



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	-0.05	+0.45	+0.37	+0.25	+0.12	-0.06	-0.06	-0.11	+0.11	+0.01	+0.08	+0.06

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 review the various mechanisms to price your individual feed ingredients within MARGINSMART®. Home grown forages can be valued at either: 1) your exact growing cost (seed, fertilizer, chemicals, fuel, etc.), 2) your exact cost per ton, or 3) market price. Any portion of other feed stuff needs that are contracted can be incorporated based on the % contracted. Other feed usage can be priced at market in one of two ways: 1) if the price is highly correlated to corn, SB or SBM on the CBOT it can be correlated with a basis, or 2) individual monthly market prices for the ingredient itself can be used. We can further adjust either prices or volume usage for shrink. Call us to answer any questions you may have.

Milk: At the July 19 GDT event #168, average prices ranged from 5.0% lower to 1.9% higher from the prior event across categories. The all contracts price averages (US\$ per MT) and percent changes from the previous average are: anhydrous milk fat, \$3,628 +0.2%; butter, \$2,687 -5.0%; buttermilk powder, \$1,565 -0.5%; cheddar cheese, \$2,886 -1.1%; lactose, \$721 -4.0%; rennet casein, \$5,286 +0.4%; skim milk powder, \$1,927 -1.1%; and whole milk powder, \$2,079 +1.9%.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 7/25/16 Crop Progress Report

- Corn condition – 76% Good & Excellent vs. 76% last week and 70% last year
- Corn silking – 79% vs. 5 yr avg of 70%
- SB condition – 71% Good & Excellent vs. 71% last week and 62% last year
- Cotton condition – 52% Good & Excellent vs. 54% last week and 57% last year
- Pasture conditions – 53% Good & Excellent vs. 56% last week and 61% last year
- Topsoil moisture conditions were 67% adequate and surplus vs. 70% last week and 75% last year
- Subsoil moisture conditions were 70% adequate and surplus vs. 72% last week and 77% last year

MARGINSMART Insight

CLASS III AND CLASS IV MILK FUTURES PRICES HAVE CONTINUED TO INCREASE PROVIDING INCREASED MARGINS AND PROFITABILITY.

Contact us for a FREE MARGINSMART® Demo!

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Market Price Updates (As of 7/22/2016 Close)

	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*
Class III Milk	15.27	-0.06	16.72	+0.26	16.68	+0.19	16.63	+0.11	16.38	-0.02	16.05	-0.13	15.94	-0.10
Class IV Milk	14.94	-0.14	15.47	-0.16	15.98	-0.39	16.21	-0.03	16.24	-0.21	15.90	-0.17	15.99	-0.11
Cash Butter	2.32	+0.00	2.34	-0.04	2.37	-0.04	2.37	-0.03	2.35	-0.05	2.23	-0.03	2.14	+0.00
Cash Cheese	1.65	-0.01	1.78	+0.03	1.77	+0.03	1.75	+0.01	1.72	-0.01	1.69	-0.02	1.68	-0.01
Corn	3.52	+0.00			3.35	-0.23					3.42	-0.24		
Soybeans	11.11	+0.00	10.06	-0.66	9.99	-0.66			9.88	-0.69			9.89	-0.67
Soybean Meal	369	+0.00	347	-0.21	346	-0.21	343	-0.23			342	-0.21	338	-0.17

