



# WEEKLY NEWSLETTER

*"For SMART Management"*

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## MARGINSMART® Sample Farm Profitability Changes From Last Report

	Jan. '15	Feb. '15	Mar. '15	April '15	May '15	June '15	July '15	Aug. '15	Sep. '15	Oct. '15	Nov. '15	Dec. '15
Change From Prior Week	+03	-67	-69	-68	-70	-53	-34	-25	-28	-29	-21	-14

### 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

The tip of the week relates to our establishment of an addition to our reporting for 2015. We have added a 2<sup>nd</sup> Sample Farm which has used margin management and target alerts within the MARGINSMART® program to lock in profitability when it presented itself at defined percentages. This second Sample Farm incorporates milk and feed contracts to "lock in" milk and feed prices when they presented the opportunity to protect the defined profitability per cwt. amounts set in advance. Please see the chart of Page 2 which will track the projected results of this 2<sup>nd</sup> Sample Farm under the dark green line called "Hedged". Please call us with any questions on this.

### Market News

**Milk:** Total US packaged fluid milk sales in Sep '14 were 1.7% lower than Sep '13 and Oct '14 US packaged fluid milk sales were 2.9% lower than Oct '13. Fonterra, which handles 95 percent of New Zealand's milk, has lowered milk payout projections 44% in the past six months. Whole milk powder prices have dropped from \$2.26 per pound in Jan '14 to \$1.04 per pound – a drop of nearly 55%.

### Market News (Continued)

#### Grains/Feedstuffs/Cattle/Poultry:

Highlights from the Jan '15 WASDE Report

- Dairy exports expected to be down 10% from last year
- 2014/15 soybean production is up slightly, offset by higher exports so that carryover remains the same 410M bushels as from the Dec '14 report
- USDA 2014 crop corn production was reduced 2.4 bushels per acre or 191M bushels - significant
- Ending 14/15 corn stocks were estimated down 120M bushels - significant

Iowa farmland values dropped 8.9% last year, the largest drop in 28 years.

### MARGINSMART® Insight

*Starting last week we began reporting the results of our 2<sup>nd</sup> Sample Dairy which has executed hedging strategies on milk and feed (see page 2). For 2015, the hedging strategies have resulted in a \$2.46 per cwt. advantage over doing nothing.*

Contact Curtis Gerrits for a **FREE** MARGINSMART® Demo!!  
**DIRECT: 920-264-9140**  
**EMAIL: curtis@marginSMART.com**



## Market Price Updates (As of 1/9/2015 Close)

	Jan '15	+/-*	Feb '15	+/-*	Mar '15	+/-*	May '15	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	15.97	+05	14.84	-65	14.66	-61	14.52	-64	15.76	-39	16.34	-29	16.20	-11
Class IV Milk	14.17	-45	14.05	-46	14.18	-25	14.20	-43	15.30	-37	15.90	-10	16.10	-02
Cash Butter	1.59	-02	1.61	-00	1.64	+03	1.68	-01	1.74	.00	1.78	+01	1.78	+00
Cash Cheese	1.58	+01	1.52	-06	1.54	-06	1.56	-05	1.68	-02	1.74	-01	1.72	+01
Corn					4.00	+04	4.08	+04	4.14	+03	4.17	+04	4.21	+02
Soybeans	10.51	+49			10.52	+45	10.57	+42	10.62	+42	10.37	+33	10.19	+26
Soybean Meal	364	+7			349	+9	344	+10	342	+9	339	+8	331	+7

