



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17	June '17	July '17
Change From Prior Week	-0.14	+0.00	-0.07	+0.10	+0.11	+0.10	+0.05	+0.11	+0.04	+0.02	+0.01	-0.01

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

This week we examine the changing demographics of milk production in the United States. Production continues to decrease in the Western states and increase in most of the rest of the country. Production increases have been especially significant in the Upper Midwest with Michigan and South Dakota up 7-10% from 2016 monthly throughout 2016. In addition, Wisconsin and New York production has been up well above normal as well. Overall milk production across the US has been up in 2016 and is projected to continue to increase into 2017. The trends in these various regions of the country will help determine just how much production will increase.

Milk: Expectations in the EU are for second half of 2016 milk production to be below year ago volumes. EU dairy producers have increased culling and feeding of concentrates has been reduced. Recent actions in the EU are moving toward increasing labeling of milk and dairy products as to country of origin. Many individual countries are looking to implement their own labeling regulations and critics of that raise the issue of the single market concept, which has been at the heart of the EU, as being undermined.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 8/15/16 Crop Progress Report

- Corn condition – 72% Good & Excellent vs. 74% last week and 69% last year
- Corn dough stage – 73% vs. 5 yr avg of 60%
- Corn dented – 21% vs. 5 yr avg of 21%
- SB condition – 72% Good & Excellent vs. 72% last week and 63% last year
- Cotton condition – 48% Good & Excellent vs. 48% last week and 55% last year
- Pasture conditions – 51% Good & Excellent vs. 51% last week and 52% last year
- Winter wheat harvest – 97% vs. 5 yr avg of 95%
- Subsoil moisture conditions were 69% adequate and surplus vs. 69% last week and 68% last year

MARGINSMART Insight

THE MPP SIGN UP PERIOD FOR 2017 IS CURRENTLY SEPTEMBER 30, 2016. REQUESTS HAVE BEEN MADE TO EXTENT THAT DATE, BUT NO CHANGES YET.

Contact us for a FREE MARGINSMART® Demo!

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Market Price Updates (As of 8/12/2016 Close)

	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*
Class III Milk	16.97	-0.13	17.10	-0.06	16.77	-0.15	16.46	-0.01	16.14	+0.06	16.03	+0.04	16.03	+0.03
Class IV Milk	14.77	+0.00	15.43	+0.15	15.79	+0.15	16.00	+0.19	15.71	+0.21	15.50	+0.00	15.85	+0.00
Cash Butter	2.26	+0.00	2.34	+0.00	2.31	+0.01	2.31	+0.02	2.20	+0.03	2.11	+0.01	2.07	-0.01
Cash Cheese	1.82	-0.01	1.81	-0.01	1.77	-0.02	1.73	+0.00	1.70	+0.01	1.68	+0.00	1.68	+0.00
Corn			3.22	-0.02					3.33	-0.01				
Soybeans	10.03	-0.01	9.99	+0.11			9.82	+0.08			9.82	+0.08		
Soybean Meal	333	-0.03	333	-0.01	330	-0.03			328	-0.03	325	-0.03		

