



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	+0.10	+1.04	+1.02	+0.98	+1.23	+1.00	+0.91	+0.92	+0.84	+0.74	+0.50	+0.42

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 a reminder and explanation of milk basis. This is different for each dairy farm, but generally includes the following items:

- Component levels for butterfat, protein and solids
- Premiums or discounts for SCC, volume, etc.
- Producer price differentials
- Any other payments, or discounts, that apply to the dairy related to the shipment of milk to the plant

In addition, the various classes of milk need to be considered for the dairy's federal milk order and a basis can be calculated to each of the Class III and the Class IV, as well as a blended one. MARGINSMART® incorporates all of this into the projected milk market prices. Please call us with any questions.

Market News

Milk: The All-Milk price averaged a record \$23.97 per cwt. in 2014, which was 19.6% higher than 2013's \$20.05. New Zealand's Global Dairy Trade posted its third-straight positive biweekly trading session after an 11-month market downturn. Milk futures increased last week by approximately \$1.00 per cwt. Estimated lower milk production in New Zealand was a major reason for this.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Cattle Inventory numbers for January 1, 2015 results:

- Dairy cows up 100,000 head from 1/1/14
- Beef cows up 600,000 head from 1/1/14
- All cattle up 400,000 head from 1/1/14
- Dairy replacements up 75,000 head

Overall summary indicates that both dairy and beef cow and replacement numbers are higher than 2014 which will impact prices and eventually feed usage.

Oil futures have started to increase. See the attachment this week which shows the average gasoline and on-road diesel fuel prices. Some strikes at refineries are impacting current refining output.

MARGINSMART® Hedged Farm Insight

Starting last week our Feed Pricing Report now includes some added coverage. We are now showing the prices from the prior month and the prior year, along with the percentage changes from those periods to the prior week.

Contact Curtis Gerrits for a **FREE**
MARGINSMART® Demo!!
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Market Price Updates (As of 1/30/2015 Close)

	Jan '15	+/-*	Feb '15	+/-*	Mar '15	+/-*	May '15	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	16.14	+0.06	16.00	+1.02	15.66	+1.02	15.62	+0.97	16.40	+0.89	16.80	+0.70	16.55	+0.42
Class IV Milk	13.48	+0.00	14.79	+1.34	15.16	+1.53	15.77	+1.80	16.46	+1.25	16.55	+0.79	16.50	+0.47
Cash Butter	1.56	+0.00	1.75	+0.02	1.81	+0.02	1.84	+0.02	1.83	+0.01	1.83	+0.01	1.79	+0.04
Cash Cheese	1.58	+0.00	1.59	+0.08	1.59	+0.08	1.64	+0.09	1.72	+0.09	1.76	+0.07	1.72	+0.02
Corn					3.70	-0.17	3.78	-0.17	3.86	-0.17	3.93	-0.16	4.01	-0.16
Soybeans					9.61	-0.12	9.68	-0.11	9.73	-0.12	9.57	-0.14	9.46	-0.14
Soybean Meal					330	-2	324	+10	322	+0	319	-1	314	-2

