



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	+0.34	+0.46	+0.23	+0.08	-0.04	-0.17	-0.13	-0.16	-0.28	-0.24	-0.16	-0.10

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 the MPP program and payouts YTD 2016. As a reminder the MPP program required dairy producers to sign up for the entire 2016 at a percentage rate between 25% - 90% of base production at margin levels (defined as an average across the United States based on avg milk and feed prices) from \$4.00 to \$8.00 per cwt. The program then averages margin for 2 months to calculate the average for calculating payments. So far, the average margins for 2016 are J-F \$8.00, M-A \$7.15 and M-J \$5.76. Therefore payments will be made to anyone who had insured at a level above the amounts listed. Based on the market prices for milk, corn, SBM and hay today, all 2 month period averages would be above the \$8.00 per cwt. payout level for the remainder of 2016 and all of 2017. However, please remember that this is an "insurance policy" program and should market prices change to decrease margins this could look differently in the future. Please call with any questions.

Milk: The final July '16 announced Class III price was \$15.24 per cwt. – up \$2.02 from June '16 and down \$1.09 from July '15. The final July '16 Class IV price was \$14.84 per cwt., up \$1.07 from June '16, and up \$1.69 per cwt. from July '15.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 8/8/16 Crop Progress Report

- Corn condition – 74% Good & Excellent vs. 76% last week and 70% last year
- Corn silking – 97% vs. 5 yr avg of 94%
- Corn dented – 9% vs. 5 yr avg of 12%
- SB condition – 72% Good & Excellent vs. 72% last week and 63% last year
- Cotton condition – 48% Good & Excellent vs. 50% last week and 56% last year
- Pasture conditions – 51% Good & Excellent vs. 51% last week and 55% last year
- Winter wheat harvest – 94% vs. 5 yr avg of 91%
- Subsoil moisture conditions were 70% adequate and surplus vs. 72% last week and 77% last year

MARGINSMART Insight

DUE TO THE SURGE OF UPPER MIDWEST MILK PLANTS REQUIRING NO BST USE, WE IMPLEMENTED A NO-BST USE TRANSITION TO THE SAMPLE FARMS LAST WEEK.

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

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Market Price Updates (As of 8/5/2016 Close)

	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*
Class III Milk	17.10	+0.26	17.16	+0.37	16.92	+0.20	16.47	+0.08	16.08	+0.00	15.99	-0.01	16.00	+0.00
Class IV Milk	14.77	+0.08	15.28	+0.24	15.64	+0.12	15.81	+0.00	15.50	-0.03	15.50	-0.03	15.85	+0.12
Cash Butter	2.26	+0.08	2.34	+0.014	2.30	+0.12	2.29	+0.12	2.17	+0.06	2.10	+0.05	2.08	+0.05
Cash Cheese	1.83	+0.02	1.82	+0.03	1.79	+0.01	1.73	-0.01	1.69	-0.01	1.68	-0.01	1.68	-0.01
Corn			3.24	-0.10					3.34	-0.09				
Soybeans	10.04	-0.28	9.88	-0.32			9.74	-0.29			9.74	-0.29		
Soybean Meal	336	-14	334	-16	333	-16			331	-17	328	-16		

