



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	+0.05	-0.20	-0.05	-0.01	+0.03	+0.12	+0.16	+0.28	+0.30	+0.27	+0.22	+0.23

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 again 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. 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: EU milk production January-October this year is 1.1% above the same period of 2015 according to Eurolait. However, each month June-October has been below volumes for each of those months of 2015. For this October, among the larger EU milk producing nations, only the Netherlands and Italy have positive milk production compared with October last year. The Netherlands is up 2.0% and Italy is up 1.1%. The following countries reported declines as shown: Denmark, -5.1%; Germany, -3.7%; France, -7.7%; Ireland, 4.3%; and the United Kingdom, -6.0%

Market News

Grains/Feedstuffs/Cattle/Poultry:

Futures prices for corn, soybeans and soybean meal were all lower last week for early 2017. This comes at a time when milk prices have been on a general incline in price as well. This has helped both portions of the income over feed cost margin contributors.

In reviewing all general overall feedstuff prices (see the attached report to this email) you will note that most all reported prices, except soybean meal and blood meal, are down from a year ago. The following are several of the key changes from 1 month and 1 year ago:

SBM – down 2-5% from last mo, up 10-12% from last yr
 Cottonseed – steady last mo, down 20% from last yr
 Corn Gluten Feed – steady last mo, down 10-15% last yr
 DDG – down 1-2% last mo, down 10-15% from last yr
 Blood meal – up 7% last mo, up 17-25% from last yr

MARGINSMART Insight

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

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

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Market Price Updates (As of 12/23/2016 Close)

	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*
Class III Milk	17.38	+0.06	16.64	-0.31	16.98	-0.16	17.26	-0.09	17.42	-0.06	17.55	+0.05	17.65	+0.10
Class IV Milk	15.05	+0.00	16.46	+0.37	16.74	+0.21	17.01	+0.23	17.35	+0.35	17.55	+0.30	17.55	+0.22
Cash Butter	2.10	+0.00	2.26	+0.10	2.27	+0.09	2.30	+0.10	2.31	+0.10	2.32	+0.09	2.31	+0.09
Cash Cheese	1.80	+0.00	1.70	-0.04	1.72	-0.03	1.74	-0.02	1.76	-0.02	1.78	+0.00	1.78	+0.00
Corn	3.52	+0.00					3.46	-0.10			3.52	-0.11		
Soybeans			9.89	-0.48			9.97	-0.50			10.06	-0.48		
Soybean Meal	311	+0.00	308	-0.09			312	-0.09			314	-0.10		

