



"For SMART Management"

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MARGINSMART®

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MARGINSMART® Sample Farm Profitability Changes From Last Week

	Sep. '14	Oct. '14	Nov. '14	Dec. '14	Jan. '15	Feb. '15	Mar. '15	April '15	May '15	June '15	July '15	Aug '15
Change From Prior Week	+0.21	-0.21	-0.70	-0.74	-0.41	-0.52	-0.60	-0.48	-0.63	-0.67	-0.81	-0.46

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 relates to Overall Cost of Production (COP) and Breakevens (BE). With major changes in both feed and milk prices over the next 12-24 months (from what has been experienced during 2014), it will be increasingly important to zero in on your true COP and BE so that you can make informed decisions. It is crucial to calculate the COP and BE on an accrual basis and then consider milk basis levels so that you can correlate the BE to either a Class III or Class IV price (or a combination of the two). This is exactly what MARGINSMART® will do for you. This process will also allow you to make informed decisions related to the MPP under the new farm bill. Please call with any questions.

Market News

Milk: The final Sep '14 announced Class III price was \$24.60 per cwt. – up \$2.35 from August and \$6.46 from Sep '13. This is a new record price for Class III. The final Sep '14 Class IV price was \$22.58 per cwt. down \$1.31 from August, but up \$3.15 per cwt. from Sep '13. It is important to note that these prices moved in opposite directions as the Class III was up \$2.35 from the prior month, but the Class IV was down \$1.31.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

- SBM Basis levels continued to come down significantly as SB harvest takes place and SBM production increases
- The 92M bushels of SB carryover of the 2013/14 crop year are the lowest since the 1970s. More interestingly, the 92M only comes after an increase of the 2013 crop of 69M bushels - nearly a year after the harvest.
- Both corn and SB harvest percentages have lagged the prior 5 year average, but we are still relatively early in the harvest season – we will watch this

Thanks to those who visited us at World Dairy Expo last week!

MARGINSMART® Insight

Feed prices have changed significantly during 2014. See page 2 for a summary of the price changes for SBM and DDG.

Visit us on the Web at:

www.marginsmart.com

www.facebook.com/MarginSmart

Market Update (As of 10/3/2014 Close)

	Oct '14	+/-*	Nov '14	+/-*	Dec '14	+/-*	Jan '15	+/-*	Feb '15	+/-*	Mar '15	+/-*	Jul '15	+/-*
Class III Milk	24.27	-0.02	21.74	-0.29	20.10	-0.51	18.17	-0.58	17.72	-0.23	17.44	-0.32	17.37	-0.43
Class IV Milk	21.58	-1.12	19.22	-1.78	17.52	-1.28	17.15	-1.05	16.90	-0.74	17.08	-0.44	17.40	-0.20
Corn					3.23	-0.00					3.36	-0.00	3.53	+0.02
Soybeans			9.12	+0.02			9.20	+0.01			9.28	+0.01	9.41	+0.00
Soybean Meal	308	+1			299	-2	297	-2			295	-2	296	-4

