



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	-0.07	+0.66	+0.66	+0.47	+0.35	+0.25	+0.09	+0.03	+0.11	+0.10	+0.08	+0.12

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 some preliminary data related to the MPP sign up for 2017. Due to lower feed prices and Class III and Class IV futures prices for 2017 currently trading in the \$16.00 per cwt and above range, the prospects for the margins in 2017 based on the MPP formula generally range from \$9.50 to \$10.50 per cwt. This is in excess of the top range of insurance available by a minimum of \$1.50 per cwt. Based on the premiums for the various coverage levels (\$1.36 per cwt. for the over 4M pounds per year category) and the current cost of milk options, if you grow a major portion of your feed or price protect a major portion of your corn and forage needs, the cost to protect margins via milk options is currently quite a bit less expensive than by using the MPP program rates. This can change if there is a significant adjustment in market prices so you should check them prior to the sign up date.

Milk: USDA milk production forecast for '16 is lowered from last month as growth in milk per cow is reduced. However, the production forecast for '17 is raised as higher forecast milk prices and lower feed costs in late 2016 and 2017 are expected to lead to a modest expansion in the cow inventory and more rapid growth in milk per cow

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 8/22/16 Crop Progress Report

- Corn condition – 75% Good & Excellent vs. 74% last week and 69% last year
- Corn dented – 40% vs. 5 yr avg of 35%
- SB condition – 72% Good & Excellent vs. 72% last week and 63% last year
- Cotton condition – 47% Good & Excellent vs. 48% last week and 53% last year

Cull Cows & Bull Calves

- Bull calf prices have moved solidly lower, likely due to a crunch felt by the feeder calf market for the high prices paid for day old calves 9-15 months ago
- Cull cow prices have dropped slightly over the past few months as YTD overall cow slaughter head counts are up 6.2% from 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 8/19/2016 Close)

	Aug '16	+/-*	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*
Class III Milk	16.95	-0.02	17.88	+0.78	17.58	+0.81	17.07	+0.61	16.60	+0.46	16.35	+0.32	16.20	+0.17
Class IV Milk	14.66	-0.11	15.04	-0.39	15.58	-0.21	15.80	-0.20	15.63	-0.08	15.45	-0.05	15.70	-0.15
Cash Butter	2.23	-0.03	2.24	-0.10	2.24	-0.07	2.23	-0.08	2.13	-0.07	2.03	-0.07	2.00	-0.07
Cash Cheese	1.82	+0.00	1.90	+0.09	1.84	+0.07	1.78	+0.05	1.73	+0.03	1.69	+0.01	1.69	+0.01
Corn			3.34	+0.12					3.44	+0.11				
Soybeans	10.03	+0.00	10.27	+0.28			10.04	+0.22			10.05	+0.23		
Soybean Meal	333	+0.00	330	-0.03	327	-0.03			326	-0.02	323	-0.02		