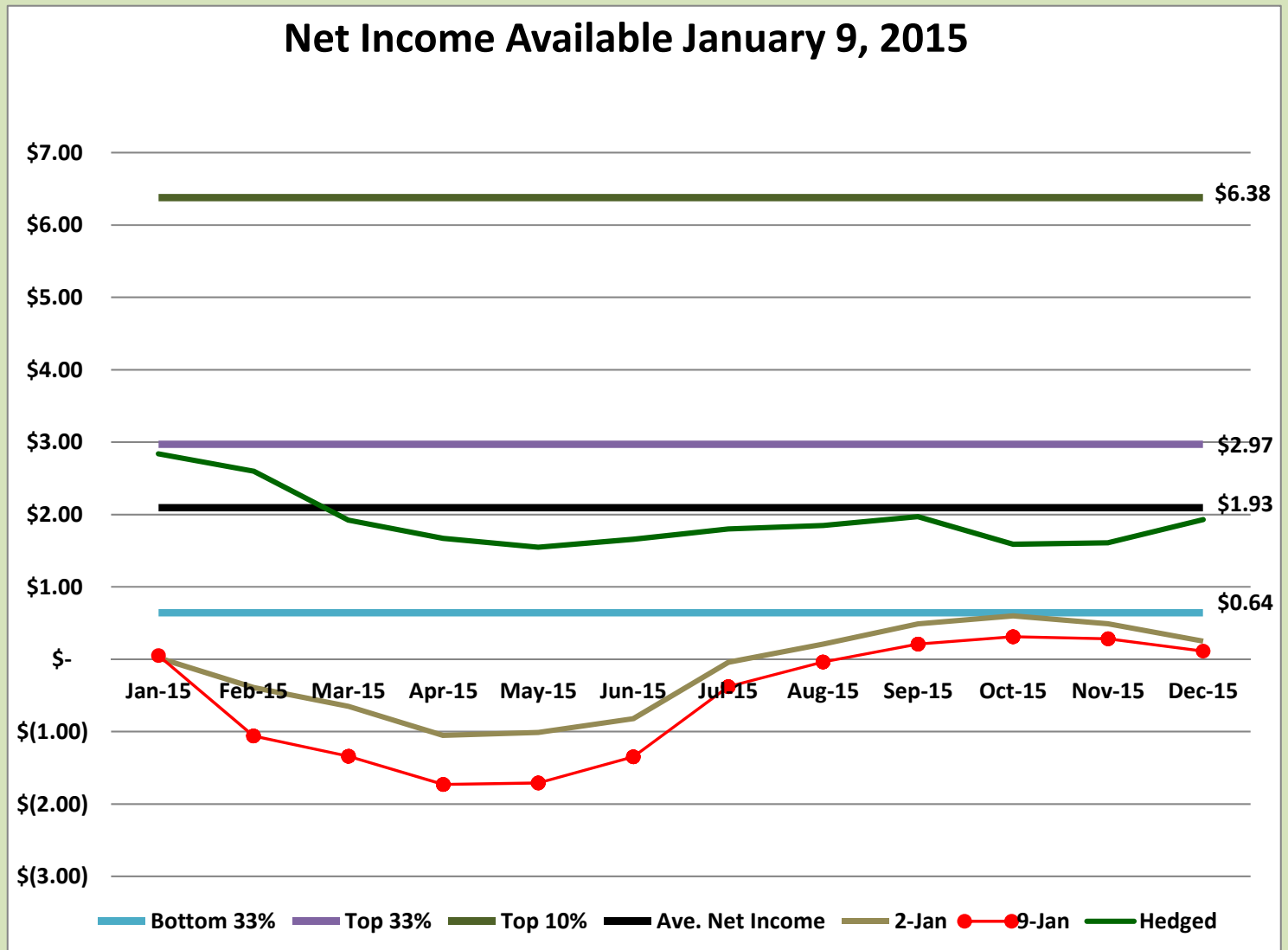
\*Change from the Previous Week Price

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



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.

