



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 | +0.14 | -0.32 | -0.47 | -0.39 | -0.15 | +0.01 | -0.12 | -0.13 | -0.26 | -0.21 | -0.27 | -0.18 |

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 revisiting the target features within MARGINSMART®. There are two types of target alerts available – financial targets and commodity price targets. Since MARGINSMART® continually pulls info into it from the CBOT and the CME, each individual farm's financial metrics are continually updated. As farm data is updated these metrics are also updated. Based on that, MARGINSMART® constantly compares the actual metrics to the target level. If the current calculated metric results in the target being met, a text will be sent to the customer's cell phone which serves as notice that the customer should take their appropriate action to protect the respective target. Targets can be set up in cwt. or absolute dollar amounts. Please call us with any questions.

Market News

Milk: Total US packaged fluid milk sales in Nov '14 were 6.0% lower than Nov '13. Nov '14 exports were off 7% in volume and 14% in dollars from Oct '14. The US dollar continues to have strength against other currencies as it hit 11 year highs against 16 other currencies in Jan '15. New Zealand's Global Dairy Trade has now had 2 consecutive positive price increases after 11 consecutive downturns.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

- Initial results from the MPP signup show that 23,000 dairies participated and 12,000 of them bought levels higher than the \$4.00 minimum.
- Industry firm Informa projects that US '15 corn acres will be 88.6M acres versus USDA's projection of 88M and last year's 90.6M acres
- Industry firm Informa projects that US '15 SB acres will be 88M acres versus USDA's projection of 84M and last year's 83.7M acres
- **TAKE NOTICE** - Soybean Meal futures prices for all of 2015 closed Friday 1/16/15 at an average of \$321.12 per ton, the lowest since 10/22/14.

MARGINSMART® Hedged Farm Insight

Starting in 2015 we began reporting the results of our 2nd Sample Dairy which has executed hedging strategies on milk and feed (see page 2). For 2015, the hedging strategies have resulted in a \$2.63 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 1/16/2015 Close)

| | Jan '15 | +/-* | Feb '15 | +/-* | Mar '15 | +/-* | May '15 | +/-* | Jul '15 | +/-* | Sep '15 | +/-* | New Crop | +/-* |
|----------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|
| Class III Milk | 16.01 | +0.04 | 14.43 | -0.41 | 14.02 | -0.64 | 14.18 | -0.34 | 15.51 | -0.25 | 16.06 | -0.28 | 16.01 | -0.19 |
| Class IV Milk | 13.51 | -0.66 | 13.45 | -0.60 | 13.40 | -0.78 | 13.80 | -0.40 | 15.02 | -0.28 | 15.73 | -0.17 | 16.03 | -0.07 |
| Cash Butter | 1.56 | -0.04 | 1.58 | -0.03 | 1.61 | -0.03 | 1.67 | -0.01 | 1.73 | -0.01 | 1.76 | -0.02 | 1.74 | -0.04 |
| Cash Cheese | 1.58 | +0.00 | 1.49 | -0.03 | 1.49 | -0.05 | 1.54 | -0.02 | 1.66 | -0.02 | 1.71 | -0.03 | 1.70 | -0.02 |
| Corn | | | | | 3.87 | -0.13 | 3.94 | -0.14 | 4.01 | -0.13 | 4.07 | -0.10 | 4.15 | -0.06 |
| Soybeans | 9.92 | -0.59 | | | 9.92 | -0.60 | 9.97 | -0.60 | 10.03 | -0.59 | 9.87 | -0.50 | 9.75 | -0.44 |
| Soybean Meal | 329 | -0.35 | | | 321 | -0.23 | 321 | -0.23 | 321 | -0.21 | 320 | -0.19 | 315 | -0.16 |

