



# WEEKLY NEWSLETTER

## "For SMART Management"

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

	Sep. '15	Oct. '15	Nov. '15	Dec. '15	Jan. '16	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16
Change From Prior Week	-0.14	-0.19	-0.12	-0.07	-0.01	+0.00	+0.01	+0.10	+0.09	+0.07	+0.03	-0.04

#### 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 the impact of cull cow and bull calf prices on overall profitability, margins and cash flow. As mentioned to the right, these prices have been falling and may continue to fall in the near future. The following shows the impact that this can have (it can be eye opening how much this equals).

1. If cull cow prices drop \$300 per head with a 35% cull rate, that equates to a drop of \$.39 per cwt. in profitability/margin/cash flow based on 85 pounds of milk per cow per day
2. A \$500 drop in cull cow prices equals a \$.64 per cwt drop
3. A \$300 per bull calf price drop on 50% of calves with a 5% death loss equates to \$.52 per cwt and a \$400 per bull calf drop equals a \$.70 per cwt. drop.

Call us with questions.

**Milk:** The milk futures prices have experienced a significant switch in recent weeks. The Class IV futures had been trading at a \$2.00 to \$3.00 per cwt. DISCOUNT to the Class III over the past 6 months for most of rest of calendar year 2015 and 2016. After trading on Sept 21, the Class IV futures are now at or above the Class III prices and over \$1.00 per cwt. higher for Oct and Nov 2015. This will affect basis and pay price levels across the US. Cheese futures remain above Class III futures as well.

#### Market News (Continued)

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

Highlights from the 9/21/15 Crop Progress Report:

- Corn harvested at 10% vs. 5 yr avg of 15%
- Corn mature at 53% vs. 5 yr avg of 56%
- Corn rated good and excellent 68% vs. 74% in '14
- SB rated good and excellent 61% vs. 71% in '14
- SB harvested at 7% vs. 5 yr avg of 7%
- Cotton rated good and excel. 52% vs. 48% in '14

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

- Cull cow prices have moved lower as fat trim, lean trim and ground beef prices have dropped.
- Bull calf pricing has also dropped and may continue to drop further and possibly quickly

#### MARGINSMART® Insight

**We will be at World Dairy Expo again this year on Sept 29 – Oct 3. Our Booth Has moved to the Exhibition Hall Booth EH 5010.**

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

**DIRECT: 920-264-9139**

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#### Market Price Updates (As of 9/18/2015 Close)

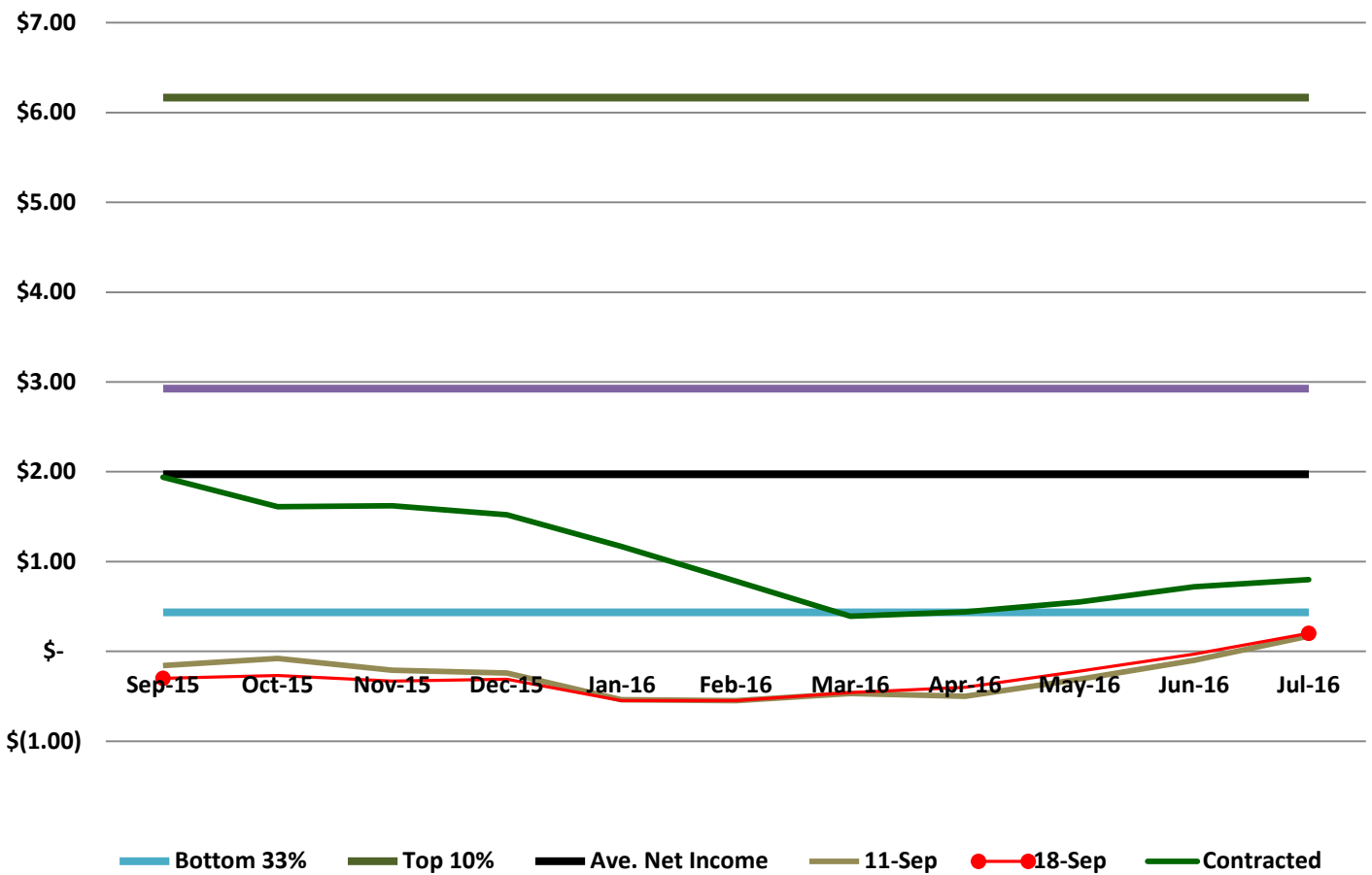
	Sep '15	+/-*	Oct '15	+/-*	Nov'15	+/-*	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*
Class III Milk	15.84	-0.13	15.81	-0.20	15.74	-0.22	15.71	-0.11	15.58	-0.04	15.58	+0.00	15.70	+0.02
Class IV Milk	15.10	+0.05	16.60	+0.50	16.05	+0.56	14.60	+0.37	14.47	+0.00	14.85	+0.10	15.34	+0.08
Cash Butter	2.40	-0.02	2.52	+0.02	2.33	+0.02	1.97	+0.01	1.93	+0.07	1.92	+0.05	1.94	+0.06
Cash Cheese	1.71	-0.01	1.72	+0.00	1.72	-0.01	1.71	-0.02	1.69	-0.02	1.69	-0.01	1.70	+0.00
Corn	3.79	+0.04					3.77	-0.10					3.88	-0.10
Soybeans	8.83	-0.05			8.67	-0.07			8.71	-0.06			8.75	-0.04
Soybean Meal	313	-0.01	309	-0.02			308	-0.01	306	-0.01			305	+0.00

