



# 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	+ .18	- .02	+ .20	+ .56	+ .61	+ .60	+ .54	+ .42	+ .31	+ .27	+ .31	+ .35

#### 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 discuss some additional background info on the UK's citizen vote to leave the European Union. The UK has had a long history of tension between itself and the European Union. The vote last week was only mildly a majority with 52% voting to leave the EU, although this is in essence a referendum. After the election, the Prime Minister resigned and it is expected that the UK will move forward with the procedures to leave the EU, but that process could take some time. The UK has its own currency (the pound) which has taken significant reductions in valuation. World financial markets are down significantly as the process unfolds for how the UK will go about establishing its own infrastructure in dealing with trading partners. Additional EU countries may go down the path of voting on the EU status for their countries. Expect further impacts to US prices as this unfolds.

**Milk:** Milk production in the 23 major States during May '16 totaled 17.5B pounds, up 1.2% from May '15. Production per cow in the 23 major States averaged 2,019 pounds for May '16, 21 pounds above May '15. This is the highest production per cow for the month of May since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.64M head, 11,000 head more than May 2015, but unchanged from April 2016.

#### Market News (Continued)

##### Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 6/27/16 Crop Progress Report

- Corn condition – 75% Good & Excellent vs. 75% last week and 68% last year
- SB emerged – 89% vs. 92% for 5 year avg
- SB condition – 72% Good & Excellent vs. 73 last week and 63% last year
- Cotton condition – 56% Good & Excellent vs. 54% last week and 56% last year
- Pasture conditions – 61% Good & Excellent vs. 64% last week and 65% last year
- Topsoil moisture conditions were 69% adequate and surplus vs. 74% last week and 83% last year
- Subsoil moisture conditions were 74% adequate and surplus vs. 78% last week and 83% last year

#### MARGINSMART Insight

*Diesel fuel prices have slowly increased since their lows in February 2016. Crude oil futures prices are up \$10-\$15 per barrel since then as well, despite being down several dollars per barrel in the last week.*

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

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### Market Price Updates (As of 6/24/2016 Close)

	June'16	+/-*	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*
Class III Milk	13.22	+01	14.84	-20	15.91	+12	16.34	+47	16.34	+53	16.18	+36	15.93	+30
Class IV Milk	13.73	-06	15.43	+08	16.30	+09	16.40	-13	16.82	+23	16.62	-08	16.51	+17
Cash Butter	2.16	+00	2.36	-01	2.38	-04	2.39	-05	2.38	-03	2.35	-04	2.24	-02
Cash Cheese	1.45	+00	1.60	-02	1.69	+01	1.73	+05	1.72	+04	1.70	+03	1.70	+05
Corn			3.84	-54			3.89	-54					3.94	-55
Soybeans			11.03	-56	11.01	-59	10.86	-66			10.78	-70		
Soybean Meal			376	-31	377	-30	375	-31	373	-32			373	-32

