



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	+09	-20	+12	+07	+09	+06	+13	+07	+01	+08	-02	+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 navigating your options with the Margin Protection Program (MPP). The sign up for 2016 has been extended to 11/20/15. While this program can provide certain benefits and risk protection, it is most important for you to understand your specific farm's margins and profitability. This is exactly where we help you at MARGINSMART®. We are concerned about margins over the next 12 months, so by reviewing and including your projections via MARGINSMART® we can then work with you to determine your various options for managing through the future 12-16 months. Call us with questions.

Milk: Milk production in the 23 major States during Aug '15 totaled 16.3B pounds, up 0.8% from Aug '14. Production per cow in the 23 major States averaged 1,891 pounds for Aug '15, 6 pounds above Aug '14 and the highest ever for the month of August. Milk cows on farms in the 23 major States totaled 8.63M head, 43,000 head more than August 2014, but unchanged from July 2015. The August 31 cold stocks report shows cheese stocks up 8-12% from last year. Butter stocks are up 21% from last year, but down 18% from last month.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

We will revisit grain harvest progress next week

Update on Cull Cow and Bull Calf Pricing

- '16 cow slaughter is expected to inc. 2% from '15
- *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*
- *A \$500 drop in cull cow prices = a \$.64 per cwt drop*
- Bull calf pricing has also dropped and may continue to drop further and possibly quickly
- *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.*

MARGINSMART® Insight

We will be at World Dairy Expo this week and welcome you to stop in. Our Booth has moved to the Exhibition Hall Booth EH 5010.

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

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Market Price Updates (As of 9/25/2015 Close)

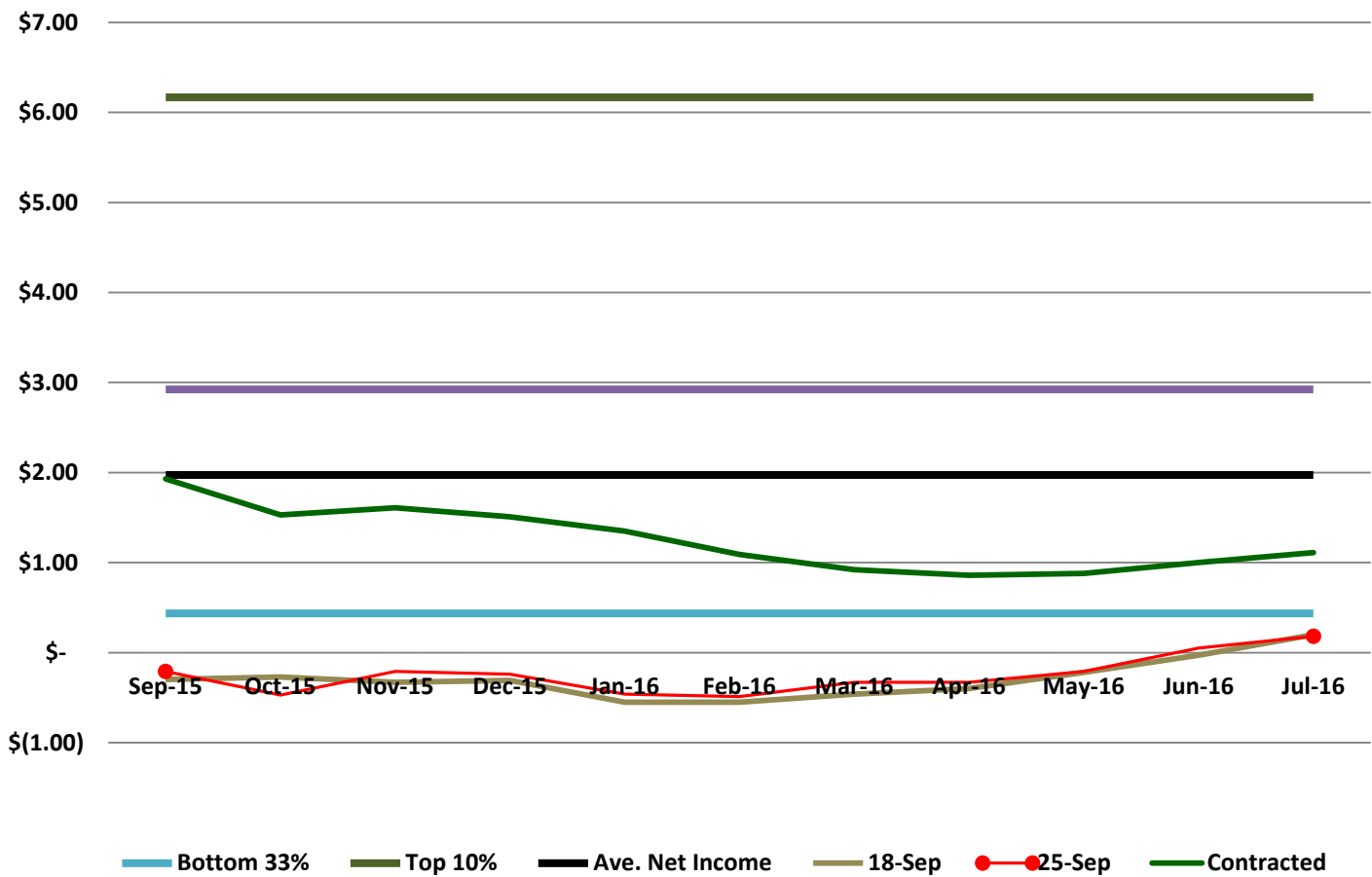
	Sep '15	+/-*	Oct '15	+/-*	Nov'15	+/-*	Dec'15	+/-*	Jan '16	+/-*	Feb'15	+/-*	Mar'16	+/-*
Class III Milk	15.80	-04	15.50	-31	15.77	+03	15.76	+05	15.62	+04	15.67	+09	15.83	+13
Class IV Milk	15.04	-06	17.28	+68	16.93	+88	15.40	+80	15.14	+67	15.57	+72	16.09	+75
Cash Butter	2.40	+00	2.66	+14	2.45	+12	2.01	+04	1.89	-04	1.90	-02	1.89	-05
Cash Cheese	1.71	+00	1.67	-05	1.69	-03	1.70	-01	1.68	-01	1.69	+00	1.70	+00
Corn	3.79	+00					3.89	+12					4.00	+12
Soybeans	8.83	+00			8.89	+22			8.93	+22			8.97	+22
Soybean Meal	313	+00	309	+00			308	+00	307	+01			306	+01

