



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

	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	-0.33	-0.28	-0.16	-0.06	+0.04	+0.03	+0.03	+0.07	+0.08	+0.03	+0.03	+0.04

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 new corn silage impacts on rations. As the 2015 corn silage harvest season wraps up this is a reminder to take the following into account:

- Dry matter percentage and impact on shrink
- Actual cost (if purchased)
- Quality and impact on rations
- Shore up the transition from 2014 to 2015 corn silage

The above items can have a significant impact on your overall feed costs. We can help you ensure that your rations and feed cost are properly established so that your projections are as accurate as possible. Call us with any questions.

Milk: The final Sep '16 announced Class III price was \$16.39 per cwt. – down \$.52 from August '16 and up \$.57 from Sep '15. The final Sep '16 Class IV price was \$14.25 per cwt., down \$.40 from Aug '16, and down \$.83 per cwt. from Sep '15. Aug '16 butter production was 129 million pounds, 0.7 percent above August 2015, but 10.4 percent below July 2016. Total cheese output (excluding cottage cheese) was 990 million pounds, 1.2 percent above August 2015, but 2.2 percent below July 2016. Nonfat dry milk production, for human food, totaled 117 million pounds, 5.8 percent below August 2015, and 22.7 percent below July 2016.

Market News

Grains/Feedstuffs/Cattle/Poultry:

This week we will review some key items related to meat and poultry production and prices.

- Combined beef, pork and poultry production for the week ending October 8 was 1.901 billion pounds (carcass wt. equiv.), 76.5 million pounds (+4.2%) higher than the same week a year ago.
- The number of hogs from the latest USDA pigs inventory report showed significant increases in inventory over prior year
- Beef herd expansion has slowed down and more heifers are now being fed out than retained
- Market hogs are losing approximately \$40 per head based on current market prices

Summary – the overall large livestock and poultry base will continue to hold back cull cow and bull calf prices and result in increased demand for corn and SBM which may push corn prices slightly higher.

MARGINSMART Insight

THANKS TO ALL CUSTOMERS AND INDUSTRY PARTNERS THAT STOPPED TO SEE US AT THE 50TH WORLD DAIRY EXPO IN MADISON, WI LAST WEEK.

Contact us for a FREE MARGINSMART® Demo!

DIRECT: 920-264-9139

EMAIL: mark@marginsmart.com

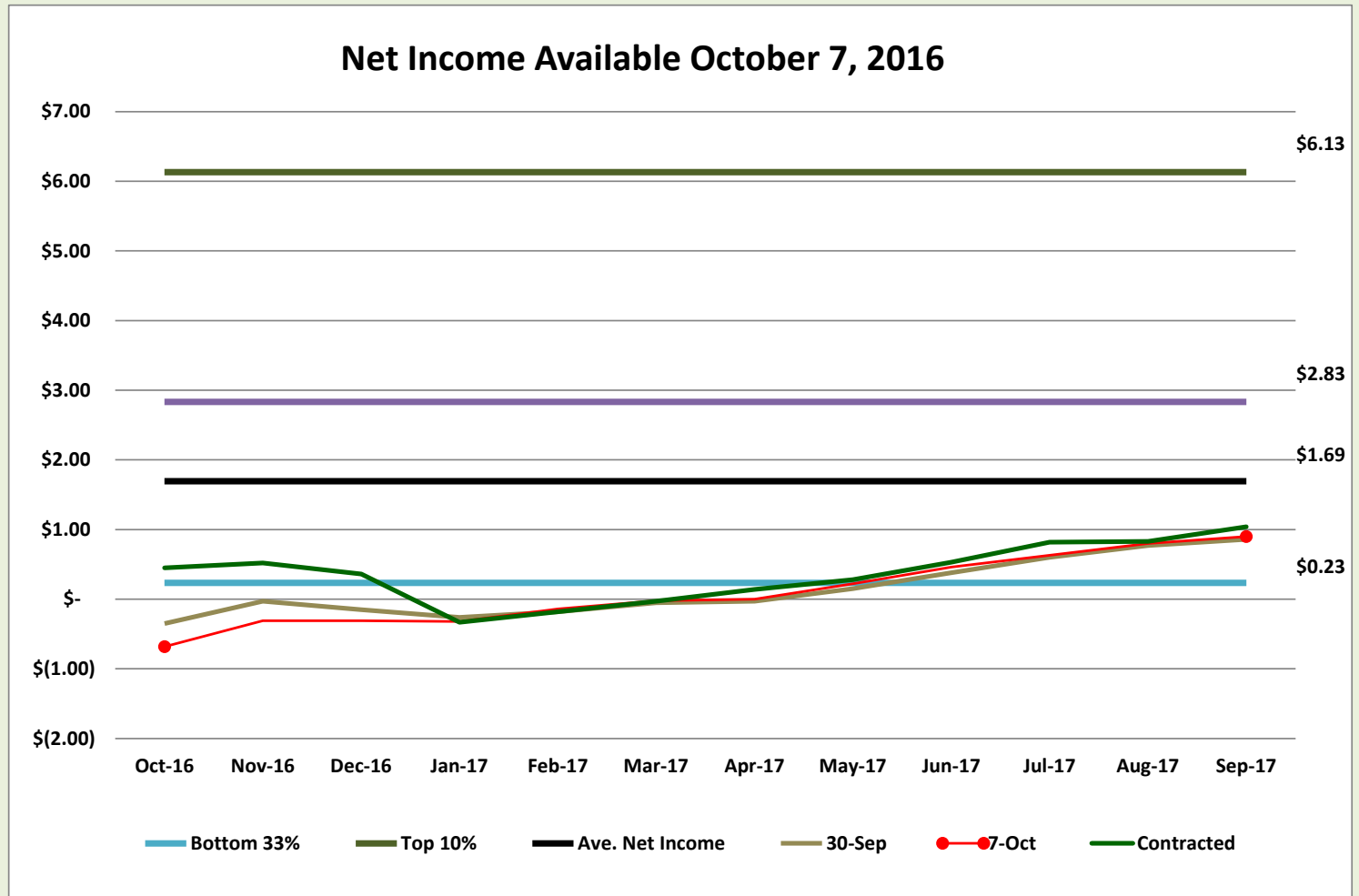
Market Price Updates (As of 10/7/2016 Close)

