



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17
Change From Prior Week	+07	+12	+17	+03	-09	-08	-09	-04	-04	-02	+04	+04

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 the correlation of commodity prices. Last week we identified the range of lower oil and gas related prices. Historically, oil prices have been somewhat of a precursor to other commodity prices. While we cannot guarantee that lower oil will absolutely pull milk down even farther than it is today, there has been historical correlation for that. Please call with any questions.

Milk: Comments from USDA reporting...

USDA milk production forecast for 2016 is raised from last month as the cow herd is adjusted slightly to reflect the January 1 dairy cow inventory reported in USDA's Cattle report and milk per cow is raised for the first quarter. Beginning stocks are raised from last month as cheese stocks at the end of 2015 were high. Both fat basis and skim solids exports for 2016 are reduced from last month reflecting continued pressure on cheese, nonfat dry milk (NDM), whey, and lactose exports, due to large global supplies and a relatively strong dollar. The Class III price is lowered on lower whey prices. The Class IV price is down as a lower NDM price more than offsets a higher butter price. The all milk price is forecast at \$15.30 to \$16.00 per cwt.

Market News

Grains/Feedstuffs/Cattle:

Dairy cattle and bull calf prices have rebounded from the lows seen near the end of the calendar year 2015. However, prices may be in for some up/down action in the near future due to the following fundamentals in the meat side:

- Fed steers prices are down nearly 20% from a yr ago
- Overall meat prod. (red meat plus poultry) is up several % from a year ago, negatively impacts price
- The value of beef trimmings and ground beef is down significantly from a year ago
- Cheap corn allows growers to pay more for dairy bull calves as long as fed steer selling prices hold

MARGINSMART Insight

MARGINSMART has been reporting the prices of various feedstuffs for different locations throughout the USA for the past 2 years. We attach it to each weekly newsletter. This is just a reminder to check that out occasionally.

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

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Market Price Updates (As of 2/12/2016 Close)

	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	13.87	+04	14.06	+10	14.11	+15	14.19	+04	14.95	-07	15.60	-11	15.82	+05
Class IV Milk	13.40	+04	13.76	-31	13.76	-43	13.86	-37	14.28	-38	14.51	-55	14.71	-09
Cash Butter	2.15	-02	2.13	-08	2.15	-08	2.15	-07	2.14	-07	2.16	-08	2.15	-03
Cash Cheese	1.53	+01	1.54	+00	1.54	+01	1.55	-01	1.62	-01	1.69	+00	1.70	+01
Corn			3.59	-07			3.63	-08	3.68	-08	3.73	-08	3.82	-07
Soybeans			8.73	+06			8.76	+05	8.82	+04	8.83	+03	8.86	+03
Soybean Meal			262	-03			264	-03	267	-02	269	-03	271	-03

*Change from the Previous Week Price

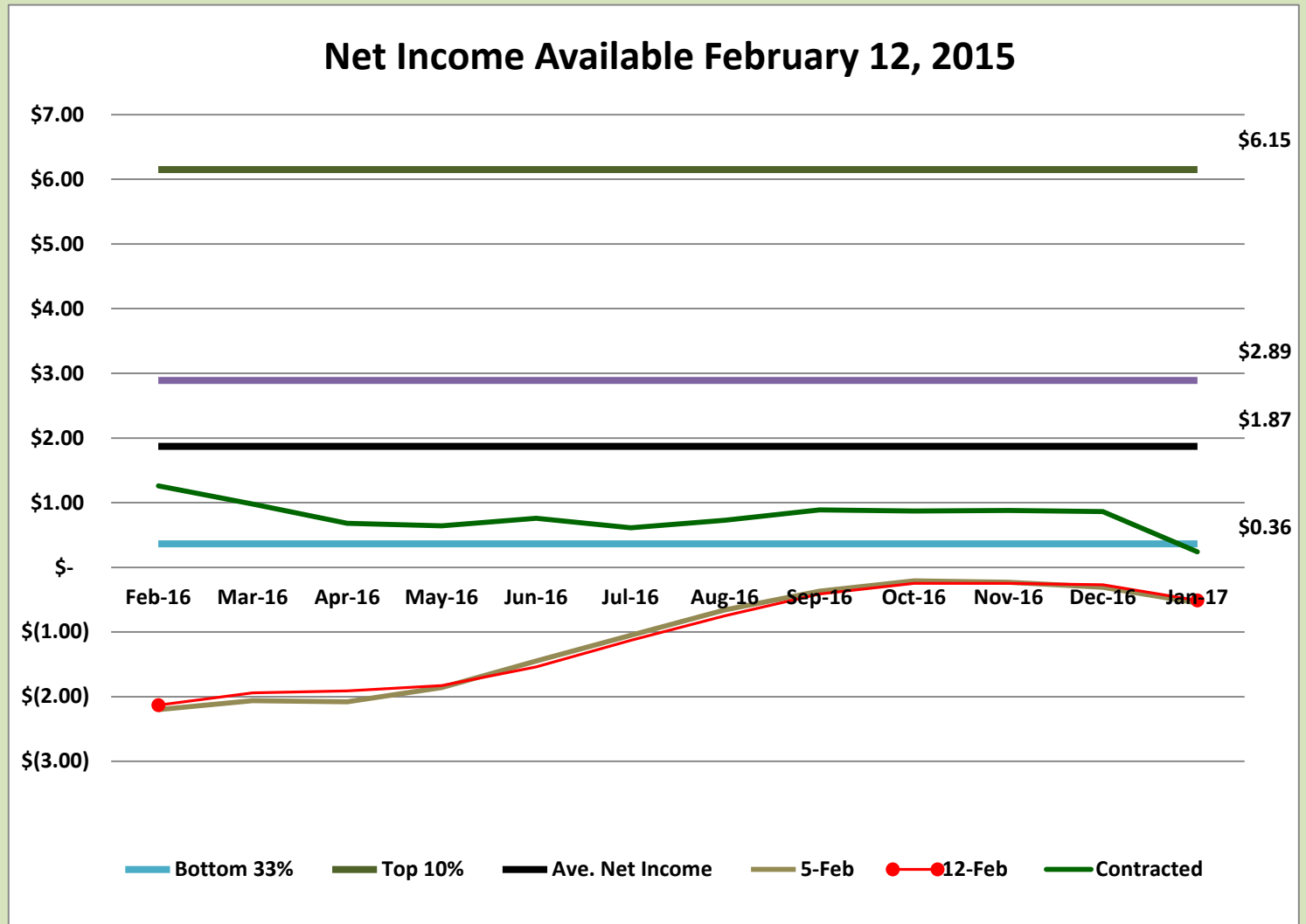
**New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)