*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.

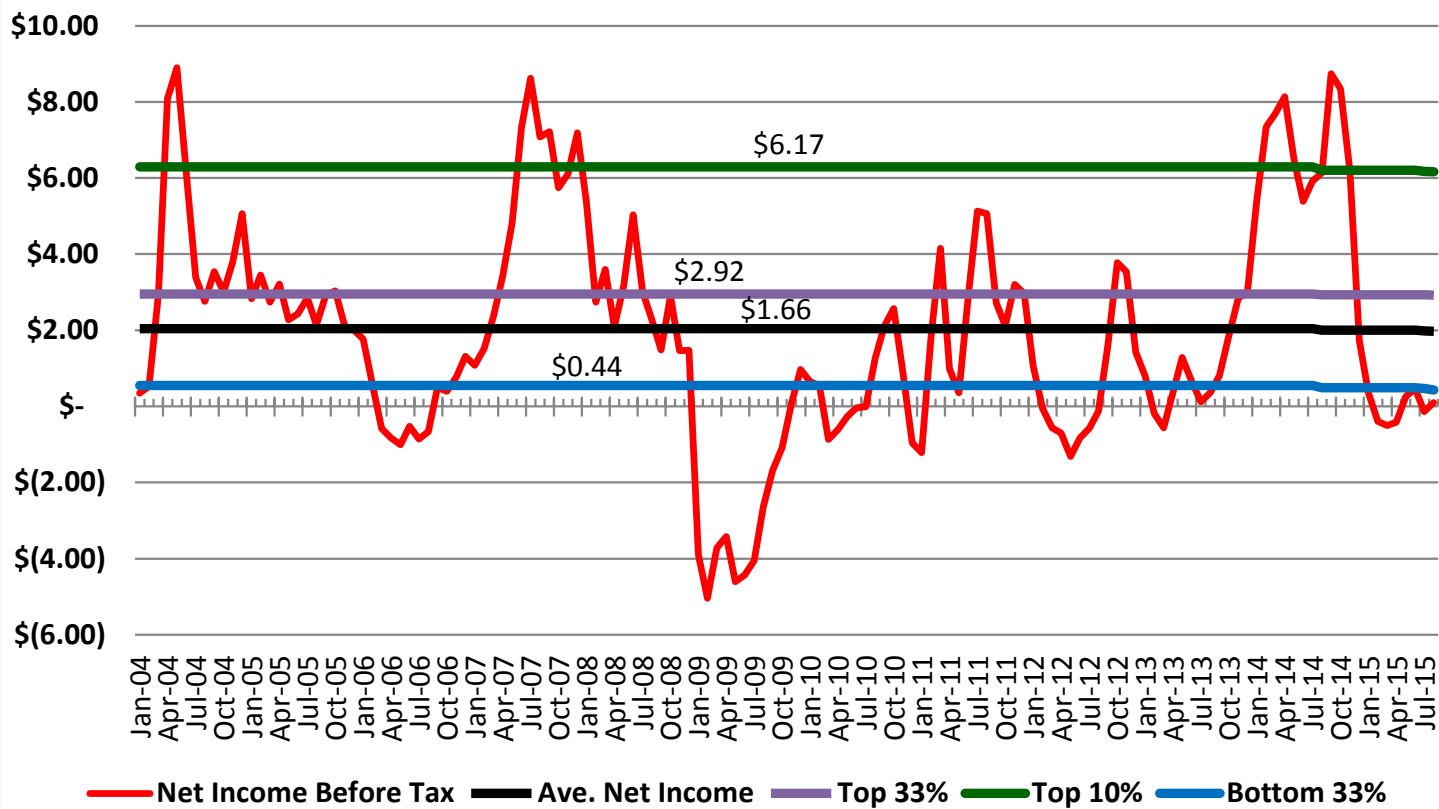
Net Income Available September 25, 2015





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% (90th percentile), top 33% (67th percentage), the average and bottom 33% (33rd 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		