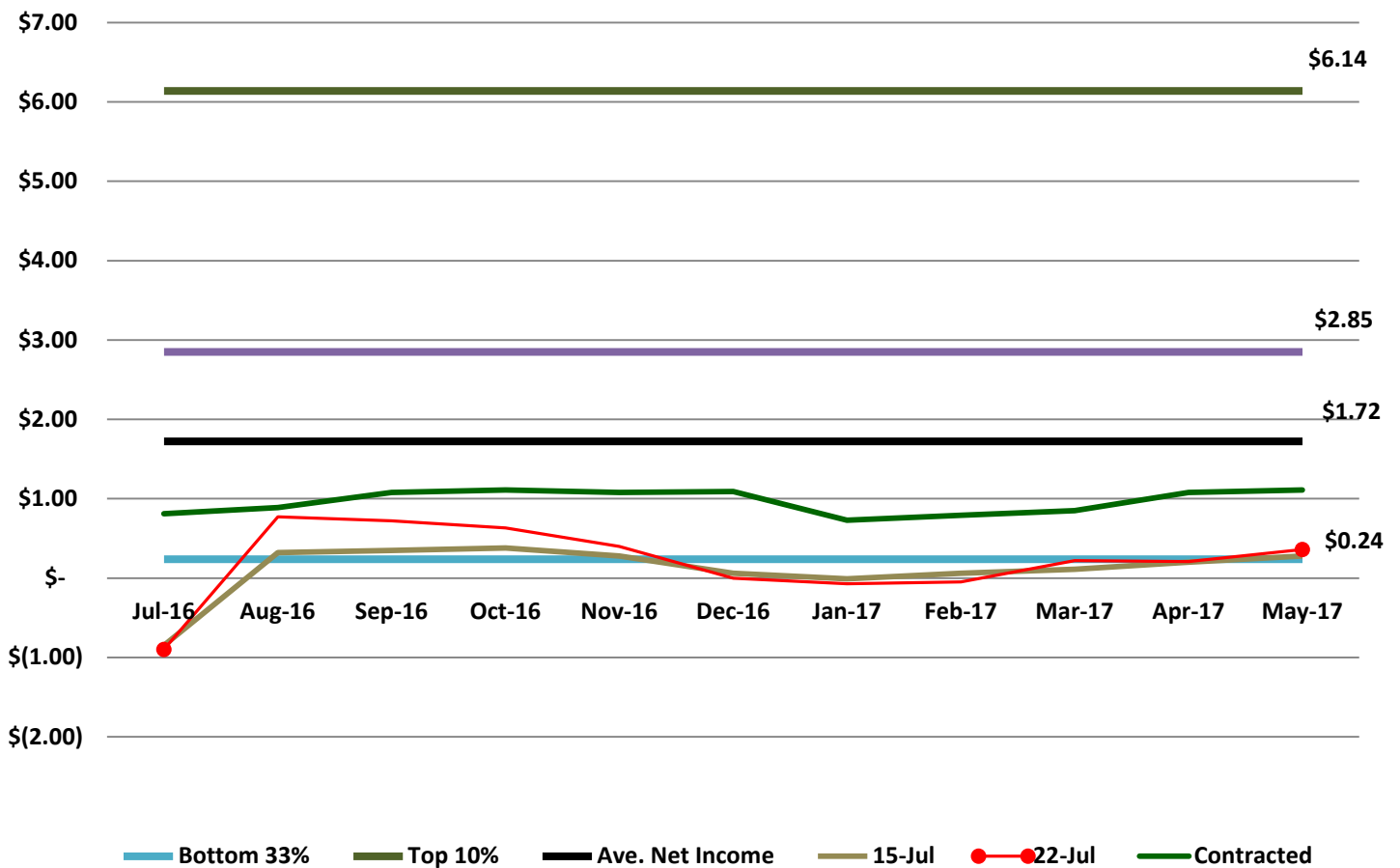
*Change from the Previous Week Price

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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.

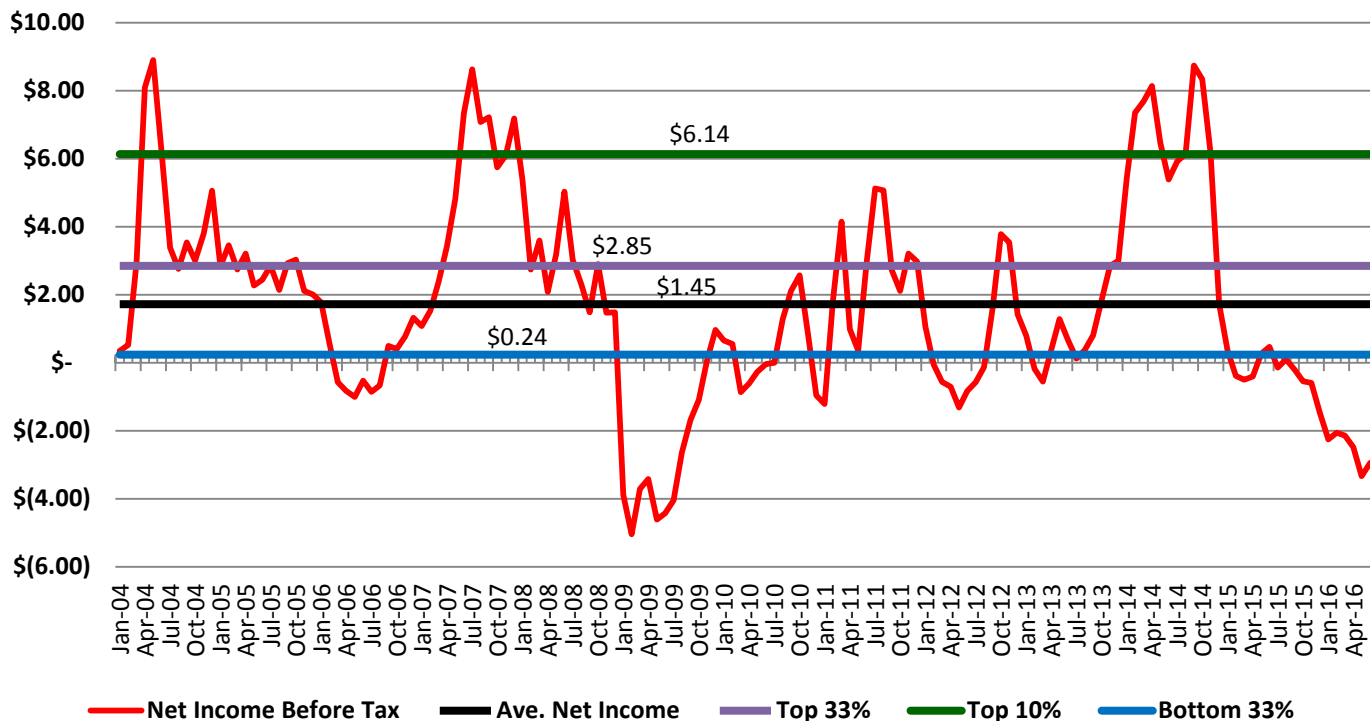
Net Income Available July 22, 2016





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		