



# WEEKLY NEWSLETTER

## "For SMART Management"

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

	Oct. '15	Nov. '15	Dec. '15	Jan. '16	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16
Change From Prior Week	-0.17	-0.16	-0.24	-0.34	-0.35	-0.37	-0.23	-0.24	-0.18	-0.08	-0.07	-0.02

#### 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

The tip of the week relates to 2015 corn silage yields and the impact on projected profitability. As we wrap up the corn silage harvest for 2015 this is a reminder to customers that grow their own forages to cross reference actual yields to projected yields. If yields are significantly different than projections, adjustments can be made within MARGINSMART to account for this. If yields were higher, we can add an inventory market value gain to which will be reflected in overall profitability. Likewise if yields were lower than expected this will adversely affect profitability. We can walk you through this to accurately adjust your account. Call us with any questions.

**Milk:** Taking a look at production around the globe...

Western Europe – nearing its low point for the year but forecasts are to go below 2014 levels; dairy prices are steady to increasing. Eastern Europe – YTD production is steady to slightly higher, but annual production is expected to decrease from 2014. Australia – steady growth with Aug '15 3.7% above Aug '14. New Zealand – milk at seasonal peak but expected to be lower this year.

#### Market News (Continued)

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

Highlights from the 10/19/15 Crop Progress Report:

- Corn harvested at 59% vs. 5 yr avg of 54%
- Corn mature at 98% vs. 5 yr avg of 96%
- Corn rated good and excellent 68% vs. 74% in '14
- Cotton rated good and excellent 46% vs. 47% in '14
- SB harvested at 77% vs. 5 yr avg of 68%
- Sorghum harvested at 61% vs. 5 yr avg of 52%

##### Update on Cull Cow and Bull Calf Pricing

- Cull cow slaughter has moved slightly higher than a year ago.
- All cull cow and calf pricing as moved lower, along with meat and ground beef prices

#### MARGINSMART® Insight

**The 2016 MPP sign up has been extended to November 20, 2015. Please call with any questions as you make decisions on this.**

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

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### Market Price Updates (As of 10/16/2015 Close)

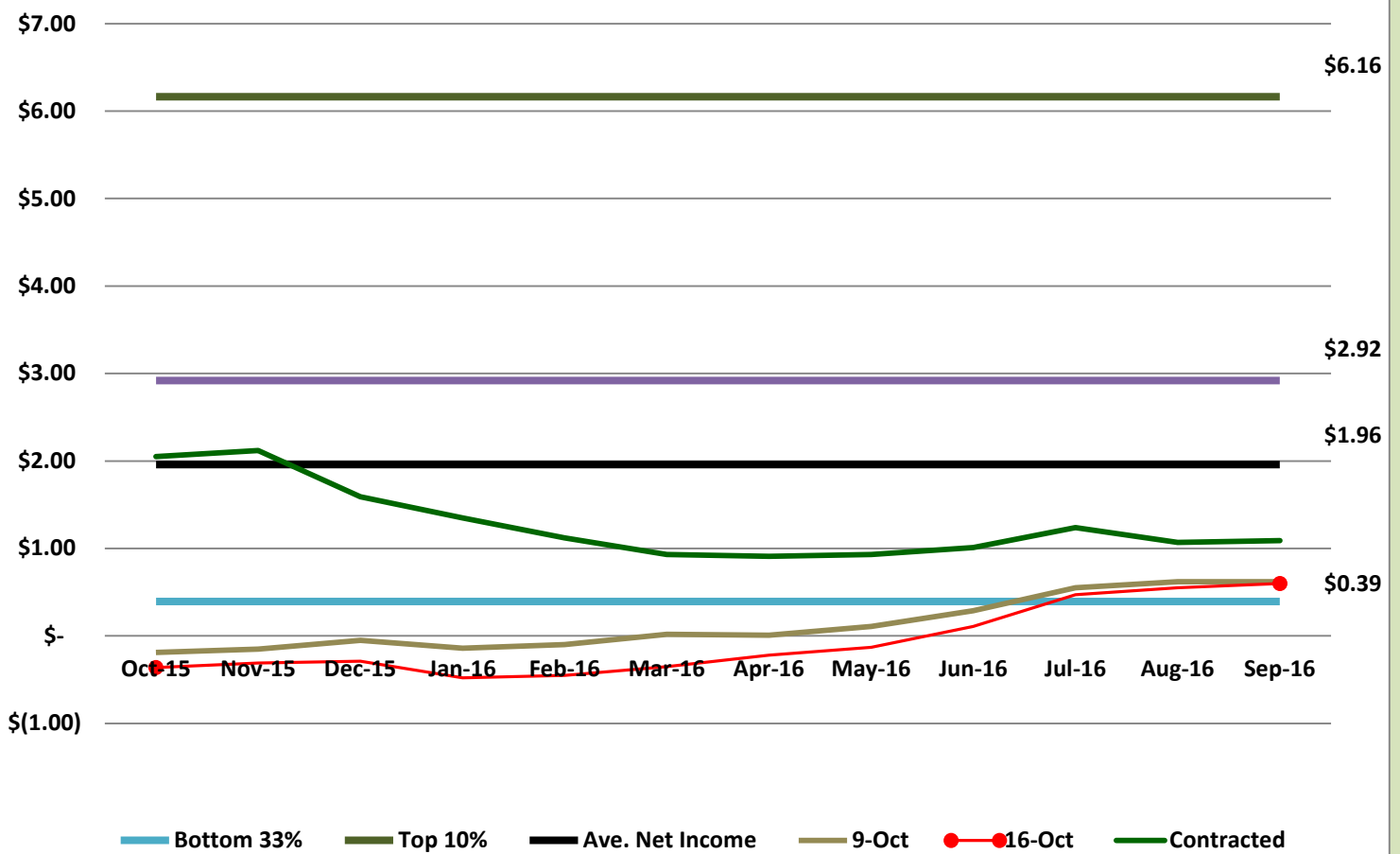
	Oct '15	+/-*	Nov'15	+/-*	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*
Class III Milk	15.60	-0.19	15.66	-0.17	15.68	-0.25	15.62	-0.36	15.70	-0.37	15.80	-0.39	15.95	-0.24
Class IV Milk	16.38	-0.46	15.46	-0.55	14.58	-0.70	14.95	-0.47	15.04	-0.71	15.21	-0.83	15.68	-0.47
Cash Butter	2.54	-0.01	2.19	+0.02	1.90	+0.03	1.83	+0.03	1.83	+0.00	1.84	+0.01	1.85	+0.01
Cash Cheese	1.69	+0.00	1.70	-0.01	1.70	-0.01	1.69	-0.01	1.68	-0.02	1.70	-0.01	1.70	-0.02
Corn					3.77	-0.06					3.88	-0.05		
Soybeans			8.98	+0.12			9.00	+0.10			9.05	+0.11		
Soybean Meal	307	+00			312	+04	310	+03			308	+03		