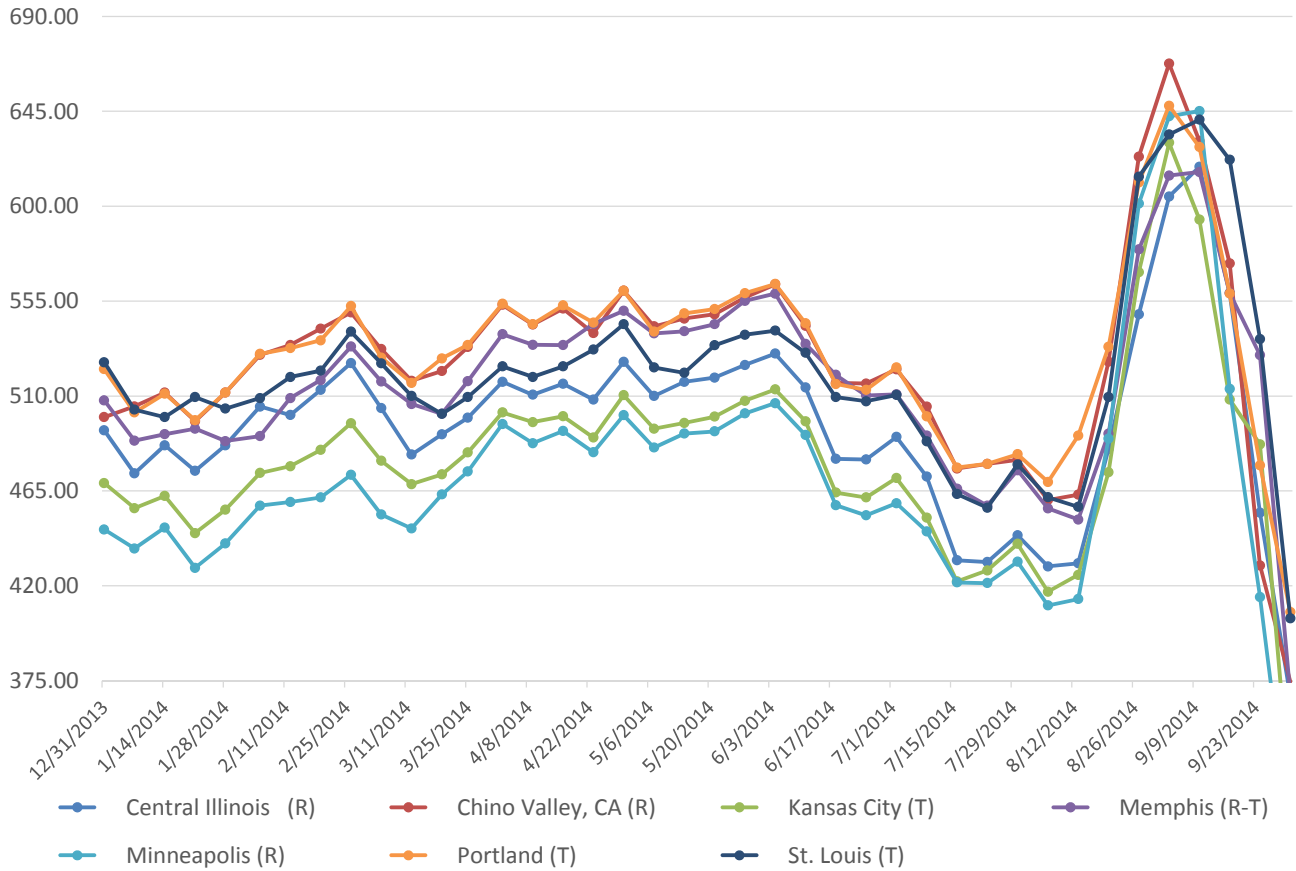
*Change from the Previous Week Price

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

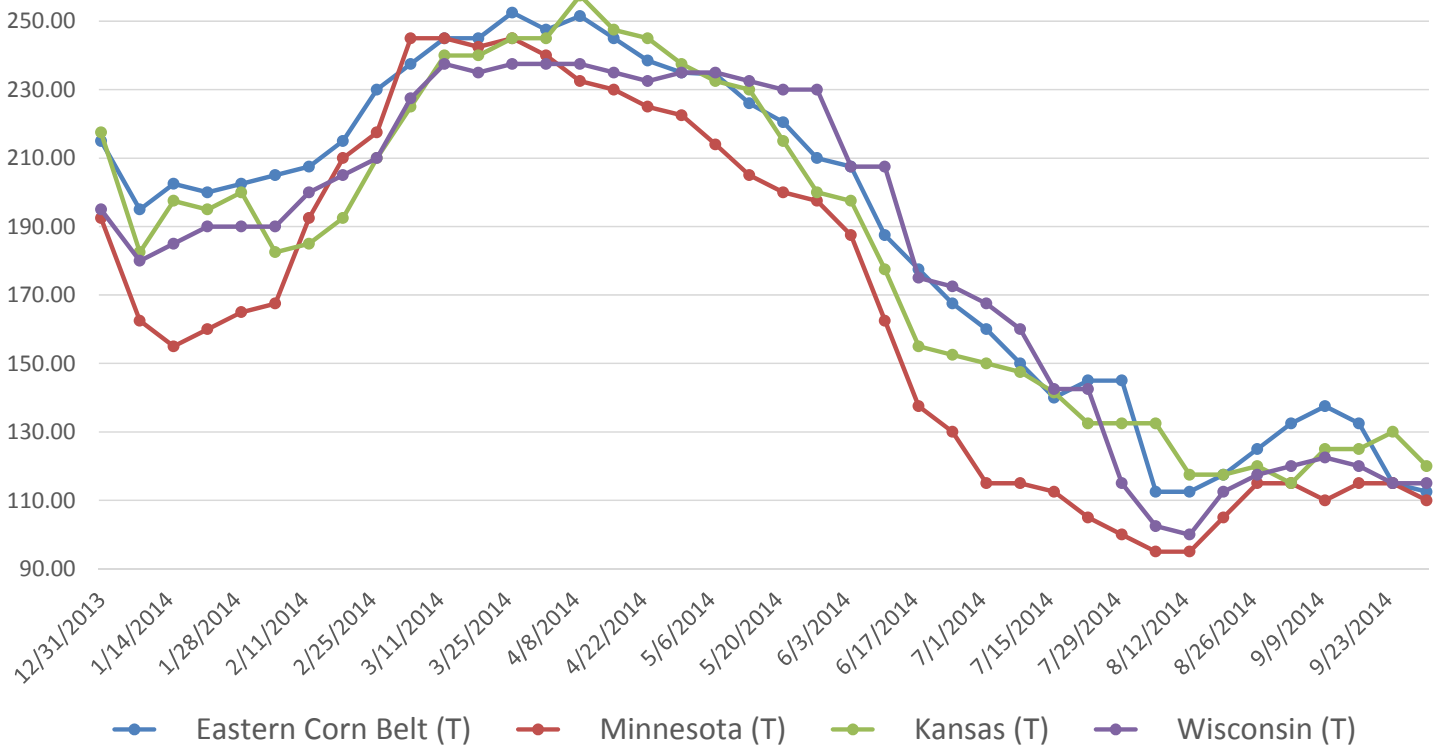
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USDA Reported Pricing Graphs for 2014 on Select Feedstuffs

