



# WEEKLY NEWSLETTER

## "For SMART Management"

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### MARGINSMART® Sample Farm Profitability Changes From Last Report

|                        | Mar. '16 | Apr '16 | May '16 | June '16 | July'16 | Aug'16 | Sep'16 | Oct'16 | Nov'16 | Dec'16 | Jan'17 | Feb'17 |
|------------------------|----------|---------|---------|----------|---------|--------|--------|--------|--------|--------|--------|--------|
| Change From Prior Week | +0.05    | +0.25   | +0.14   | +0.00    | -0.06   | -0.17  | -0.21  | -0.14  | -0.08  | -0.10  | -0.14  | -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 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. Call us with any questions.

**Milk:** During 2015 dairy quotas were abolished in the EU, after 30 years of a quota system being in effect to control production. Strong increases in milk production during 2015 following the end of quotas has left the EU with significant volumes of milk to process and sell. This has now led to new proposals within the European Commission to address the increasing milk volumes and profitability drop for producers. One proposal is to double the current allowable volume of SMP and skim milk powder that can be sold into the intervention program. New volumes would be 100,000 MT for butter and 218,000 MT for SMP.

#### Market News (Continued)

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

##### Fertilizer Pricing

While fertilizer prices have generally decreased, use the link below to check into current trends of fertilizer pricing.

<http://farmfutures.com/story-weekly-fertilizer-review-0-30765>

##### Crop Plans

Industry estimates indicate that growers across the US have slightly increased their plans to plant corn vs SB. This will slightly affect the overall production for 2016.

##### Cull cows

For the first 10 weeks of 2016, cow slaughter is up 8.9% from 2015. This has led to lower cull cow prices. With forecasted lower milk prices, expect higher levels of dairy cull cows throughout 2016 which will have an impact on cull prices.

#### MARGINSMART Insight

***As you wrap up your 2015 financial statements and tax work, this is a great time for us to revisit your 2016 and 2017 projections for operating income and expenses.***

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

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### Market Price Updates (As of 3/18/2016 Close)

|                | Mar'16 | +/-* | Apr'16 | +/-* | May'16 | +/-* | June'16 | +/-* | Jul '16 | +/-* | Sep '16 | +/-* | New Crop | +/-* |
|----------------|--------|------|--------|------|--------|------|---------|------|---------|------|---------|------|----------|------|
| Class III Milk | 13.83  | +04  | 13.88  | +22  | 13.63  | +13  | 13.61   | -02  | 13.95   | -08  | 14.53   | -21  | 14.70    | -10  |
| Class IV Milk  | 12.91  | -09  | 13.18  | -20  | 13.22  | -34  | 13.44   | -33  | 13.87   | -18  | 14.20   | -50  | 14.30    | -48  |
| Cash Butter    | 1.99   | -02  | 1.99   | -05  | 2.02   | -04  | 2.03    | -04  | 2.05    | -04  | 2.09    | -03  | 2.03     | -02  |
| Cash Cheese    | 1.52   | +00  | 1.53   | +03  | 1.50   | +01  | 1.50    | +00  | 1.53    | -01  | 1.59    | -02  | 1.60     | -01  |
| Corn           | 3.66   | +00  |        |      | 3.67   | +02  |         |      | 3.72    | +03  | 3.77    | +03  | 3.85     | +02  |
| Soybeans       | 8.88   | +00  |        |      | 8.97   | +01  |         |      | 9.04    | +03  | 9.06    | +03  | 9.10     | +03  |
| Soybean Meal   | 268    | -04  |        |      | 267    | -07  |         |      | 269     | -07  | 272     | -06  | 274      | -06  |

