



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17	Oct '17	Nov '17	Dec '17
Change From Prior Week	-0.05	-0.26	-0.11	-0.05	-0.02	-0.07	-0.09	-0.04	-0.06	-0.01	-0.01	-0.05

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 discusses the option of entering your milk production into MS as energy corrected, or fat corrected. If you enter milk in that fashion the basis should be adjusted to exclude differences in component levels from the Class III base. This can result in more accurate overall milk revenue, but does take some diligence to understand. Please call us to discuss any questions you may have on implementing this.

Milk: Milk production around the globe: **Europe** - Looking ahead for 2017, the most often heard view in Western Europe is that modest increases in milk production may occur through the year. Milk volumes early in 2017 are expected to be below early 2016 levels. However, expectations are for milk volumes to increase over 2016 on a year on year basis starting in the middle of 2017. **NZ** - A major New Zealand dairy processor reported its contracted milk production in New Zealand for the seven months to December 31, was down 5.5% compared with the same period last season. Total New Zealand milk production data through December has not been released yet. Spring in New Zealand has been wet, wetter than normal. This has affected pasture growth adversely. **Brazil** - a rain shortage has affected forage growth and milk production is down.

Market News

Grains/Feedstuffs/Cattle/Poultry:

This week we discuss the recent impacts on dairy steer prices since Tyson announced that it will only process colored beef bred fed cattle at its Joslin, IL plant. Holstein fed cattle historically sold at a \$7 - \$12 per cwt (live weight) discount to traditional beef fed cattle due to a combination of carcass yield differences and the ability of the plant to market the finished product. With the loss of the Joslin plant as a market, Midwest market prices for Holstein steers have dropped, and the discount to colored beef fed cattle has increased to \$25 to \$30 per cwt. This will also impact prices throughout the chain all the way down to Holstein bull calves. It remains to be seen if this will be temporary or if this will continue as plants profits on Holsteins are current prices are high.

MARGINSMART Insight

**WITH STRENGTH IN MILK FUTURES IN RECENT WEEKS
OUR CONTRACT FARM HAS EXECUTED OPTIONS TO OPEN
UP THE TOP END (WITH SOME RISK IF PRICES DROP A LOT)
FOR MILK THAT HAD BEEN CONTRACTED TO THE PLANT.**

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

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Market Price Updates (As of 1/20/2017 Close)

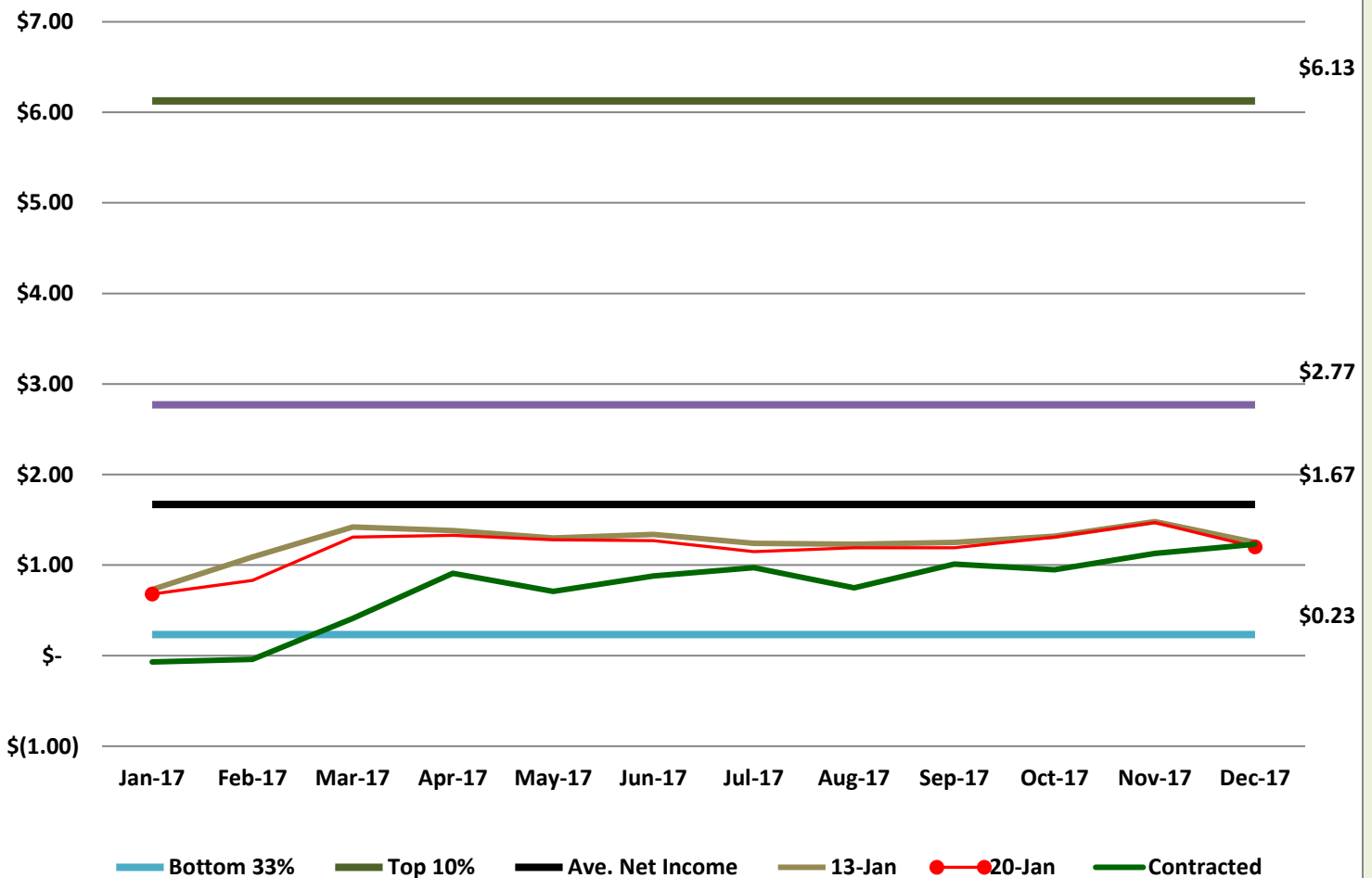
	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*	July'17	+/-*
Class III Milk	16.77	-0.04	16.96	-0.22	17.40	-0.03	17.67	+0.07	17.73	+0.06	17.86	+0.02	17.92	-0.01
Class IV Milk	16.29	+0.00	16.42	-0.15	16.59	-0.11	16.86	-0.13	17.06	-0.10	17.26	-0.14	17.46	-0.05
Cash Butter	2.26	+0.01	2.26	+0.03	2.27	+0.03	2.28	+0.03	2.29	+0.03	2.29	+0.04	2.30	+0.05
Cash Cheese	1.71	+0.01	1.73	+0.02	1.76	+0.04	1.77	+0.04	1.77	+0.02	1.79	+0.03	1.79	+0.01
Corn					3.70	+0.12			3.76	+0.11			3.83	+0.11
Soybeans	10.42	+0.00			10.67	+0.21			10.76	+0.21			10.82	+0.21
Soybean Meal	333	+0.00			349	+0.15			351	+0.15			352	+0.14

