



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	-0.03	+0.13	-0.04	-0.03	-0.04	-0.07	-0.05	-0.23	-0.23	-0.22	-0.24	-0.28

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's tip of the week relates to projecting milk basis levels for 2016. We have always suggested using a 3-5 year average historical milk basis to project future levels. In addition we also suggest considering the expected component levels, SCC levels and other premiums/discounts of the historical period and the future period. If you decide to adjust milk basis levels by the individual month (like most of our customers do) we suggest that you factor those items in on a monthly basis. If you have changed milk plants that is another consideration. Lastly as experienced in 2015, PPD levels are also very important as a part of the overall equation. We had adjusted most of our customers \$.30 - .60 per cwt (with some extremes above that for certain milk plants) off the historical levels and are suggesting that 2016 levels be adjusted \$.15 - .30 per cwt as well. Please call with any questions as to how this may pertain to your dairy.

Milk: Class I or fluid use across all federal orders rose to 33% in 2015. Class II (yogurt and soft products) was 14% (up 3% from 2014); Class III (cheese), 40% (down 5%); and Class IV (butter and dried products), 14% (up 2%). USDA economists projected that US milk output could grow 23% over the next decade. While cow numbers should remain near 9.3M head, milk per cow could climb from 22,410 to 27,405 lbs per hd.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

The Food and Agricultural Policy Research Institute (FAPRI) of the University of Missouri released their March report which details 10-year baseline projections for U.S. agricultural markets, farm program spending, farm income, and a variety of other indicators. For the next several years, FAPRI projects continued pressure on farm finances due to lower agricultural commodity prices. Projected livestock, poultry, and milk prices all decline year-over-year in 2016 as supplies continue to increase. Projected cattle prices fall further in 2017 and 2018, as recent increases in cow numbers translate into more calves and beef production.

Keep an eye on spring weather for crop progress!

MARGINSMART Insight

MARGINSMART will be exhibiting at the PDPW Business Conference in Madison, WI on March 16-17. Please stop in at booth 240 to see us if you are attending.

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

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Market Price Updates (As of 3/11/2016 Close)

	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	June'16	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	13.79	+0.01	13.66	+0.13	13.50	-0.03	13.63	+0.00	14.03	-0.01	14.74	-0.03	14.80	-0.20
Class IV Milk	13.00	-0.18	13.38	+0.00	13.56	+0.04	13.77	-0.05	14.05	+0.05	14.70	+0.00	14.78	-0.11
Cash Butter	2.01	-0.03	2.04	-0.02	2.06	-0.02	2.07	-0.01	2.09	-0.04	2.12	-0.03	2.05	-0.01
Cash Cheese	1.52	+0.00	1.50	+0.01	1.49	+0.00	1.50	+0.01	1.54	+0.01	1.61	+0.00	1.61	-0.02
Corn	3.66	+0.12			3.65	+0.07			3.69	+0.06	3.74	+0.05	3.83	+0.05
Soybeans	8.88	+0.18			8.96	+0.18			9.01	+0.17	9.03	+0.16	9.07	+0.16
Soybean Meal	272	+04			274	+03			276	+03	278	+02	280	+02

