



# WEEKLY NEWSLETTER

*"For SMART Management"*

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## MARGINSMART® Sample Farm Profitability Changes From Last Report

	Mar. '15	April '15	May '15	June '15	July '15	Aug. '15	Sep. '15	Oct. '15	Nov. '15	Dec. '15	Jan. '16	Feb. '16
Change From Prior Week	-01	-04	-23	-45	-35	-30	-12	-06	-00	+04	+08	+08

### 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 examine the differences in prices for various commodities. Many dairy producers feed a variety of feed ingredients. A great number of these have nutritional equivalencies that can be made to corn or SBM. However, contrary to what some people may believe or promote, many of them DO NOT move price-wise in the same relationship. For example, let's look at corn and Dried Distillers Grain (DDG). DDG has a fairly close nutritional correlation to dry corn. But, the price of DDG (Midwest USA) was around \$100/ton in Aug '14, then went to \$125 in Sep 14, under \$100 in Oct 14 and now has moved to between \$160-\$200 since the start of 2015. All this while dry corn prices are very close to last August prices. MARGINSMART does not force all ingredients to corn or SBM prices, but rather offers flexibility. Call us to discuss.

### Market News

**Milk:** Mailbox prices for selected reporting areas in Federal milk orders averaged \$20.83 per cwt, down \$2.19 from the November 2014 revised average, and down \$1.21 per cwt from the December 2013 average.

### Market News (Continued)

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

As mentioned in earlier newsletters, hog production is up significantly since last year (disease issues impacted the early 2014 hog production). Last week's total slaughter was 10% higher than last year. Finished hog prices are 35% BELOW 12 months ago. Increased headcounts and hog inventory will continue to utilize corn and SBM at higher rates than in early 2014. We will keep an eye on how this progresses.

- Cull cows prices have decreased somewhat over the past month or two; however, day old bull calves continue to see at very high prices.

### MARGINSMART® Insight

*As you wrap up your 2014 financial statements and tax work, this is a great time for us to revisit your 2015 and 2016 projections for operating income and expenses.*

Contact Curtis Gerrits for a **FREE**  
**MARGINSMART® Demo!!**  
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## Market Price Updates (As of 3/13/2015 Close)

	Mar '15	+/-*	Apr '15	+/-*	May '15	+/-*	June '15	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	15.50	+08	15.40	-10	15.10	-40	15.61	-54	16.32	-36	17.25	-03	17.15	+15
Class IV Milk	14.17	-62	14.23	-52	14.53	-71	14.91	-63	15.37	-52	16.12	-106	16.91	-43
Cash Butter	1.71	-04	1.73	-04	1.75	-05	1.75	-03	1.78	-04	1.81	-02	1.83	-01
Cash Cheese	1.57	-0	1.58	-01	1.56	-05	1.62	-06	1.69	-05	1.79	-01	1.78	+01
Corn	3.74	-05			3.80	-06			3.88	-06	3.95	-06	4.05	-06
Soybeans	9.68	-11			9.74	-11			9.78	-12	9.63	-12	9.53	-12
Soybean Meal	338	+1			327	-1			324	-1	321	-1	316	-3