\*Change from the Previous Week Price



MARGINSMART® maintains a fully virtual 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.

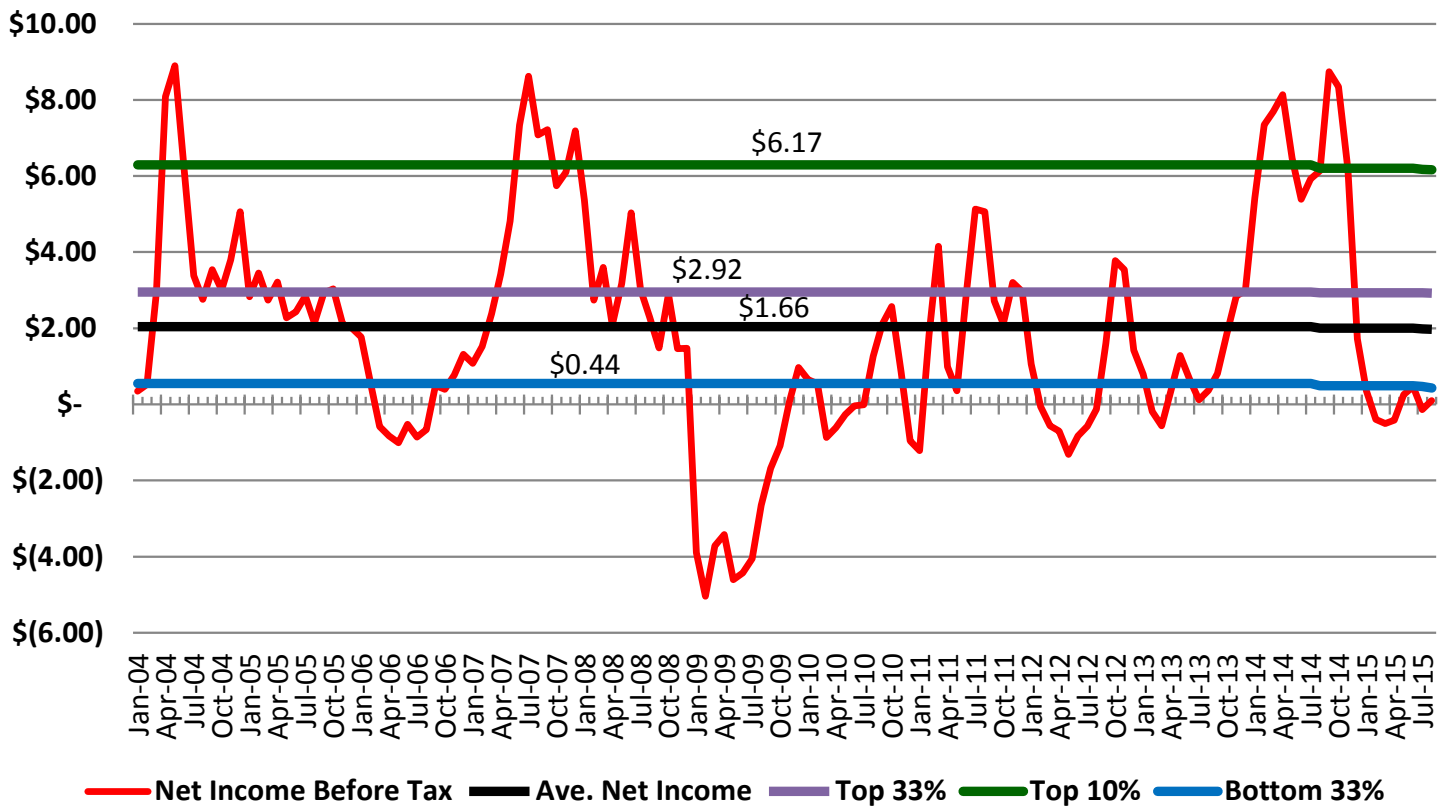
### Net Income Available September 18, 2015





MARGINSMART® maintains a fully virtual 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> percentile), 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		