



# WEEKLY NEWSLETTER

## "For SMART Management"

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### MARGINSMART® Sample Farm Profitability Changes From Last Report

	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17	Oct '17	Nov '17
Change From Prior Week	+ .23	+ .31	+ .28	+ .38	+ .49	+ .54	+ .37	+ .23	+ .14	+ .16	+ .17	+ .17

#### 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 this week serves as a reminder of a few things as we approach the end of the calendar year. This is an important time of the year to revisit many financial items. One of the most important is to summarize all income and expenses for the year. In order to get those on an accrual basis, it is very important to consider any prepayments, cash deferrals, inventory changes and amounts that are owed, but not yet paid. These need to be reflected on for the end of last year/beginning of this year as well as the end of 2015. You should also consider any specific info related to your dairy. By accounting for all of these items we can help you convert your cash basis financial statements into an accrual basis. Call with any questions.

**Milk:** DECEMBER SUPPLY AND DEMAND ESTIMATES (FMMO): The milk prod. forecast is lowered for both '16 and '17 as slower growth in cow numbers more than offsets slightly higher growth in milk per cow. For 2017, fat basis exports are reduced on expected increased competition in cheese markets, but strength in lactose and nonfat dry milk (NDM) exports are expected to support higher skim-solids basis exports.

#### Market News

##### Grains/Feedstuffs/Cattle/Poultry:

Updates on a few cattle and other areas:

- Overall YTD '16 federally inspected beef slaughter is up 5.6% from '15
- Cow YTD '16 federally inspected slaughter is up 5.0% from '15
- Live steer prices and meat cutout and trimming prices last week were within a few percentage points of prices the same week a year ago.
- Overall YTD '16 federally inspected hog slaughter is up 1.7% from '15 in head, but 1.1% in pounds
- Overall YTD '16 young chicken production is up 2.0% from '15
- Cull cow prices remain depressed (near the lowest prices of the year) as cow supplies for slaughter remain adequate
- Bull calf prices remain low, but may increase soon

#### MARGINSMART Insight

**FROM ALL OF US AT MARGINSMART TO ALL OF YOU -  
WE WISH YOU A VERY MERRY CHRISTMAS AND BEST  
WISHES FOR A SUCCESSFUL 2017!**

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

**DIRECT: 920-264-9139**

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### Market Price Updates (As of 12/9/2016 Close)

	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*
Class III Milk	17.32	+ .22	16.95	+ .27	17.14	+ .26	17.35	+ .34	17.48	+ .48	17.50	+ .45	17.55	+ .30
Class IV Milk	15.05	+ .01	16.09	+ .56	16.53	+ .61	16.78	+ .68	17.00	+ .50	17.25	+ .75	17.33	+ .41
Cash Butter	2.10	+ .01	2.16	+ .08	2.18	+ .08	2.20	+ .11	2.21	+ .10	2.23	+ .10	2.22	+ .08
Cash Cheese	1.80	+ .02	1.74	+ .03	1.75	+ .01	1.76	+ .02	1.78	+ .03	1.78	+ .03	1.78	+ .01
Corn	3.52	+ .00					3.56	- .03			3.63	- .03		
Soybeans			10.37	+ .00			10.47	- .01			10.54	- .02		
Soybean Meal	311	- .06	317	- .02			321	- .02			324	- .01		

