



# WEEKLY NEWSLETTER

## "For SMART Management"

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### MARGINSMART® Sample Farm Profitability Changes From Last Report

	Oct '16	Nov '16	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17
Change From Prior Week	+0.00	+1.16	+0.86	+0.39	+0.29	+0.14	+0.13	+0.06	+0.05	+0.10	+0.11	+0.17

#### 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 market swings. The recent run up in Class III prices for Nov and Dec '16 represents another opportunity to protect milk prices if you are in an area where Class III prices impact your ultimate milk pay price. Class III prices for Nov '16 have fallen below \$16.00 per cwt and then rallied back above \$16.00 seven times in the past 12 months. Selling on rallies can be beneficial. Just look back at Oct '16 Class III prices for some recent history. Oct '16 futures closed at \$17.32 on 9/6/16 and then plummeted \$2.50 to finish at \$14.82 less than 2 months later! Call with any questions.

**Milk:** The final Sep '16 announced Class III price was \$14.82 per cwt. – down \$1.57 from September '16 and down \$.64 from Oct '15. The final Oct '16 Class IV price was \$13.66 per cwt., down \$.59 from Sep '16, and down \$2.77 per cwt. from Oct '15. In CME Group trading Friday, cheese barrels closed at \$1.8600, up \$.2625 from last Friday. Cheese blocks closed at \$1.9000, up \$.1700 from last Friday. Cheese prices went up significantly last week which also impacted the Nov and Dec '16 Class III futures prices. (Please see below.) However, Class IV prices dropped for those months creating a very significant spread between Class III and Class IV futures prices.

#### Market News

##### Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 11/7/16 Crop Progress Report

- Corn harvested – 86% vs. 5 year avg of 85%
- SB Harvested - 93% vs. 5 year avg of 91%
- Cotton harvested – 56% vs. 5 year avg of 60%
- Sorghum harvested – 84% vs. 5 year avg of 78%

The wet weather in the Upper Midwest we discussed several weeks ago has given way to weather much more conducive for fieldwork over the past week, and the next week looks favorable as well. This is welcomed as it has allowed a great deal of fieldwork to be performed including grain harvesting and manure application.

##### Beef Cattle Update

As feeder cattle go to feedyards this fall, the price of a 600-700 Oklahoma steer is down 37% in price from a year ago.

#### MARGINSMART Insight

**THE RECENT RUN-UP IN CLASS III FUTURES WHILE CLASS IV FUTURES HAVE RETREATED OR STAYED STEADY HAS CREATED A SPREAD OF \$3.28 FOR NOV 2016 AND \$2.79 FOR DEC 2016 AT THE CLOSE ON MONDAY 11/7/16.**

Contact us for a FREE MARGINSMART® Demo!

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### Market Price Updates (As of 11/4/2016 Close)

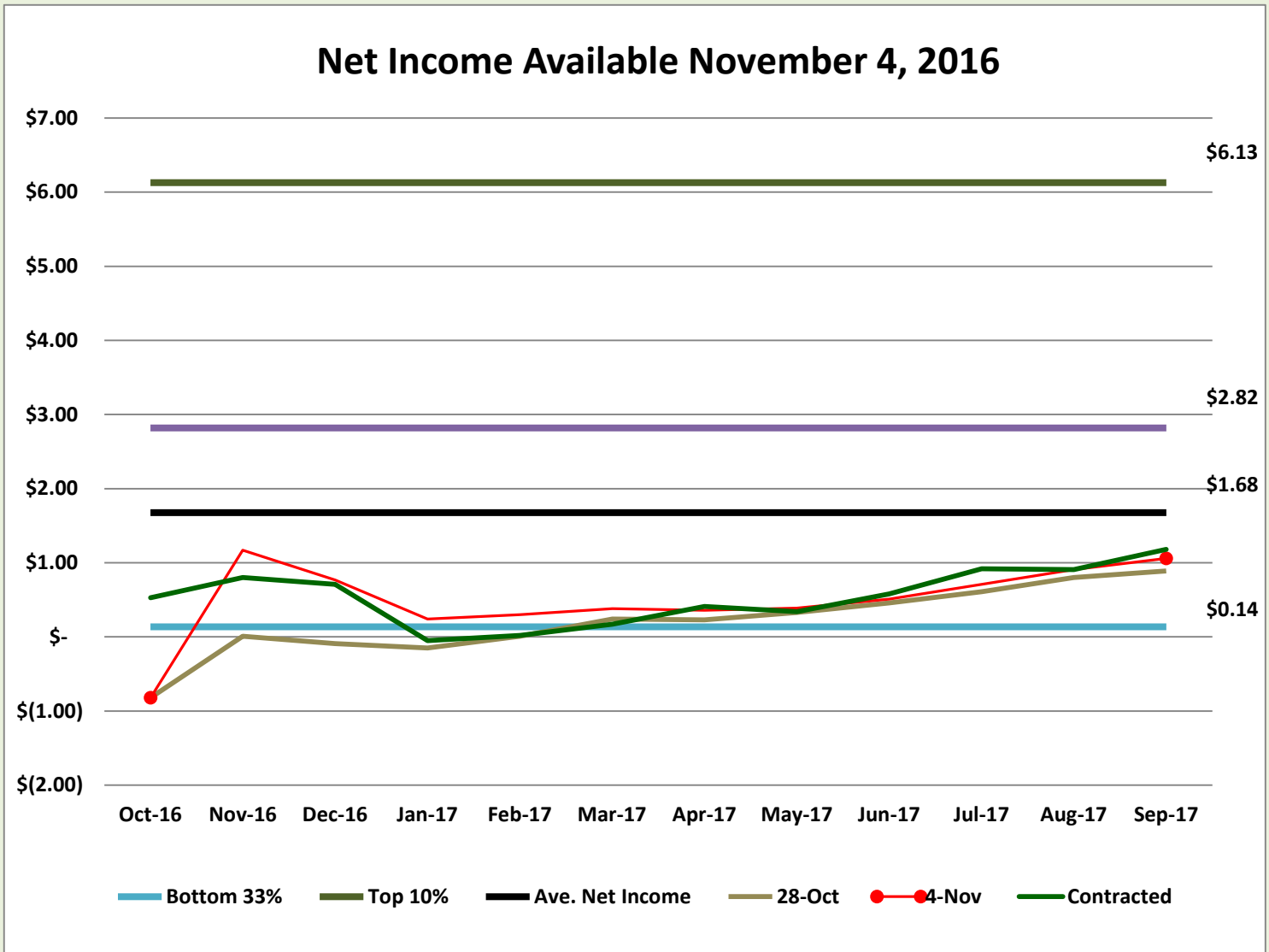
	Oct '16	+/-*	Nov '16	+/-*	Dec '16	+/-*	Jan '17	+/-*	Feb '17	+/-*	Mar '17	+/-*	Apr '17	+/-*
Class III Milk	14.82	+04	16.80	+1.11	16.45	+0.88	15.93	+0.37	15.98	+0.27	16.05	+0.10	16.10	+0.10
Class IV Milk	13.66	-02	13.69	-0.14	13.93	-0.22	14.53	+0.04	14.80	-0.15	15.43	+0.03	15.69	-0.08
Cash Butter	1.86	+00	1.91	-0.04	1.93	-0.03	1.93	-0.06	1.97	-0.07	2.01	-0.07	2.02	-0.08
Cash Cheese	1.58	+00	1.77	+0.11	1.68	+0.05	1.68	+0.04	1.69	+0.03	1.69	+0.02	1.70	+0.02
Corn					3.49	-0.06					3.57	-0.06		
Soybeans			9.81	-0.20			9.92	-0.20			9.97	-0.21		
Soybean Meal	300	+00			309	-09	311	-08			312	-08		

