



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17	June '17
Change From Prior Week	+08	+59	+44	+37	+32	+30	+24	+21	+25	+19	+16	+16

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

This week we will broadly discuss using MARGINSMART® info to make key financial decisions. Since MARGINSMART® projects your bottom line profitability/cash flow with a high degree of reliability, you can utilize the information to make informed decisions. We help our MARGINSMART® customers do this by helping them establish a strategic plan based on their financial goals. In many cases we educate them on what goals are important, how they are measured and then incorporate those goals within MARGINSMART® so that they are measured in a "real-time" basis. We then help our customers to implement targets to alert them when those goals are met so that they can execute their plan.

Milk: The USDA milk production forecast for 2016 is lowered from last month as the pace of cow herd expansion has slowed. However, the forecast for 2017 is raised as higher forecast milk prices and lower feed costs in late 2016 and early 2017 are expected to lead to higher 2017 cow numbers. USDA cheese, butter, nonfat dry milk, and whey prices for 2016 and 2017 are forecast higher as demand remains robust. Class III and Class IV price forecasts are raised for both 2016 and 2017 as the component product prices forecasts are raised. The all milk prices are forecast higher at \$15.55 to \$15.85 per cwt for 2016 and \$15.70 to \$16.70 per cwt for 2017.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 7/18/16 Crop Progress Report

- Corn condition – 76% Good & Excellent vs. 76% last week and 69% last year
- Corn silking – 56% vs. 5 yr avg of 46%
- SB condition – 71% Good & Excellent vs. 71% last week and 62% last year
- Cotton condition – 54% Good & Excellent vs. 54% last week and 57% last year
- Pasture conditions – 56% Good & Excellent vs. 57% last week and 63% last year
- Topsoil moisture conditions were 70% adequate and surplus vs. 71% last week and 78% last year
- Subsoil moisture conditions were 72% adequate and surplus vs. 73% last week and 79% last year

MARGINSMART Insight

CLASS III AND CLASS IV MILK FUTURES PRICES HAVE MADE SOME SIGNIFICANT ADVANCES OVER THE PAST 4-6 WEEKS FOR THE NEXT 3-4 MONTHS.

Contact us for a FREE MARGINSMART® Demo!

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Market Price Updates (As of 7/15/2016 Close)

	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*
Class III Milk	15.33	+13	16.46	+50	16.49	+43	16.52	+37	16.40	+30	16.18	+28	16.04	+22
Class IV Milk	15.08	+01	15.63	-24	16.37	+06	16.24	-13	16.45	-09	16.07	-24	16.10	-10
Cash Butter	2.32	+02	2.38	+03	2.41	+01	2.40	+03	2.37	+03	2.26	+03	2.14	+00
Cash Cheese	1.65	+01	1.75	+05	1.74	+04	1.74	+04	1.73	+04	1.71	+03	1.69	+02
Corn	3.52	+02			3.58	+03					3.66	+04		
Soybeans	10.72	-11	10.65	-03	10.57	-01			10.57	-01			10.56	-01
Soybean Meal	369	-10	368	-08	367	-07	366	-05			363	-07	355	-12

