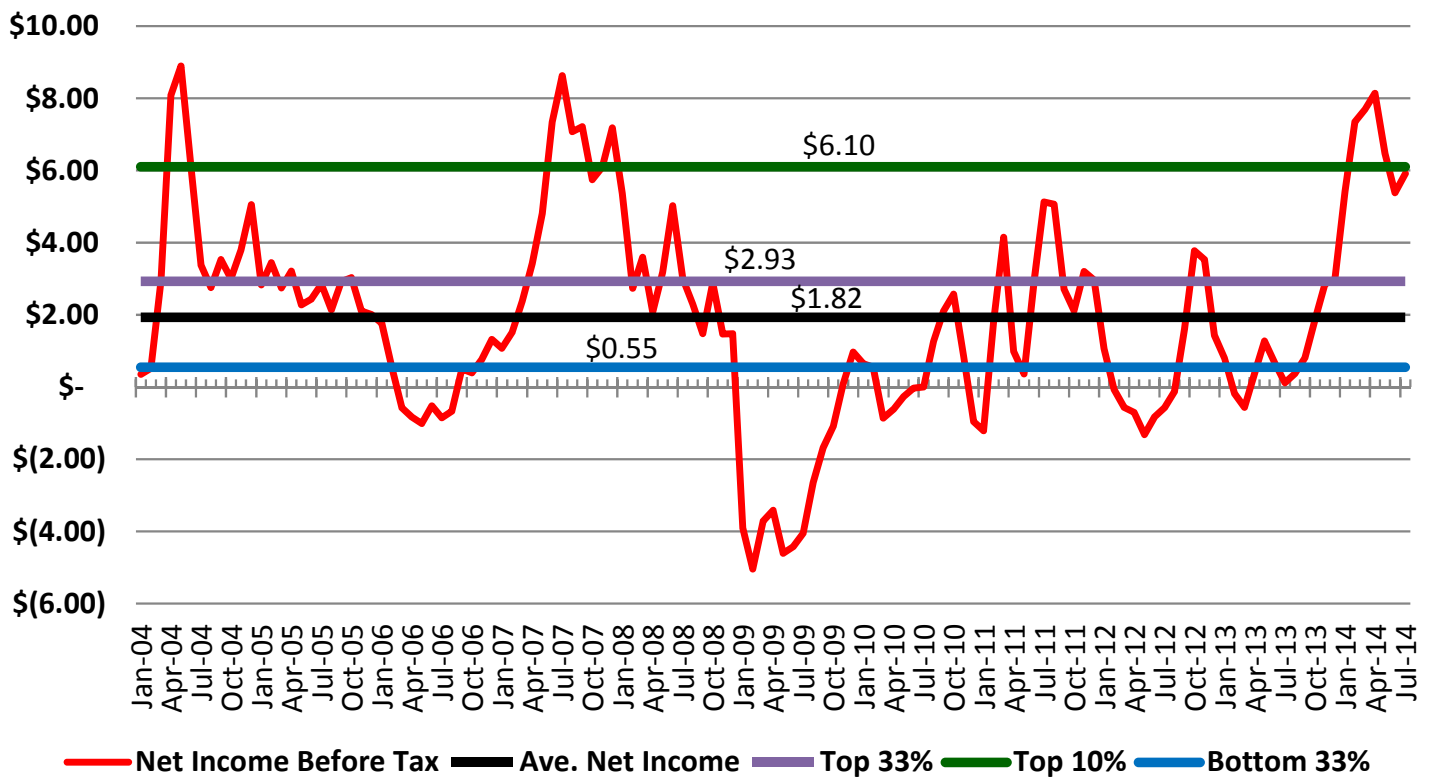
Net Income Available August 29, 2014





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		