\*Change from the Previous Week Price

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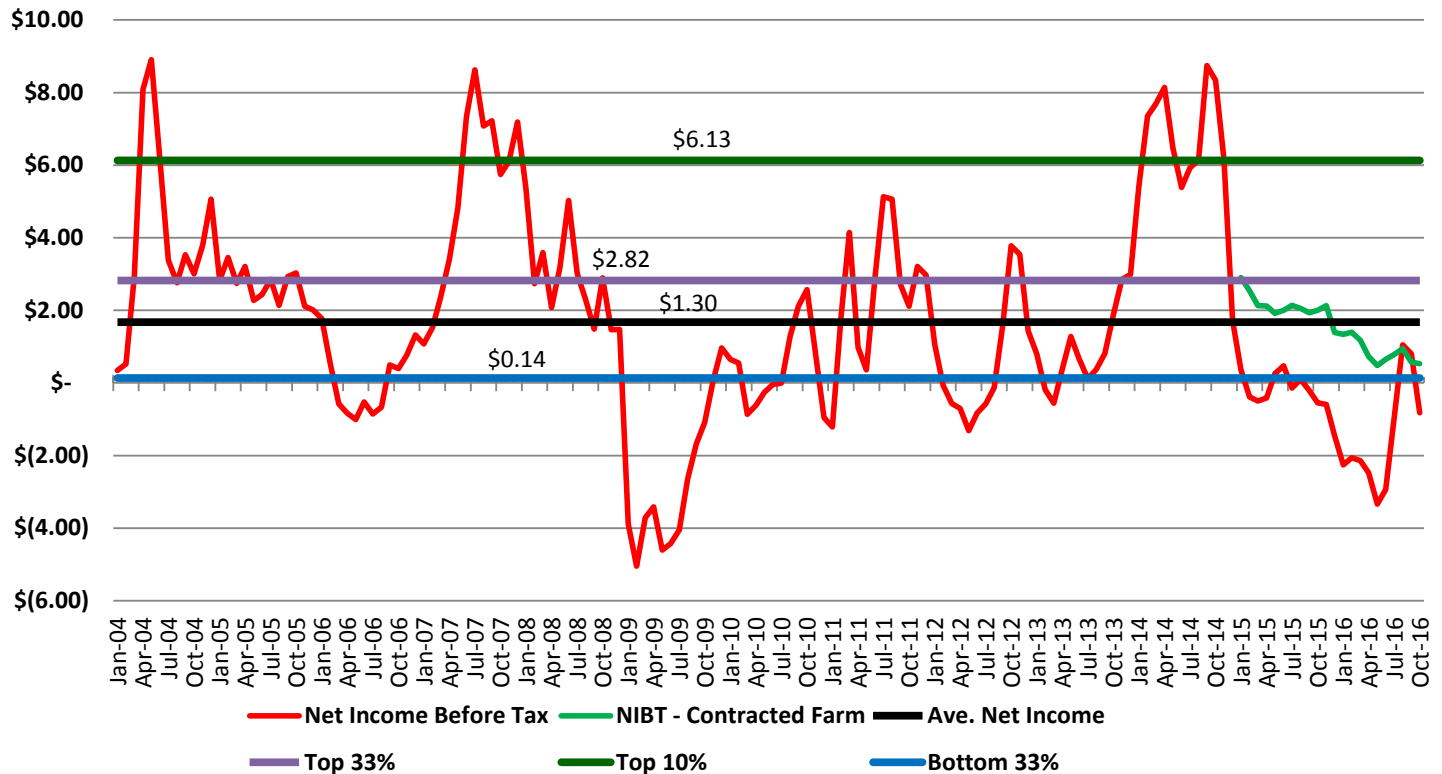
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based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





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## 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	