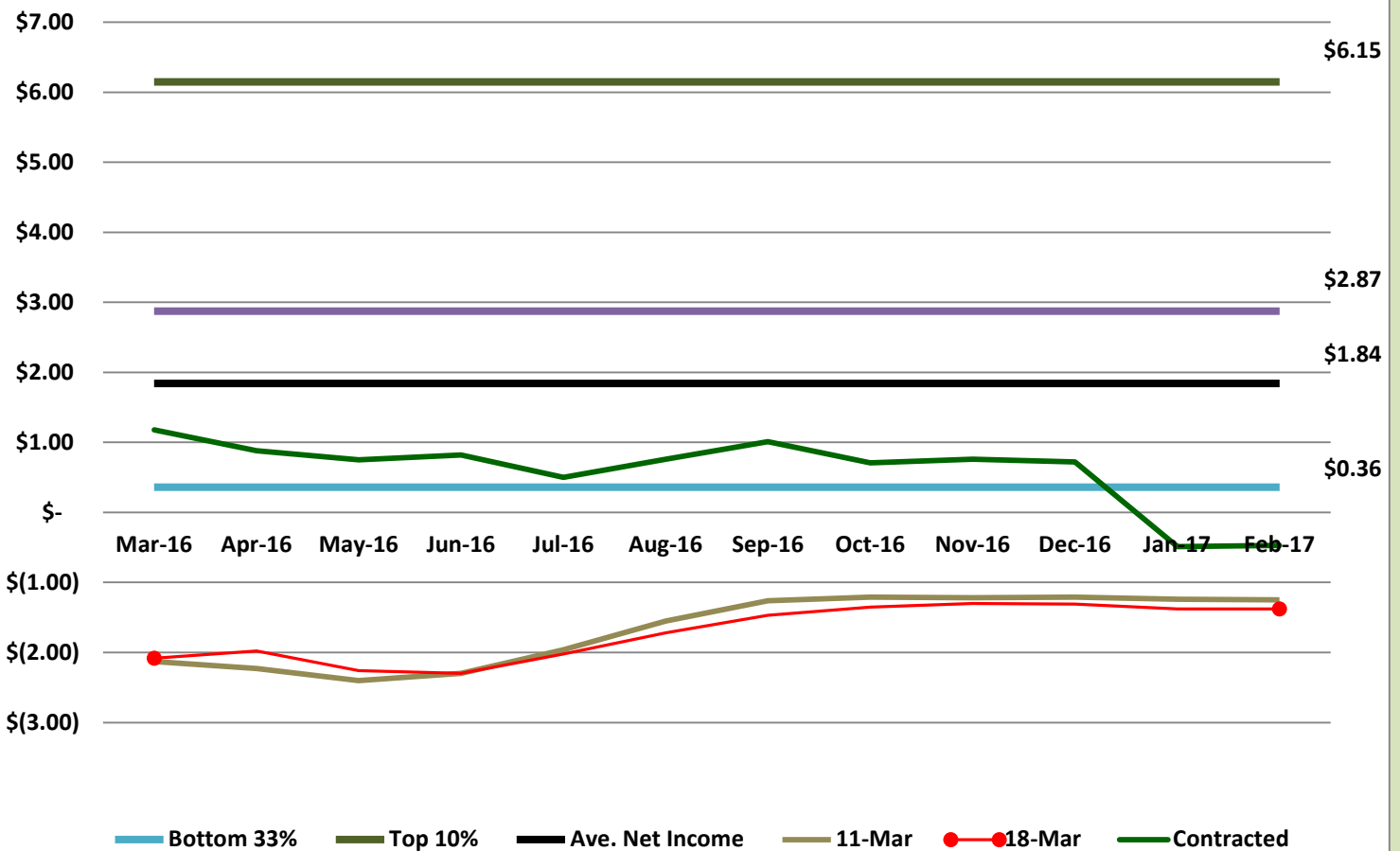
\*Change from the Previous Week Price

\*\*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.

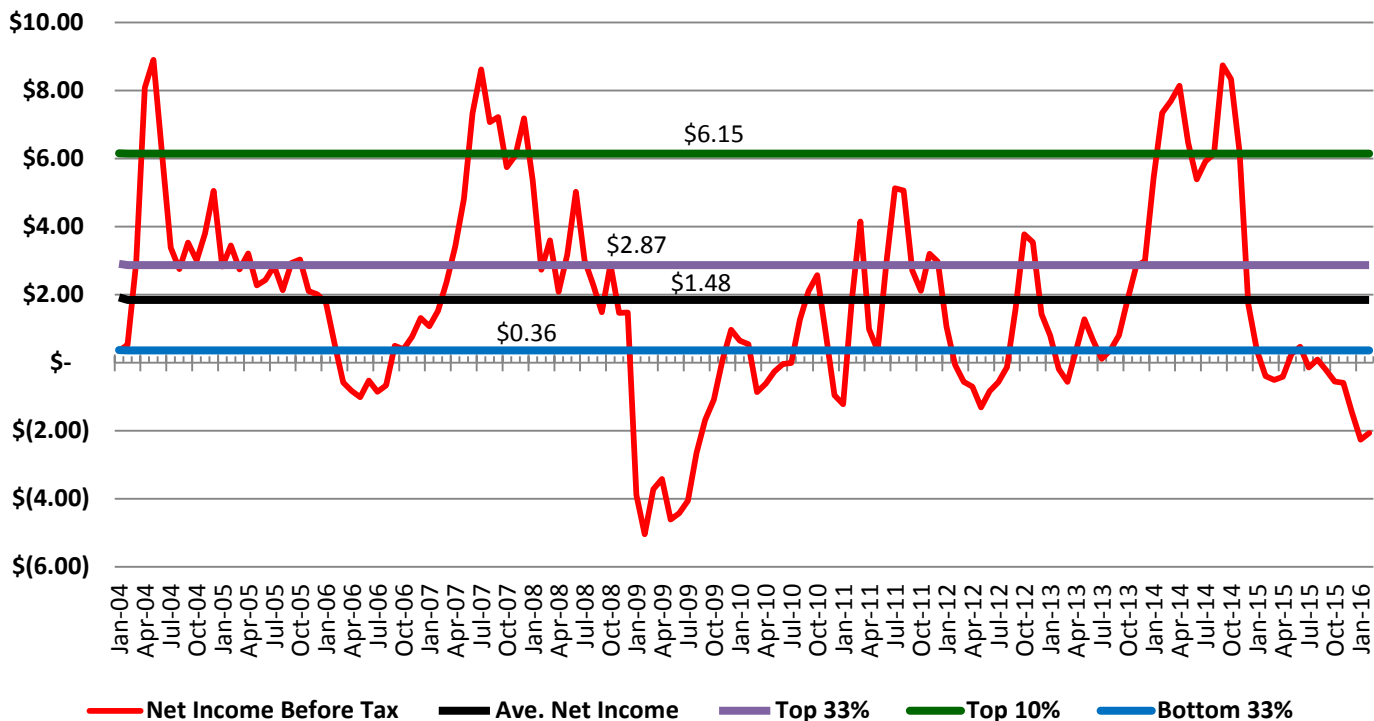
### Net Income Available March 18, 2016





MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 86 #s (current level – this has increased over the past 11 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 11 years' results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 11 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     |