Soybean Meal, High Protein(tons)



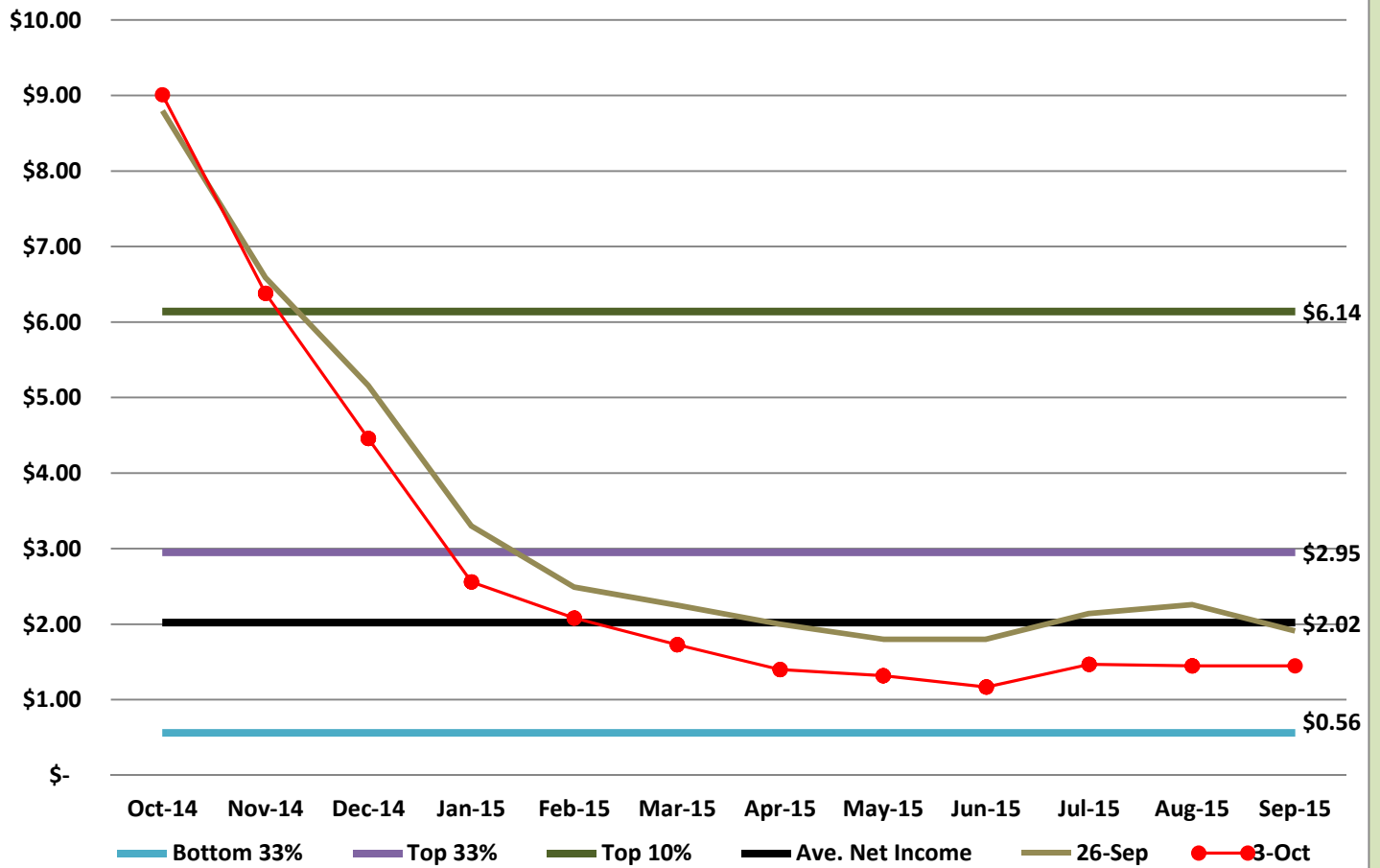
Distillers' Dried Grain (tons)





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.