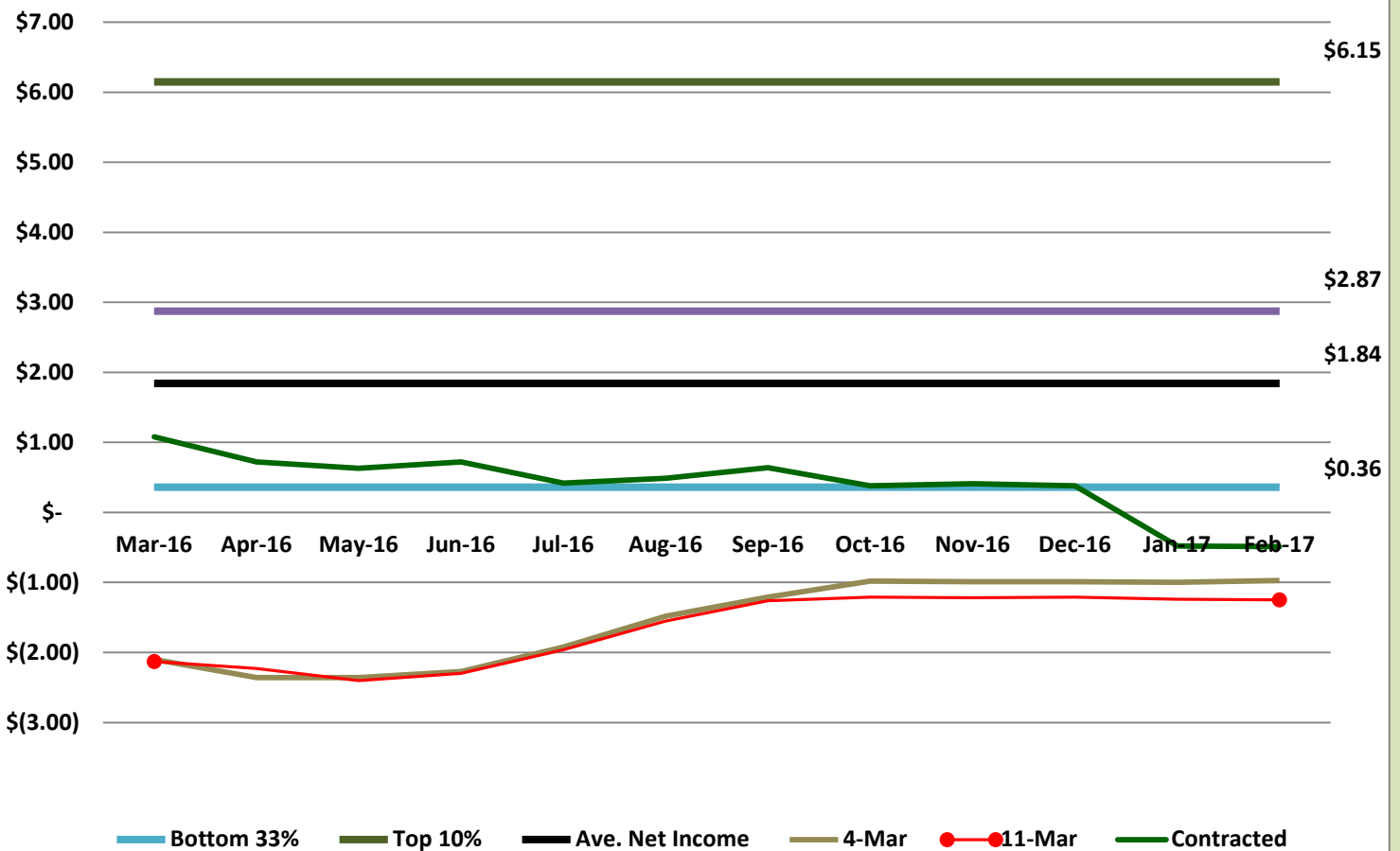
*Change from the Previous Week Price

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



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.

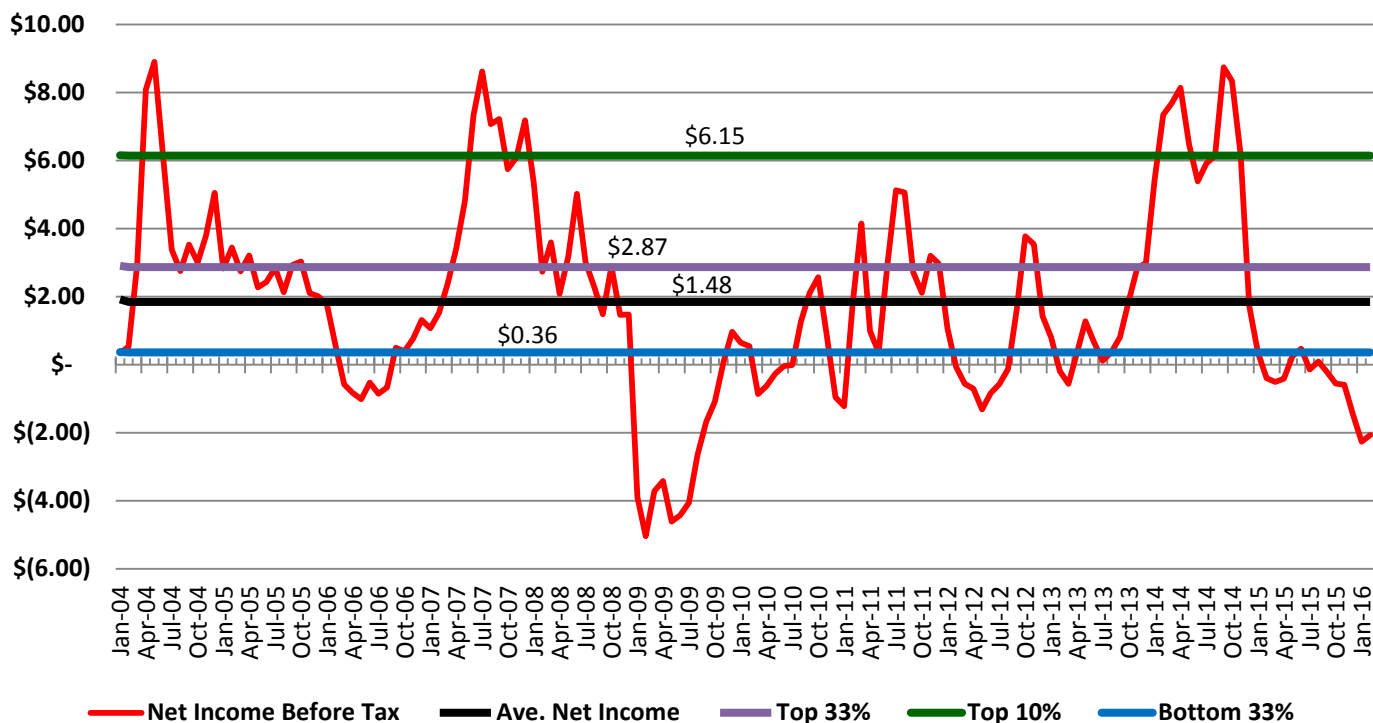
Net Income Available March 11, 2016





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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