



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	+0.06	+0.19	+0.31	+0.17	+0.13	+0.16	+0.08	+0.08	+0.04	-0.01	+0.05	+0.03

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 grain basis. As 2016 shapes up to be one of the largest harvests of all time we suggest that you pay attention to both futures and basis levels for both corn and soybeans. While futures prices have had a slight uptick in recent weeks, we suggest that keep tabs on basis levels. The country may experience varying basis levels across the country due to supply/demand/storage differences. Keep in mind that harvest time can provide some opportunities to lock in some good basis levels or take ownership to low priced corn (provided you have storage capacity). This can vary across the USA as mentioned here so check your situation. We can then adjust your basis within MARGINSMART. Call with any questions.

Milk: Milk production around the globe...

Europe in total: YTD 2016 up 2.3%, but August was the 3rd month in a row with production lower than the same month in 2015, Australia Sept 2016 is reported at 10.2% below Sept 2015 and projections are for lower production in October as well, New Zealand YTD 2016 is down .8% on a milk solids basis from 2015; however, it is expected that Dec '16 and Jan '17 will be higher than year earlier levels.

Market News

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 10/31/16 Crop Progress Report

- Corn harvested – 75% vs. 5 year avg of 75%
- SB Harvested - 87% vs. 5 year avg of 85%
- Cotton harvested – 46% vs. 5 year avg of 48%
- Sorghum harvested – 76% vs. 5 year avg of 68%
- Pasture conditions 46% good and excellent vs. 39% last year

Fertilizer Update: Canadian based Potash Corporation (the world's largest fertilizer producer by capacity with a major US presence) and Canadian based Agrium, Inc. (a major retailer of fertilizer and services in the US, Canada, Australia, Argentina, Brazil, Chili and Uruguay) are in the process of merging with the final shareholder voting to take place on 11/3/16. This is a MAJOR occurrence in the fertilizer industry.

MARGINSMART Insight

WE ARE ENTERING THE ANNUAL "FALL COW RUN" FOR BEEF PACKERS. MANY BEEF COWS WILL BE HEADED TO THE MARKET PRIOR TO 12/31/16 WHICH WILL LIKELY NEGATIVELY IMPACT CULL COW PRICES FOR THE PERIOD.

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

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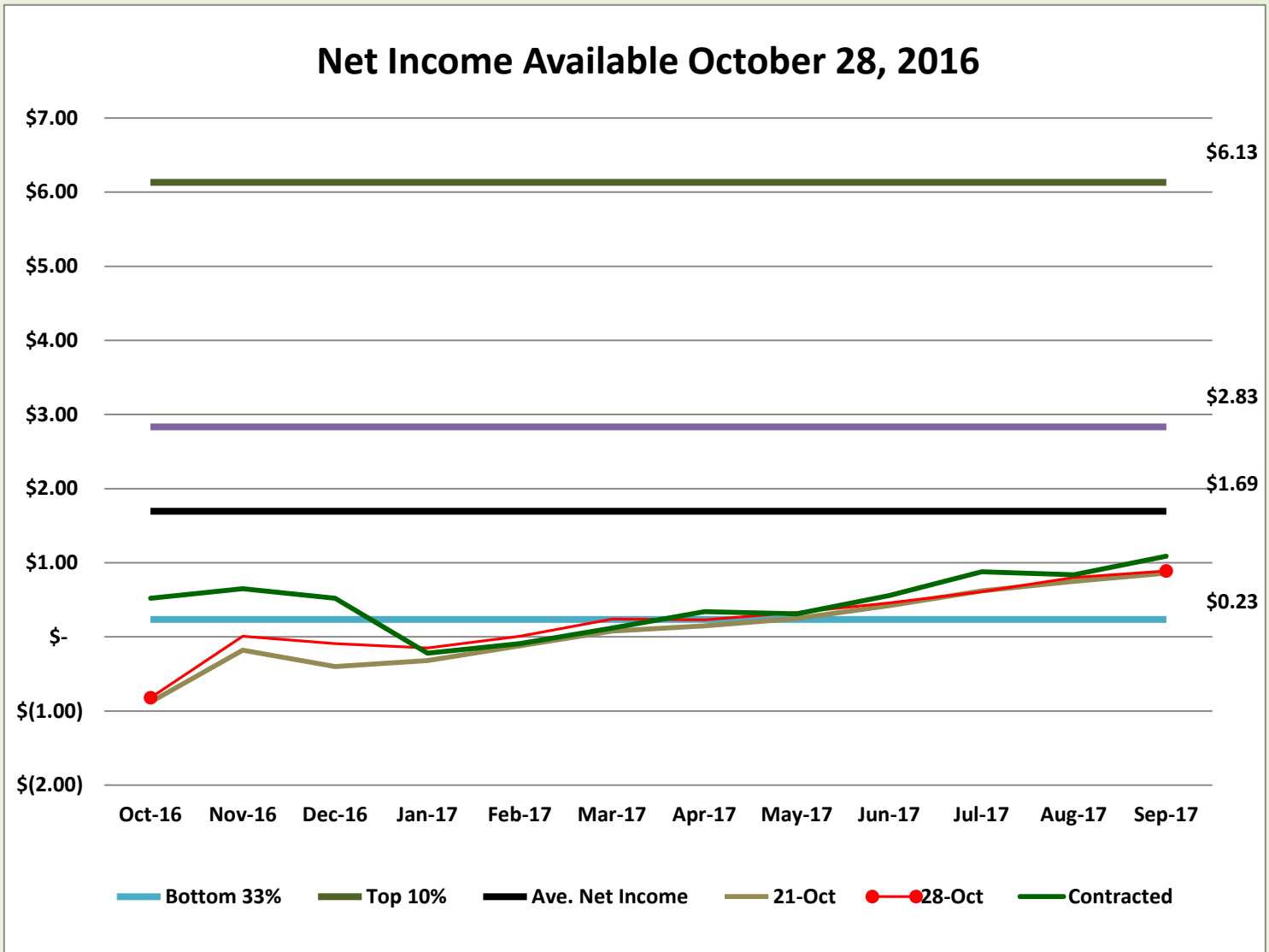
Market Price Updates (As of 10/28/2016 Close)

