



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	+01	-15	-07	+00	+01	-04	-01	-05	-08	-08	-02	-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

Our tip of the week discusses the ways that MARGINSMART can handle various rations. MARGINSMART allows customers to use any number of rations – all geared to make the most realistic projections. If you have different rations that are fed at different times of the year – MARGINSMART can handle that. If you anticipate the formulation of your ration to change based on known nutrient levels of forages that will be fed in the future (e.g. 2016 corn silage to be fed after the 2015 inventory is used up) – MARGINSMART allows you to use the existing ration for cost purposes until it is gone and then allows you to project costs with the new ration. You can also use rations for all of your cattle. Very importantly, MARGINSMART also allows you to adjust ANY ration to adjust to what you actual feed through our monthly Ration Percentage adjustment feature. Call with any questions.

Milk: NOVEMBER CONSUMER PRICE INDEX (BLS): The November CPI for all food is 247.4, down 0.4% from a year ago. The dairy products index is 216.8, down 1.7% from a year ago. The following are the November 2015 to November 2016 changes for selected products: fresh whole milk is -1.3%; cheese, -2.2%; and butter, -4.5%.

Market News

Grains/Feedstuffs/Cattle/Poultry:

A few notes as it relates to various areas at year-end **Beef Plant Margins.** 2016 was a very good year for beef packing plant profits. While fed cattle prices were lower during 2016, the selling price of finished beef products lost less ground such that profits for beef packing plants have been the best they have been for a number of years.

Hogs and Pigs December 2016 Inventory Report. The latest report shows even more head of market pigs than expected. This is partially the result of less death loss and more pigs being born and marketed per litter. Sales values of market hogs have not dropped too much yet due to high demand. The greater number of pigs will result in greater corn and SBM being consumed.

MARGINSMART Insight

CLASS III AND CLASS IV FUTURES PRICES FOR 2017 HAVE CONVERGED AND ARE REASONABLY CLOSE IN AVERAGE FOR THE ENTIRE YEAR OF 2017 AT THIS TIME.

Contact us for a FREE MARGINSMART® Demo!

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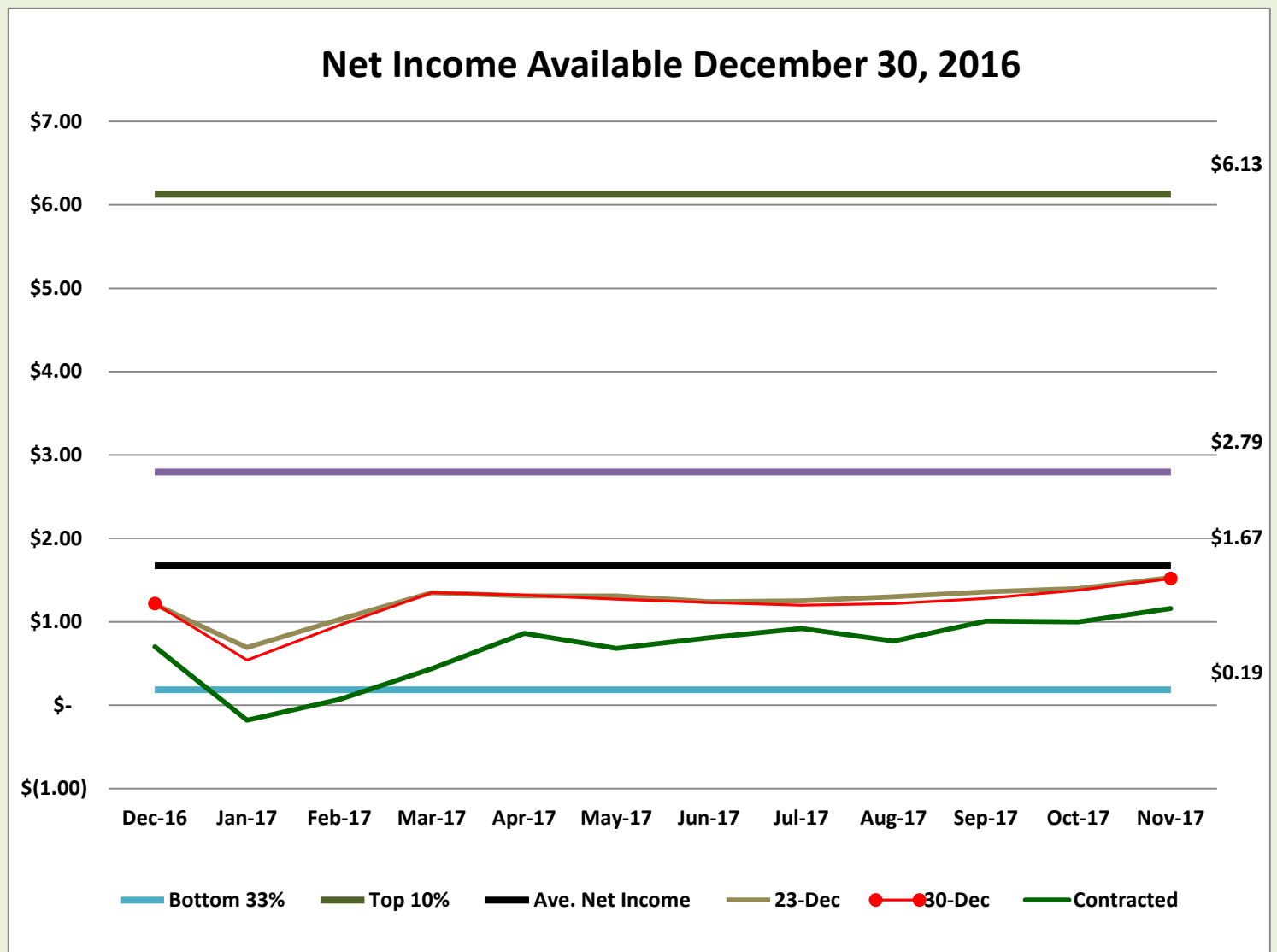
Market Price Updates (As of 12/30/2016 Close)

