



# WEEKLY NEWSLETTER

## "For SMART Management"

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### MARGINSMART® Sample Farm Profitability Changes From Last Report

	Dec. '15	Jan. '16	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16	Oct'16	Nov'16
Change From Prior Week	+0.00	-0.57	-0.43	-0.41	-0.35	-0.39	-0.43	-0.31	-0.21	-0.12	-0.10	-0.02

#### 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

Due to market moves, we are reprinting a tip of the week from our March 9, 2015 and July 13, 2015 newsletters (with updated numbers) as we have been warning that the bottom has not been in for decreased milk prices and profitability for 9 months now...

This week we will discuss some historical levels on dairy farm profitability after record profit periods. To start this discussion I must reiterate that I cannot predict the future and cannot guarantee what it may bring for prices, BUT no one can. (Refer to our 11 year historical chart on page 3 of this newsletter.) The last 2 times that the industry experienced profitability levels above \$8.00/cwt., it resulted in the following drops to the low point (as you can see it took 20-24 months to really get to the "true bottom" of profitability):

Month	Class III	Profitability Per Cwt.	Net Change	Months to Bottom
May 2004	\$19.66	\$9.00		
May 2006	\$10.83	(\$1.01)	(\$10.01)	24
July 2007	\$21.38	\$8.62		
Feb 2009	\$9.31	(\$5.05)	(\$13.67)	20
Sept 2014	\$24.58	\$8.74		
Nov 2015	\$15.30	(\$0.59)	??	??

The last high point was September 2014, ng stocks was 14-15 months ago. We show the profitability through Novdiember 2015

#### Tip of the Week (Continued)

This is where profitability is at this point, but if history repeats the bottom will not set in for another 3-9 months. In addition, as operating costs go up over the years, it will take higher Class III and Class IV prices to generate similar profits. In the past occurrences, the variance in both the Class III and the profitability increased from the 2004-2006 period. MARGINSMART is designed to project your profitability. Most of our customers had profitability opportunities for all of 2016 through the vast majority of 2015. Our Sample Farm (fully at market) had an average profitability of \$.81 per cwt. available for Jan-June 2016 on 6/1/15. That has been reduced to (\$1.46) per cwt. as of last Friday 12/11/15 for the same Jan-June 2016 period, for a drop of \$2.25 per cwt. Unfortunately this may not be the bottom yet. Please call and we will review your situation with you.

#### Market News

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

On December 9, 2015 the USDA released its latest monthly WADSE report. It indicated that US corn ending stocks for 2015/16 were slightly higher than the November report. US soybean ending stocks for 2015/16 remain unchanged. Grains and SBM futures prices have drifted lower.

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

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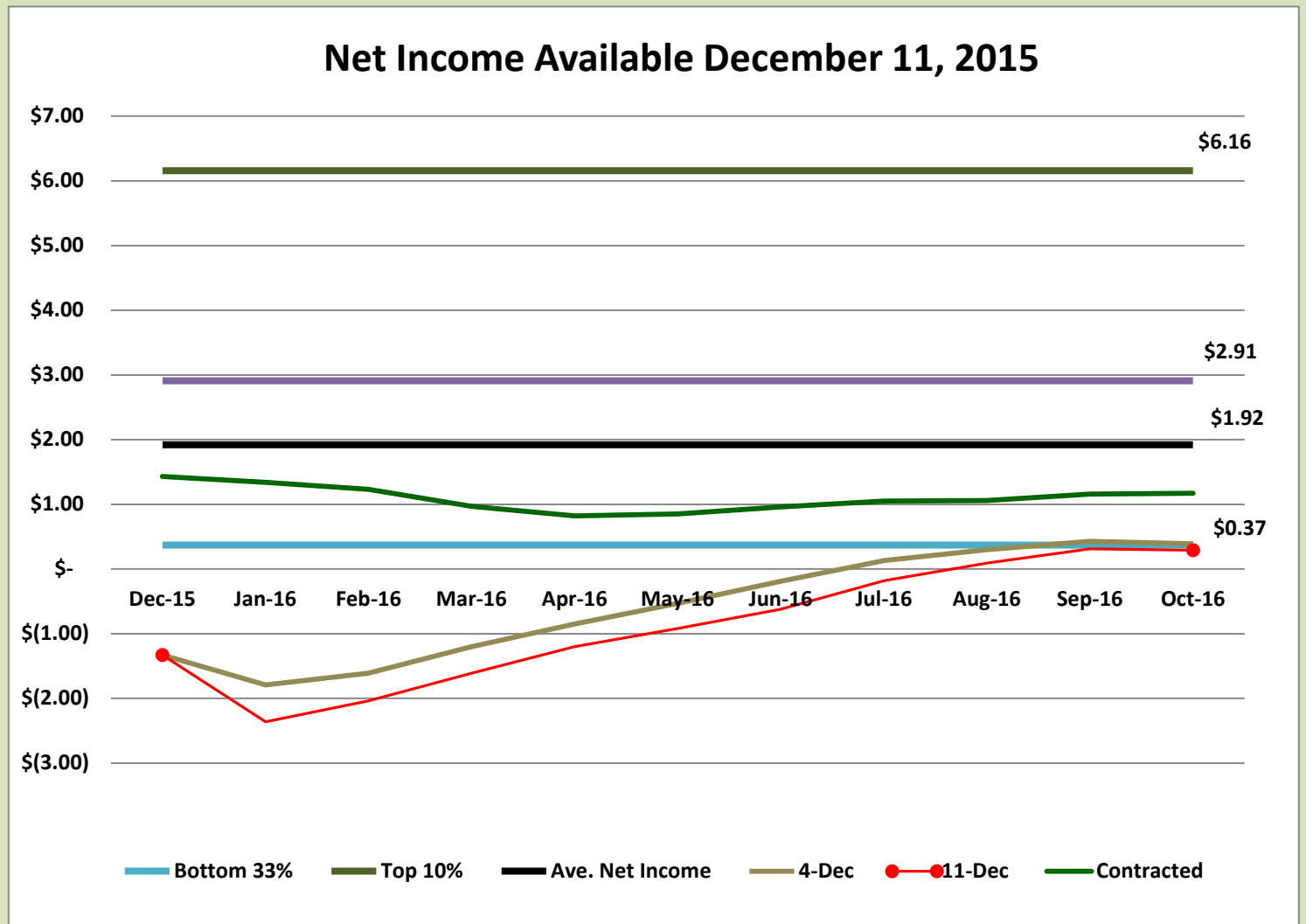
### Market Price Updates (As of 12/11/2015 Close)