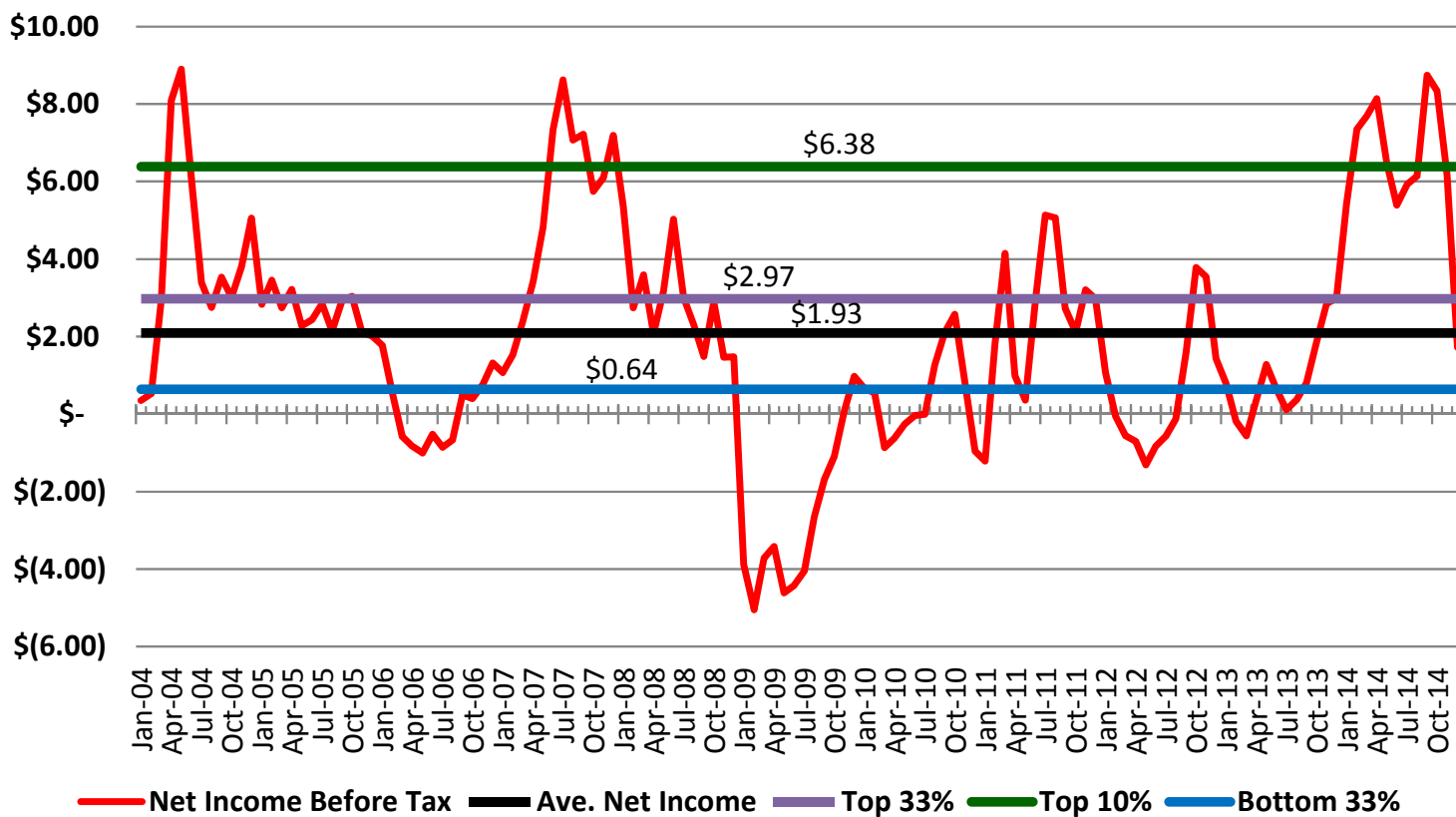
## Net Income Available January 9, 2015





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% (90<sup>th</sup> percentile), top 33% (67<sup>th</sup> percentage), the average and bottom 33% (33<sup>rd</sup> 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	2014
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95	6.46

### 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	5.41