



# WEEKLY NEWSLETTER

*"For SMART Management"*

Ph: 877-474-7589 • 1600 W. Shawano Ave. Suite 201 • Green Bay, WI 54303

## MARGINSMART® Sample Farm Profitability Changes From Last Report

	Feb. '15	Mar. '15	April '15	May '15	June '15	July '15	Aug. '15	Sep. '15	Oct. '15	Nov. '15	Dec. '15	Jan. '16
Change From Prior Week	-0.16	+0.36	+0.34	+0.05	+0.27	+0.30	+0.19	+0.22	+0.23	+0.28	+0.19	+0.09

### 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

This week we will revisit and discuss feed/grain Basis Levels. For some of you Basis may be a new term so we will start with a very basic definition. You can consider basis to be the difference in price between the price of a commodity on a commodity exchange (corn on the Chicago Board of Trade (CBOT) for example) and the price you actually pay to have it delivered to your farm. This should be for the same time period. For example, corn on the CBOT for March 2015 was priced at \$3.86 per bushel (\$137.86 per ton) at the close of trading on Friday Feb 6<sup>th</sup>. Prices for each dairy vary across the US due to transportation costs. If your farm's price for corn on February 6<sup>th</sup> was \$4.00 per bushel (\$142.86 per ton), your Basis would be +\$.14 per bushel. If you also pay to have the corn ground, flaked, rolled or processed in any other way, add that to the cost. The same concept applies to other feed and grain.

### Market News

**Milk:** The final Jan '15 announced Class III price was \$16.18 per cwt. – down \$1.68 from Dec '14 and down \$4.97 from Jan '14. The final Jan '15 Class IV price was \$13.23 per cwt., down \$3.23 from Dec '14, and down a whopping \$9.06 per cwt. from Jan '14.

### Market News (Continued)

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

Tomorrow the USDA will release its February WASDE report. The following are analyst expectations:

- Minimal adjustments to the US reported ending stocks for corn and soybeans (slightly lower SB)
- Minimal adjustments to the world ending stocks for all grains
- Analysts are projecting record large Brazil SB production, but 7% lower corn production from the combined Brazil, Argentina and South Africa
- For the first 4 weeks of 2015 cow slaughter is 11% below 2014, which was also down from 2013.
- Blood meal prices are nearly 40% lower than one year ago

### MARGINSMART® Insight

*Please note the chart on page 4 which shows the last 10 years monthly profitability for our historical farm. For Jan 2015 it came in at \$.36, which is a drop of \$7.98 within the last 3 months.*

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



## Market Price Updates (As of 2/6/2015 Close)

	Feb '15	+/-*	Mar '15	+/-*	April '15	+/-*	May '15	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	15.88	-0.12	16.00	+0.34	15.91	+0.41	15.93	+0.31	16.75	+0.35	17.16	+0.36	16.79	+0.24
Class IV Milk	14.69	-0.10	15.35	+0.19	16.11	+0.36	16.23	+0.46	17.00	+0.54	17.10	+0.55	17.10	+0.60
Cash Butter	1.76	+0.00	1.78	-0.03	1.81	-0.01	1.80	-0.04	1.83	+0.0	1.86	+0.03	1.83	+0.04
Cash Cheese	1.56	-0.03	1.61	+0.02	1.62	+0.01	1.63	-0.01	1.73	+0.01	1.78	+0.02	1.73	+0.01
Corn			3.86	+0.16			3.94	+0.16	4.01	+0.15	4.08	+0.15	4.17	+0.16
Soybeans			9.73	+0.12			9.8	+0.12	9.85	+0.12	9.71	+0.14	9.60	+0.14
Soybean Meal			329	-1			323	-1	321	-1	318	-1	314	-0