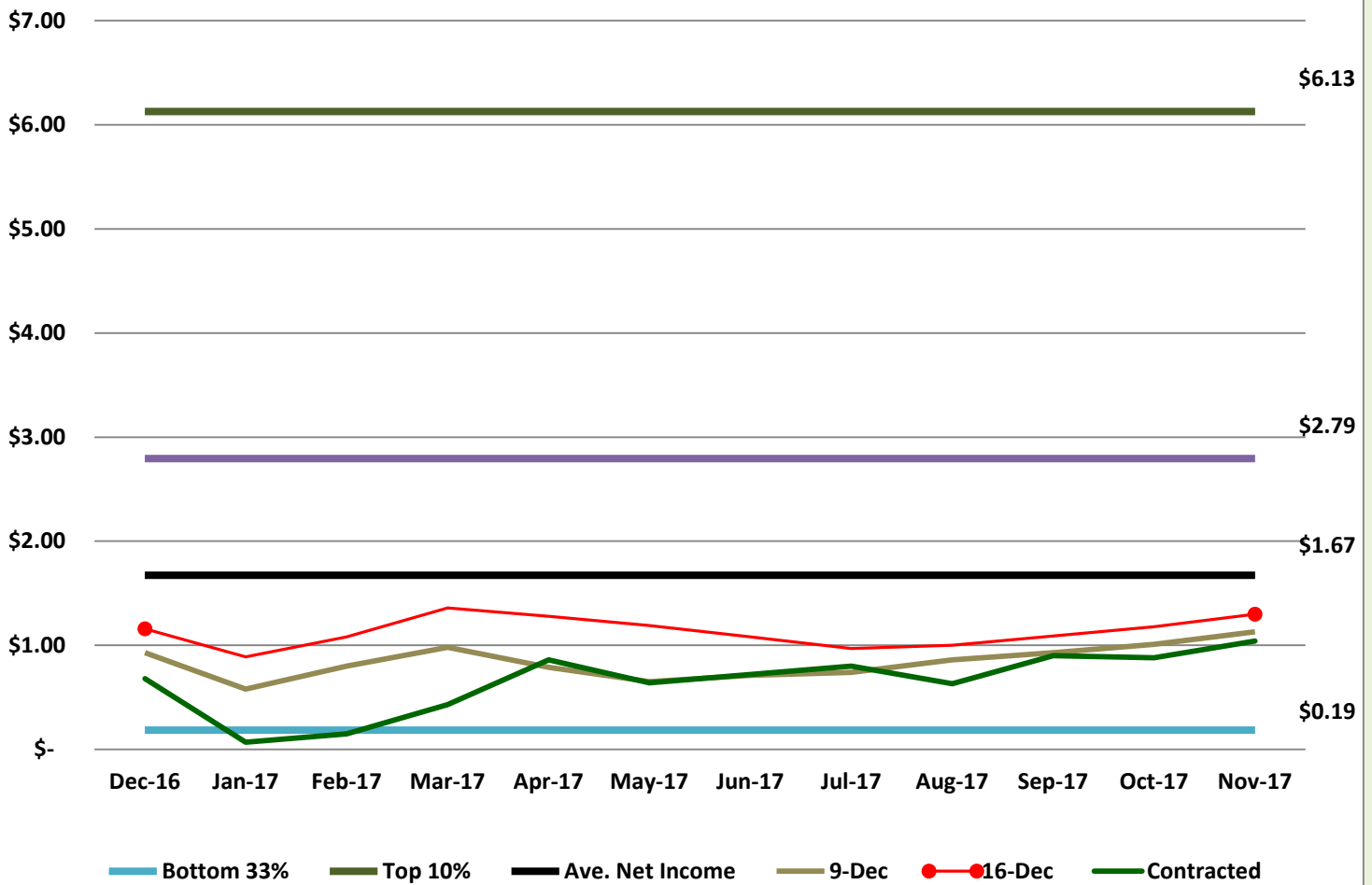
\*Change from the Previous Week Price

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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.**

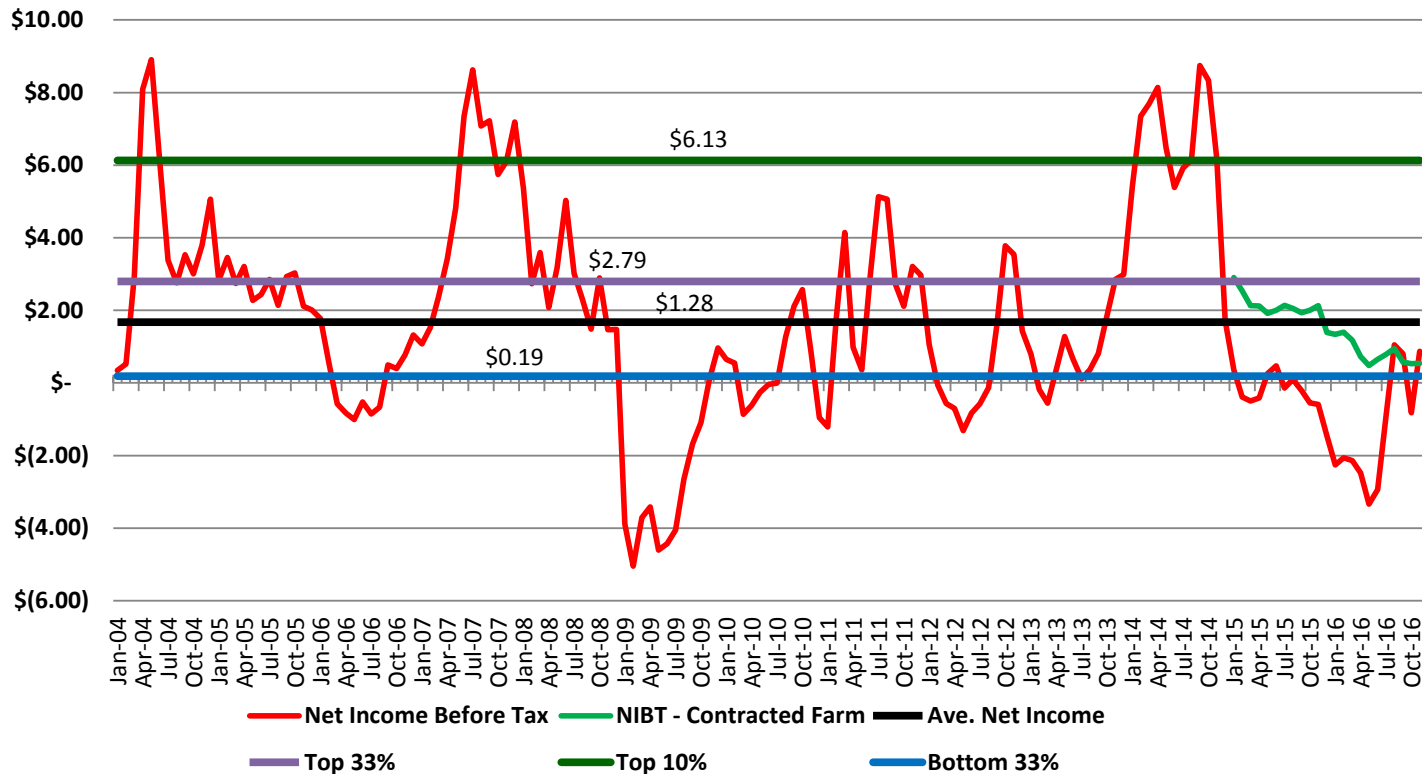
### Net Income Available December 16, 2016





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% (90<sup>th</sup> percentile), top 33% (67<sup>th</sup> percentage), the average and bottom 33% (33<sup>rd</sup> 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	-0.25

### 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	-0.18	.11	-0.08	-0.87
2016	-2.15	-2.92	0.31	