



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Week

	Dec. '14	Jan. '14	Feb. '15	Mar. '15	April '15	May '15	June '15	July '15	Aug. '15	Sep. '15	Oct. '15	Nov. '15
Change From Prior Week	-07	-37	-31	-58	-51	-53	-45	-46	-34	-25	-22	-17

WEEKLY MARGINSMART® Notes From President Mark Linzmeier

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

Due to the unprecedented drop in margins and profitability we dedicate the tip of the week again this week to reviewing your options with the 2 week extension for sign up for the MPP program. ***We have been warning of these drops for the past several months in our newsletter and commentary. Nine of the last ten weeks have generally seen weekly reductions in the bottom line profitability for our Sample Farm for 2015.*** Average profitability, without any market risk management, has dropped approximately \$3.35 per cwt. for the January – June 2015 period since early August, and further dropped another \$.30 today (Monday December 15). It is not just milk dropping. Feed and grain prices have risen over that period as well. On the chart on page 2 you will see that 8 of the next 9 months are now under the 10 year bottom 33% profitability level. Some of our customers took advantage of our reporting of low feed prices in early August to lock in their feed price needs. Even with the drop in margins, the end may still be ahead of us. If you have missed out on locking a portion of your profits in, the MPP program could still offer you some opportunities for a "fallback" position. Since rates are constant for MPP you may want to consider your involvement for 2015.

Market News (Continued)

Milk

- Oct '14 US milk prod. up 3.8% from Oct '13
- New Zealand and Europe prod up over 3%
- US dairy exports down 8% in Oct on top of 16% down in Sep from prior year
- 27% of dairy producers signed up for the MPP program as of 12/5/14

Grains/Feedstuffs/Cattle/Poultry:

- WASDE Report showed minimal changes to ending corn stocks and 40M less bu. of SB ending stocks
- Still a large difference in FSA corn acreage for 2014 and the estimated USDA acreage which could be addressed in the January report
- Watch for impact of lower energy costs

MARGINSMART® Insight

NOTE - The final sign up date for the MPP has been extended. The final date is now December 19, 2014.

Contact Curtis Gerrits for a **FREE**
MARGINSMART® Demo!!
DIRECT: 920-264-9140
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Market Price Updates (As of 12/12/2014 Close)

	Dec '14	+/-*	Jan '15	+/-*	Feb '15	+/-*	Mar '15	+/-*	May '15	+/-*	Jul '15	+/-*	New Crop	+/-*
Class III Milk	17.75	-05	15.80	-35	15.51	-27	15.38	-49	15.78	-43	16.17	-42	16.80	-13
Class IV Milk	17.10	-00	15.82	-11	15.42	+01	15.30	+22	15.51	+00	16.02	-00	16.90	-10
Cash Butter	1.89	-02	1.74	-04	1.68	-04	1.66	-03	1.68	-02	1.73	-01	1.75	-03
Cash Cheese	1.73	+01	1.60	-01	1.61	-00	1.61	-03	1.66	-01	1.71	+01	1.75	+01
Corn	3.96	+15					4.07	+12	4.16	+13	4.32	+09	4.23	+06
Soybeans			10.47	+11			10.54	+12	10.59	+11	10.64	+11	10.20	+06
Soybean Meal	379	-15	367	+1			356	+2	351	+2	350	+2	336	+0

*Change from the Previous Week Price

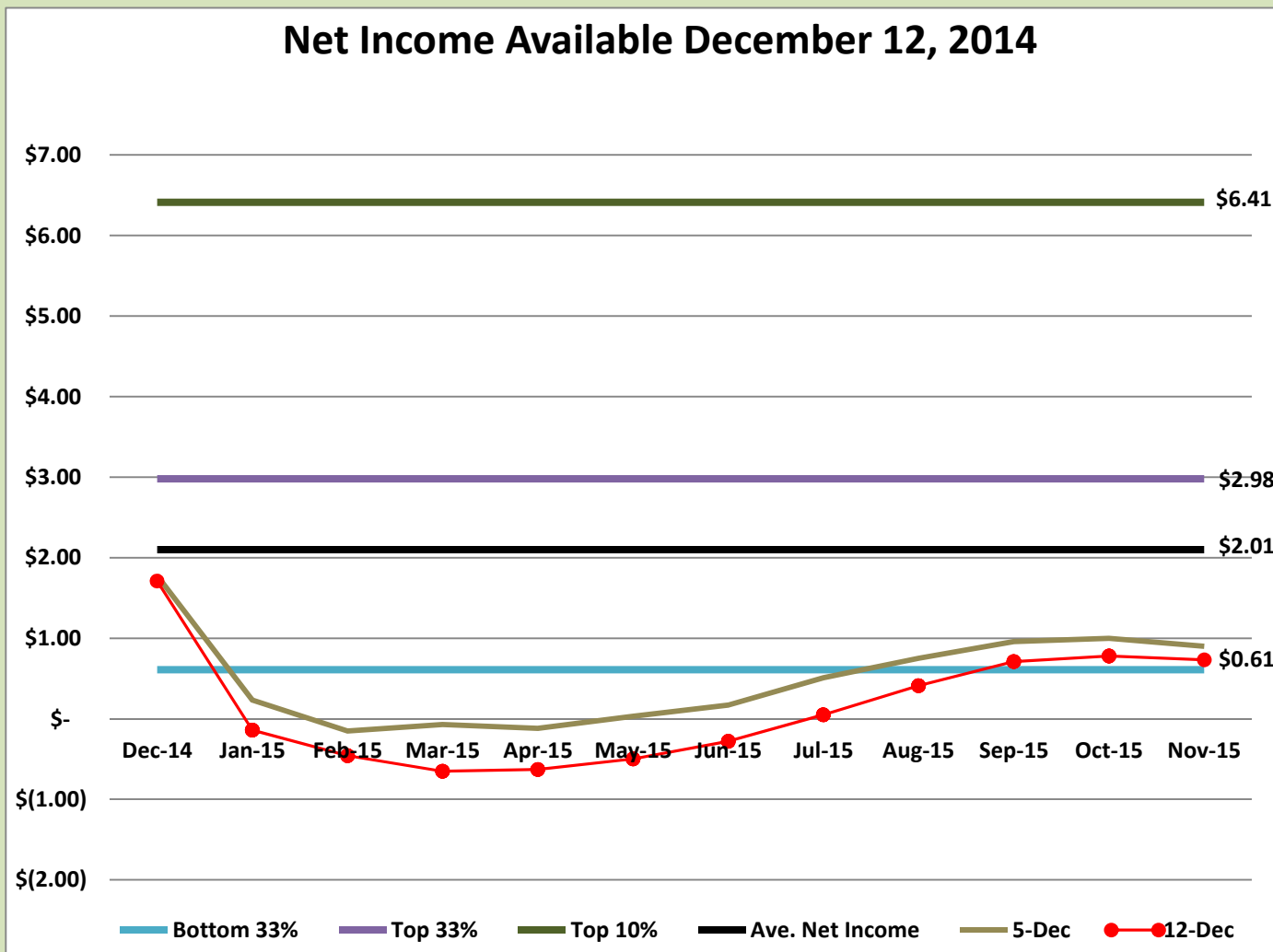
**New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)

