



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	May '15	June '15	July '15	Aug. '15	Sep. '15	Oct. '15	Nov. '15	Dec. '15	Jan. '16	Feb. '16	Mar. '16	Apr '16
Change From Prior Week	-02	-10	+00	-04	+01	-01	+03	+07	+00	-09	+05	+04

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 look at what is happening in the milk basis arena. For purposes of this, we will define this as the gross milk price compared to the Class III or Class IV price. We have been discussing this with our customers for the past few months but thought it was worth stating in this week's tip of the week. Some dairy plants and marketers had a very difficult financial year in 2014 due to the high milk prices. In 2015 we are seeing negative impacts of \$.30 to \$.50 per cwt. (compared to the 3 year average) in milk pricing; primarily via the Producer Price Differential and related pricing across the country. You should consider the impact to milk basis for your operation in 2015.

Market News

Milk: Milk production in the 23 major States during April '15 totaled 16.6B pounds, up 1.7 % from April '14. Production per cow in the 23 major States averaged 1,928 pounds for April '15, 16 pounds above April '14. This is the highest production per cow for the month of April since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.62M head, 77,000 head more than April '14, and 2,000 head more than March '15.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Highlights from various topics:

- Pay attention to oil prices. They have gone up slightly since their bottom a few months ago. Both diesel and gasoline are increasing a few cents/gallon higher/week. If you haven't locked diesel prices yet, you may want to consider that.
- As mentioned last week newborn bull calf prices are extremely high - going over \$600 per head in some areas on the market. Since an increasing number of bull calves are sold direct to calf growers, if you do that you may want to cross reference your prices for reasonableness.
- Cull cow prices remain strong at this time due to high beef trimming and ground beef prices

MARGINSMART® Insight

Highly volatile prices in recent weeks make it essential that you understand your opportunities at all times.

We can help you with that!

Contact us for a **FREE MARGINSMART® Demo!**

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Market Price Updates (As of 5/22/2015 Close)

	May '15	+/-*	June '15	+/-*	July '15	+/-*	Aug '15	+/-*	Sep '15	+/-*	Oct '15	+/-*	New Crop	+/-*
Class III Milk	16.22	+01	16.47	-10	16.65	-05	16.89	-15	17.25	-14	17.32	-16	17.20	-04
Class IV Milk	14.00	-08	14.35	-10	14.85	-23	15.22	-19	15.53	-34	15.83	-38	15.99	-45
Cash Butter	1.88	+00	1.94	-04	1.96	-03	1.98	-03	1.98	-02	1.97	-03	1.91	-04
Cash Cheese	1.66	+00	1.69	-01	1.71	-02	1.74	-02	1.79	-01	1.80	-02	1.79	+00
Corn	3.61	+00			3.60	-05			3.67	-05			3.78	-05
Soybeans	9.63	+00			9.24	-29	9.16	-30	9.07	-30			9.07	-27
Soybean Meal	311	+0			304	+1	300	-1	297	-3	295	-2	296	-2