	Oct '16	+/-*	Nov '16	+/-*	Dec '16	+/-*	Jan '17	+/-*	Feb '17	+/-*	Mar '17	+/-*	Apr '17	+/-*
Class III Milk	14.99	-0.22	15.47	-0.16	15.44	-0.06	15.40	+0.02	15.57	+0.07	15.69	+0.05	15.77	+0.07
Class IV Milk	14.02	-0.33	14.14	-0.51	14.32	-0.47	14.62	-0.44	15.03	-0.37	15.39	-0.27	15.60	-0.30
Cash Butter	1.93	-0.01	1.93	-0.04	1.92	-0.03	1.93	-0.02	1.95	-0.02	1.96	-0.03	1.97	-0.02
Cash Cheese	1.60	-0.02	1.63	-0.02	1.63	-0.01	1.63	+0.00	1.64	+0.01	1.65	+0.00	1.66	+0.01
Corn					3.40	+0.03					3.49	+0.03		
Soybeans			9.57	+0.03			9.63	+0.04			9.69	+0.04		
Soybean Meal	299	+01			300	+00	301	+01			303	+01		

*Change from the Previous Week Price



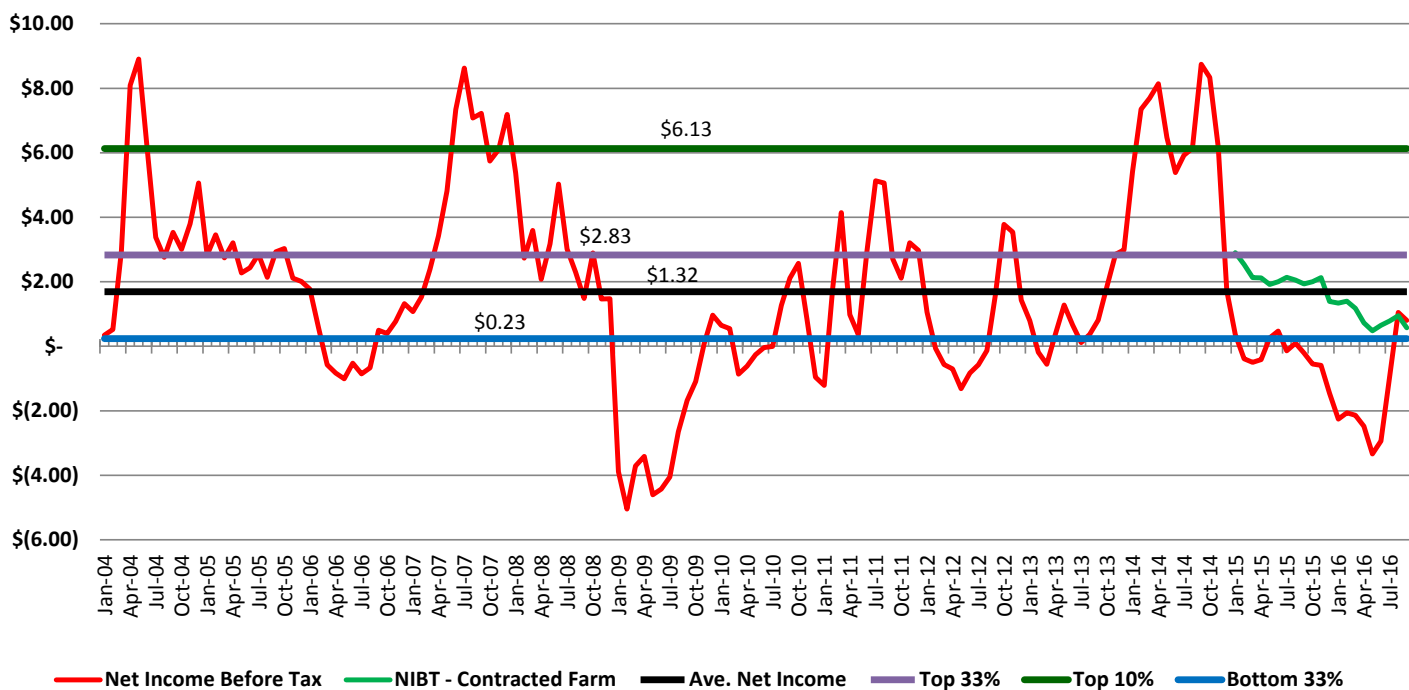
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based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





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	