



WEEKLY NEWSLETTER

"For SMART Management"

Ph: 877-474-7589 • 1600 W. Shawano Ave. Suite 201 • Green Bay, WI 54303

MARGINSMART® Sample Farm Profitability Changes From Last Report

	Nov '16	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17	Oct '17
Change From Prior Week	+0.04	+0.23	+0.77	+0.81	+0.68	+0.54	+0.48	+0.60	+0.65	+0.65	+0.52	+0.45

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

The tip of the week relates to the variety of ways that milk prices can be protected. Since it has been over 24 months since the industry has experienced somewhat of a run up in milk futures prices over a sustained period, I have been asked quite a bit recently about the methods available to help price protect milk prices. Much of this depends on the dairy's: 1) risk tolerance, 2) cost tolerance, 3) ease of execution, 4) tolerance for margin calls and/or future cash needs to manage the positions, 5) financial knowledge and understanding of tools, and 6) overall market sentiment. The same plan definitely does not work for all. Additionally, there are strategies that can allow creating a minimum price while sharing future upside market prices. This appears to be most customers "dream", but there is a definite cost to that flexibility which is not always acceptable or warranted. This all can be complicated so please call with any questions. We can provide our independent explanation and comments on various strategies.

Milk: The final Nov '16 announced Class III price was \$16.76 per cwt. – up \$1.94 from October'16 and up \$1.46 from Nov '15. The final Nov '16 Class IV price was \$13.76 per cwt., up \$.10 from Oct '16, and down \$3.13 per cwt. from Nov '15.

Market News

Grains/Feedstuffs/Cattle/Poultry:

An update on gas and diesel prices... Reported On-Highway Diesel prices show that they are at the highest levels in the past 12 months for all parts of the country. Please check out the attached link for more info.

<http://www.eia.gov/petroleum/gasdiesel/>

An update on hog prices... The 4Q 2016 will average the lowest 4Q cash hog prices in 14 years at \$36.25 per live cwt. This will equate to approx. \$34 per head for hog producers. These low prices are mostly due to supply that out paces processing capacity. 2 new plants are scheduled to come on board in 2017 which will alleviate some of the imbalance.

Corn and wheat futures prices are also at levels not seen for 10 years either. While this is beneficial to grain users, it likely impacts future grain production.

MARGINSMART Insight

THE SPREAD BETWEEN CLASS III AND CLASS IV MILK FUTURES HAS WIDENED IN RECENT WEEKS. NOV '16 CLOSED AT \$3.00 PER CWT AND DEC '16 IS NEARLY \$2.00 PER CWT.

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

DIRECT: 920-264-9139

EMAIL: mark@marginsmart.com

Market Price Updates (As of 12/2/2016 Close)

	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*
Class III Milk	16.76	+02	17.16	+30	16.96	+75	16.98	+83	16.89	+71	16.83	+64	16.89	+61
Class IV Milk	13.76	-04	15.29	+53	16.08	+83	16.37	+83	16.65	+86	16.77	+63	16.92	+54
Cash Butter	1.90	-02	2.15	+10	2.17	+11	2.17	+10	2.17	+08	2.17	+07	2.18	+08
Cash Cheese	1.76	+00	1.78	+02	1.74	+06	1.74	+07	1.7	+05	1.72	+04	1.73	+05
Corn			3.37	-12					3.47	-11			3.54	-11
Soybeans	9.71	+00			10.27	-19			10.37	-17			10.44	-16
Soybean Meal			311	-10	313	-10			316	-10			318	-09

