



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17	June '17
Change From Prior Week	-0.02	+0.05	+0.05	+0.09	-0.03	+0.06	+0.12	+0.11	-0.08	+0.09	+0.09	+0.05

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 review recent price swings in the Class III and Class IV futures prices. The last 2 months have marked some significant changes in these prices. During the month of June Class III futures prices for the 12 month period (Jul '16 to June '17) increased by an average of \$1.25 per cwt, while Class IV prices increased \$1.54 per cwt. The direction changed significantly in July as for that same period of measurement Class III prices were up \$.20 per cwt but Class IV prices were down \$.80 per cwt. Much of the change came just last week as the NASS cold storage inventories were released (see below). This change in price direction likely corresponds with butter stocks and the demand for fresh cheese. The Grade AA butter price at the CME Group on Friday closed at \$2.1350, down \$.1575 from a week ago.

Milk: COLD STORAGE (NASS): On June 30, 2016, U.S. cold storage holdings of butter totaled 326.0 million pounds, even from the previous month and up 27% from June 2015. Natural American cheese holdings total 758.6 million pounds, no change from the previous month, but 11% more than June 2015. Total natural cheese stocks were 1.252 billion pounds, even from last month, but 10% more than June 2016.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

We take a break from crop reports this week to zero in on a few other key items:

- YTD Beef production continues 3-4% above 2015
- Beef price continue 20-25% BELOW year ago levels
- YTD Pork production is similar to 2015, but prices are somewhat lower.
- YTD Chicken production is slightly above 2015 and prices are slightly lower
- Wholesale fertilizer prices have stayed low due to:
 - Large world supply
 - Low natural gas prices resulting in lower cost of production for certain products

Please use the following link for more detail <http://farmfutures.com/story-weekly-fertilizer-review-0-30765>

MARGINSMART Insight

WATCH BUTTER STOCKS AND PRICING TRENDS FOR A GLIMPSE AT POTENTIAL IMPACTS IN CLASS IV AND III PRICES, AND ULTIMATELY THE ALL MILK PRICE.

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

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Market Price Updates (As of 7/29/2016 Close)

	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*
Class III Milk	15.26	-0.01	16.84	+0.12	16.79	+0.11	16.72	+0.09	16.39	+0.01	16.08	+0.03	16.00	+0.06
Class IV Milk	14.92	-0.02	14.69	-0.78	15.04	-0.94	15.52	-0.69	15.81	-0.43	15.53	-0.37	15.53	-0.46
Cash Butter	2.31	-0.01	2.18	-0.16	2.20	-0.17	1.18	-0.19	2.17	-0.18	2.11	-0.13	2.04	-0.10
Cash Cheese	1.61	-0.01	1.81	+0.03	1.79	+0.02	1.78	+0.03	1.74	+0.02	1.70	+0.01	1.69	+0.01
Corn	3.52	+0.00			3.34	-0.01					3.43	+0.01		
Soybeans	11.11	+0.00	10.32	+0.26	10.20	+0.21			10.03	+0.15			10.03	+0.14
Soybean Meal	369	+00	350	+03	350	+04	349	+06			348	+06	344	+06

