



# WEEKLY NEWSLETTER

## "For SMART Management"

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

	Nov. '15	Dec. '15	Jan. '16	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16	Oct'16
Change From Prior Week	-0.05	-0.17	-0.34	-0.3	-0.13	-0.05	+0.03	-0.07	-0.18	-0.12	-0.19	-0.19

#### 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

Our tip of the week revisits how contracting affects your projections. I have had several questions from customers on this lately so I thought it would be good to revisit this topic. Any contract (whether it is for milk or feedstuffs, and whether a cash contract, futures position or option position) that is entered into MARGINSMART® will essentially result in that price being established for the identified quantity entered. Any milk or feedstuffs produced or fed above the contracted amount will be based on market prices (and updated consistently) so that your dairy will always have "real-time" updated milk and feed prices for your projections. The new reports for platinum users will then show all the updated benefits/losses of those contracts. Call with any questions.

**Milk:** On Oct 31 '15, U.S. cold storage holdings of butter totaled 179.0M pounds, down 5% from the previous month, but up 21% from Oct '14. Natural American cheese holdings total 695.6M pounds, unchanged from the previous month, but 12% more than Oct '14. Total natural cheese stocks were 1.149B pounds, unchanged from last month but 15% more than Oct '14.

#### Market News (Continued)

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

This week we will concentrate on cattle info...

As we predicted several months ago, cull cow prices have dropped significantly over the past 2 months.

Expect prices to remain lower for some time due to:

- Higher recent culling rates of dairy cattle
- High value of the dollar encourages beef imports and discourages exports of beef products
- Decreased prices for fed cattle – down 28% from a year ago
- 50% trimmings are down 60% and 90% trimmings (mostly from cows) are down 28% from a yr ago
- Ground beef prices are down as a result of the combined items above

#### MARGINSMART® Insight

**JUST A REMINDER TO UTILIZE THE FULL FEATURES OF OUR NEWLY RELEASED VERSION 4.0. CALL US WITH ANY QUESTIONS.**

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

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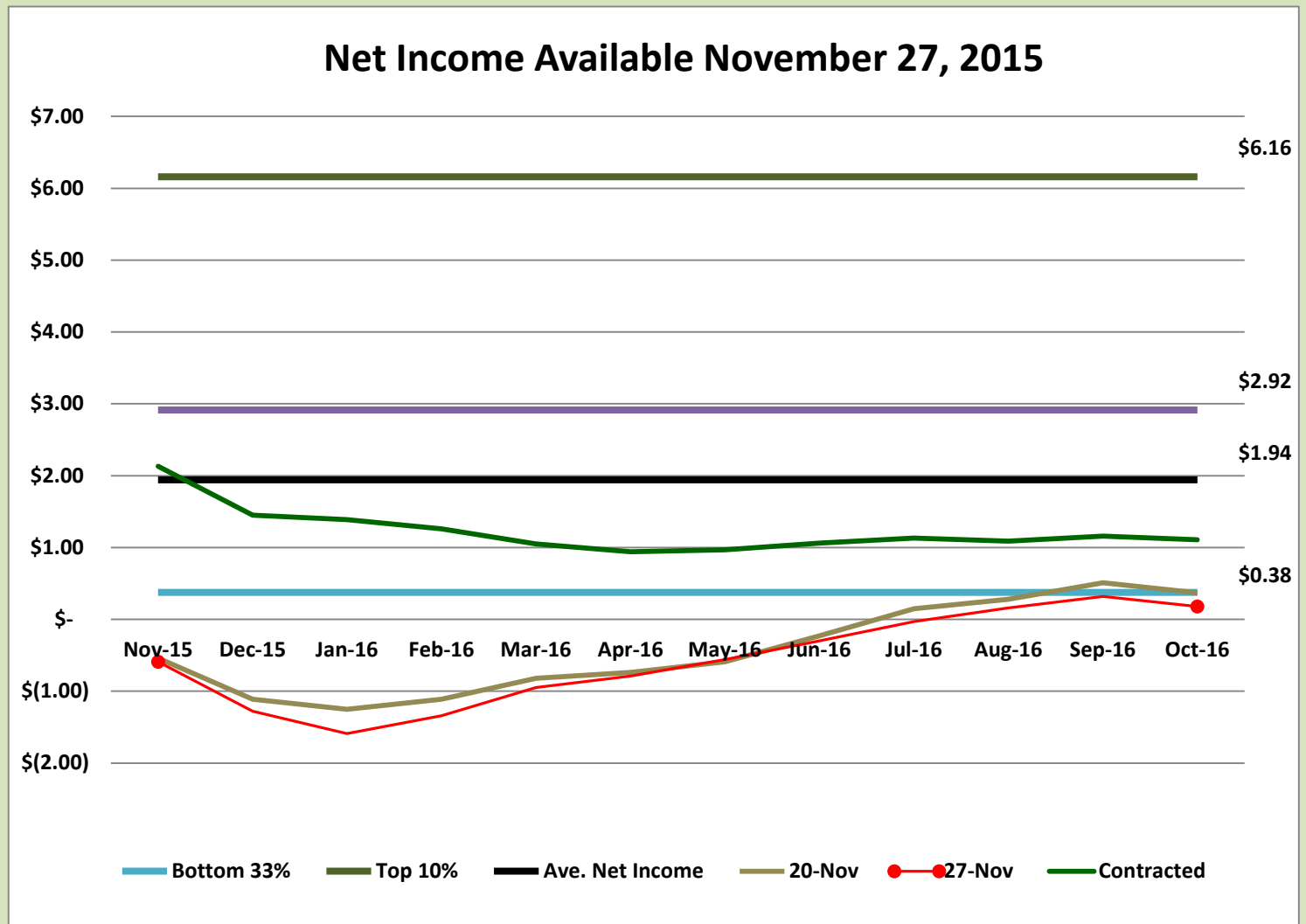
### Market Price Updates (As of 11/27/2015 Close)

