



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	-08	-14	-29	-27	-30	-23	-15	-13	-06	-08	-06	-09

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

Our tip of the week this week serves as a reminder of a few things as we approach the end of the calendar year. This is an important time of the year to revisit many financial items. One of the most important is to summarize all income and expenses for the year. In order to get those on an accrual basis, it is very important to consider any prepayments, cash deferrals, inventory changes and amounts that are owed, but not yet paid. These need to be reflected on for the end of last year/beginning of this year as well as the end of 2015. You should also consider any specific info related to your dairy. By accounting for all of these items we can help you convert your cash basis financial statements into an accrual basis. Call with any questions.

Milk: Butter prices have fallen drop dramatically in the last two weeks as the market re-assesses the market. The Grade AA butter price at the CME Group on Wednesday closed at \$2.078, down \$.7125 from a week ago. Imports of butter have been well in excess of last year as the international prices are cheaper than domestic prices. Expect a negative impact on net milk prices due to lower prices paid for butterfat in early '16.

Market News

Grains/Feedstuffs/Cattle/Poultry:

Update on cull cow sale values. We had been reminding you that cull cows prices were likely to drop quite a bit this fall after record high prices this past summer. Prices have dropped off 40-50% in just the past few months. A major reason for this relates to the current selling price of lean trimmings and ground beef. The market price for those items has fallen substantially the last few months. In addition, the high US dollar value has allowed imported beef to be much cheaper than US products. We do expect some recovery in 2016.

MARGINSMART® Hedged Farm Update

Starting in 2015 we began reporting the results of our 2nd Sample Dairy which has executed hedging strategies on milk and feed (see page 2). So far in 2015, the hedging strategies have resulted in a \$2.25 per cwt. advantage over doing nothing! Plus over the next 12 months the contracted farm is showing a \$1.50 per cwt. benefit over the farm at market!

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

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Market Price Updates (As of 12/18/2015 Close)

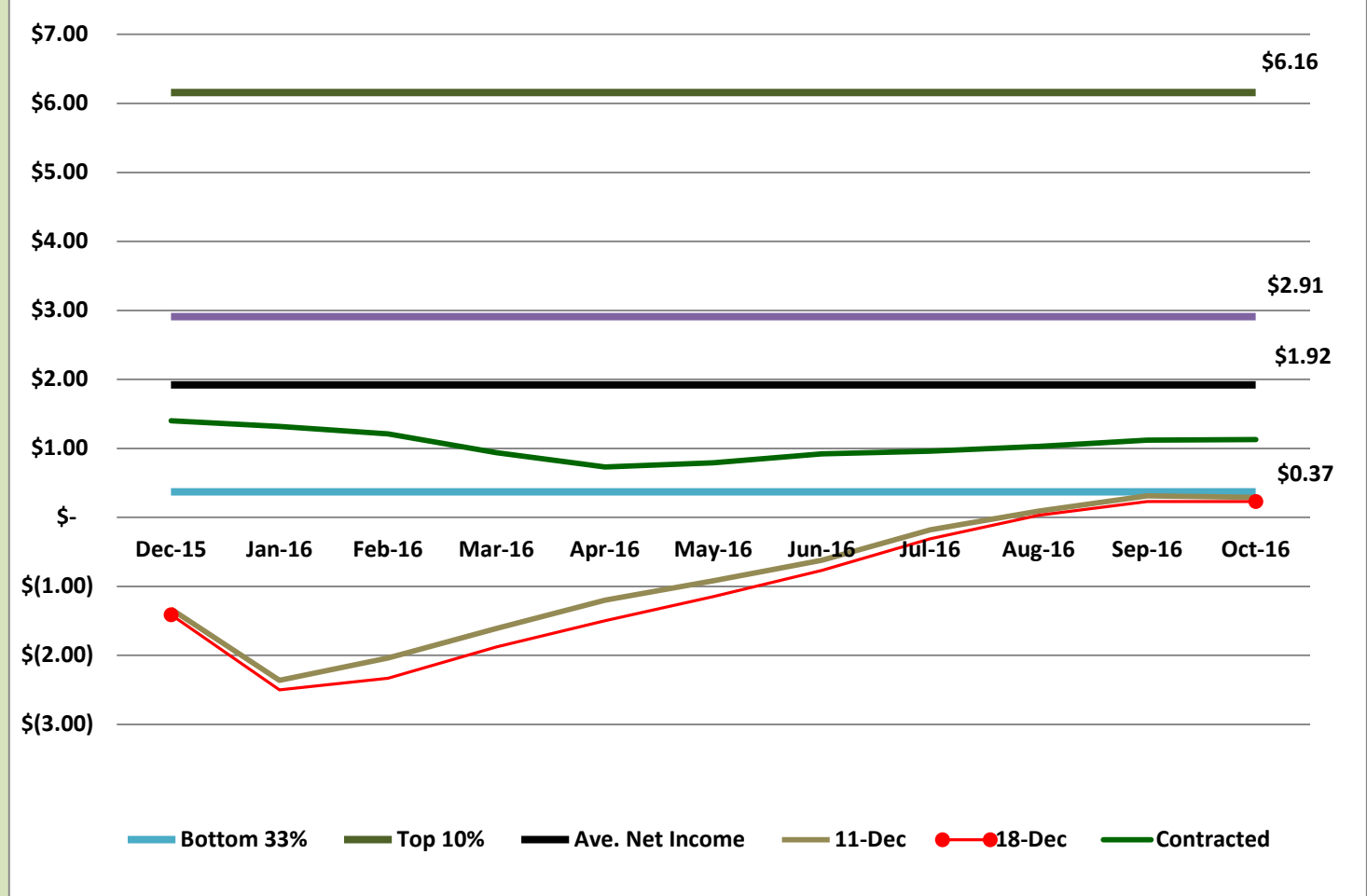
	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jun'16	+/-*
Class III Milk	14.52	-04	13.59	-11	13.75	-26	14.22	-24	14.64	-22	14.95	-22	15.35	-15
Class IV Milk	15.74	-12	13.71	-04	13.81	-16	14.44	-01	14.75	+00	14.84	-26	15.49	-06
Cash Butter	2.61	-01	2.09	+12	2.04	+13	2.03	+11	2.01	+09	2.01	+09	2.02	+08
Cash Cheese	1.57	-01	1.50	-01	1.52	-03	1.57	-02	1.61	-02	1.64	-01	1.67	-01
Corn	3.82						3.74	-01			3.80	+00		
Soybeans			8.92	+21			8.93	+19			8.98	+18		
Soybean Meal	278		281	+07			283	+07			285	+07		

