



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	-0.06	+0.07	-0.02	-0.14	-0.05	-0.01	-0.07	-0.02	-0.04	-0.02	-0.07	-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 various feed basis levels. This is a reminder to periodically review and update those within your MARGINSMART account. As a reminder, basis is the difference between the cash price and the corresponding futures price. For corn, make sure to include the cost of freight plus grinding/crimping/etc. to deliver the corn to the dairy. A lot of our customers buy canola meal and have set it up with a basis to SBM. This basis has fluctuated over the past few months so this is a reminder to adjust the basis and or mapping equivalency. As it relates to the market prices for various other feed ingredients, please keep up with that as well. For those of you where we are updating prices, we have been watching these market prices changes and have adjusted prices accordingly in your accounts. Please call with any questions.

Milk: The final Jan '16 announced Class III price was \$13.72 per cwt. – down \$.72 from Dec '15 and down \$2.46 from Jan '15. The final Jan '16 Class IV price was \$13.31 per cwt., down \$2.21 from Dec '15, and up \$.08 per cwt. from Jan '15. Dairy Prices have fallen in six of the last seven every-other-week trading sessions at the Global Dairy Exchange in NZ.

Market News

Grains/Feedstuffs/Cattle:

Update of Fuel /Diesel /Natural Gas Prices:

- Crude Oil futures closed on 2/8/15 between \$30 - \$40 per barrel for the rest of calendar year 2016
- Henry Hub natural gas futures closed on 2/8/16 at between \$2.11 to \$2.40 per decatherm for months through Oct ' 16 and then slightly higher thereafter but under \$3.00 through the end of 2017
- See a full analysis by right clicking and opening the link here <http://www.eia.gov/petroleum/weekly/>
- Gas and diesel prices continue to move lower
- THIS SHOULD REDUCE FERTILIZER PRICES

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 2/5/2016 Close)

	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	13.83	-0.06	13.96	+0.08	13.96	-0.04	14.15	-0.10	15.02	-0.02	15.71	-0.03	15.77	-0.08
Class IV Milk	13.36	-0.40	14.07	+0.05	14.19	+0.05	14.23	-0.12	14.66	+0.13	15.06	+0.09	14.80	-0.04
Cash Butter	2.17	-0.04	2.21	-0.04	2.23	-0.02	2.22	-0.02	2.21	-0.05	2.24	-0.03	2.18	+0.00
Cash Cheese	1.52	-0.01	1.54	+0.01	1.53	+0.00	1.56	+0.00	1.63	-0.01	1.69	-0.01	1.69	-0.02
Corn			3.66	-0.06			3.71	-0.06	3.76	-0.05	3.81	-0.05	3.89	-0.04
Soybeans			8.67	-0.15			8.71	-0.13	8.78	-0.12	8.80	-0.11	8.83	-0.10
Soybean Meal			265	-0.07			267	-0.07	269	-0.08	272	-0.07	274	-0.06

*Change from the Previous Week Price

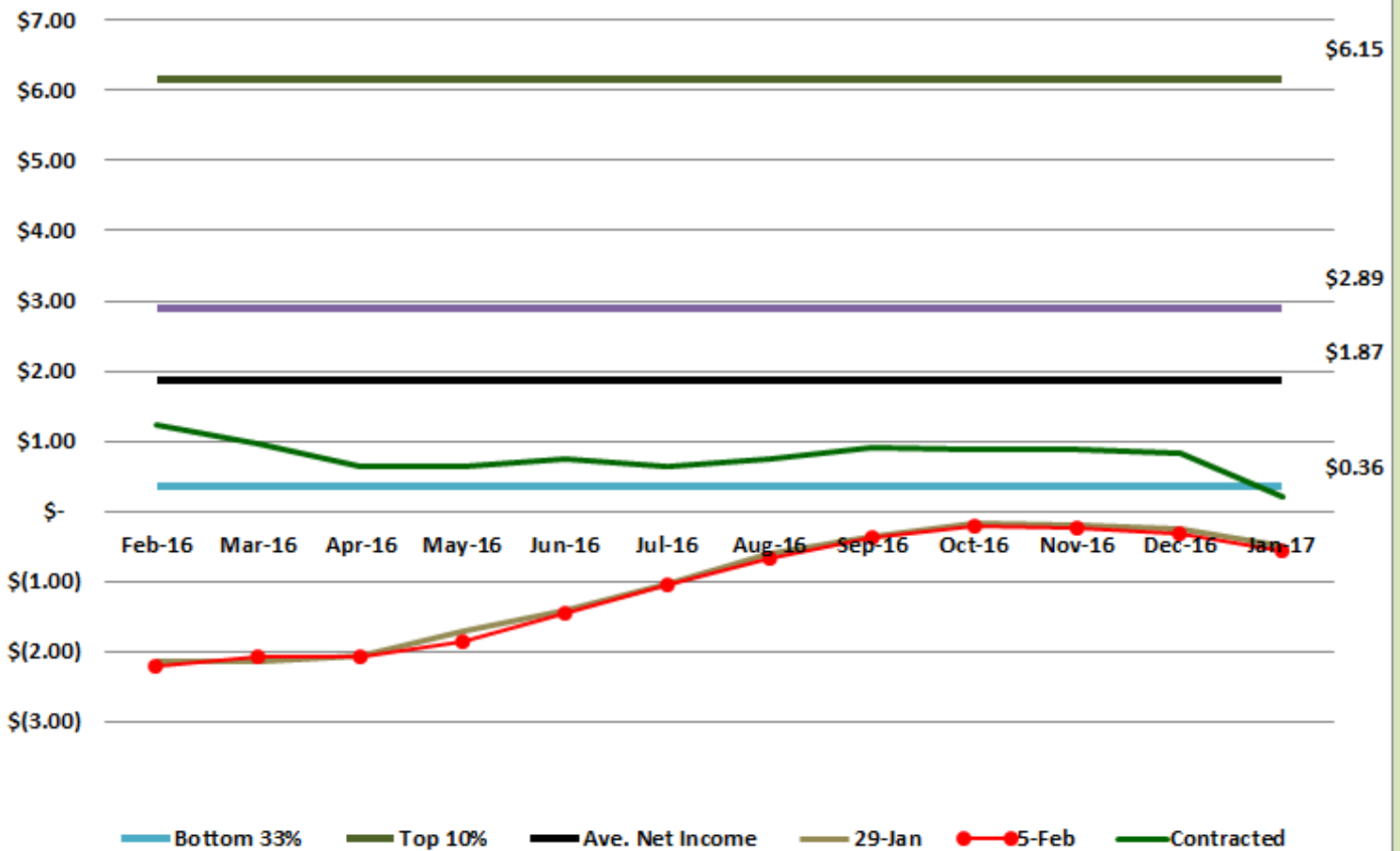
**New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)