\*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.

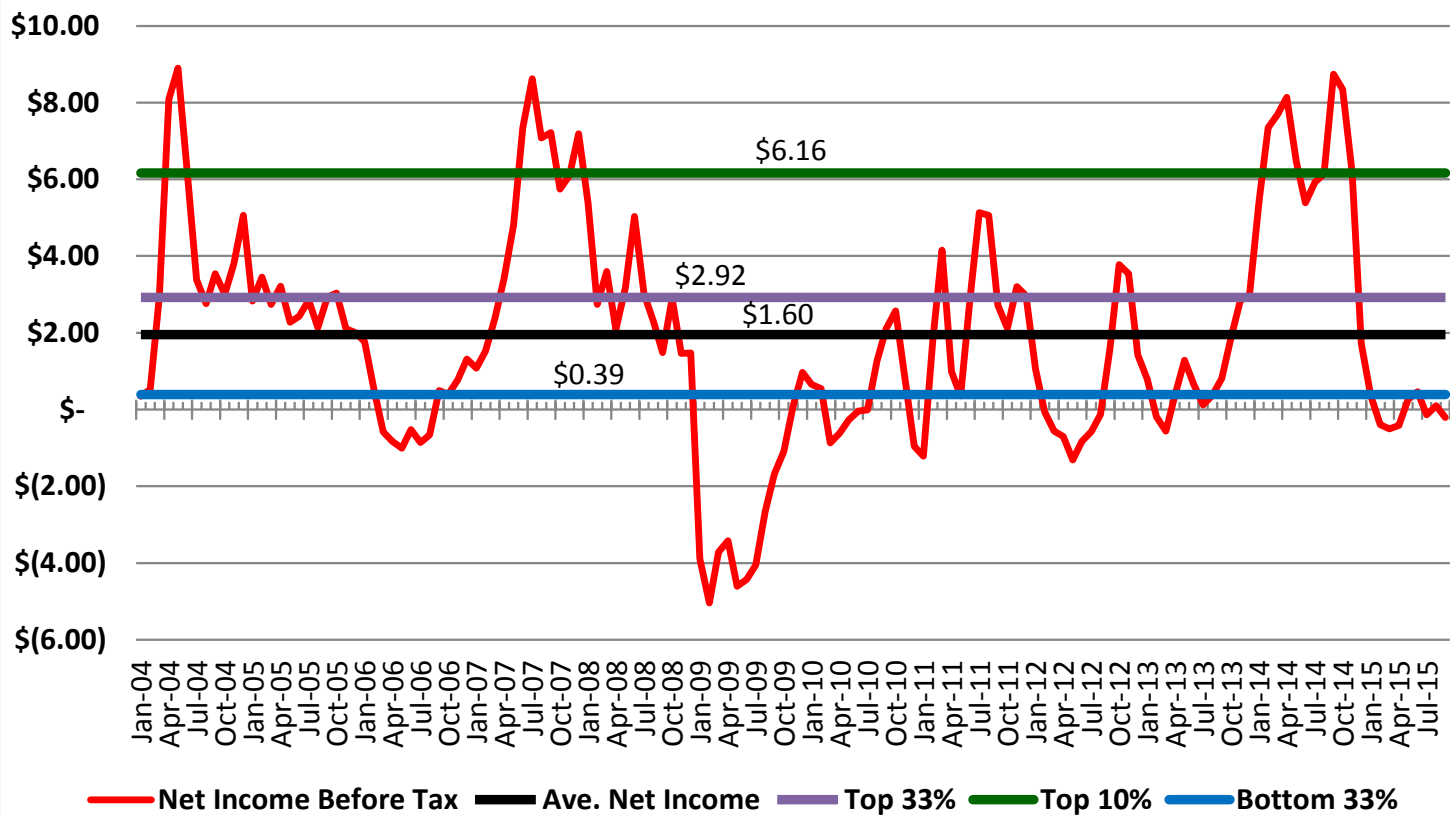
### Net Income Available October 16, 2015





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





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### 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	