



WEEKLY NEWSLETTER

"For SMART Management"

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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	-0.16	-0.28	-0.17	-0.09	-0.18	-0.10	-0.08	+0.01	+0.03	-0.03	-0.02

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 a reminder on how MARGINSMART can handle how you actually feed the rations prepared by your nutritionists. A very high percentage of our customers have base rations provided by their nutritionist, but actually feed at a different rate. Whether it be feeding for weighbacks/refusals by feeding more DM pounds per head than on the base ration or feeding for more head than are physically present, these are both examples where MARGINSMART offers the ability to handle the situation. Within MARGINSMART we establish your base ration and then apply a percentage to account for what you actually feed. AND we can adjust that monthly based on how this changes throughout the year. Please call with any questions.

Milk: OCTOBER COLD STORAGE (NASS): On October 31, U.S. cold storage holdings of butter totaled 227.7 million pounds, down 15 percent from the previous month, but up 27 percent from October 2015. Natural American cheese holdings total 729.9 million pounds, 2% lower than the previous month, but 5 percent more than October 2015. Total natural cheese stocks were 1,215.6 billion pounds, 2 percent below last month but 6 percent more than October 2015.

Market News

Grains/Feedstuffs/Cattle/Poultry:

- While it is widely expected that both corn and soybeans will result in record yields during the 2016 crop season, the exact amount is still yet to be determined.
- The EPA increased the amount of ethanol and other biofuels by 6% that must be blended into the nation's fuel supply. Under this mandate for 2017, 15 billion gallons of conventional corn-based ethanol needs to be blended into the fuel supply. This is up from 14.5 billion gallons in 2016. The amount of advanced biofuels is up even more from 3.6 billion to 4.3 billion gallons.
- Last week USDA released the cold storage report which showed beef tonnage was up 5% from Sep 2016 and 3% from Oct 2015.

MARGINSMART Insight

THE SPREAD BETWEEN CLASS III AND CLASS IV MILK FUTURES HAS WIDENED IN RECENT WEEKS TO BE NEARLY \$3.00 PER CWT FOR NOV '16 AND OVER \$2.00 PER CWT. FOR DEC '16.

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

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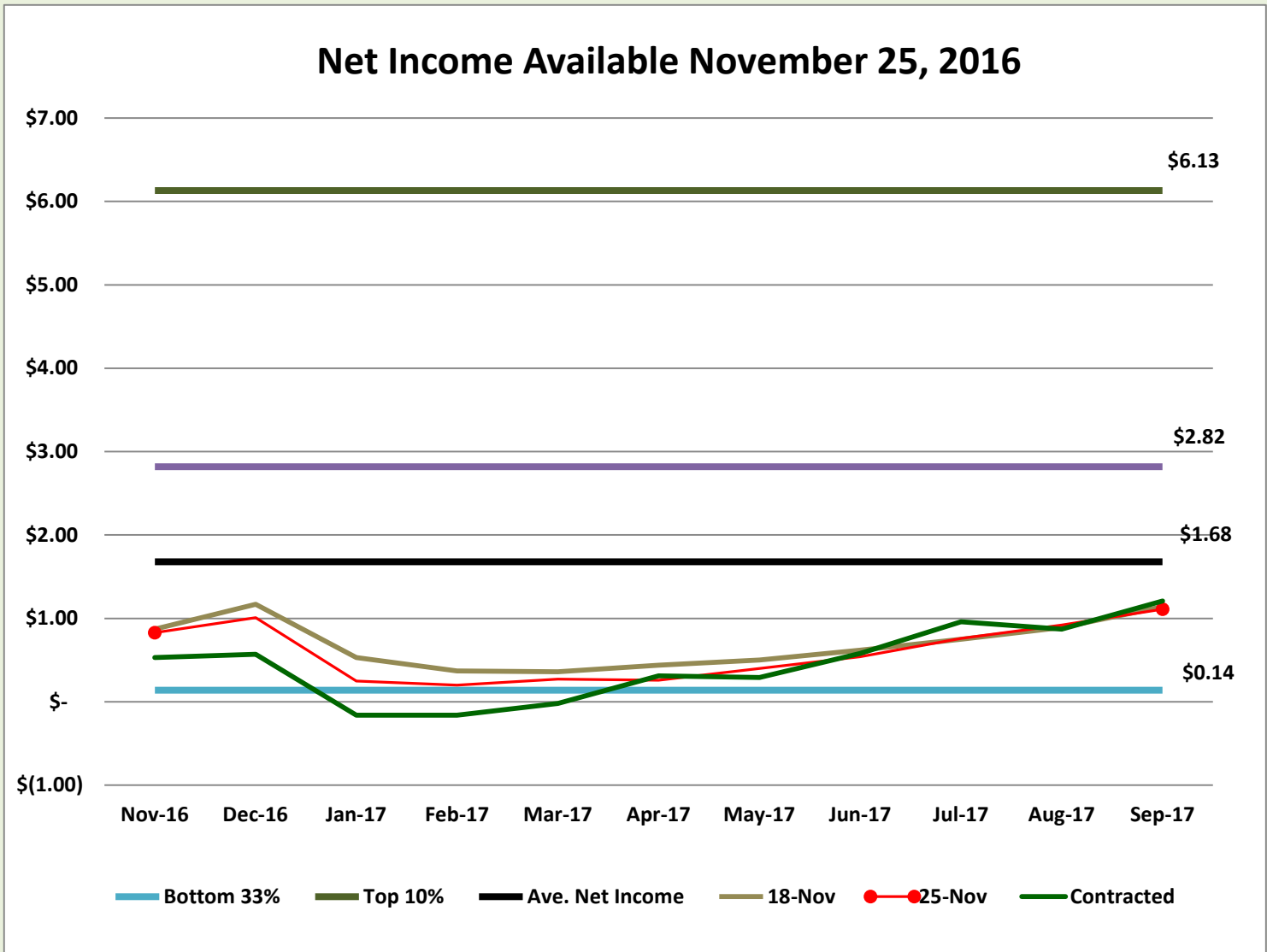
Market Price Updates (As of 11/18/2016 Close)