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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.

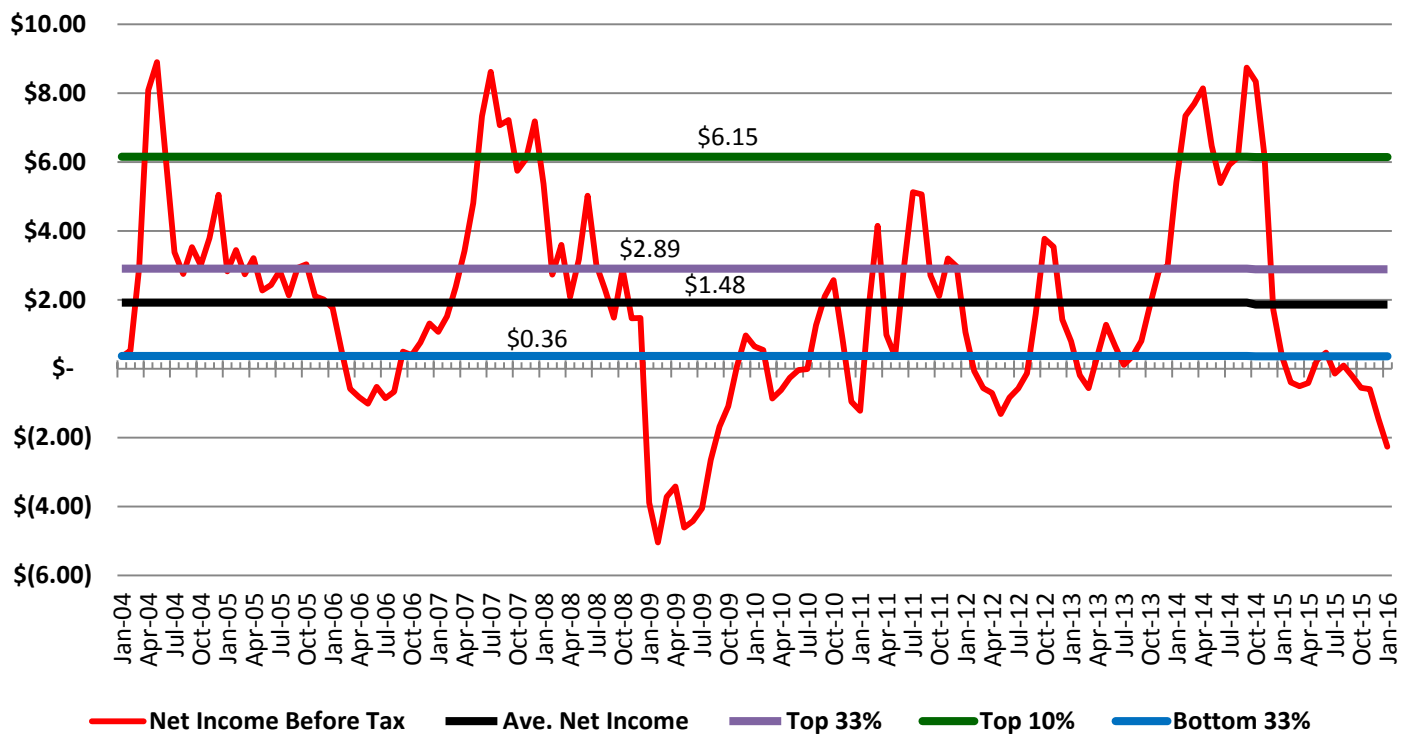
Net Income Available February 5, 2015





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