*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.

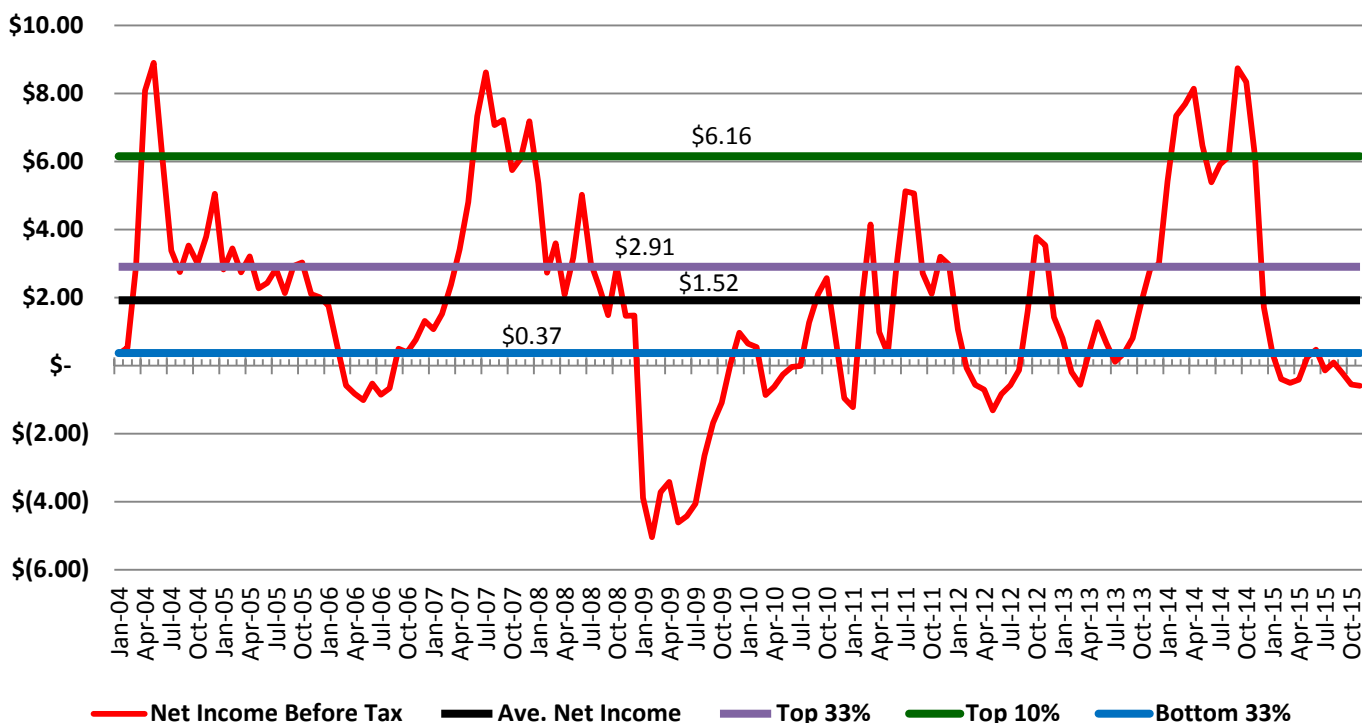
Net Income Available December 18, 2015





MARGINSMART® maintains a 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 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	-0.18	.11	-0.08	