*Change from the Previous Week Price



MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #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. **Effective 8/8/16, adjustments have been made to transition to no BST use by 3/31/17 which reduces milk production back to 83#s of milk per cow.**

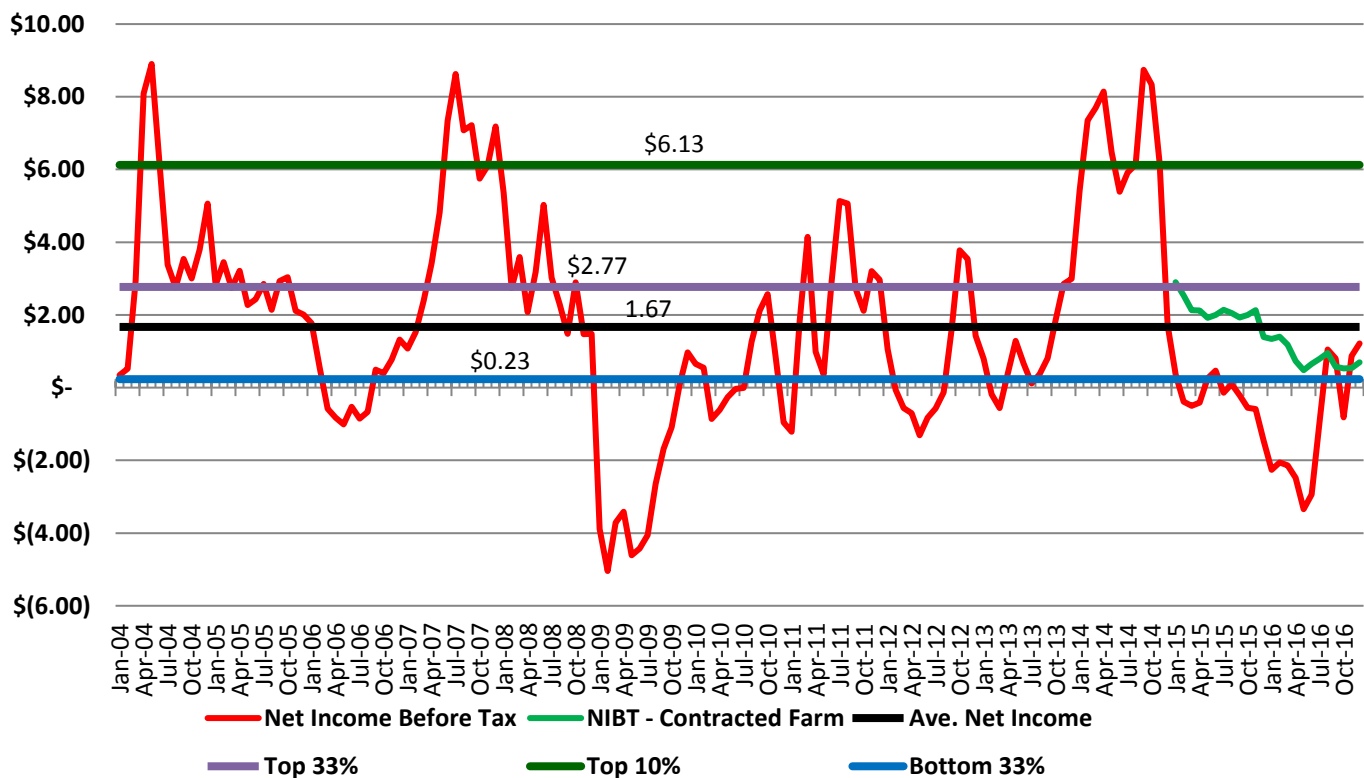
Net Income Available January 20, 2017





MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87#s (current level – this has increased over the past 12 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 12 years' results (with adj. milk / day). The red line on the chart below shows the net income before tax for the last 12 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.) **Effective 8/8/16, adjustments have been made to transition to no BST use by 3/31/17 which reduces milk production back to 83#s of milk per cow.**

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	2016
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95	6.46	-.25	-1.01

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
2016	-2.15	-2.92	0.31	.33