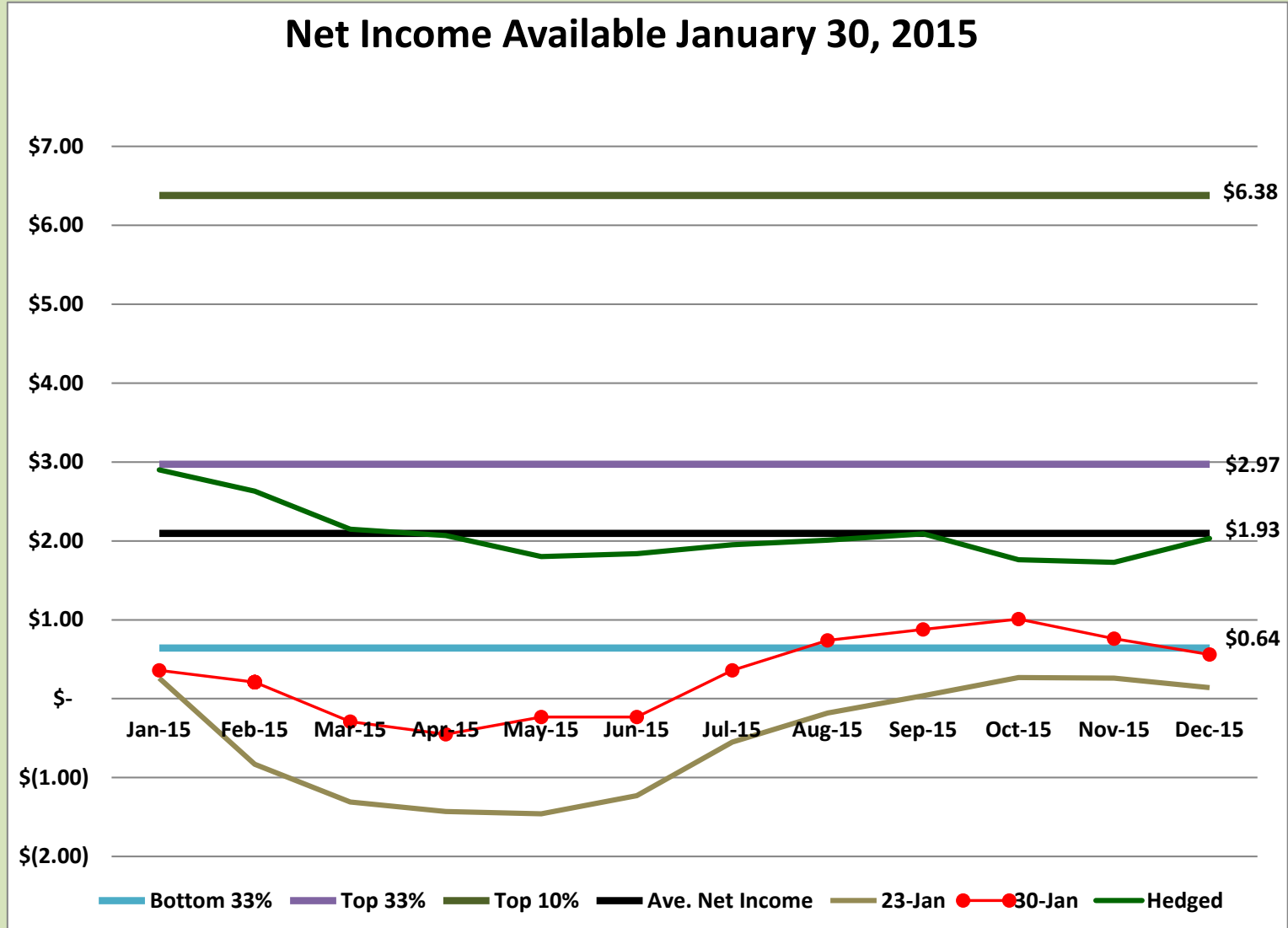
*Change from the Previous Week Price

**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.

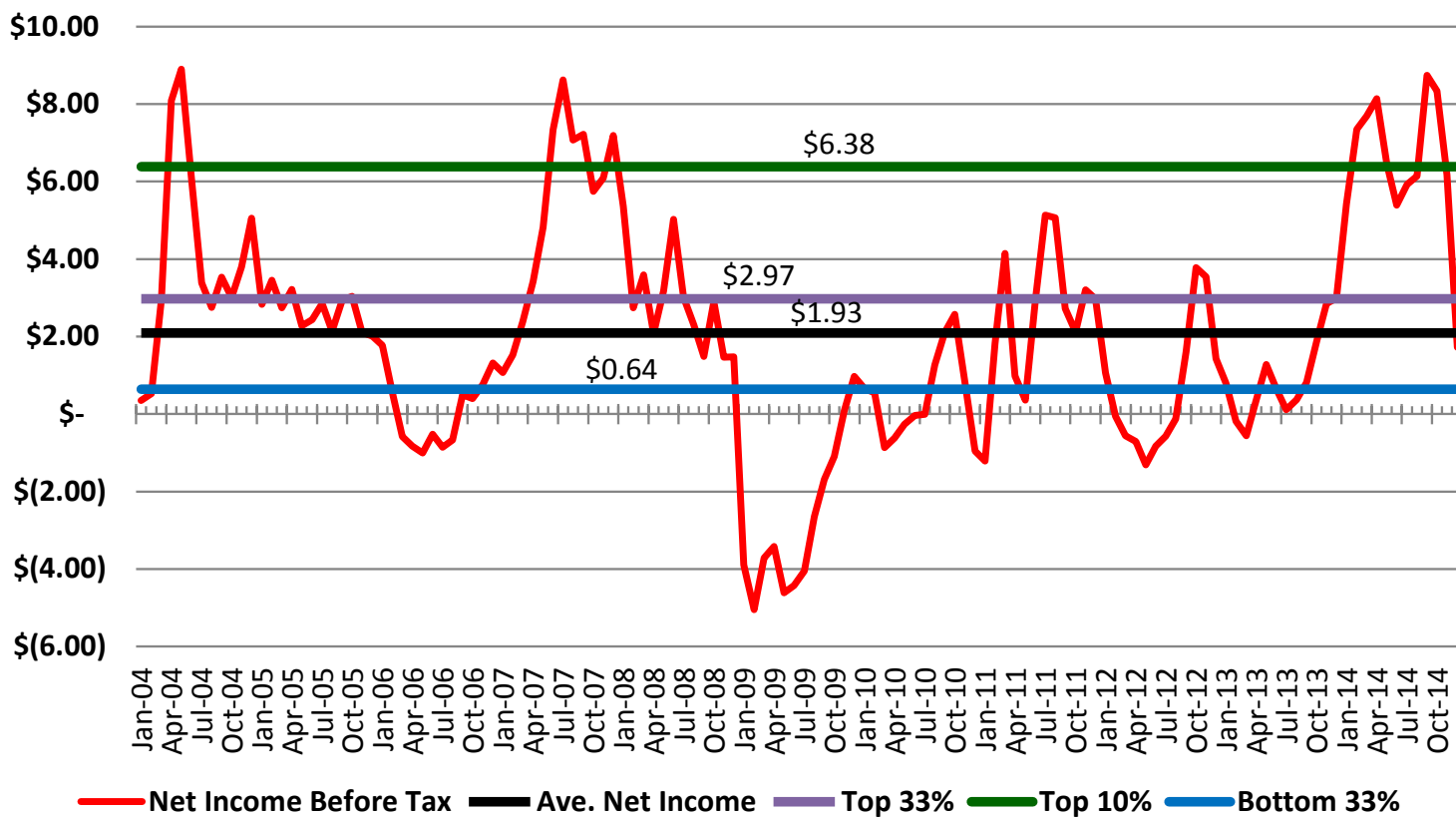
Net Income Available January 30, 2015





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 Annual 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