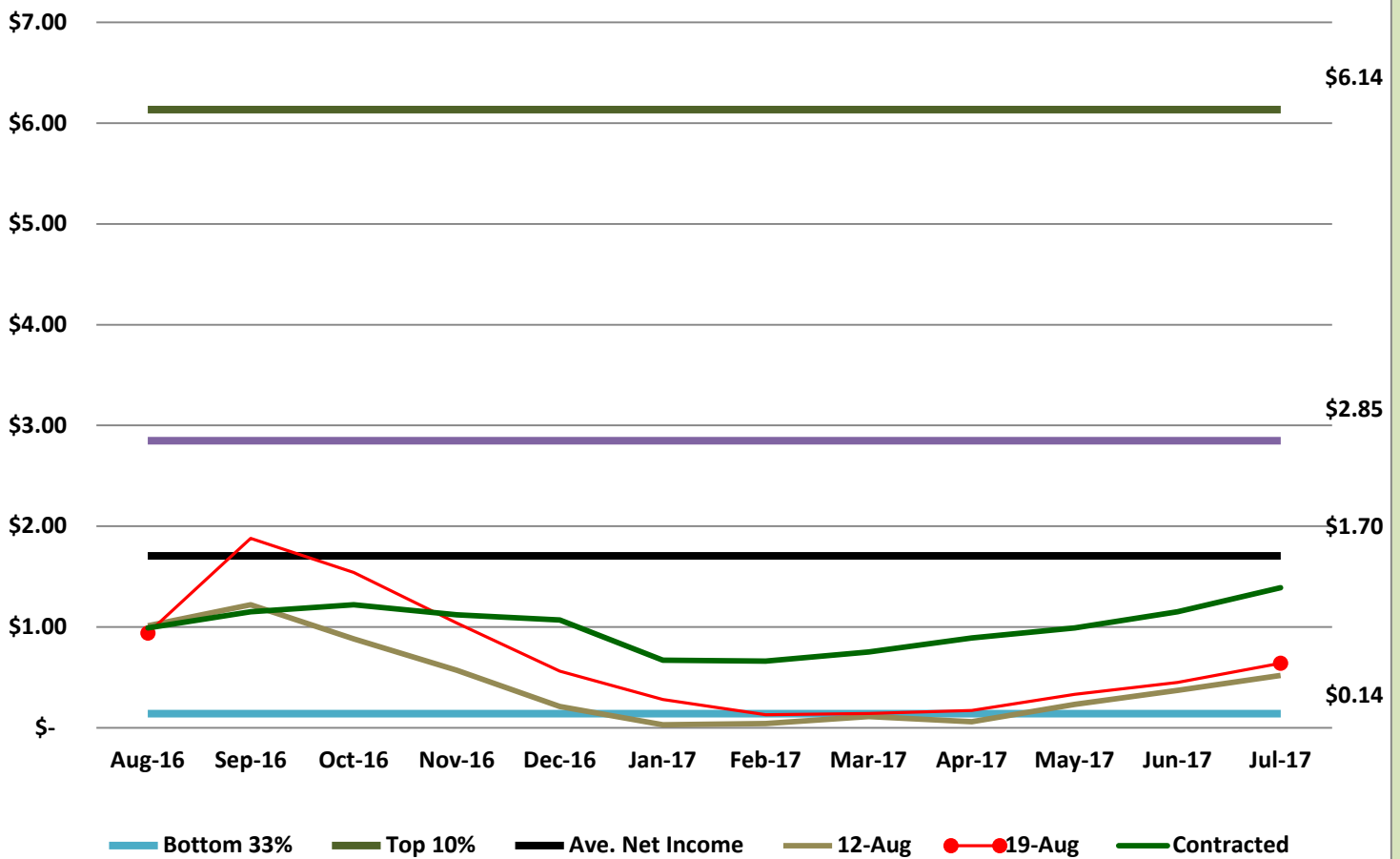
*Change from the Previous Week Price

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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.**

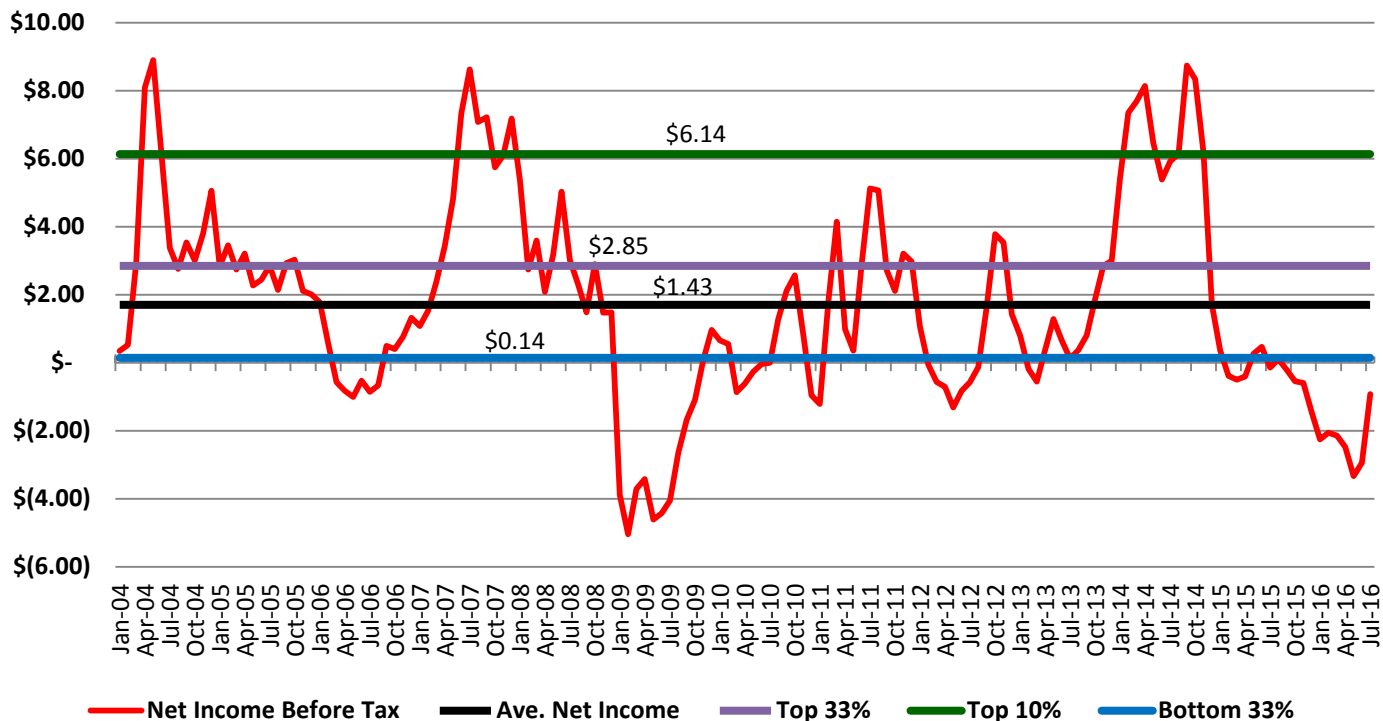
Net Income Available August 19, 2016





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		