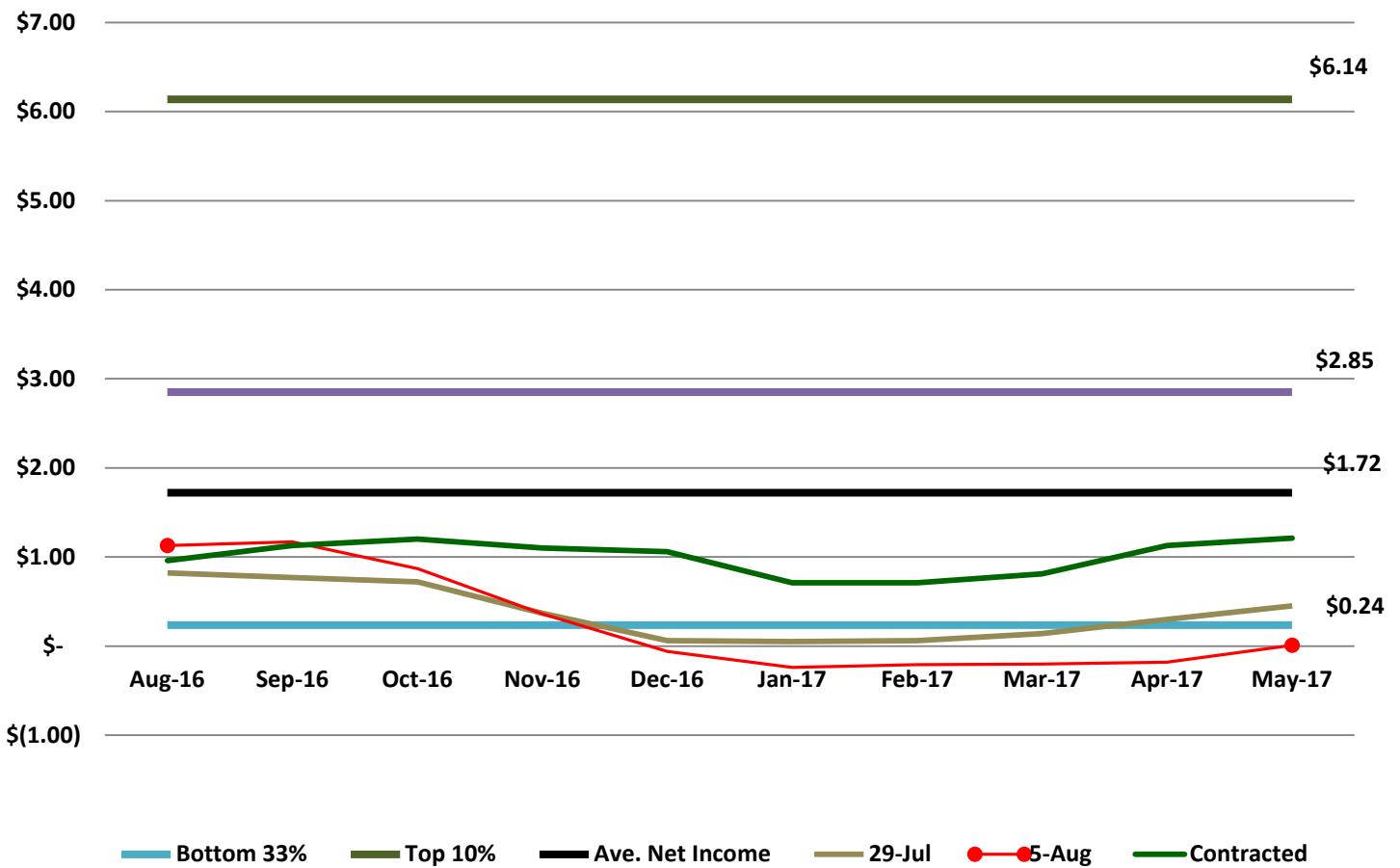
*Change from the Previous Week Price

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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.**

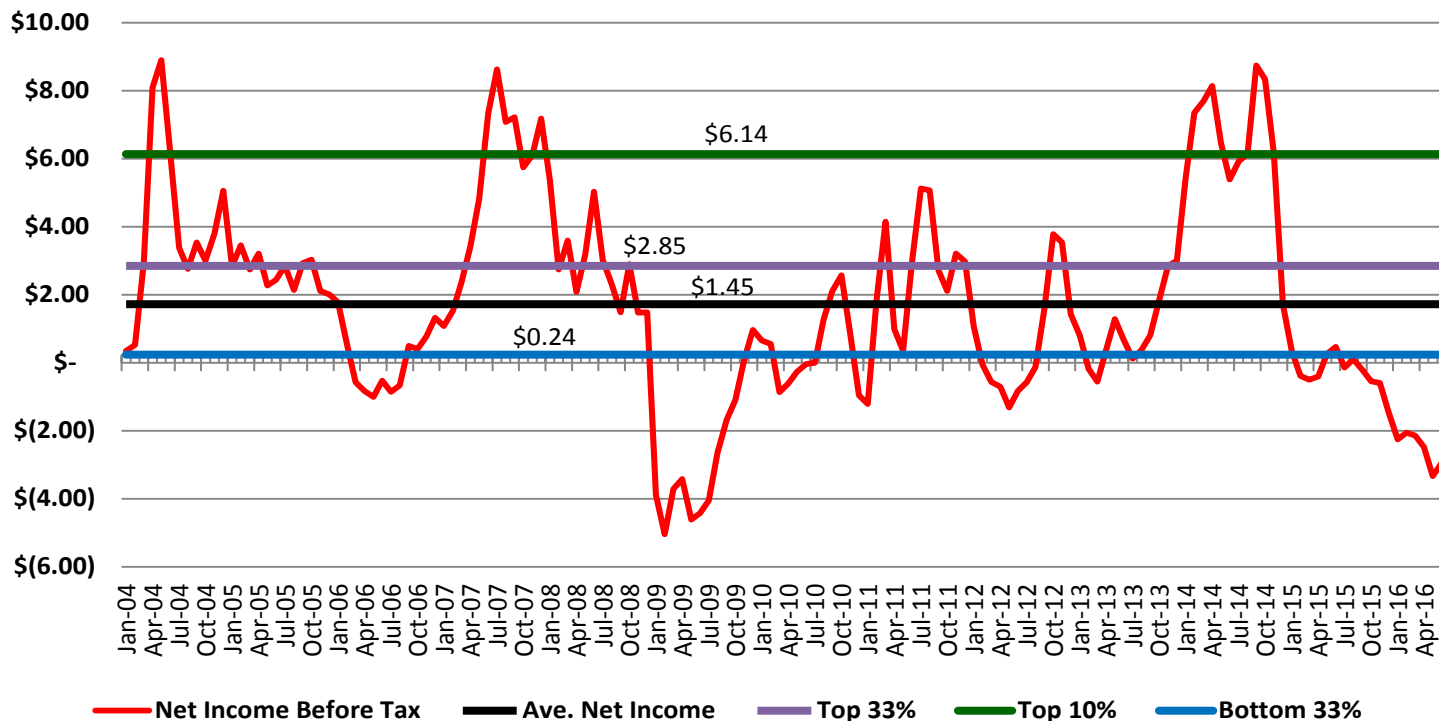
Net Income Available August 5, 2016





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.) **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	-.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		