



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Jan. '16	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16
Change From Prior Week	+0.02	+0.08	+0.16	+0.08	+0.07	-0.47	-0.03	-0.05	-0.11	-0.03	-0.04	-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

The tip of the week relates to a reminder of some of the latest features of our upgrade to Version 4.0. A major feature of that upgrade allows you to enter your rations as base rations and then utilize a "Ration Percentage" to account for what is actually projected to be fed. This allows for easy projections for overfeeding rates and can be changed monthly (to account for weather or other impacts) and is independent for each ration or pen. Another feature allows you to utilize feed efficiency factors to project milk production. If you choose to use this feature, it can further correlate your feed costs to expected milk production within your account. Also, we remind you to take advantage of our new reports which break out and show the financial impact of each type of hedging strategy that you have in place for milk and every feed ingredient, and shows your overall units, cost and contract value for each feedstuff that you are feeding. Please call us with any questions.

Milk: Milk production in the 23 major States during Dec '15 totaled 16.4B pounds, up 0.7% from Dec '14. Production per cow averaged 1,894 pounds for Dec, 6 pound above Dec '14. The number of milk cows was 8.64 million head, 29,000 head more than Dec '14. and 1.000 more than Nov '15.

Market News

Grains/Feedstuffs/Cattle:

Summary of Cattle Inventory on 1/1/16

- There were 92.0 million cattle and calves, in the United States as of January 1, 2016, up 3 percent from last year. Of this total 39.6 million were all cows and heifers that have calved.
- There are 30.3 million beef cows, up 4% from last year.
- The number of milk cows in the United States increased slightly to 9.32 million.
- All cattle on feed increased to 13.2 million, up 1 percent from 2015.

MARGINSMART Insight

MARGINSMART had implemented a hedging plan for its Sample Farm for all of 2015 and the future. That farm currently has a major portion of its milk and feed hedged for all of 2016, but remains open for 2017 at this time. In 2015 our contract farm showed a \$2.36 per cwt. benefit over the market.

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

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Market Price Updates (As of 1/29/2016 Close)

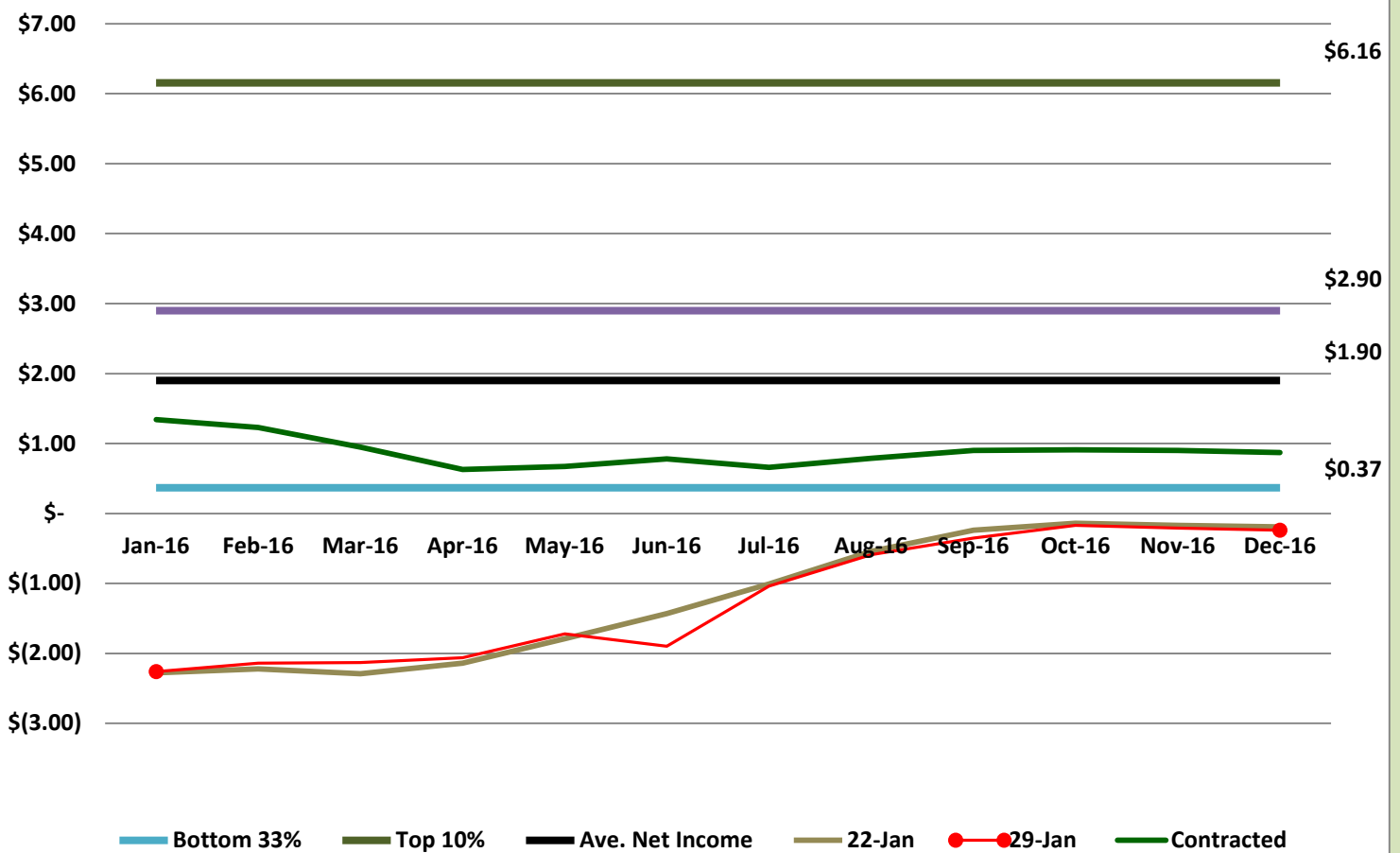
	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jun'16	+/-*	Jul'16	+/-*
Class III Milk	13.73	+0.01	13.89	+0.11	13.88	+0.13	14.00	+0.07	14.25	-0.02	14.65	+0.00	15.04	-0.04
Class IV Milk	13.31	+0.03	13.76	-0.11	14.02	-0.03	14.11	+0.06	14.35	+0.06	14.43	-0.17	14.53	-0.36
Cash Butter	2.07	+0.00	2.20	-0.04	2.25	-0.01	2.25	-0.01	2.24	-0.01	2.25	+0.02	2.26	+0.01
Cash Cheese	1.52	+0.00	1.53	+0.01	1.53	+0.02	1.53	+0.00	1.56	+0.00	1.60	+0.00	1.64	+0.00
Corn					3.72	+0.02			3.77	+0.02			3.81	+0.01
Soybeans	8.96				8.82	+0.06			8.84	+0.07			8.90	+0.08
Soybean Meal	270				272	+0.03			274	+0.03			277	+0.03