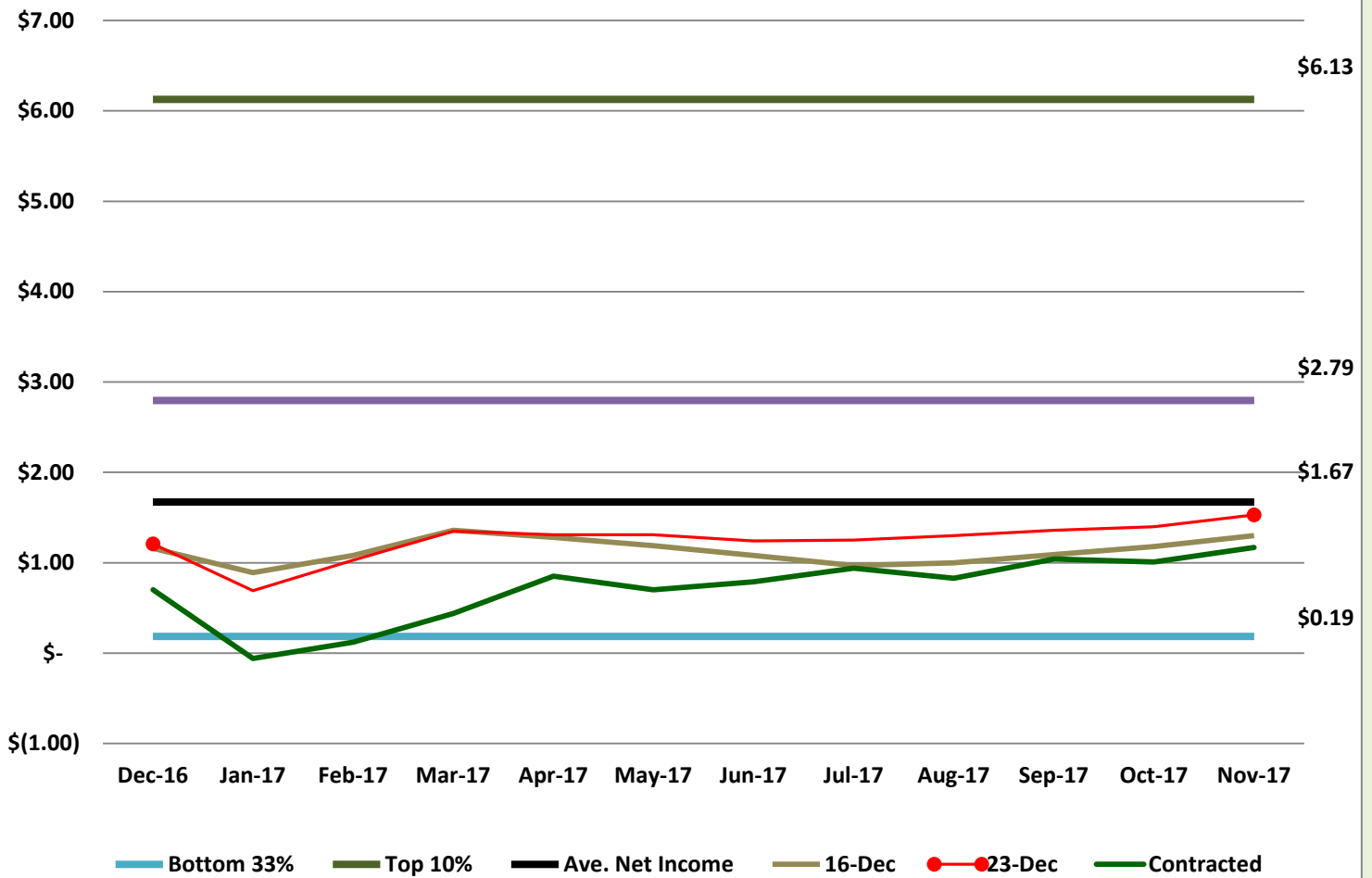
*Change from the Previous Week Price

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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.**

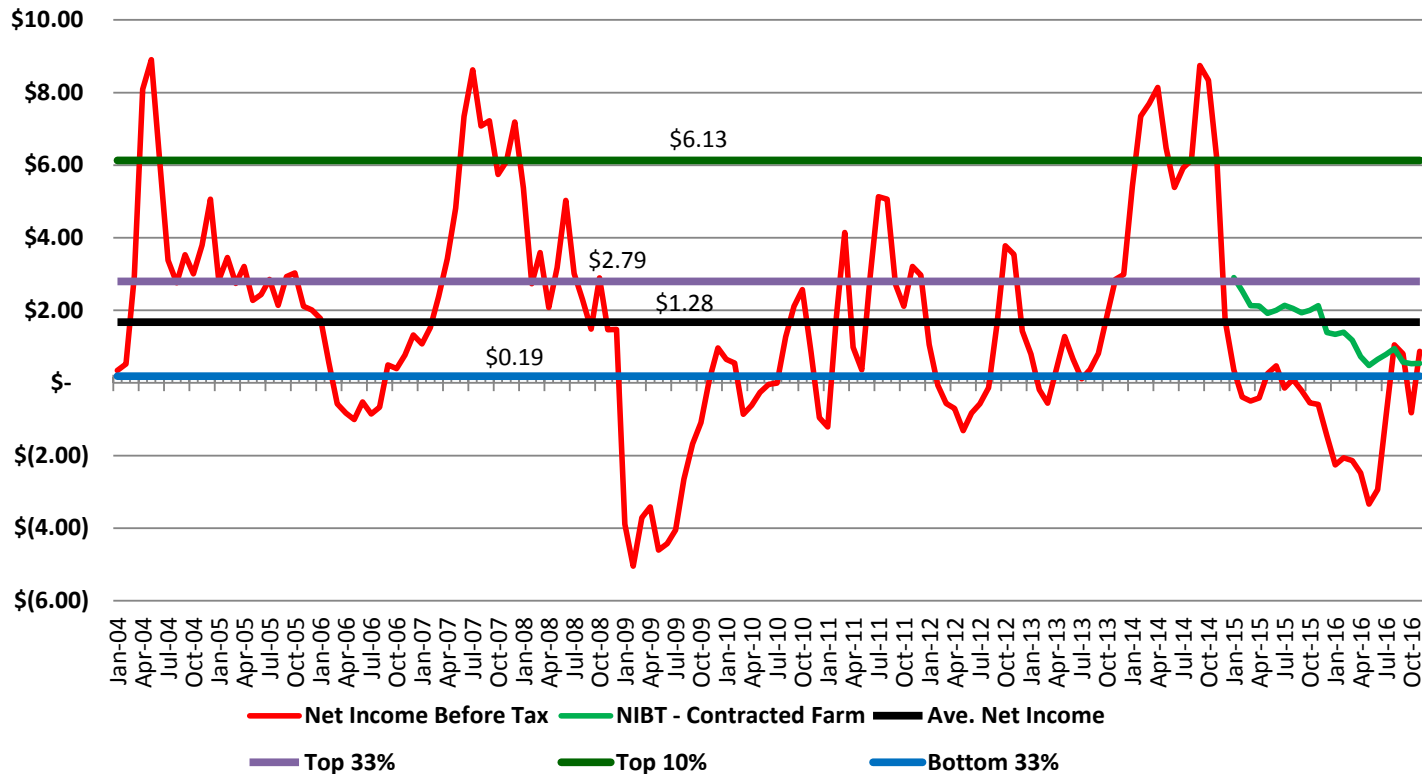
Net Income Available December 23, 2016





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	-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	