	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jun'16	+/-*
Class III Milk	14.56	-0.05	13.70	-0.58	14.01	-0.49	14.46	-0.46	14.86	-0.40	15.17	-0.43	15.50	-0.46
Class IV Milk	15.86	-0.38	13.75	-0.58	13.97	-0.42	14.45	-0.29	14.75	-0.33	15.10	-0.22	15.55	-0.31
Cash Butter	2.62	-0.12	1.97	-0.18	1.91	-0.11	1.92	-0.07	1.92	-0.05	1.92	-0.05	1.94	-0.03
Cash Cheese	1.58	+0.00	1.51	-0.05	1.55	-0.04	1.59	-0.04	1.63	-0.03	1.65	-0.04	1.68	-0.03
Corn	3.73	-0.03					3.75	-0.06			3.80	-0.07		
Soybeans			8.71	-0.35			8.74	-0.34			8.80	-0.34		
Soybean Meal	272	-13	274	-11			276	-11			278	-11		

\*Change from the Previous Week Price



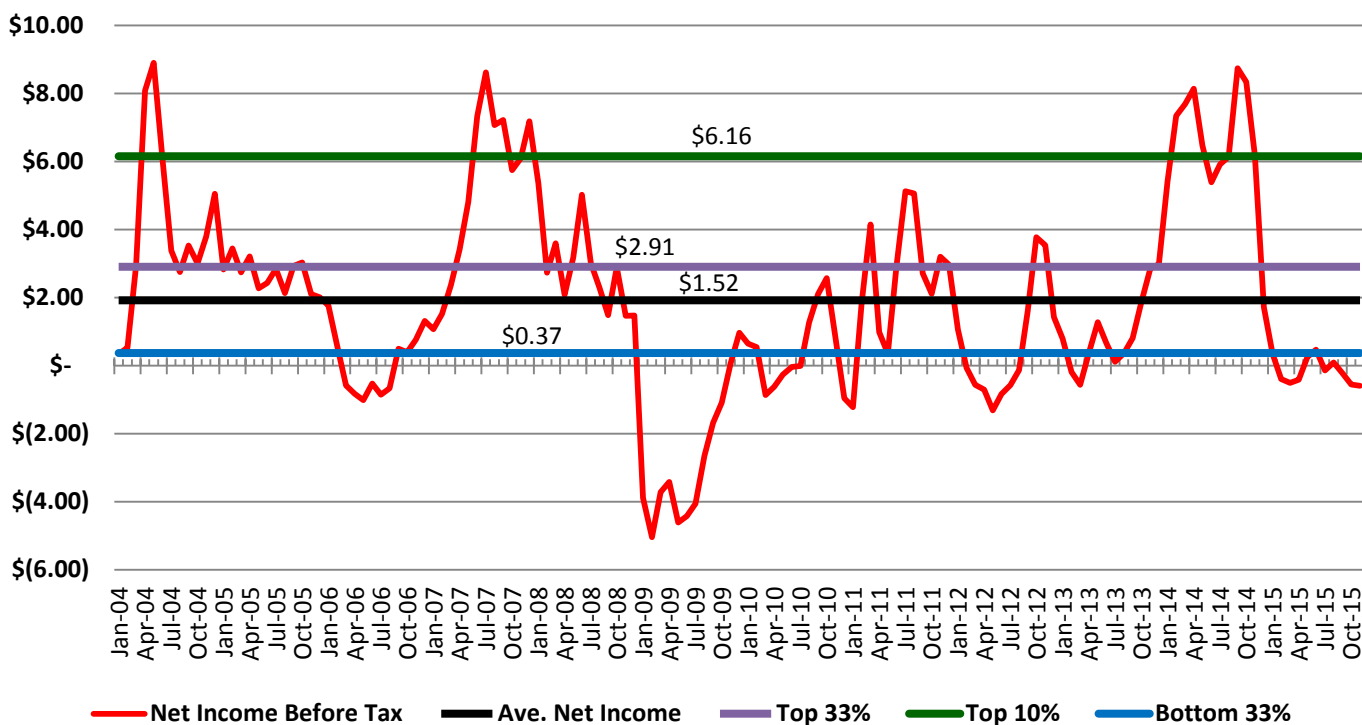
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 86 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based on 100% market prices for milk and feed, and full operating activities. 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.





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## 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
2015	-.18	.11	-.08	