	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*
Class III Milk	16.74	-0.01	16.86	-0.08	16.21	-0.12	16.15	-0.09	16.18	-0.09	16.19	-0.14	16.28	-0.02
Class IV Milk	13.80	+0.00	14.76	+0.09	15.25	+0.01	15.54	+0.08	15.79	+0.00	16.14	-0.01	16.38	+0.00
Cash Butter	1.92	+0.00	2.05	+0.02	2.06	+0.02	2.07	+0.02	2.09	+0.02	2.10	+0.02	2.10	+0.01
Cash Cheese	1.76	+0.00	1.76	-0.01	1.68	-0.00	1.67	-0.02	1.68	-0.01	1.68	-0.01	1.68	-0.02
Corn			3.49	+0.04					3.58	+0.05			3.65	+0.05
Soybeans	9.71	+0.00			10.46	+0.53			10.54	+0.52			10.60	+0.50
Soybean Meal			321	+11	323	+10			326	+11			327	+10

*Change from the Previous Week Price



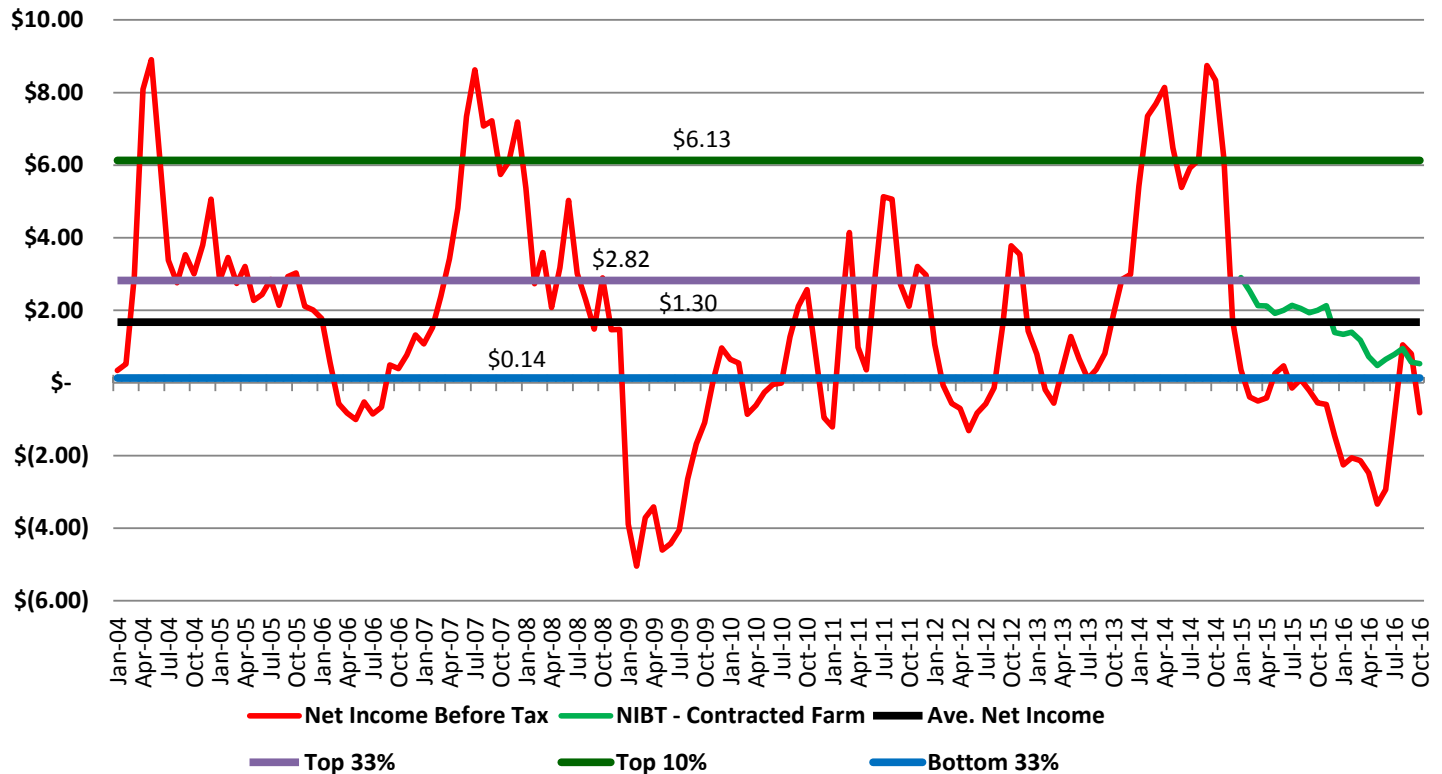
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based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