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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.

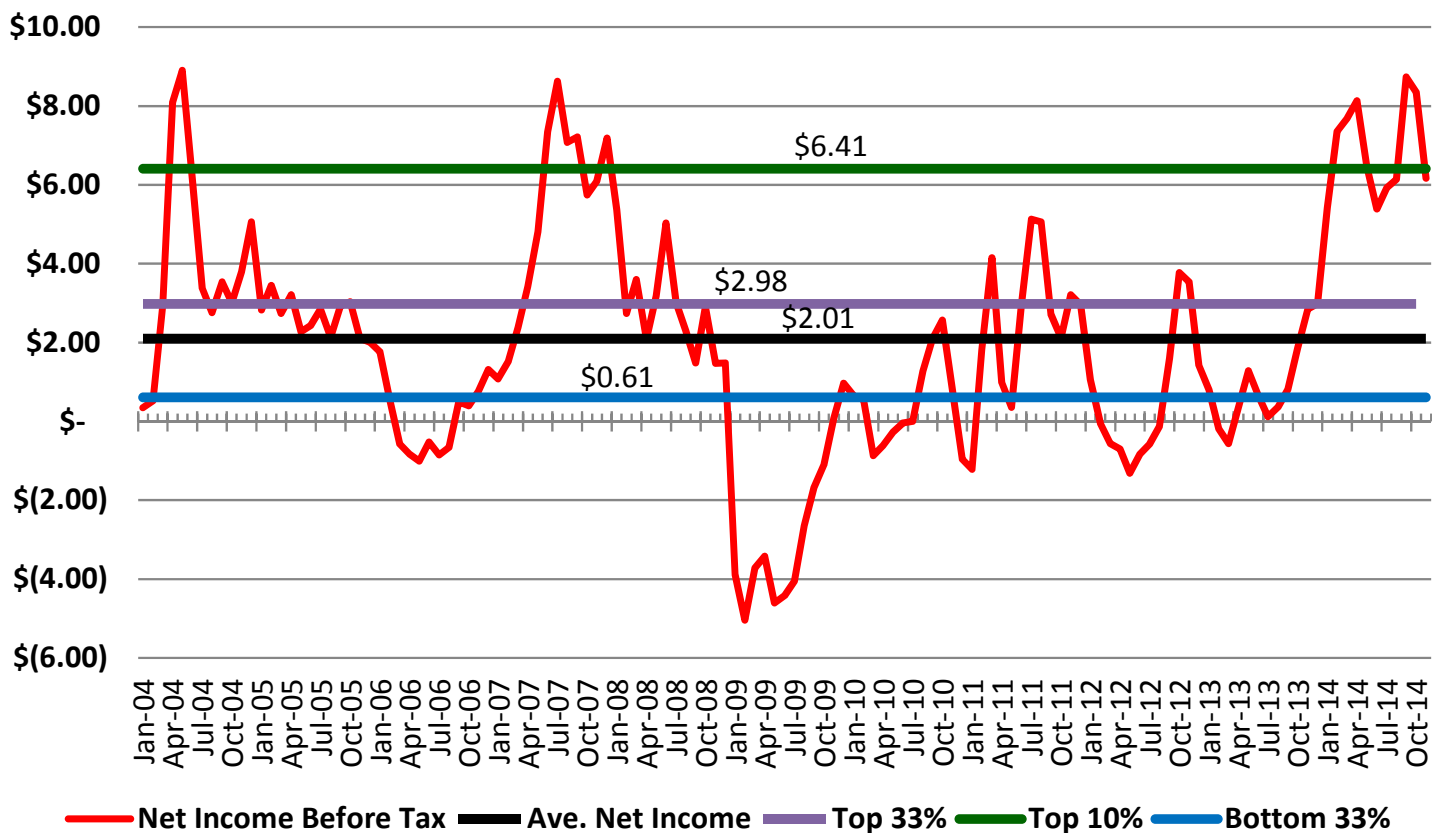
Net Income Available December 12, 2014





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	