



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	-0.22	+0.43	+0.33	.10	+0.04	+0.12	+0.19	+0.19	+0.14	+0.03	+0.12	+0.06

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 utilizing the Target feature within MARGINSMART®. This feature is available to all Platinum level customers. When I am asked by customers and industry folks which feature of MARGINSMART is under-utilized. Hands down I mentioned the target feature; especially the financial targets area. As a reminder, the target feature allows each customer to pick and choose various margin or profitability targets (by month) and be alerted when those are met for their specific dairy. When this is combined with maintaining all customized information for their dairy, it is a powerful tool to alert them when opportunities are available. If you are not fully utilizing the target feature please call with any questions.

Milk: The cash cheese market has been very active and prices have been increasing for nearby months as well as into 2017 in recent weeks. Please note the prices below as the Dec '16 cash cheese was up \$.06 per pound. This has driven the Class III milk prices up as well. Cash butter prices also up last week by as much as \$.06 per pound in Dec '16. This has driven up the Class IV prices as shown below. All of this is in spite of record high US \$ currency valuations which have recently hit highs not seen since 2003.

Market News

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 11/21/16 Crop Progress Report

- Corn harvested – 97% vs. 5 year avg of 96%
- Cotton harvested – 67% vs. 5 year avg of 77%
- Sorghum harvested – 94% vs. 5 year avg of 92%

Bull calf prices moved slightly lower again last week. Prices on average continue below \$100 per head. This price trend is likely the result of losses realized by calf feeders over the past 12 months when high priced bull calves from 2015 were sold during 2016 at negative margins. This has reduced the cash flow for calf feeders, and despite the prospect of low corn prices, it has resulted in low bid prices. When this is combined with the increased size of the beef herd, I do not anticipate a return to 2014-2015 level bull calf prices for some time; although I do expect higher than current prices in 2017.

MARGINSMART Insight

THE MPP PROGRAM SIGN UP DEADLINE IS APPROACHING. WHILE CURRENT PROJECTIONS DO NOT INDICATE THAT ANY MONTHS OF 2017 WOULD RESULT IN PAYMENTS, YOU SHOULD CONSIDER YOUR SITUATION.

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

DIRECT: 920-264-9139

EMAIL: mark@marginsmart.com

Market Price Updates (As of 11/18/2016 Close)

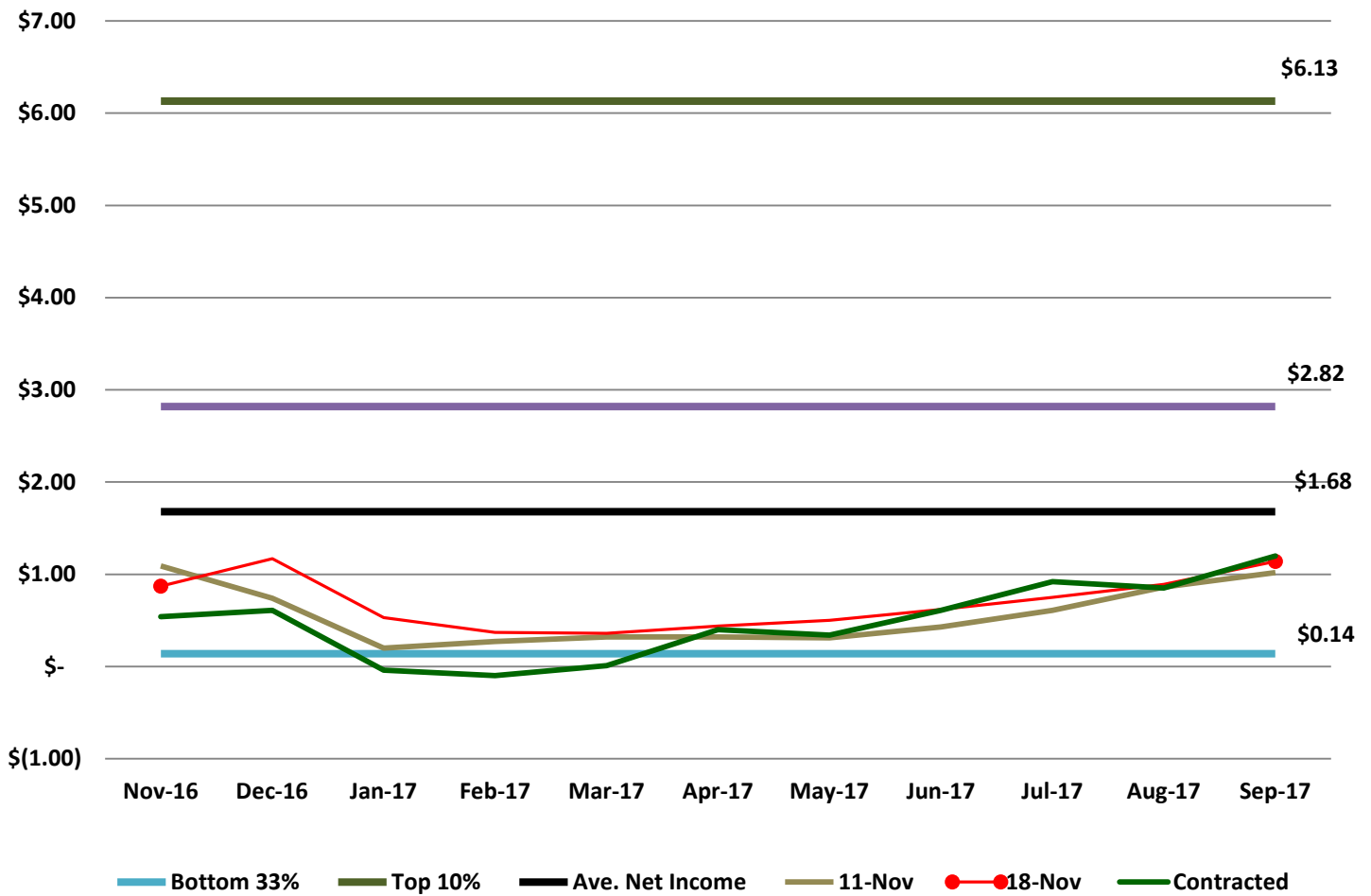
	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*
Class III Milk	16.74	+0.04	16.94	+0.66	16.33	+0.51	16.24	+0.34	16.27	+0.31	16.33	+0.33	16.30	+0.19
Class IV Milk	13.80	+0.00	14.67	+0.42	15.24	+0.52	15.46	+0.46	15.79	+0.37	16.15	+0.46	16.38	+0.40
Cash Butter	1.92	+0.00	2.03	+0.06	2.04	+0.05	2.05	+0.06	2.07	+0.02	2.08	+0.01	2.09	+0.01
Cash Cheese	1.76	+0.00	1.77	+0.06	1.70	+0.04	1.69	+0.03	1.69	+0.02	1.69	+0.02	1.70	+0.03
Corn			3.45	+0.05					3.53	+0.04			3.60	+0.04
Soybeans	9.71	-0.07			9.93	+0.07			10.02	+0.08			10.10	+0.08
Soybean Meal			310	+0.02	313	+0.03			315	+0.03			317	+0.03

