



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Feb. '16	Mar. '16	Apr '16	May '16	June '16	July'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17
Change From Prior Week	+01	-08	-24	-27	-40	-46	-40	-53	-55	-57	-54	-41

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

Due to market moves, we are reprinting a tip of the week from our 3/9/15, 7/13/15 and 12/14/15 newsletters (with updated numbers) as we have been warning that the bottom may not have been in for decreased milk prices and profitability for nearly a year now...

This week we will discuss some historical levels on dairy farm profitability after record profit periods. To start this discussion I must reiterate that I cannot predict the future and cannot guarantee what it may bring for prices, BUT no one can. (Refer to our 11 year historical chart on page 3 of this newsletter.) The last 2 times that the industry experienced profitability levels above \$8.00/cwt., it resulted in the following drops to the low point (as you can see it took 20-24 months to really get to the "true bottom" of profitability):

Month	Class III	Profitability Per Cwt.	Net Change	Months to Bottom
May 2004	\$19.66	\$9.00		
May 2006	\$10.83	(\$1.01)	(\$10.01)	24
July 2007	\$21.38	\$8.62		
Feb 2009	\$9.31	(\$5.05)	(\$13.67)	20
Sept 2014	\$24.58	\$8.74		
Feb 2016	\$13.80	(\$2.08)	??	??

The last high point was September 2014, or 17 months ago.

Market News

If history repeats, the bottom will not set in for another 3-7 months. In addition, as operating costs go up over the years, it will take higher Class III and Class IV prices to generate similar profits. In the past occurrences, the variance in both the Class III price and the change in profitability increased from the 2004-2006 period. Most of our customers had profitability opportunities for all of 2016 through the vast majority of 2015. Our Sample Farm (fully at market) had an average profitability of \$.81 per cwt. available for Jan-June 2016 on 6/1/15. That has been reduced to (\$2.13) per cwt. as of last Friday 2/26/16 for the same Jan-June 2016 period, for a drop of \$2.94 per cwt. Unfortunately this may not be the bottom yet. We also report our sample farm where we have managed price risk and contracted milk and feed. That farm shows a profit of \$1.03 per cwt. for Jan-June 2016, or \$3.16 per cwt. above the farm at the market. Call with questions.

MARGINSMART Insight

MARGINSMART will be exhibiting at the PDPW Business Conference in Madison, WI on March 16-17. Please stop in at booth 240 to see us if you are attending.

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

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Market Price Updates (As of 2/26/2016 Close)

	Feb'15	+/-*	Mar'16	+/-*	Apr'16	+/-*	May'16	+/-*	Jul '15	+/-*	Sep '15	+/-*	New Crop	+/-*
Class III Milk	13.80	-02	13.66	-19	13.50	-31	13.53	-40	14.21	-54	14.94	-56	15.19	-63
Class IV Milk	13.44	+04	13.25	-30	13.28	-29	13.46	-29	14.15	+00	14.69	+18	14.66	+07
Cash Butter	2.14	+00	2.01	-09	2.03	-07	2.03	-07	2.06	-04	2.11	-02	2.06	-03
Cash Cheese	1.52	+00	1.51	-01	1.49	-03	1.50	-03	1.55	-05	1.62	-06	1.65	-05
Corn			3.54	-11			3.59	-10	3.64	-10	3.70	-09	3.87	-06
Soybeans			8.55	-23			8.63	-18	8.70	-15	8.73	-13	8.76	-12
Soybean Meal			257	-08			261	-05	263	-05	266	-05	269	-05