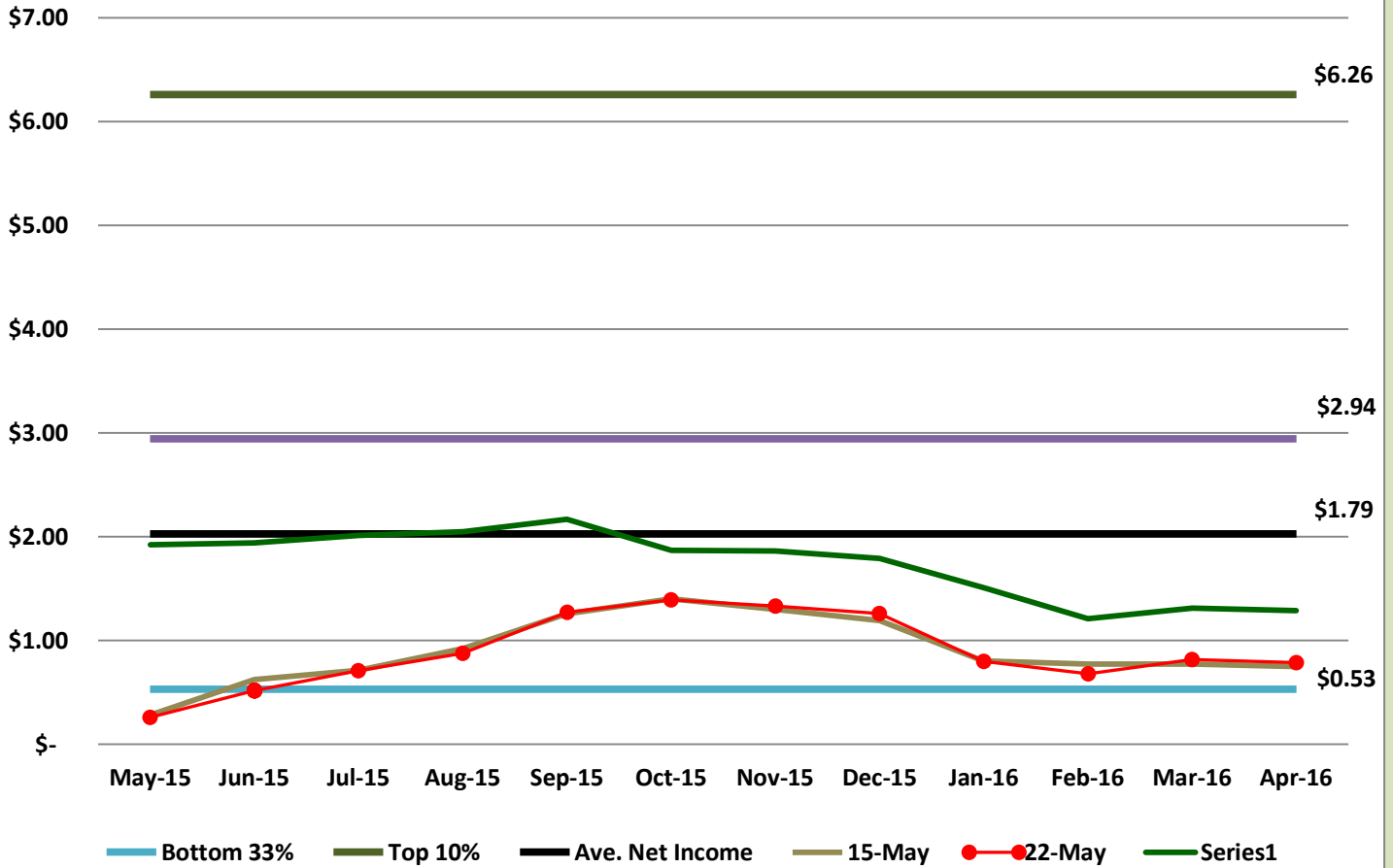
*Change from the Previous Week Price

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



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

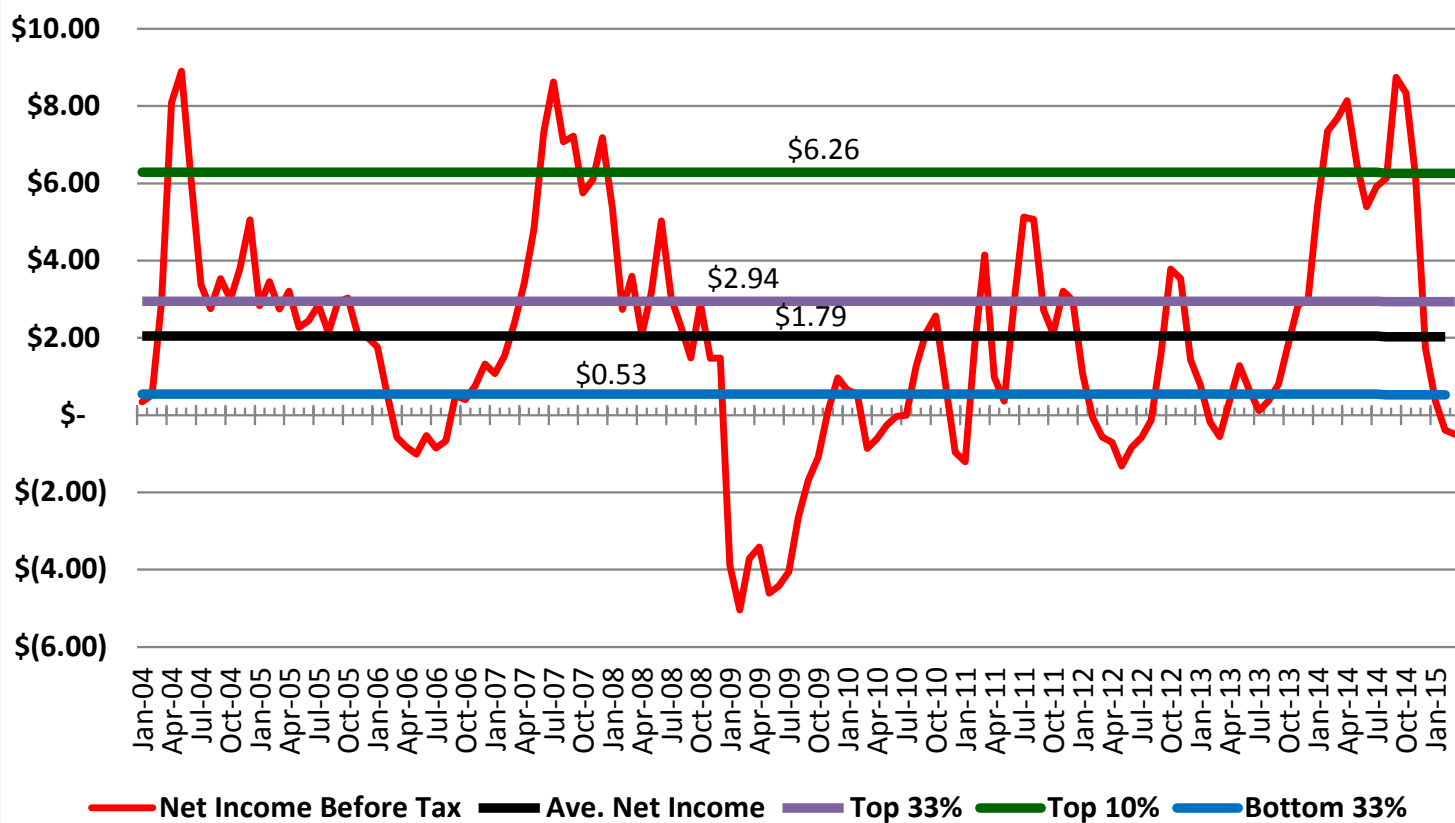
Net Income Available May 22, 2015





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% (90th percentile), top 33% (67th percentage), the average and bottom 33% (33rd percentile.)

2004-2015 Historical Net Income Before Tax





MARGINSMART® maintains a fully virtual Sample Farm with 1,500 mature cows and 86 #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 11 year’s results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 11 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 11 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
2015	-.18			