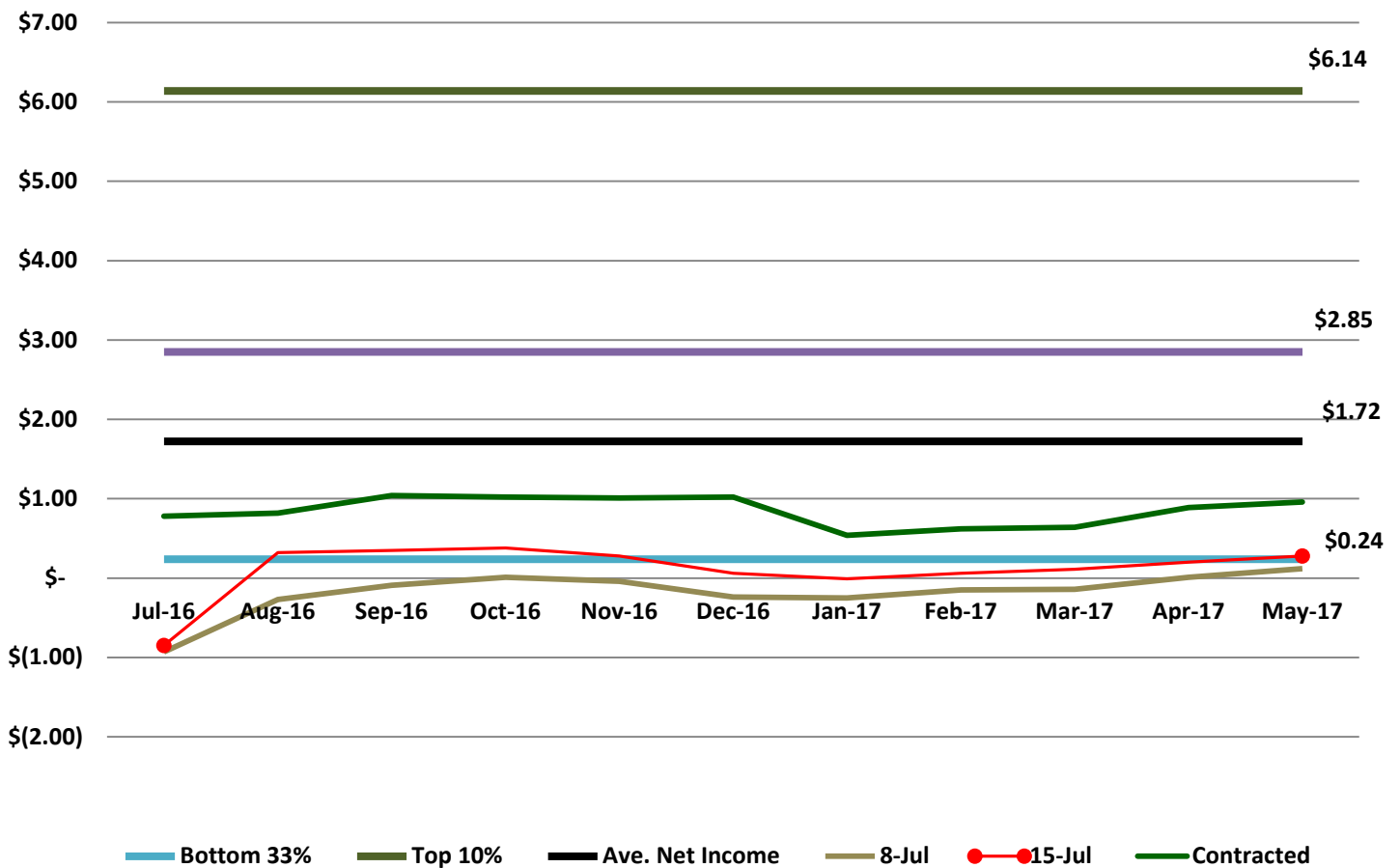
*Change from the Previous Week Price

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MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #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.

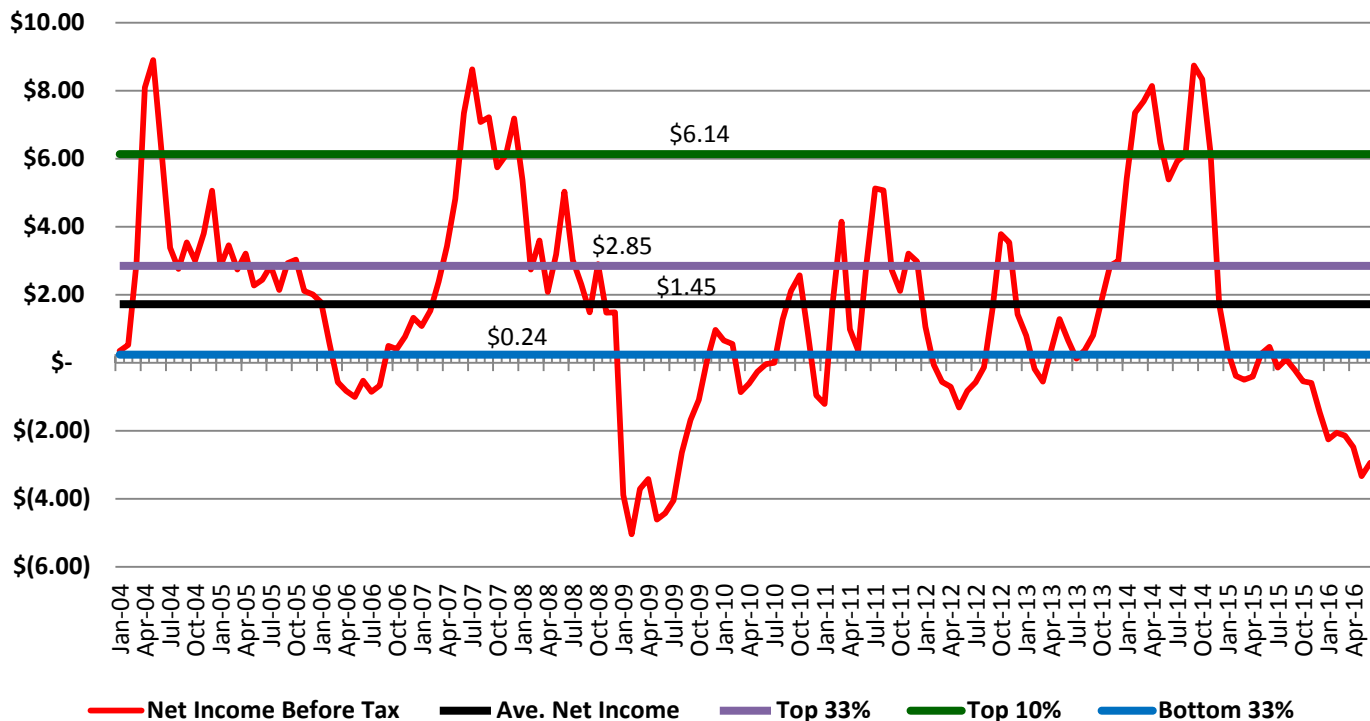
Net Income Available July 15, 2016





MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s (current level – this has increased over the past 12 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 12 years' results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 12 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
2016	-2.15	-2.92		