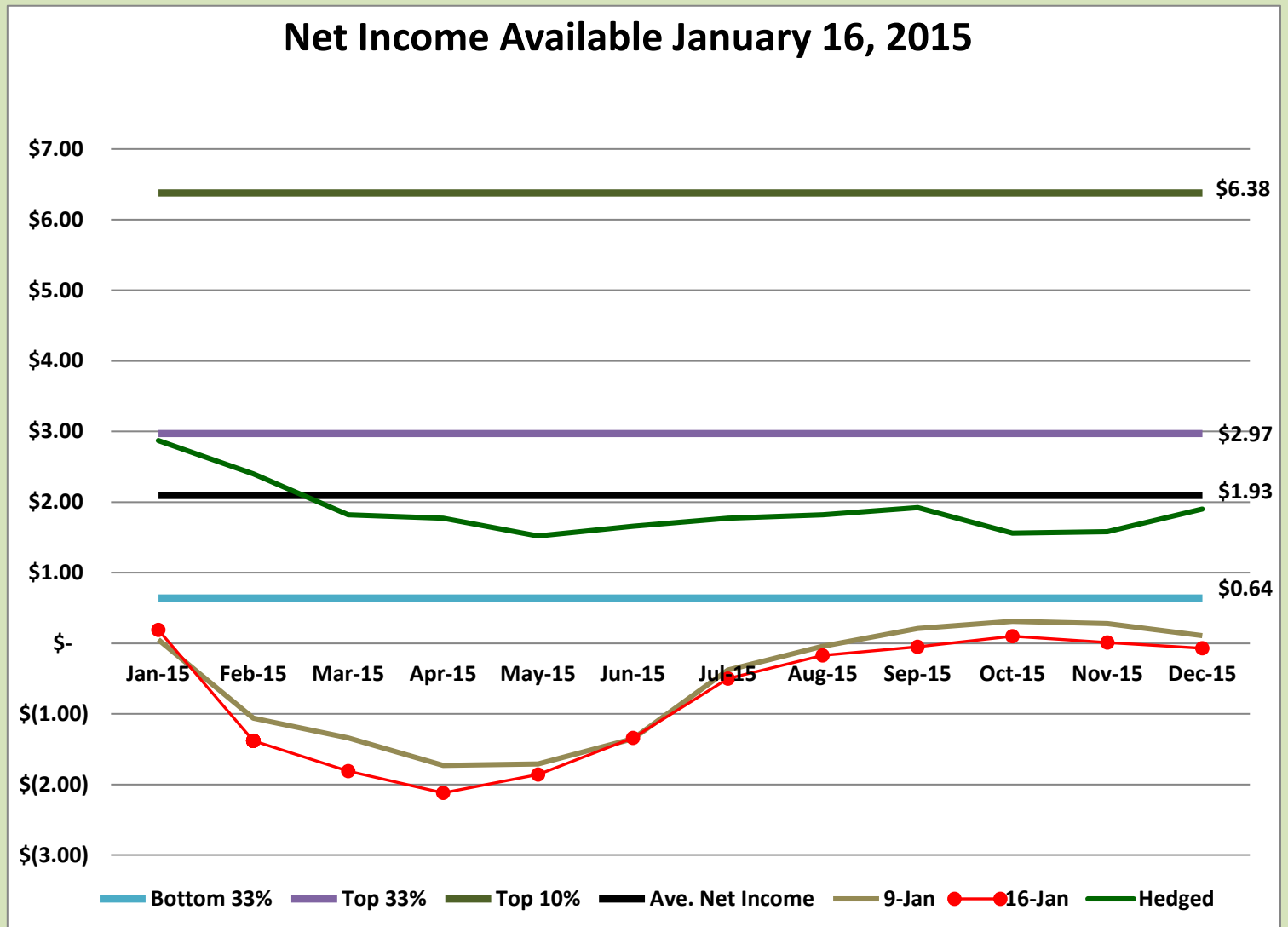
*Change from the Previous Week Price

**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.

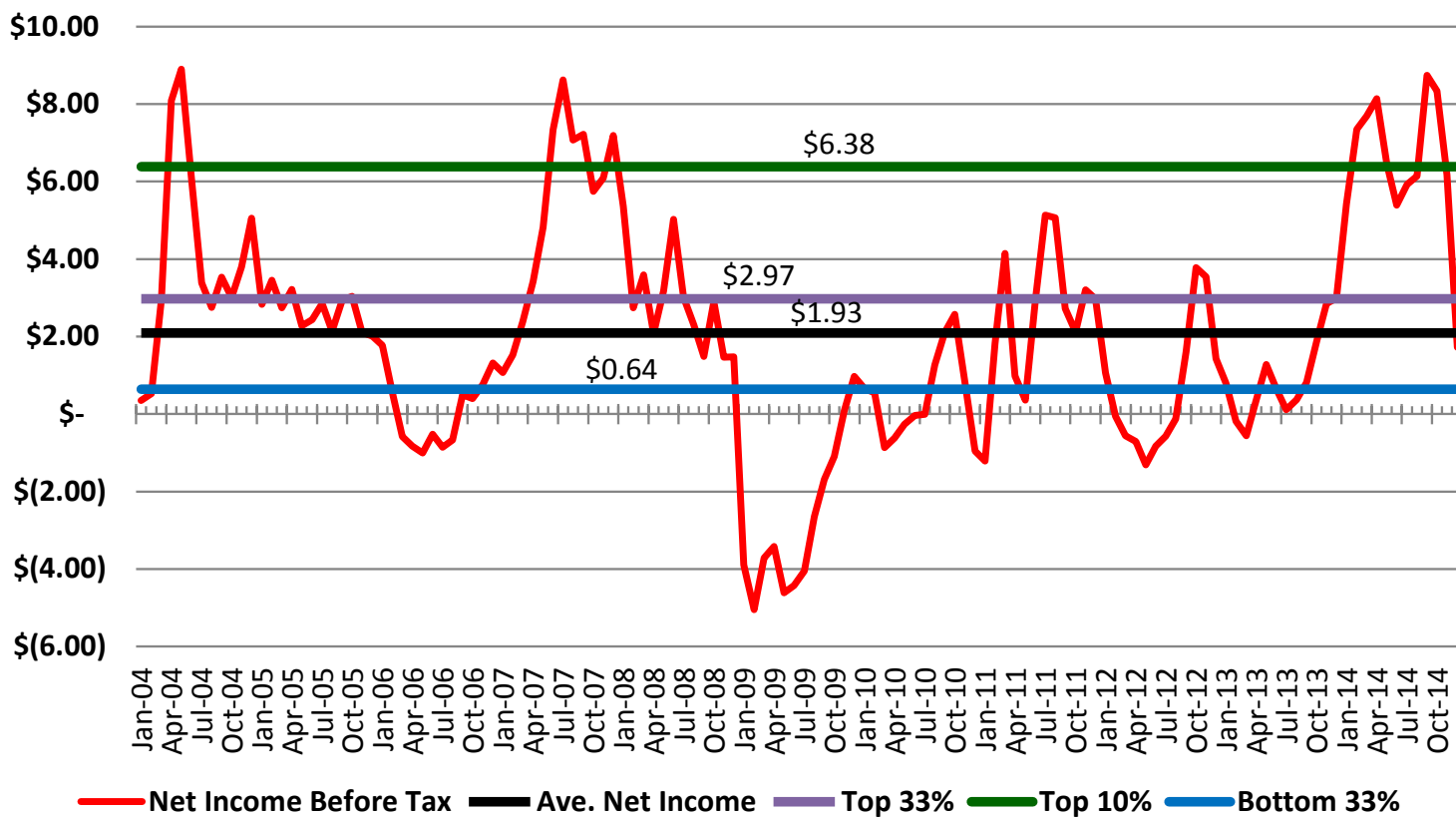
Net Income Available January 16, 2015





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% (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 | 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 |