



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	May '16	June '16	July '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16	Jan '17	Feb '17	Mar '17	April '17
Change From Prior Week	-0.32	-0.38	-0.16	-0.14	-0.03	-0.01	+0.01	+0.02	+0.09	+0.01	+0.00	+0.01

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 revisit using past history to aid in making future decisions. While I have always been a big proponent in taking past history into account for markets, production and many related items for milk and grain production, pricing and ultimately profitability; I do not subscribe 100% to the fact that history will always repeat itself. The United States is still a capitalistic market place which allows numerous individual producers to influence the market prices based on true supply and demand. The general reality for agricultural markets is also that participants are somewhat reactive to market prices and historically that has created various "cycles" of increased production leading to lower prices and vice versa. The world markets now also play a role in global supply and demand, and ultimately the world market is now also essentially a capitalistic marketplace as well. So my tip of the week is to use history to be proactive rather than succumbing to only being reactive.

Milk: The final April '16 announced Class III price was \$13.63 per cwt. – down \$.11 from Mar '16 and down \$2.18 from April '15. The final April '16 Class IV price was \$12.68 per cwt., down \$.06 from Mar '16. and down \$.83 per cwt. from April '15.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 5/8/16 Crop Progress Report

- Corn - 64% planted, 69% last yr and 50% for 5 yr avg
- Corn emerged – 27% vs. 5 year avg of 17%
- Cotton - 26% planted, 23% last yr and 26% for 5 yr avg
- SB - 23% planted, 26% last yr and 16% for 5 yr avg
- Topsoil moisture conditions were 86% adequate and surplus vs. 78% last year
- Subsoil moisture conditions were 86% adequate and surplus vs. 73% last year

Futures prices for corn, SB and SBM continue the roller coaster ups/downs as part of the planting progress and other related impacts. Corn has been down in the very recent past while SBM futures have generally pushed higher over the past 6 weeks.

MARGINSMART Insight

MARGINSMART® actively suggested that customers sign up for the MPP Program at protection levels up to \$6.50 (higher for small farms) for 2016. Current projections are that several months are now below \$6.50 per cwt.

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

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Market Price Updates (As of 5/6/2016 Close)

	May '16	+/-*	June '16	+/-*	Jul '16	+/-*	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	New Crop	+/-*
Class III Milk	12.87	-0.30	12.92	-0.34	13.34	-0.17	14.00	-0.16	14.65	-0.02	14.81	-0.01	14.89	+0.01
Class IV Milk	13.24	-0.12	13.30	-0.41	13.86	-0.26	14.37	-0.23	14.79	-0.13	14.87	-0.26	14.94	-0.14
Cash Butter	2.05	-0.06	2.08	-0.07	2.10	-0.06	2.14	-0.05	2.16	-0.03	2.16	-0.04	2.08	-0.02
Cash Cheese	1.43	-0.03	1.43	-0.03	1.47	-0.02	1.54	-0.01	1.60	+0.00	1.62	+0.01	1.61	+0.00
Corn	3.76	-0.14			3.77	-0.15			3.79	-0.13			3.85	-0.10
Soybeans	10.26	+0.05			10.35	+0.05	10.37	+0.03	10.27	+0.10			10.22	+0.14
Soybean Meal	341	+09			343	+08	341	+07	340	+07	337	+07	337	+07