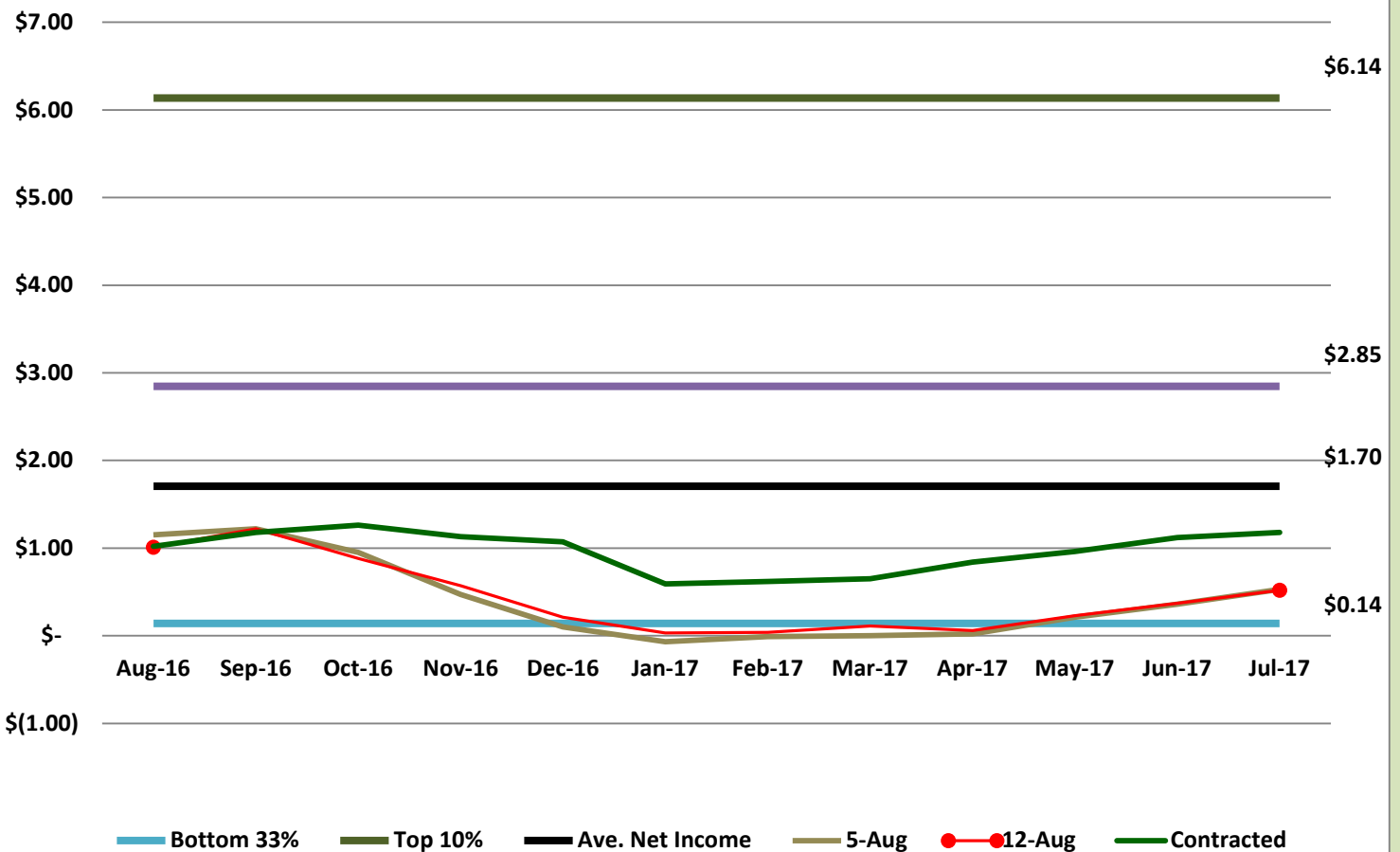
*Change from the Previous Week Price

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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.**

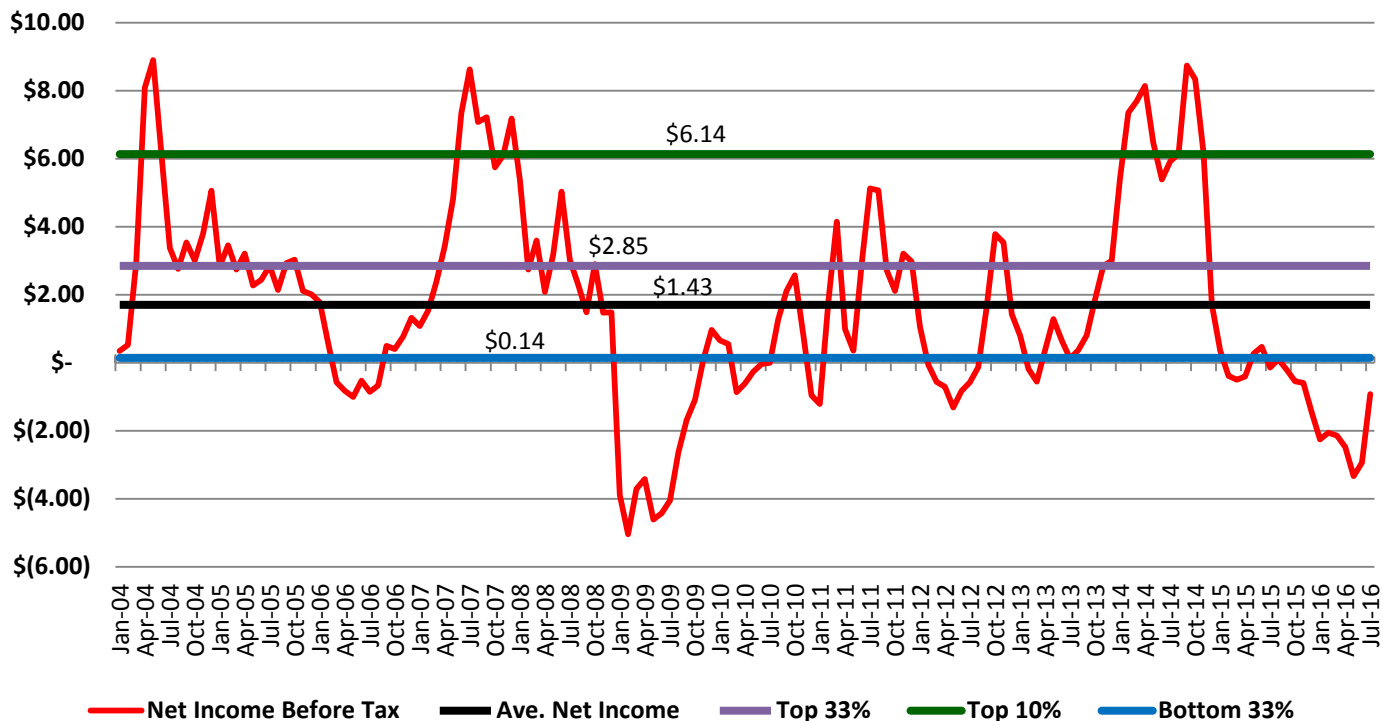
Net Income Available August 12, 2016





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
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
2016	-2.15	-2.92		