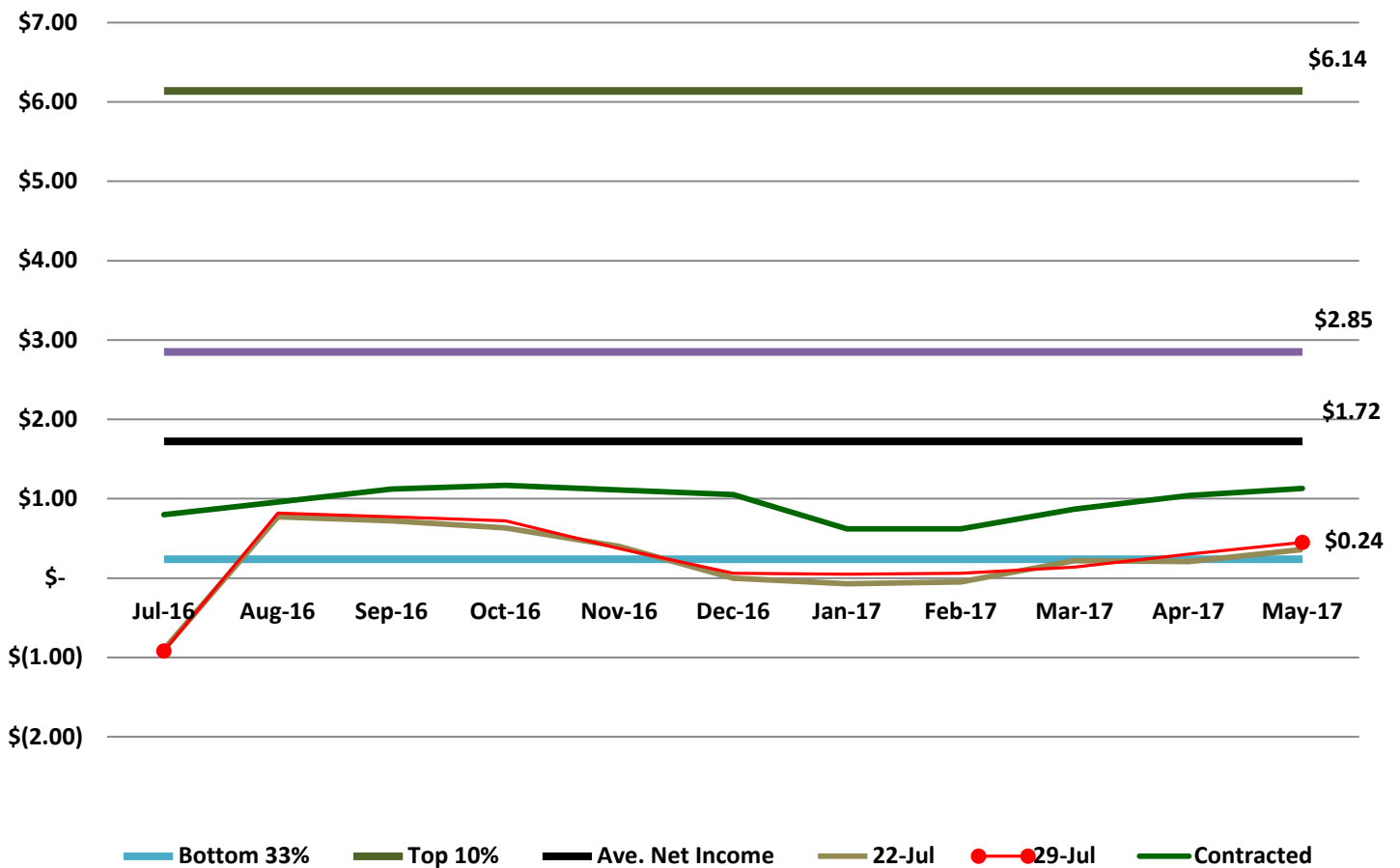
*Change from the Previous Week Price

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MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #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. We also show a green line for our Sample Farm that has executed milk and feed contracts as part of a price risk management strategy.

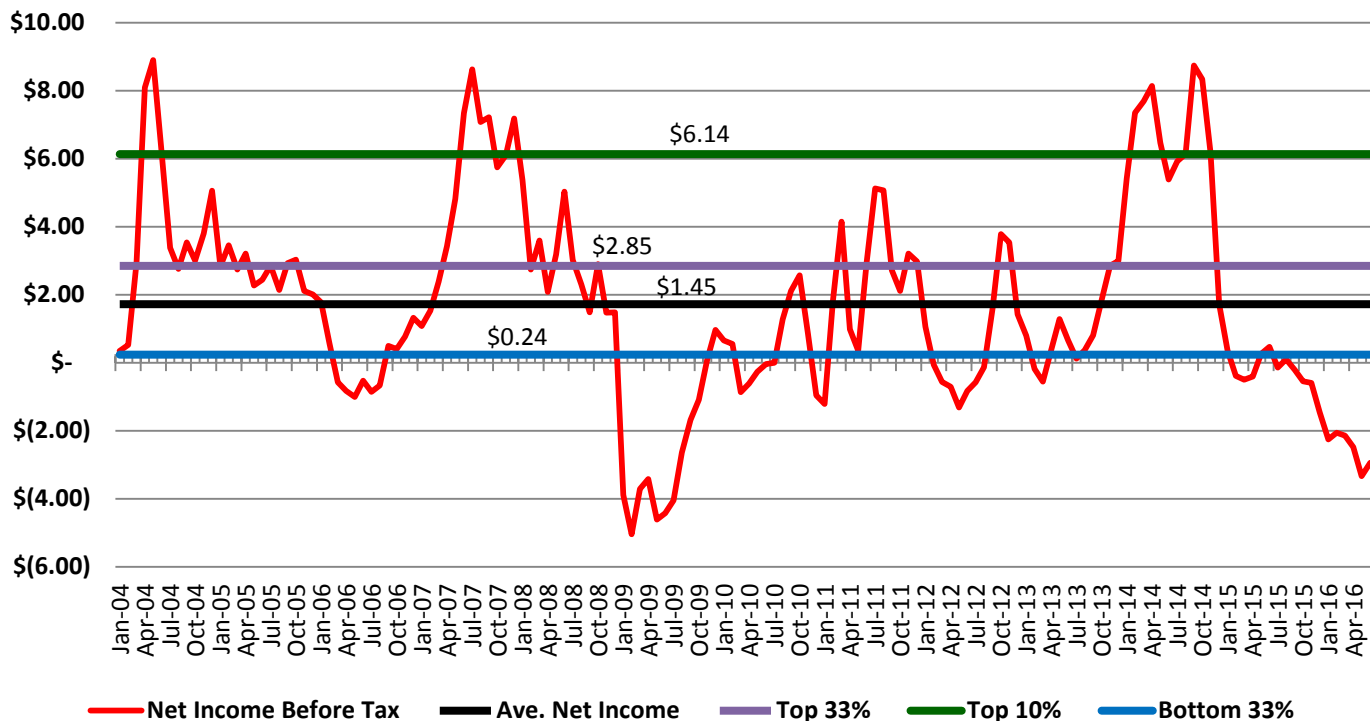
Net Income Available July 29, 2016





MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s (current level – this has increased over the past 12 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 12 years' results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 12 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.)

2004-2016 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	2015
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95	6.46	-.25

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	.11	-.08	-.87
2016	-2.15	-2.92		