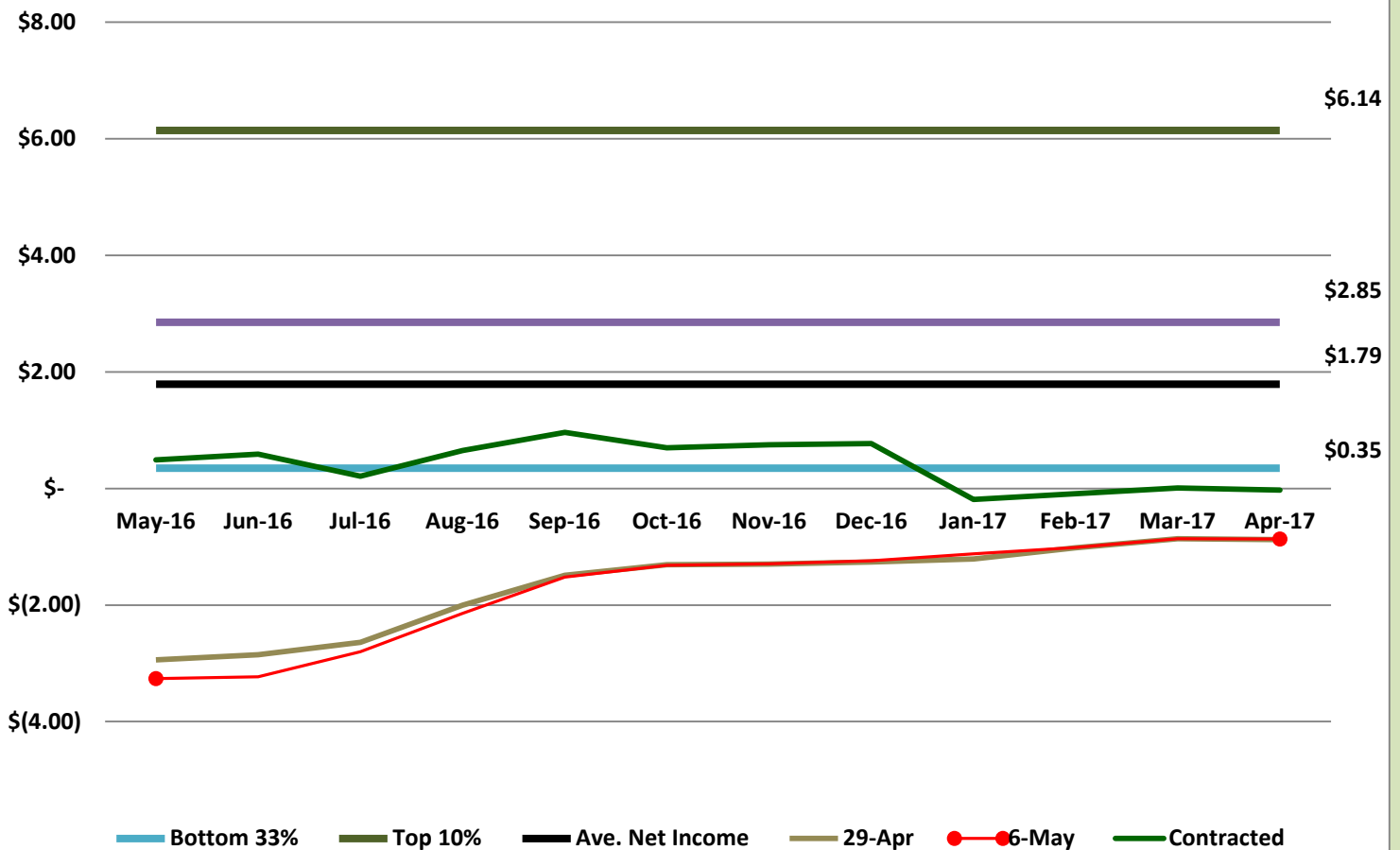
*Change from the Previous Week Price

**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.

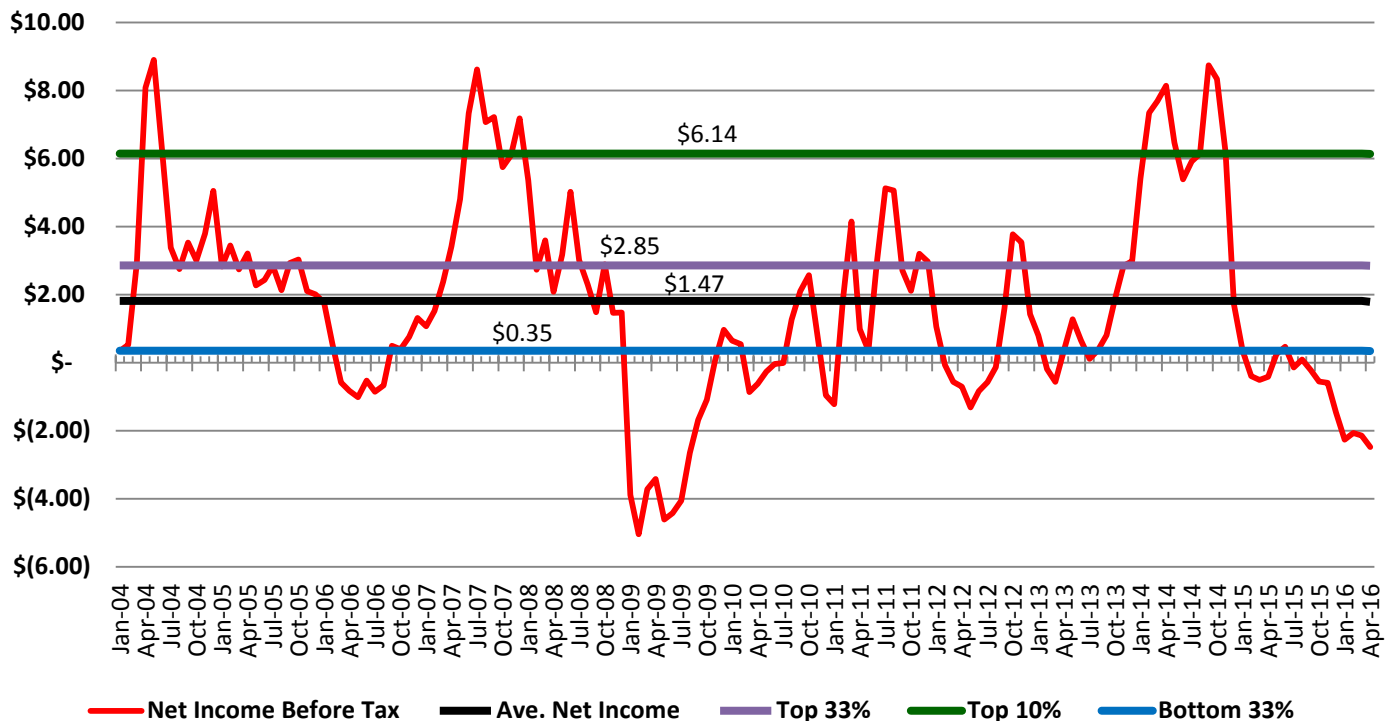
Net Income Available May 6, 2016





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			