



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	June '16	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17
Change From Prior Week	+0.06	+0.69	+0.84	+0.63	+0.32	+0.25	-0.05	+0.05	-0.09	+0.02	-0.03	-0.13

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 highlight the recent run-up in milk futures prices. I have been asked by many customers in the last 2 weeks about what is prompting the increased futures prices. After most nearby months were up limit again on Monday 6/13/16, the Class III futures for Jul – Dec 2016 have gone from an average of \$14.20 per cwt. a month ago on May 13th to close at an average of \$15.95 per cwt. on June 13th. That \$1.75 per cwt. average increase has been rather unexpected by most industry market analysts and there is little concrete market information that would have either predicted the increase, or supports the increase. Class IV futures have increased from an average of \$14.68 to \$16.07 per cwt. over that same month timeframe. The markets have opened back up after 5:00PM on Monday June 13th and as of 9:00PM Central there is minimal activity. This may be an opportunity for you to shore up some open milk price risk.

Milk: A few comments on milk production around the globe: Australia weather has gotten hot and dry YTD production is down 1.2% from 2015; NZ prod is not down as much as expected, but reductions may increase as margins are down, European production appears to be leveling off.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 6/13/16 Crop Progress Report

- Corn emerged – 96% vs. 5 year avg of 94%
- Corn condition – 75% Good & Excellent vs. 73% last year
- Cotton - 89% planted, 88% last yr and 93% for 5 yr avg
- SB - 92% planted, 85% last yr and 87% for 5 yr avg
- SB emerged – 79% vs. 72% last year
- SB condition – 74% Good & Excellent vs. 67% last yr
- Pasture conditions – 66% Good & Excellent vs. 65% last year
- Topsoil moisture conditions were 78% adequate and surplus vs. 86% last year

MARGINSMART Insight

Futures prices for Class III and Class IV milk have increased DRAMATICALLY over the past few weeks and some months were up limit today. You may consider taking advantage of this opportunity.

Contact us for a FREE MARGINSMART® Demo!

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Market Price Updates (As of 6/10/2016 Close)

	June'16	+/-*	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*
Class III Milk	13.25	+0.09	14.54	+0.63	15.33	+0.77	15.68	+0.68	15.67	+0.46	15.60	+0.28	15.43	+0.13
Class IV Milk	13.79	+0.04	14.99	+0.49	15.65	+0.65	16.00	+0.60	16.15	+0.66	16.15	+0.49	15.90	+0.44
Cash Butter	2.14	+0.03	2.25	+0.06	2.29	+0.05	2.31	+0.06	2.31	+0.06	2.28	+0.05	2.19	+0.07
Cash Cheese	1.45	+0.00	1.58	+0.06	1.65	+0.08	1.67	+0.06	1.66	+0.03	1.65	+0.02	1.64	+0.01
Corn			4.23	+0.05			4.27	+0.07					4.31	+0.11
Soybeans			11.78	+0.46	11.78	+0.56	11.68	+0.67			11.63	+0.78		
Soybean Meal			414	+00	412	+14	411	+21	409	+24			409	+26