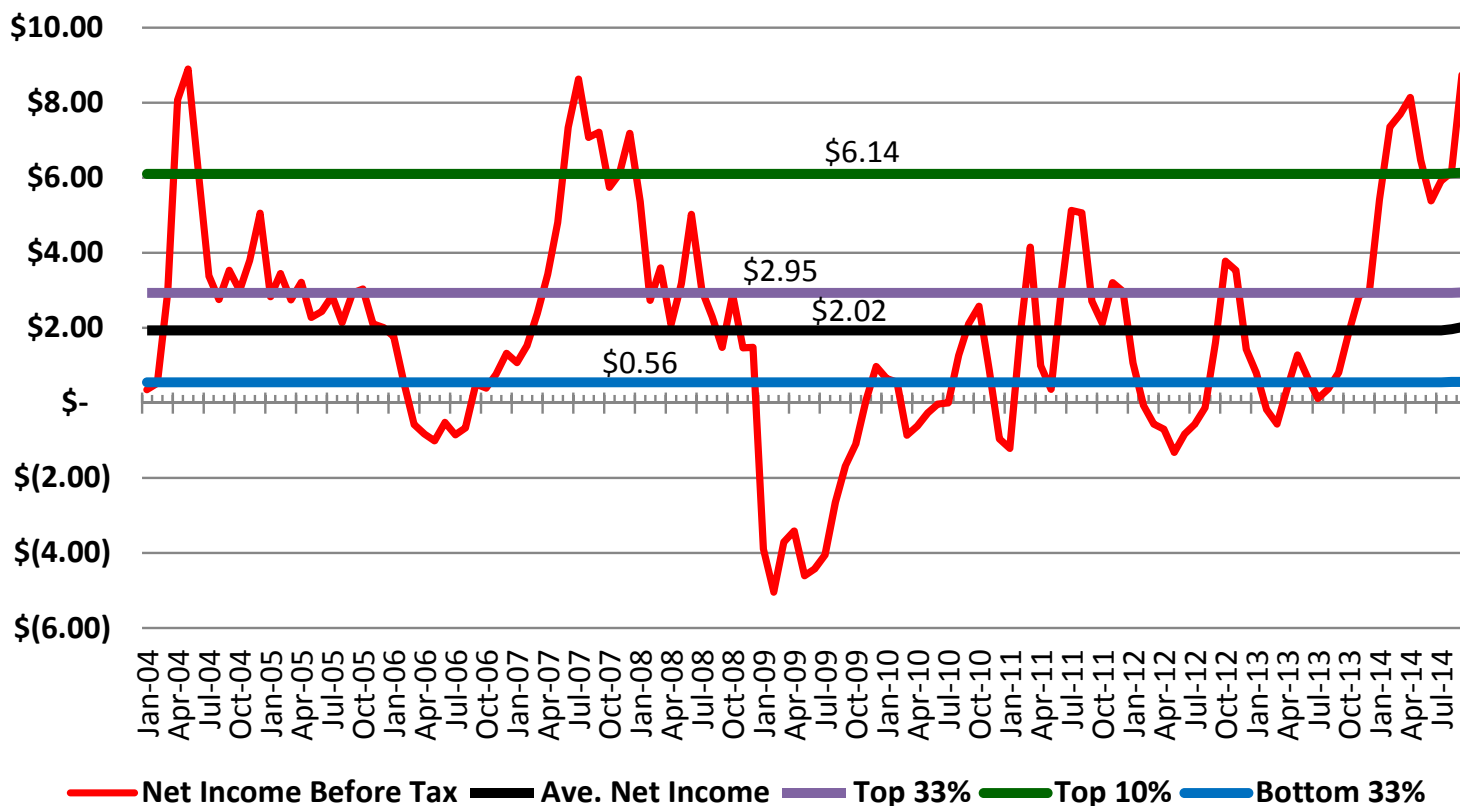
Net Income Available October 3, 2014





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	6.93	