	Oct '16	+/-*	Nov '16	+/-*	Dec '16	+/-*	Jan '17	+/-*	Feb '17	+/-*	Mar '17	+/-*	Apr '17	+/-*
Class III Milk	14.78	+0.05	15.69	+0.23	15.57	+0.36	15.56	+0.20	15.71	+0.16	15.95	+0.19	16.00	+0.10
Class IV Milk	13.68	+0.01	13.83	+0.29	14.15	+0.40	14.49	+0.38	14.95	+0.34	15.40	+0.29	15.77	+0.20
Cash Butter	1.86	+0.00	1.95	+0.11	1.95	+0.12	1.99	+0.13	2.04	+0.13	2.08	+0.12	2.10	+0.12
Cash Cheese	1.58	+0.00	1.66	+0.02	1.63	+0.02	1.63	+0.01	1.64	+0.00	1.66	+0.00	1.67	+0.00
Corn					3.55	+0.03					3.63	+0.01		
Soybeans			10.01	+0.18			10.12	+0.20			10.18	+0.19		
Soybean Meal	300	+00			318	+11	319	+11			320	+11		

*Change from the Previous Week Price



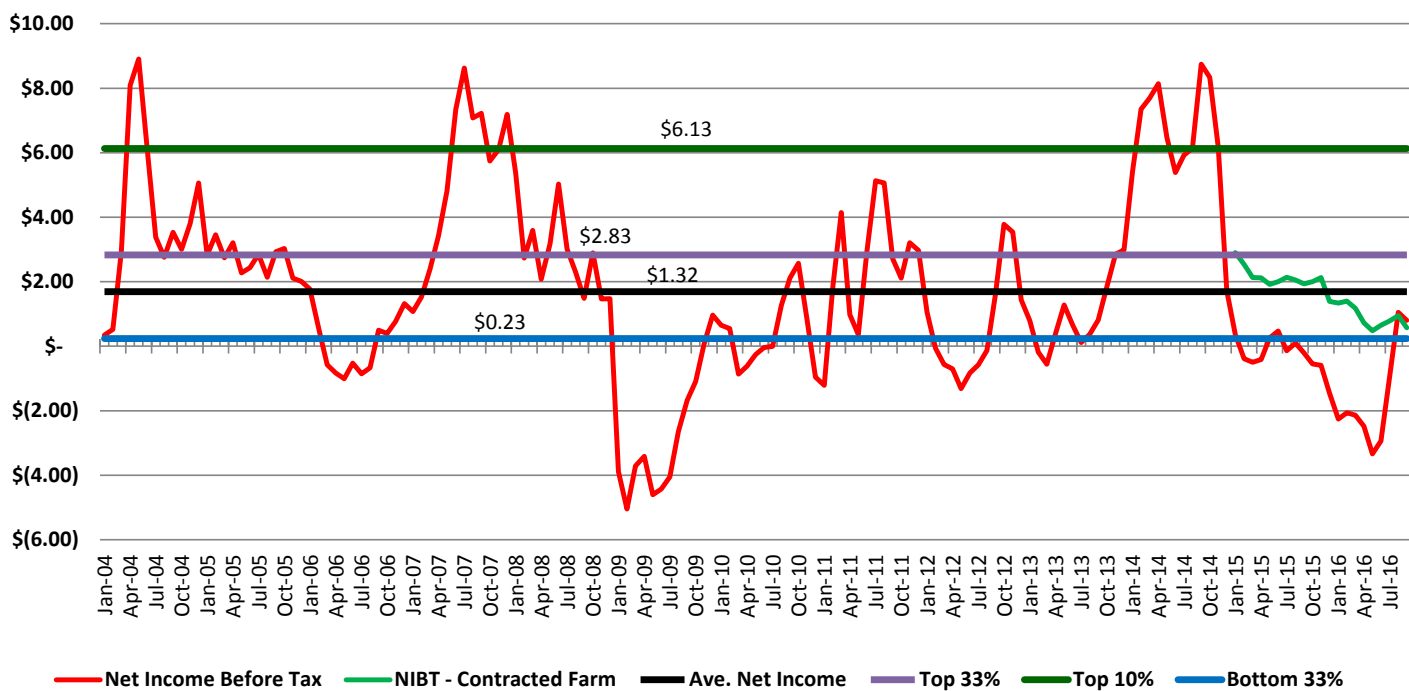
MARGINSMART® maintains a Sample Farm with 1,500 mature cows and 87 #s of milk / head / day shipped average. It buys 100% of its feed at market and its heifers are custom raised. The red line on the Net Income chart below shows the net income / cwt. available last Friday over the next 12 months based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