



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17	June '17	July '17
Change From Prior Week	+08	-1.13	-.82	-.67	-.55	-.42	-.16	-.09	+00	+04	+09	+14

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

We leave this section open this week to discuss more milk market news as shown below.

Milk: Milk production in the 23 major States during July totaled 16.8B pounds, up 1.4% from July 2015. June revised production, at 16.7B pounds, was up 1.6% from June 2015. Production per cow in the 23 major States averaged 1,946 pounds for July, 24 pounds above July 2015. This is the highest production per cow for the month of July since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.65M head, 19,000 head more than July 2015, and 2,000 head more than June 2016.

On July 31, U.S. cold storage holdings of butter totaled 333.1M pounds, up 2% from the previous month, and **up 31% from July 2015**. Natural American cheese holdings total 770M pounds, 2% higher than the previous month and **10% more than July 2015**. Total natural cheese stocks were 1,276.4B pounds, 2% higher than last month and **10% more than July 2015**. In CME Group trading Friday, barrels closed at \$1.6800, down \$.1850 from last Friday and blocks closed at \$1.7400, down \$.1250.

Class III Aug and Sep '16 futures prices still closed last week over \$2.00 per cwt. above Class IV prices.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 8/29/16 Crop Progress Report

- Corn condition – 75% Good & Excellent vs. 75% last week and 68% last year
- Corn mature – 9% vs. 5 yr avg of 11%
- SB condition – 73% Good & Excellent vs. 72% last week and 63% last year
- SB dropping leaves – 5% vs. 5 yr avg of 5%
- Soil moisture across the USA is generally very good

July USDA Beef/Pork Statistics

- On a per production day in July head slaughter were up from corresponding July '15
 - Beef +9.2%
 - Pork +2.5%
 - Poultry +2.1%
- Freezer volumes of both beef and pork are also up

MARGINSMART Insight

CLASS III MILK FUTURES PRICES FOR THE REST OF 2016 CONTINUE TO FLUCTUATE WITH BIG REDUCTIONS LAST WEEK (SEE BELOW) AFTER INCREASES IN PRIOR WEEKS.

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

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Market Price Updates (As of 8/26/2016 Close)

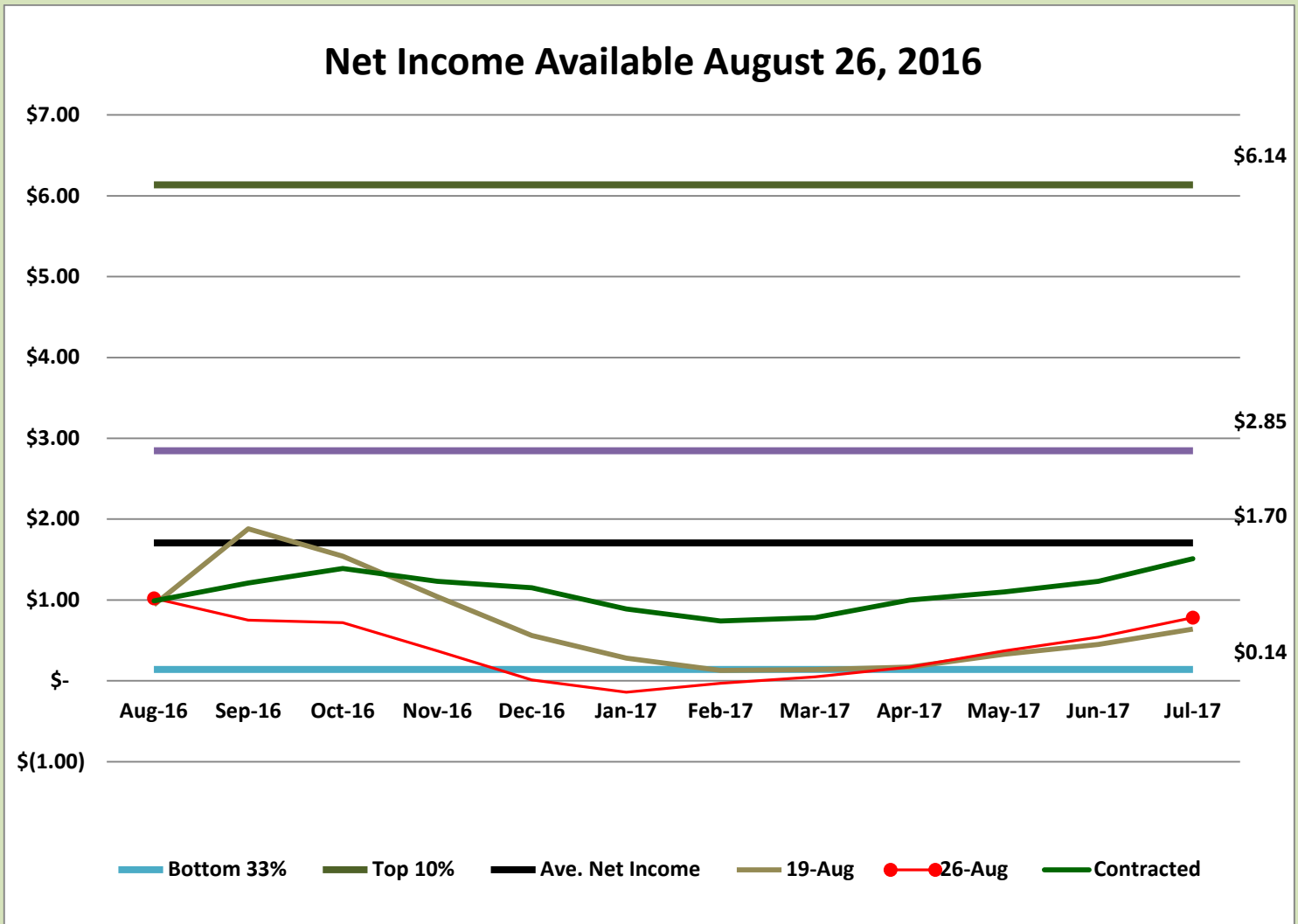
	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*
Class III Milk	16.91	-04	16.60	-1.28	16.57	-1.01	16.24	-0.83	15.94	-0.66	15.78	-0.57	15.90	-0.30
Class IV Milk	14.70	+04	14.60	-0.44	15.16	-0.42	15.50	-0.30	15.30	-0.33	15.20	-0.25	15.44	-0.26
Cash Butter	2.22	-01	2.14	-0.10	2.17	-0.07	2.18	-0.05	2.09	-0.04	2.00	-0.03	2.00	-0.01
Cash Cheese	1.81	-01	1.77	-0.13	1.74	-0.10	1.70	-0.08	1.66	-0.07	1.65	-0.04	1.66	-0.03
Corn			3.16	-0.18					3.25	-0.19				
Soybeans	10.03	+00	9.91	-0.36			9.67	-0.37			9.70	-0.35		
Soybean Meal	333	+00	321	-09	318	-09			316	-10	313	-10		