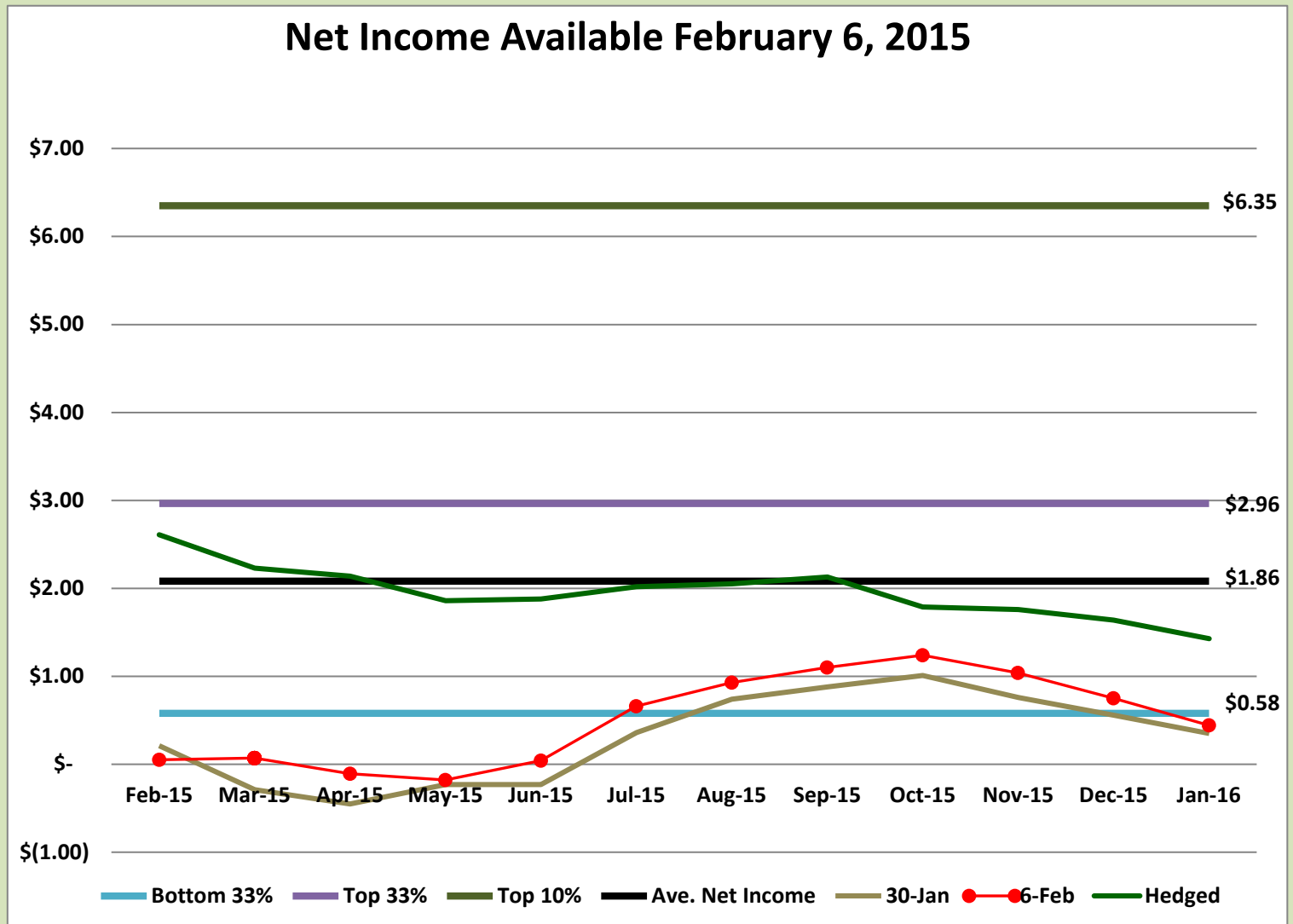
\*Change from the Previous Week Price

\*\*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.