	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*
Class III Milk	17.39	+01	16.47	-17	16.95	-03	17.30	+04	17.48	+06	17.56	+01	17.67	+02
Class IV Milk	15.05	+00	16.43	-03	16.70	-04	16.91	-10	17.12	-23	17.34	-21	17.50	-05
Cash Butter	2.11	+01	2.27	+01	2.26	-01	2.28	-02	2.27	-04	2.28	-04	2.28	-03
Cash Cheese	1.80	+00	1.68	-02	1.72	+00	1.75	+01	1.77	+01	1.77	-01	1.78	+00
Corn	3.52	+00					3.52	+06			3.57	+05		
Soybeans			9.96	+07			10.04	+07			10.12	+06		
Soybean Meal	311	+00	313	+05			317	+05			319	+05		

*Change from the Previous Week Price



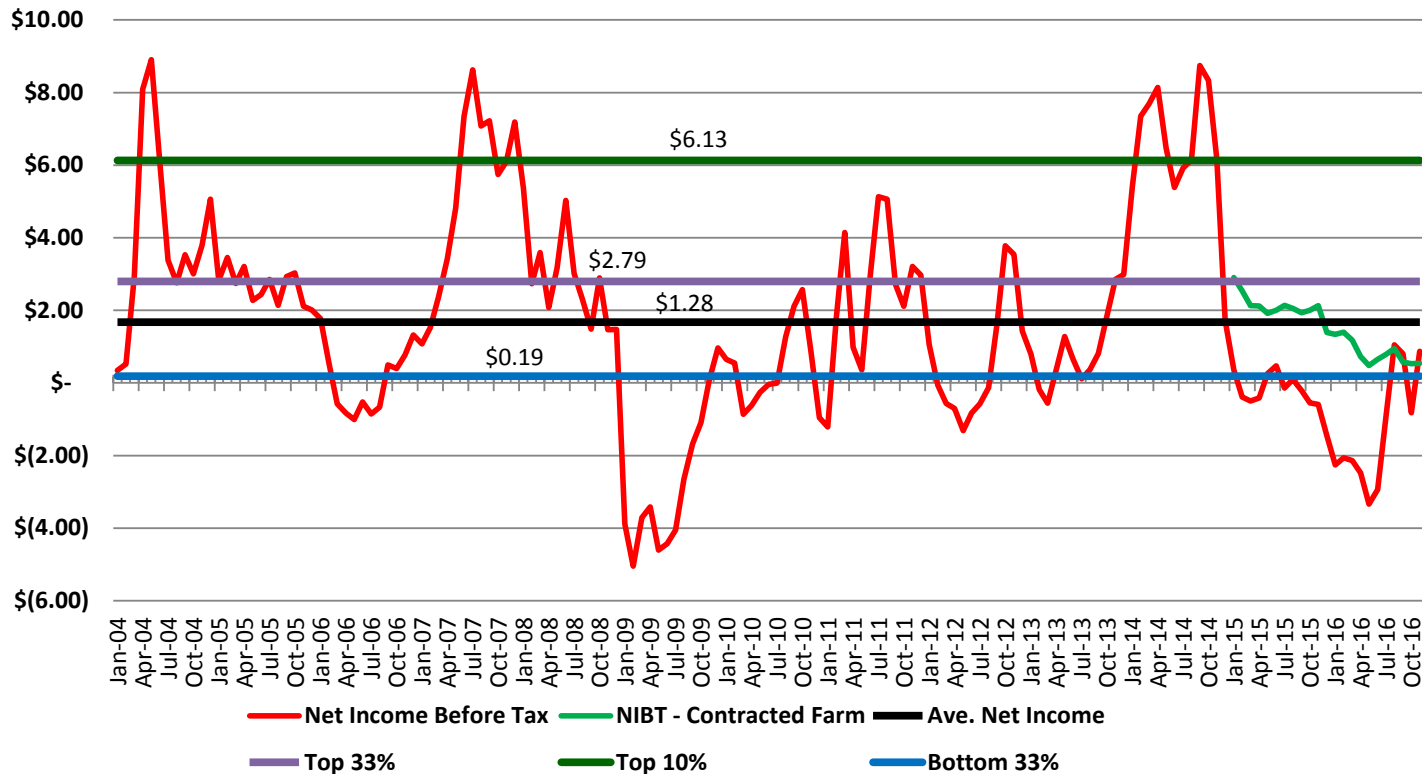
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based 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.**





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	