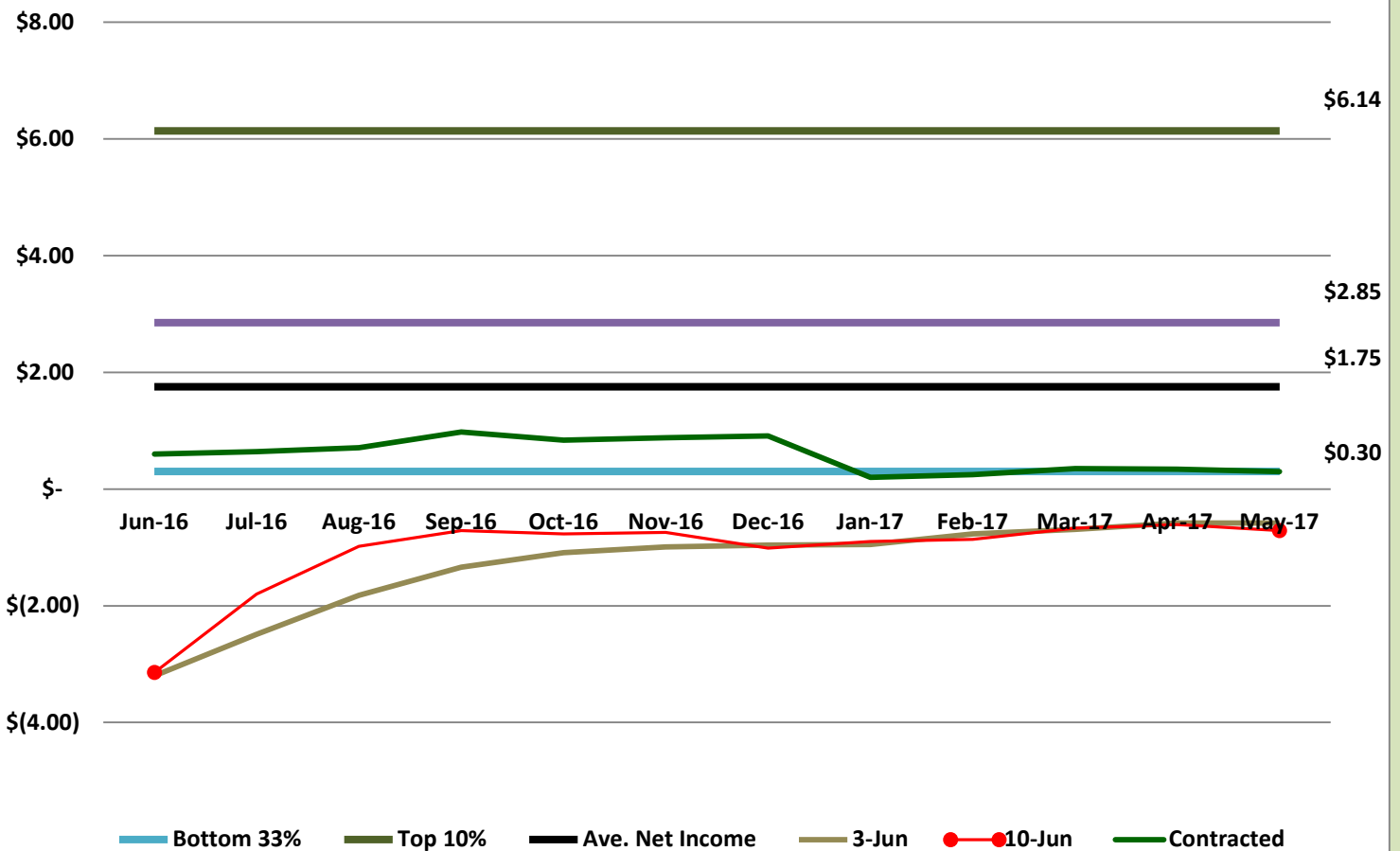
*Change from the Previous Week Price

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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.

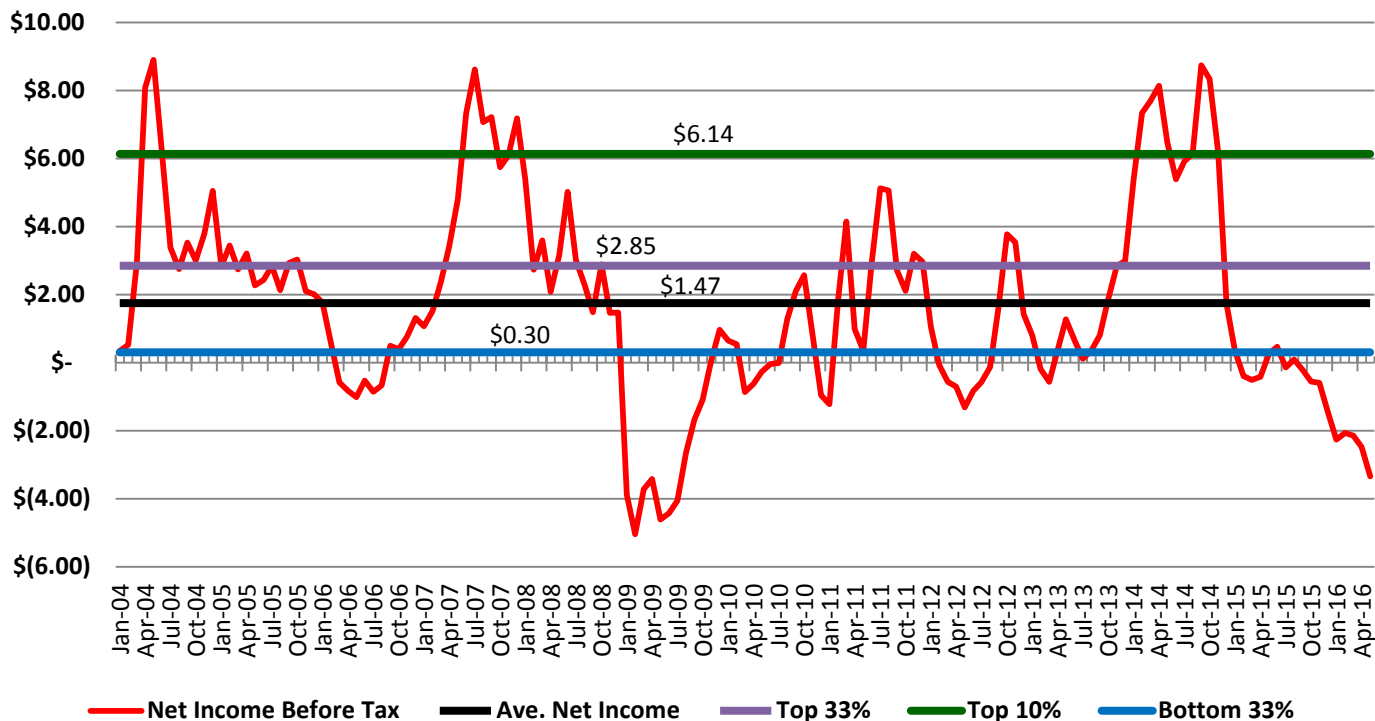
Net Income Available June 10, 2016





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			