	Nov'15	+/-*	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*
Class III Milk	15.33	+0.00	14.58	-0.19	14.35	-0.41	14.69	-0.27	15.06	-0.19	15.22	-0.13	15.47	-0.03
Class IV Milk	16.80	-0.04	15.38	-0.06	13.92	+0.00	14.01	+0.02	14.36	-0.04	14.74	-0.06	15.01	+0.00
Cash Butter	2.81	+0.01	2.53	+0.04	2.02	-0.03	1.92	-0.03	1.94	-0.02	1.92	-0.02	1.93	-0.03
Cash Cheese	1.66	+0.00	1.59	-0.01	1.58	-0.03	1.62	-0.02	1.65	-0.02	1.66	-0.01	1.68	+0.00
Corn			3.59	-0.04					3.67	-0.03			3.73	-0.02
Soybeans	8.59	+0.00			8.76	+0.16			8.75	+0.15			8.82	+0.15
Soybean Meal			282	-0.01	284	+0.01			286	+0.02			288	+0.02

\*Change from the Previous Week Price



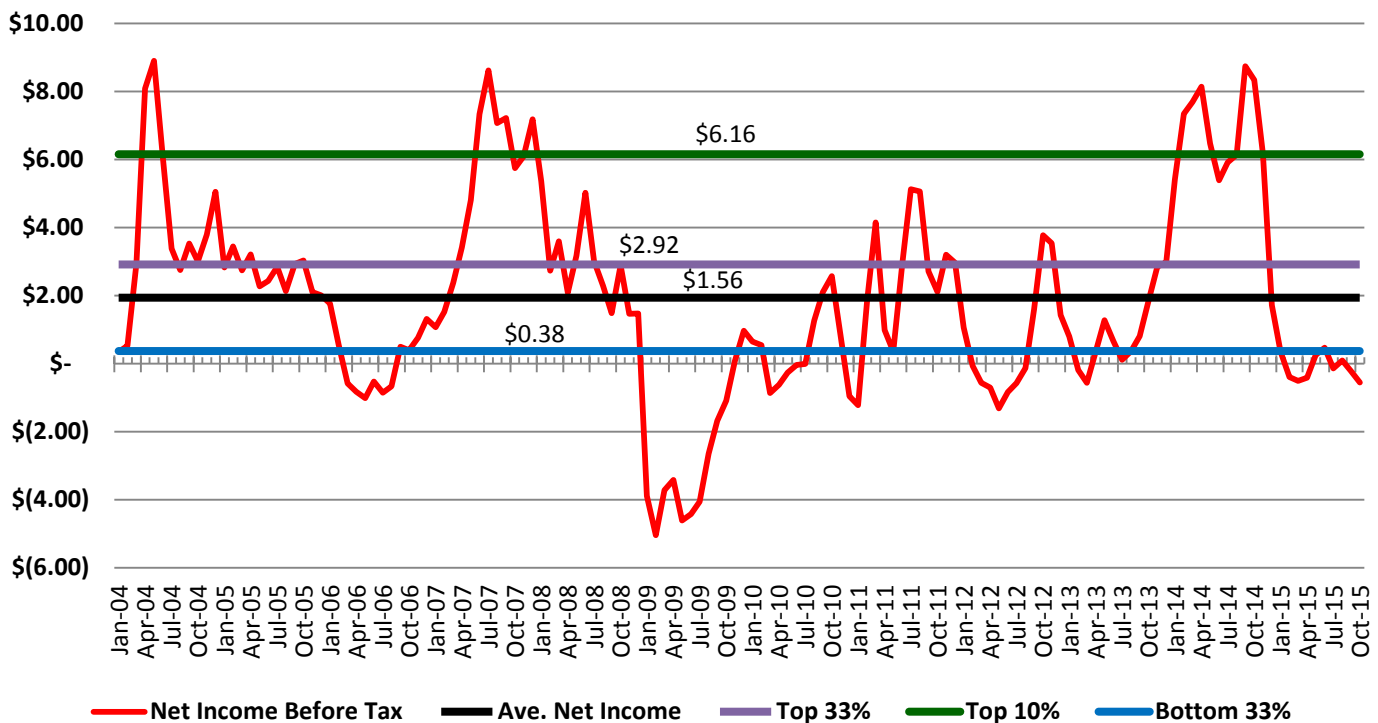
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 86 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based 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.





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.)

## 2004-2015 Historical Net Income Before Tax





MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 86 #s (current level – this has increased over the past 10 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 year’s results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 11 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 11 years. The charts below are a breakdown of the information in the historical graph above.

### Historical Annual Average Net Income Before Tax

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95	6.46

### 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	-0.18	.11	-0.08	