*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.**

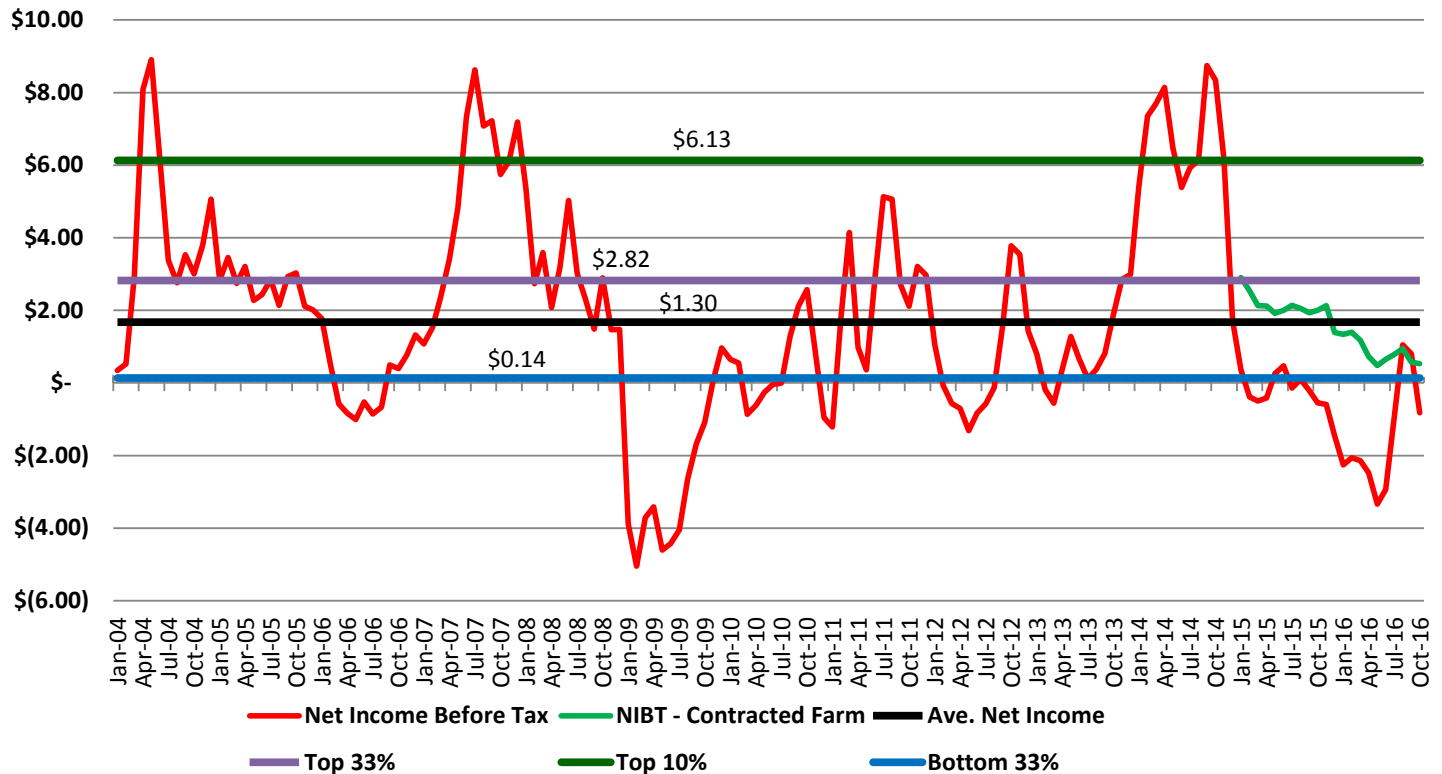
Net Income Available November 18, 2016





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	-.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	0.31	