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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.

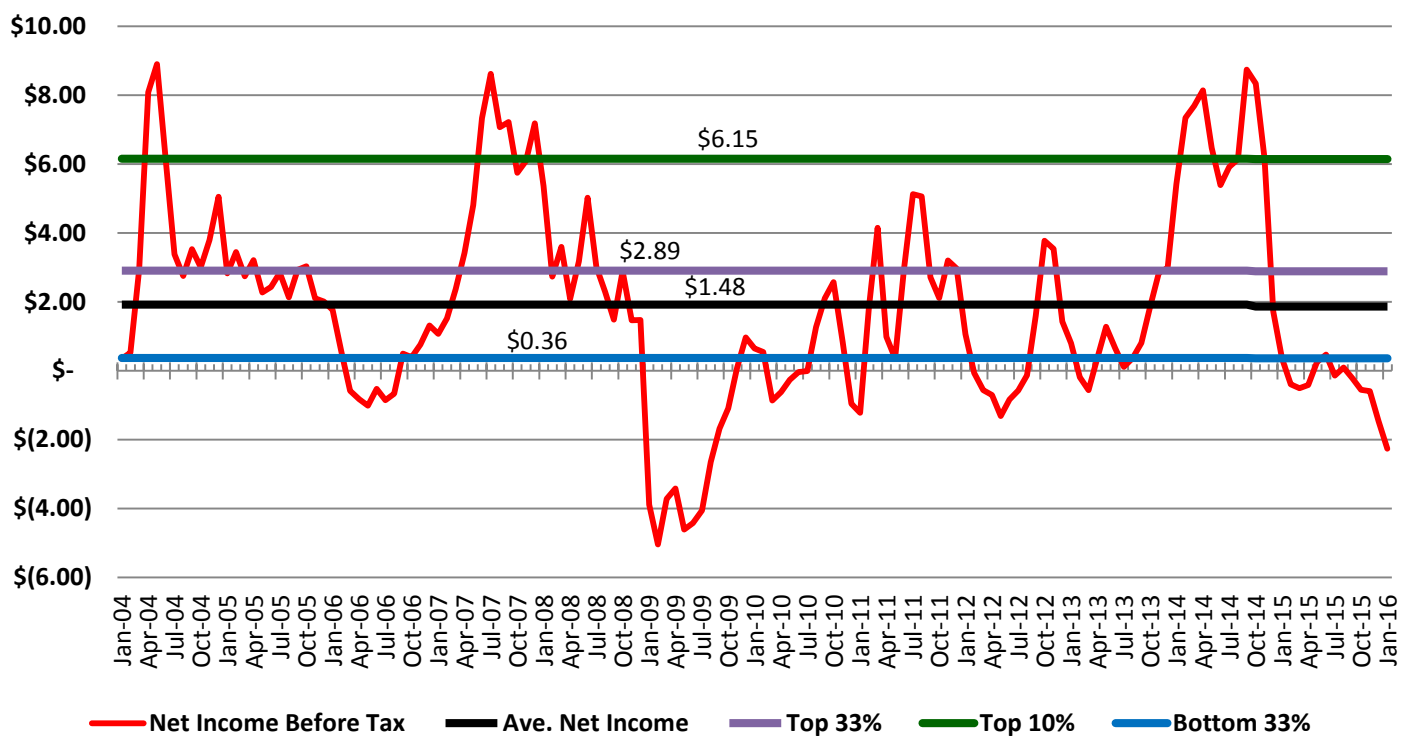
Net Income Available February 12, 2015





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.)

2004-2016 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