*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.

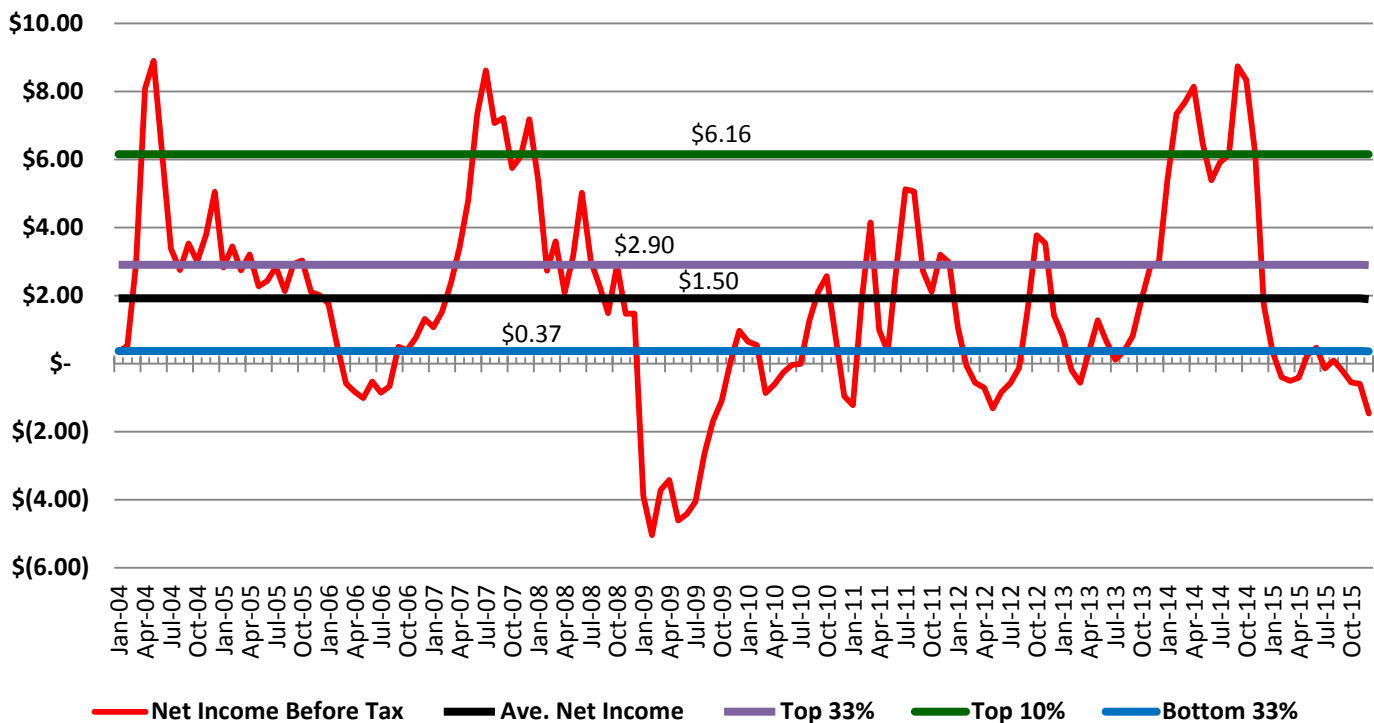
Net Income Available January 29, 2015





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





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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