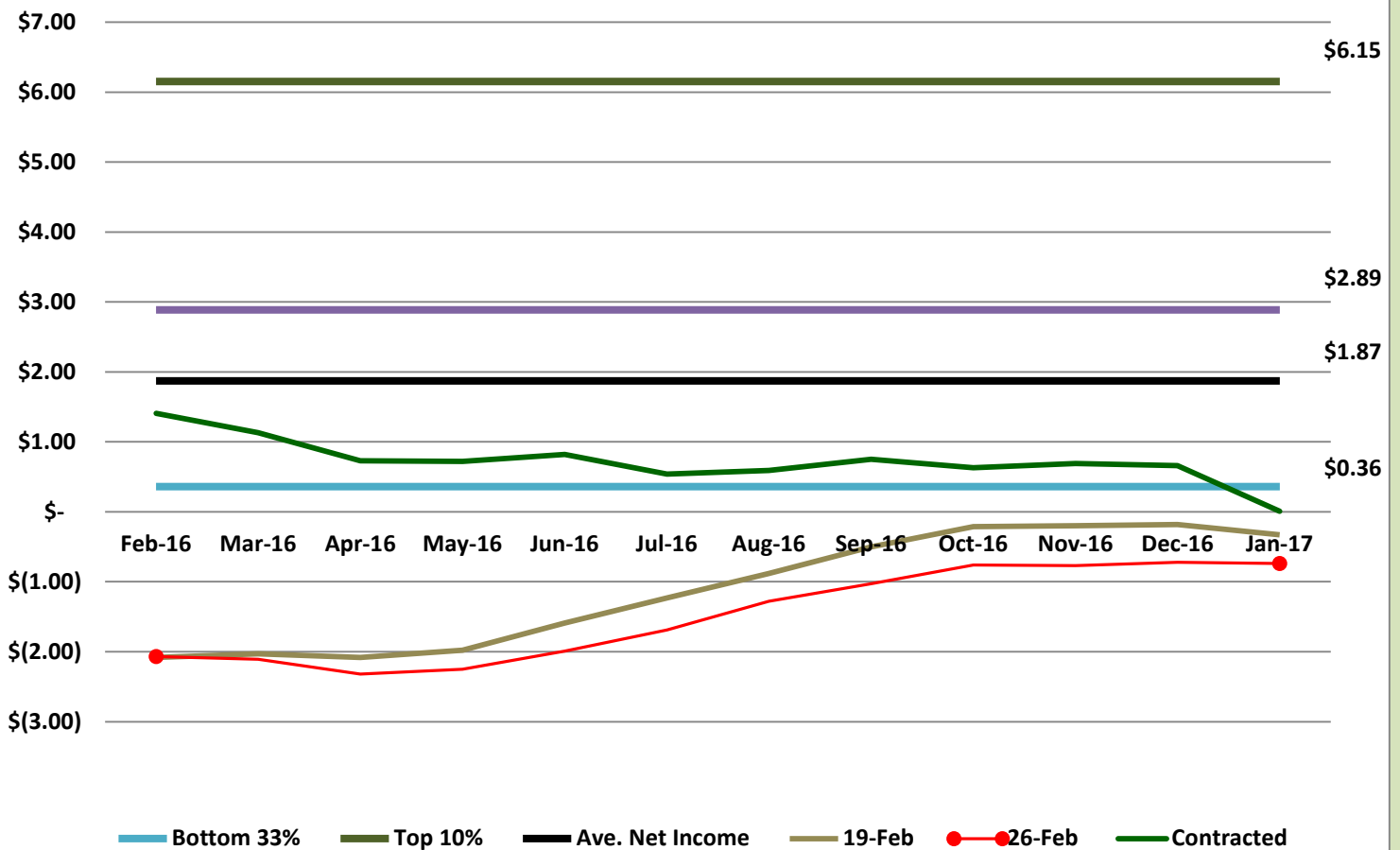
*Change from the Previous Week Price

**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.

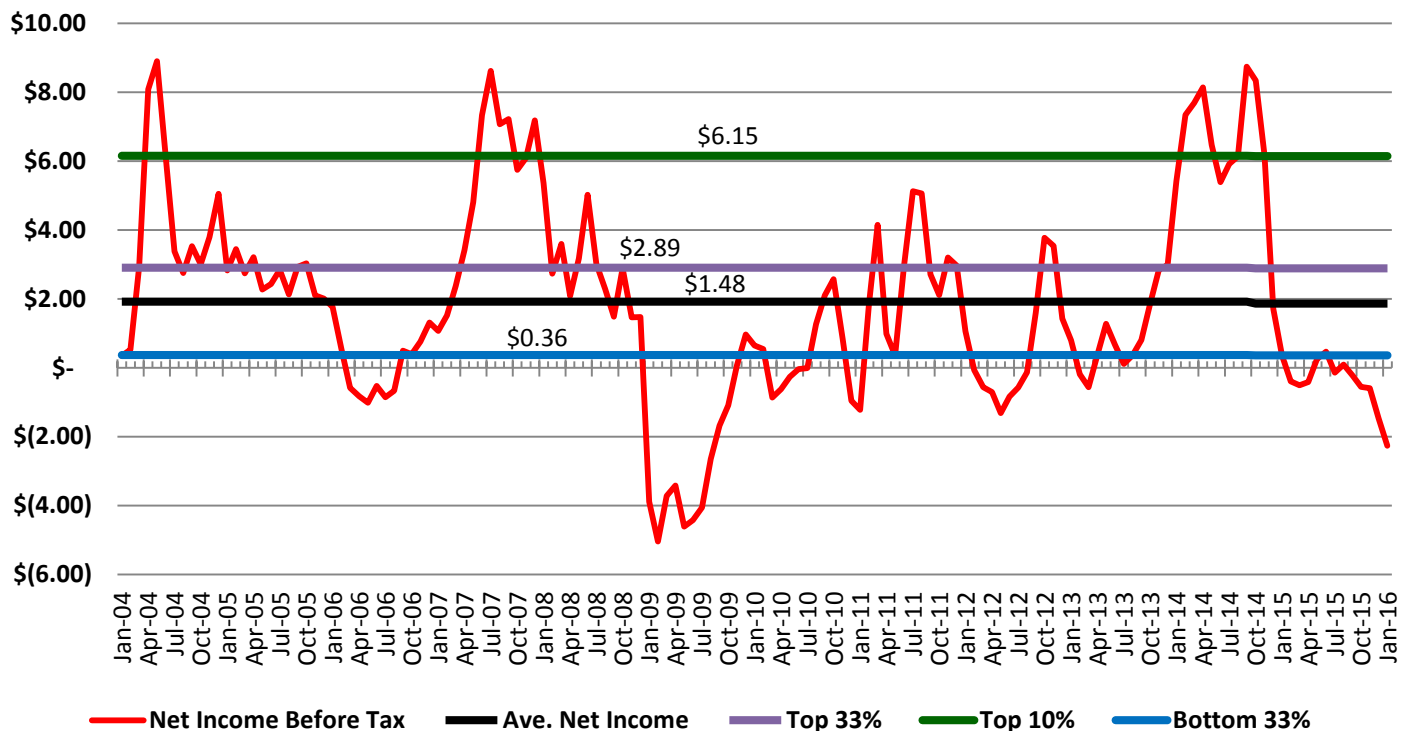
Net Income Available February 26, 2015





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.)

2004-2016 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