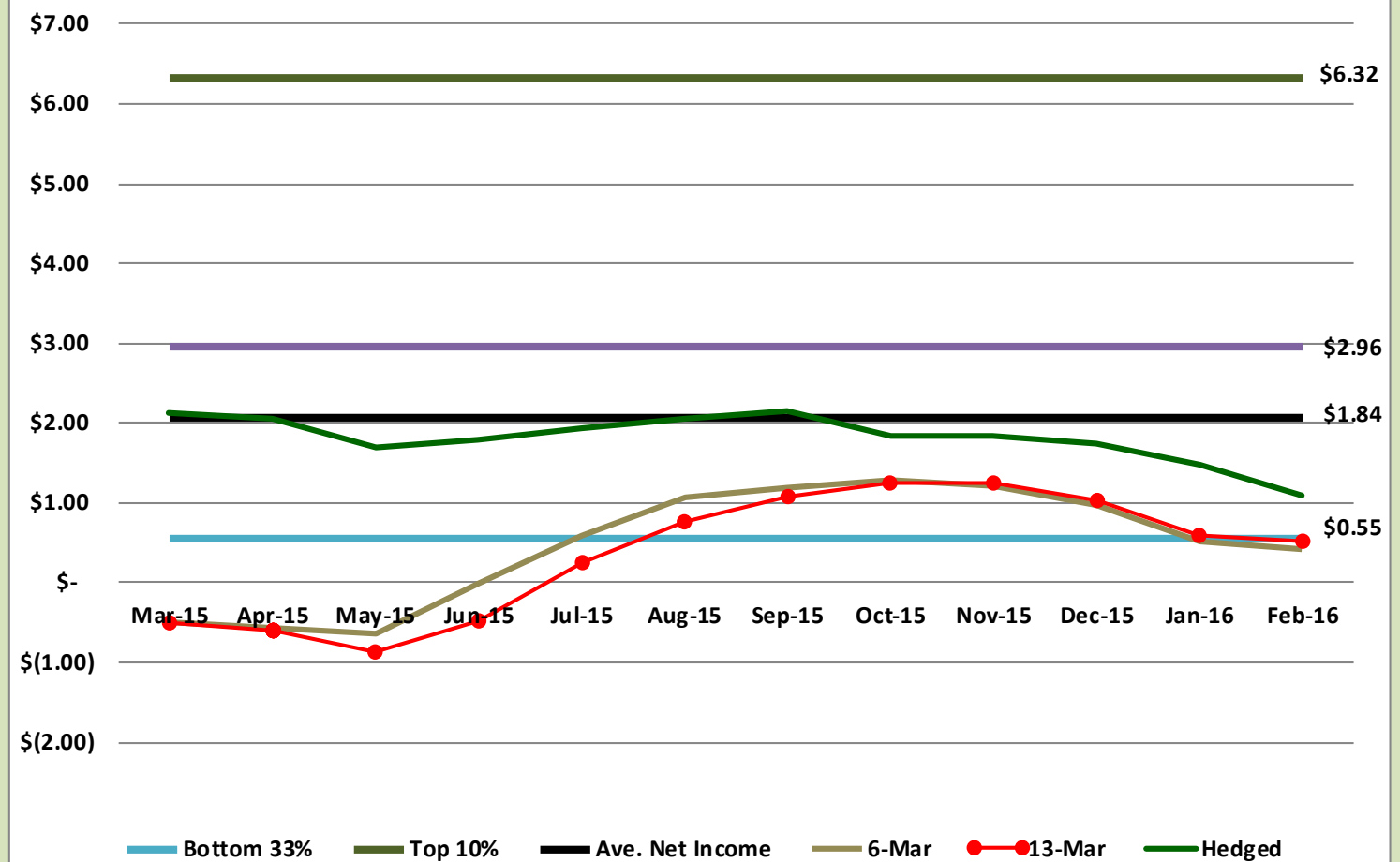
\*Change from the Previous Week Price

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



MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and 86 #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.

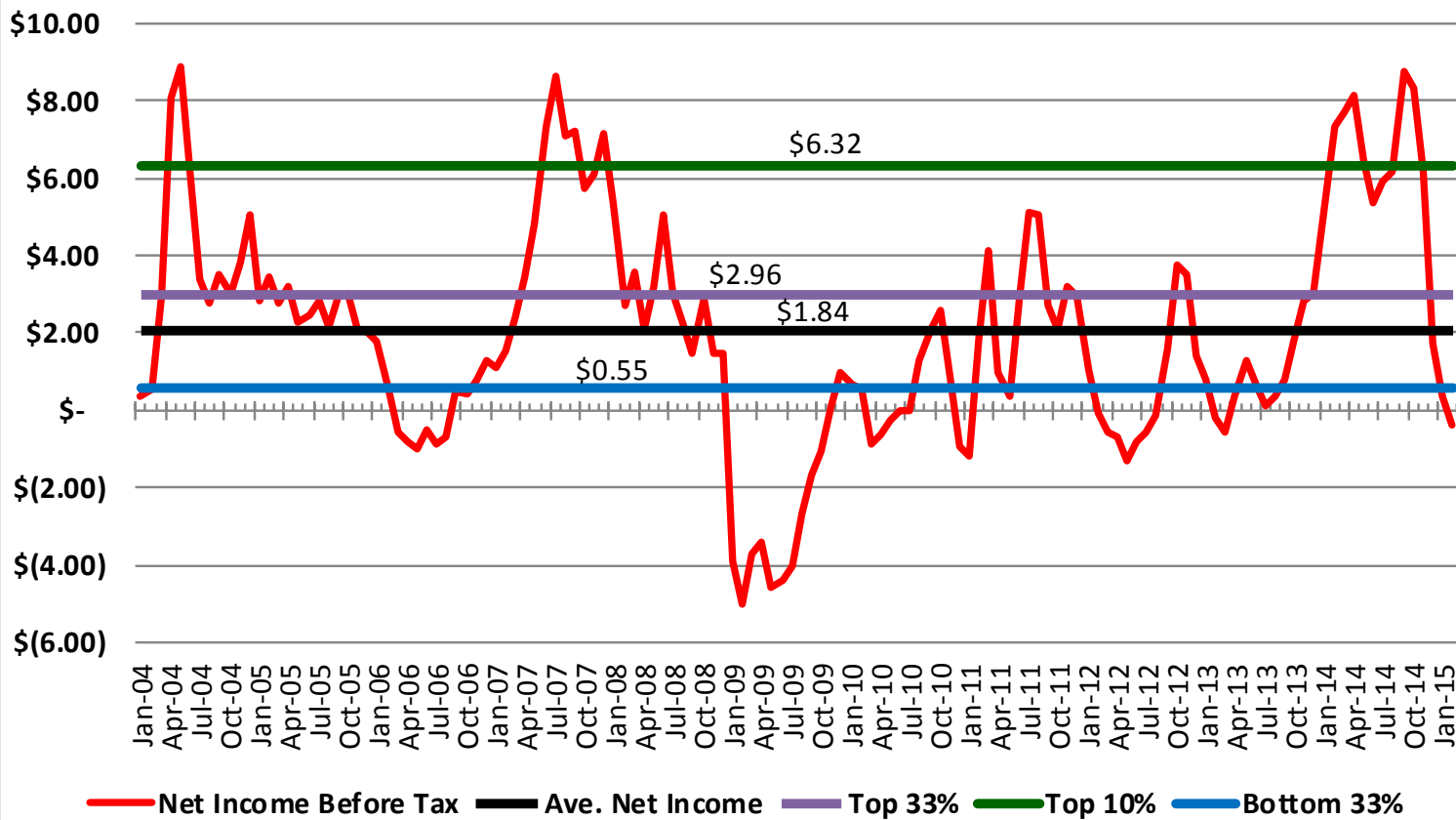
## Net Income Available March 13, 2015





MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and 86 #s (current level – this has increased over the past 11 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 11 years’ results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 11 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





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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