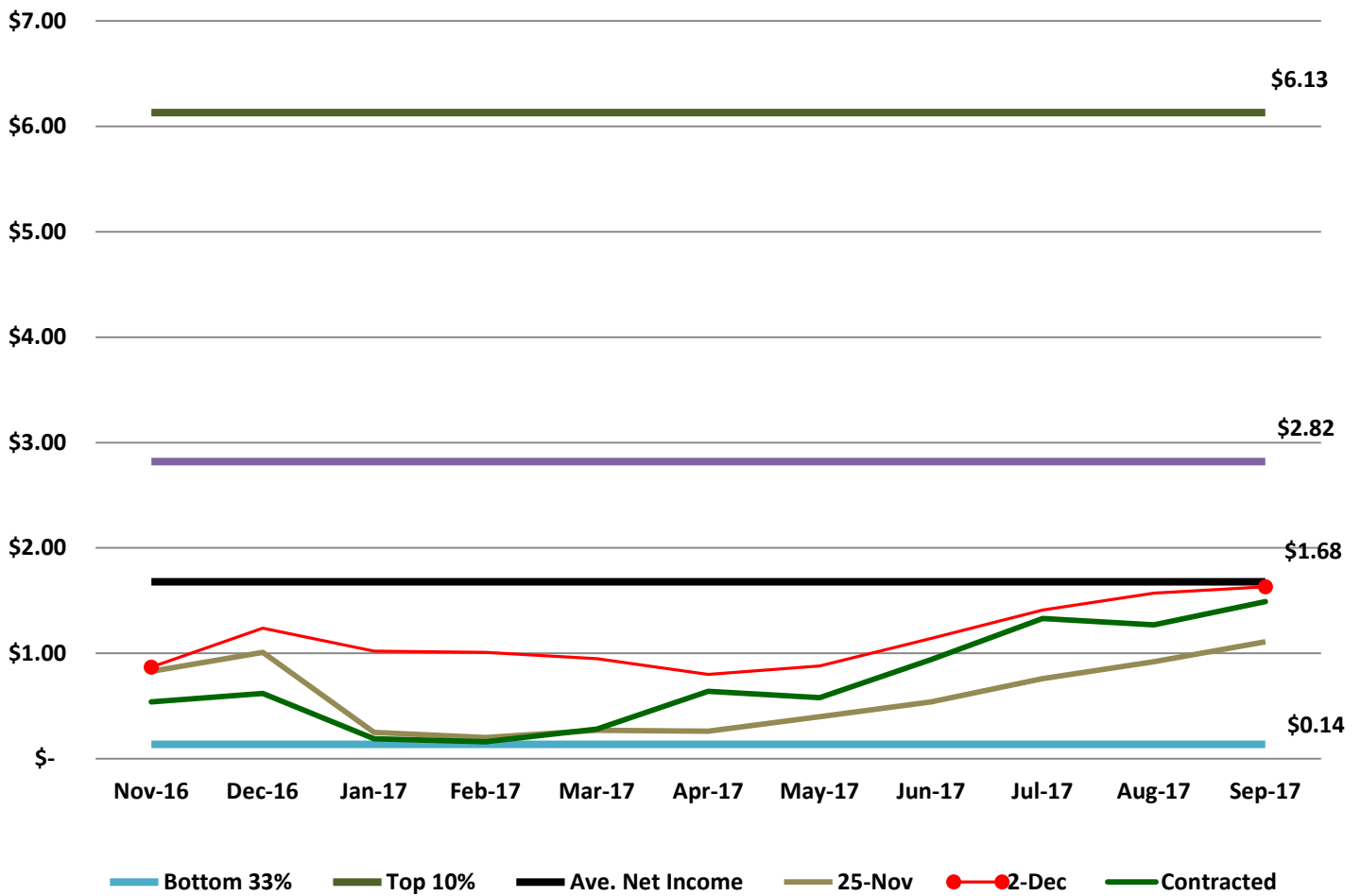
*Change from the Previous Week Price

Copyright © 2016 Dairy Analyzer, LLC. All rights reserved.



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.**

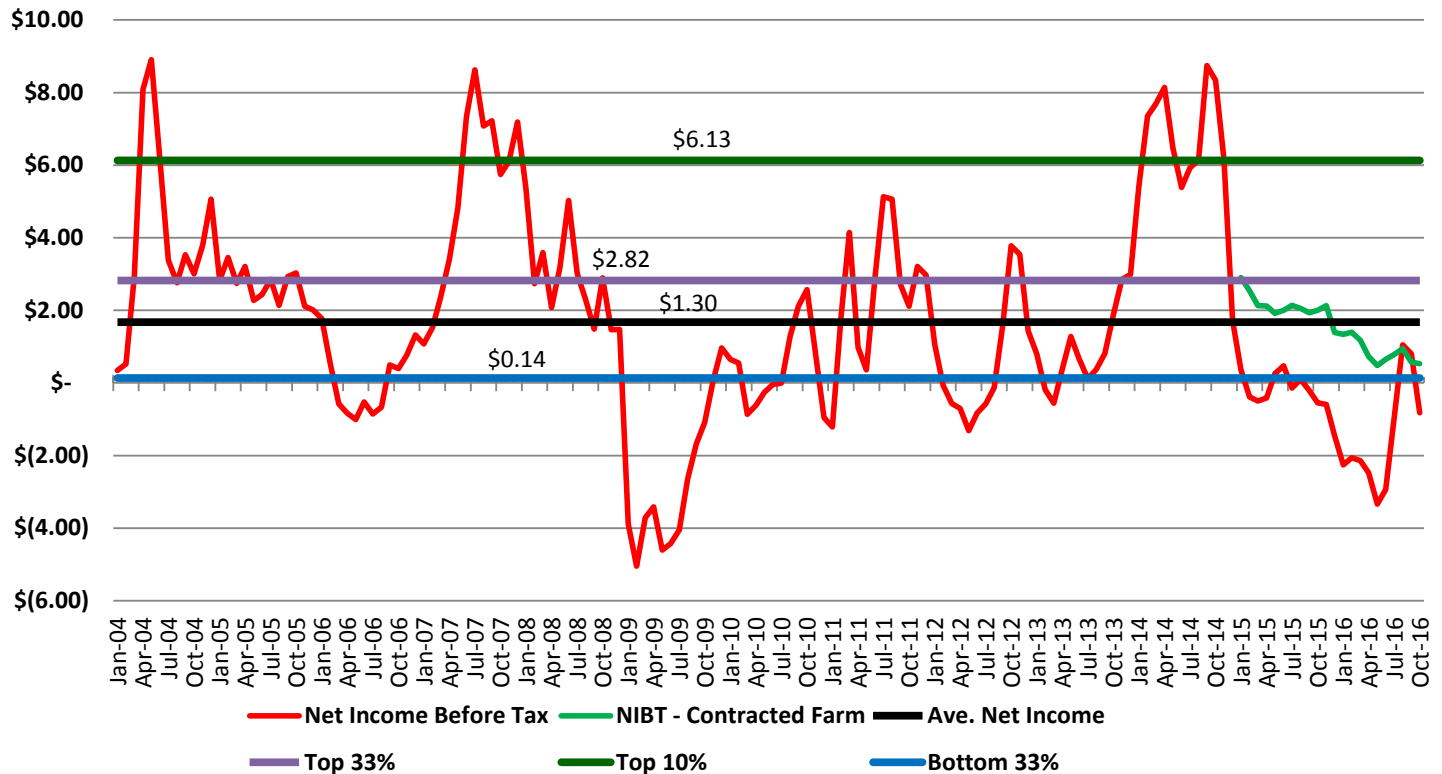
Net Income Available December 2, 2016





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





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 year’s results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 12 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 12 years. The charts below are a breakdown of the information in the historical graph above. **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.**

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	