*Change from the Previous Week Price

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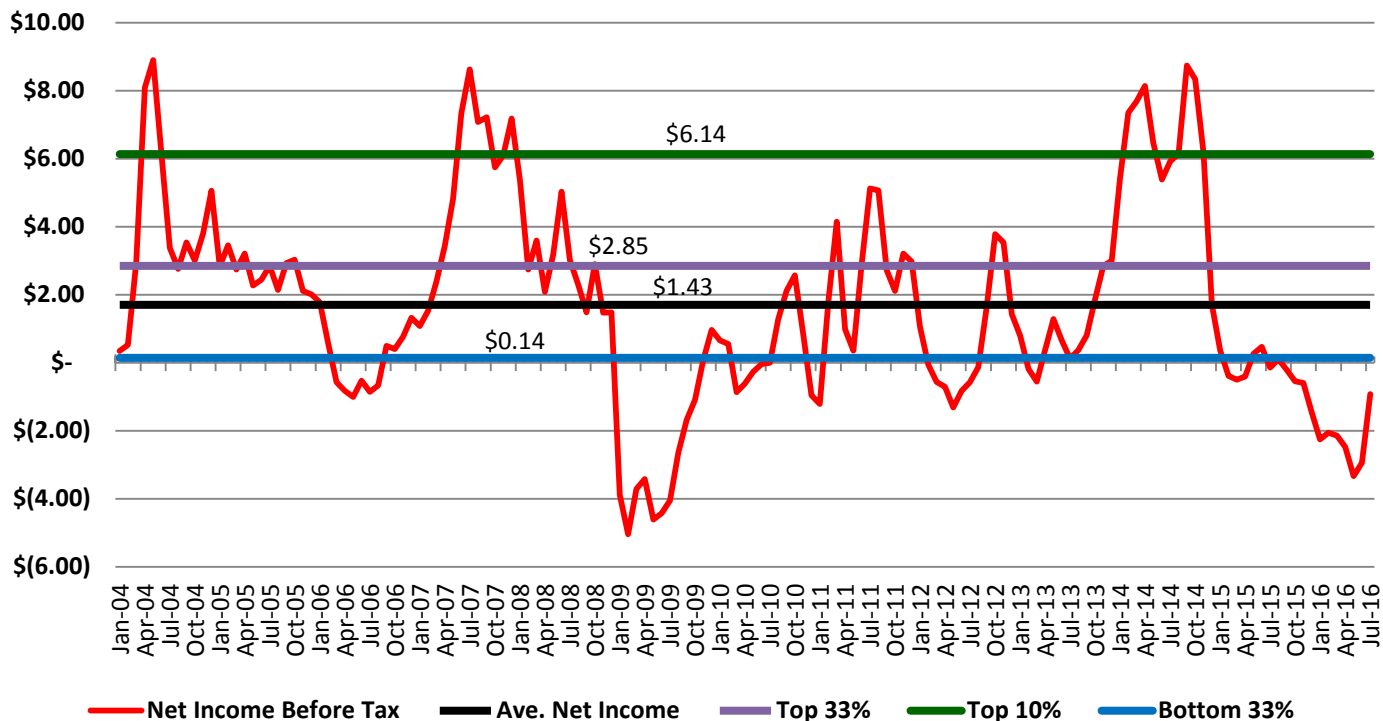
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based 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. **Effective 8/8/16, adjustments have been made to transition to no BST use by 3/31/17 which reduces milk production back to 83#s of milk per cow.**





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.) **Effective 8/8/16, adjustments have been made to transition to no BST use by 3/31/17 which reduces milk production back to 83#s of milk per cow.**

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	-0.25

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	-0.18	.11	-0.08	-0.87
2016	-2.15	-2.92		