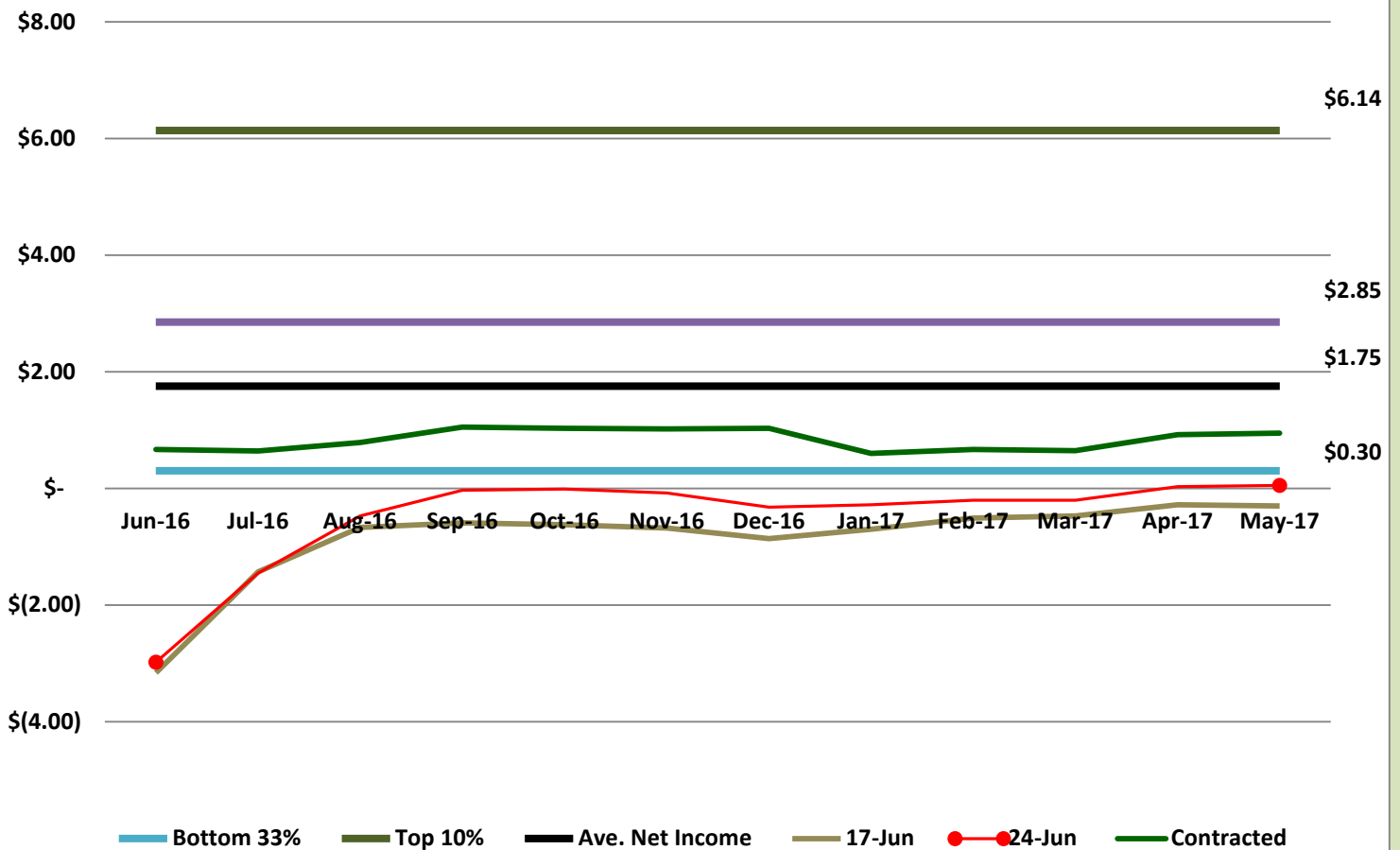
\*Change from the Previous Week Price

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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.

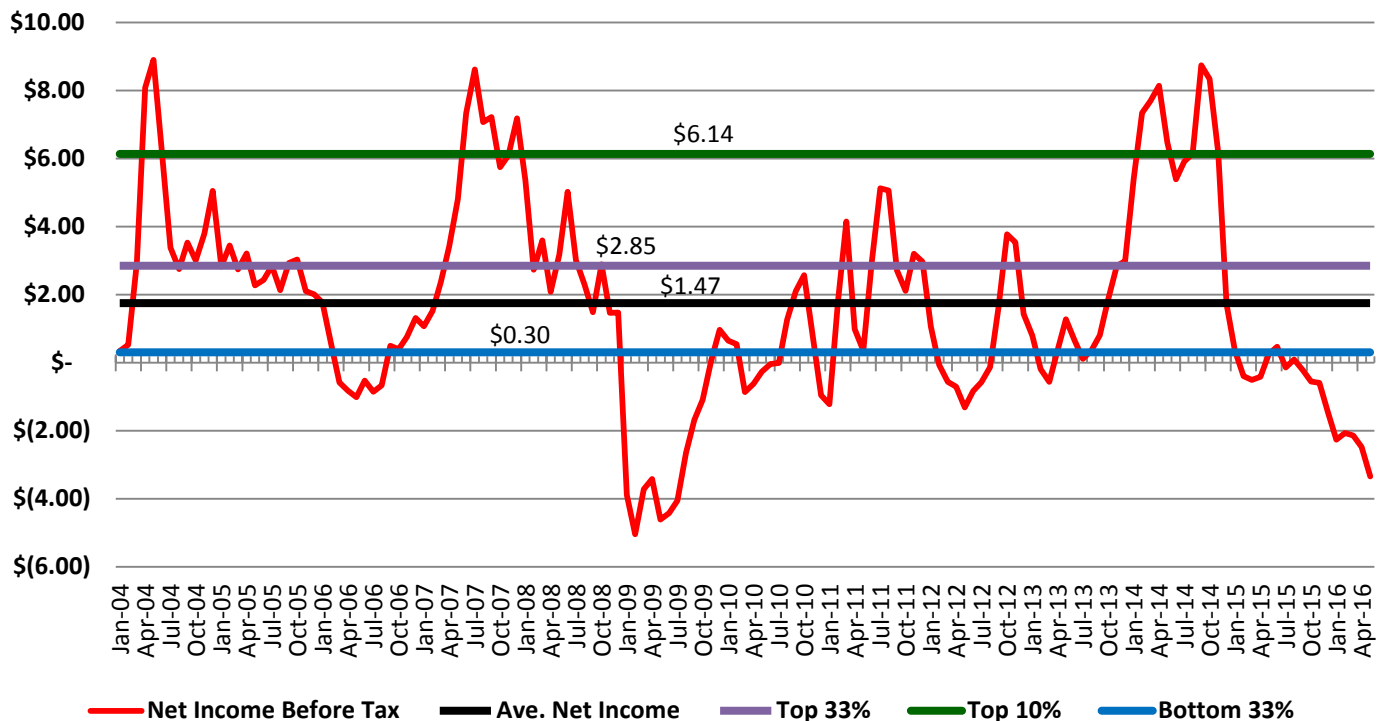
### Net Income Available June 24, 2016





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% (90<sup>th</sup> percentile), top 33% (67<sup>th</sup> percentage), the average and bottom 33% (33<sup>rd</sup> 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			