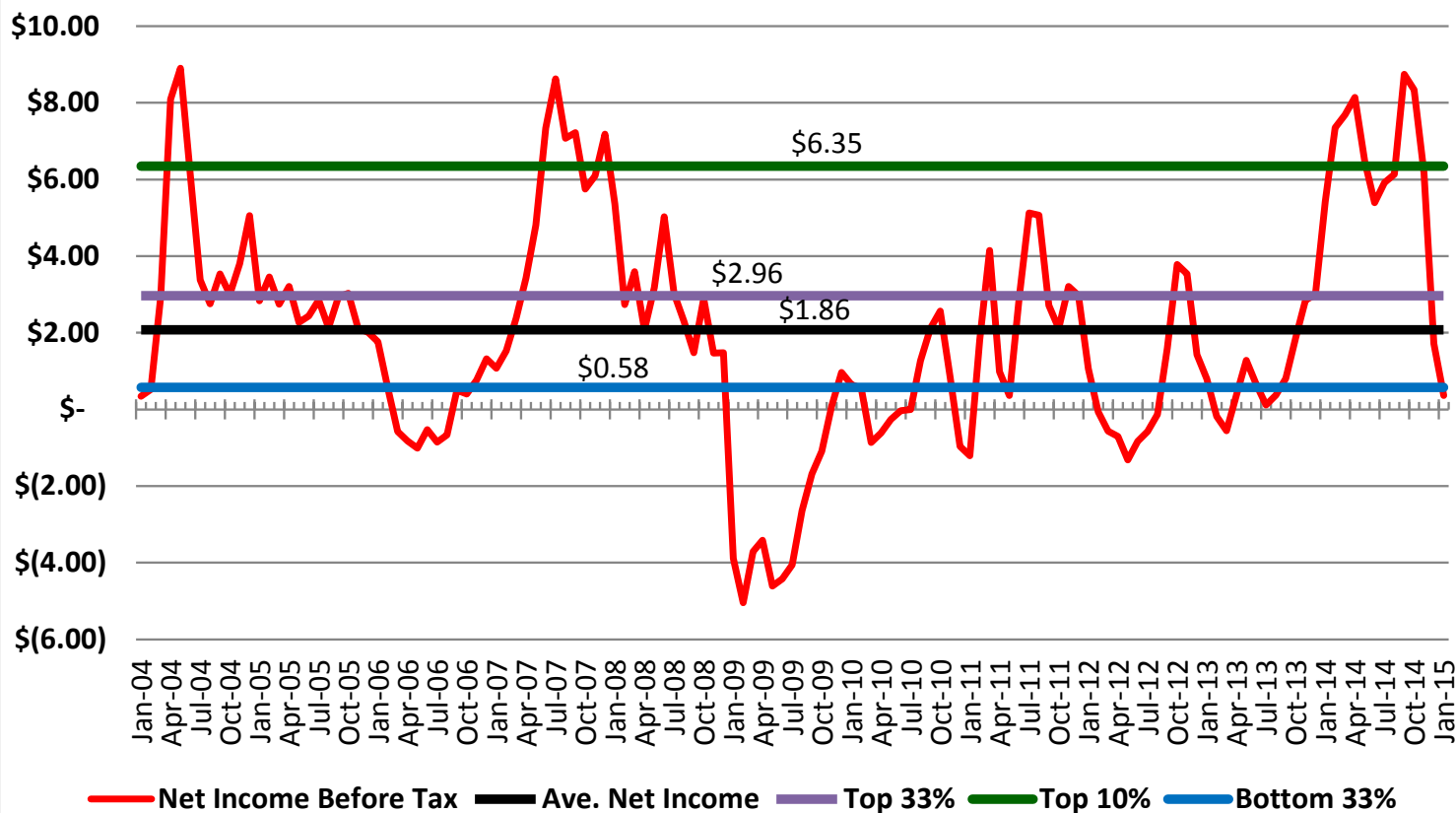
## Net Income Available February 6, 2015





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.)

## 2004-2015 Historical Net Income Before Tax





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 year’s results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 10 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 10 years. The charts below are a breakdown of the information in the historical graph above.

### 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