



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	April'17	May '17	June '17	July '17	Aug '17
Change From Prior Week	-0.45	-0.36	-0.16	-0.10	-0.05	-0.01	-0.05	-0.07	-0.10	-0.08	-0.04	+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

This week our tip of the week focuses on the recent and upcoming transitions to 2016 forages among dairy producers. While weather always is variable across the United States resulting in regionalized differences in forage quality, the general expectation for 2016 is that both forage quality and quantity will be good. The combination of these will likely lead to higher forage to concentrate rations, higher milk production and/or lower relative feed costs per cwt. of fat corrected milk. If actual corn and soybean yields achieve anywhere near projected levels grain and concentrate prices should also be favorable in the year ahead. This will likely result in lower breakeven milk prices, higher milk production and more dairy products to market.

Milk: An update on Europe... European cheese supplies available for immediate sale from manufacturers, are tight to scarce. Demand remains active from consumers and food service. Northern European cheese manufacturers also have strong demand from buyers in Southern European countries. Milk supplies are not sufficient to meet cheese manufacturer interest, which is restricting desired production levels.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 9/12/16 Crop Progress Report

- Corn condition – 74% Good & Excellent vs. 74% last week and 68% last year
- Corn dented -87% vs. 5 year avg of 82%
- Corn harvested – 5% vs. 5 year avg of 7%
- SB condition – 73% Good & Excellent vs. 73% last week and 61% last year

Beef & Bull Calf Prices

- Last week we reported on lower fed beef prices in this space. Last week alone fed beef price dropped an additional 4-5%
- Bull calf prices have dropped over the summer. We believe this is primarily due to losses sustained by Holstein calf feeders who sold cattle after paying record high prices in 2015 for bull calves

MARGINSMART Insight

**STARTING THIS WEEK OUR GRAPH ON PAGE 3
INCLUDES THE HISTORICAL REPORTING OF OUR
MARGINSMART SAMPLE FARM WITH CONTRACTING.**

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

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Market Price Updates (As of 9/9/2016 Close)

	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*
Class III Milk	16.51	-0.36	16.70	-0.28	16.59	-0.11	16.20	-0.08	15.96	+0.00	16.01	+0.05	16.04	+0.00
Class IV Milk	14.31	-0.22	14.96	-0.32	15.44	-0.26	15.47	-0.09	15.53	-0.04	15.75	-0.04	15.94	+0.03
Cash Butter	2.08	-0.03	2.12	-0.03	2.11	-0.04	2.05	-0.02	1.98	-0.02	1.99	-0.01	1.99	-0.01
Cash Cheese	1.77	-0.03	1.76	-0.02	1.74	-0.01	1.70	+0.00	1.67	+0.01	1.67	+0.00	1.68	+0.01
Corn	3.30	+0.14					3.41	+0.13					3.51	+0.13
Soybeans	9.97	+0.29			9.80	+0.28			9.84	+0.28			9.87	+0.29
Soybean Meal	323	+09	318	+08			317	+10	316	+09			314	+08

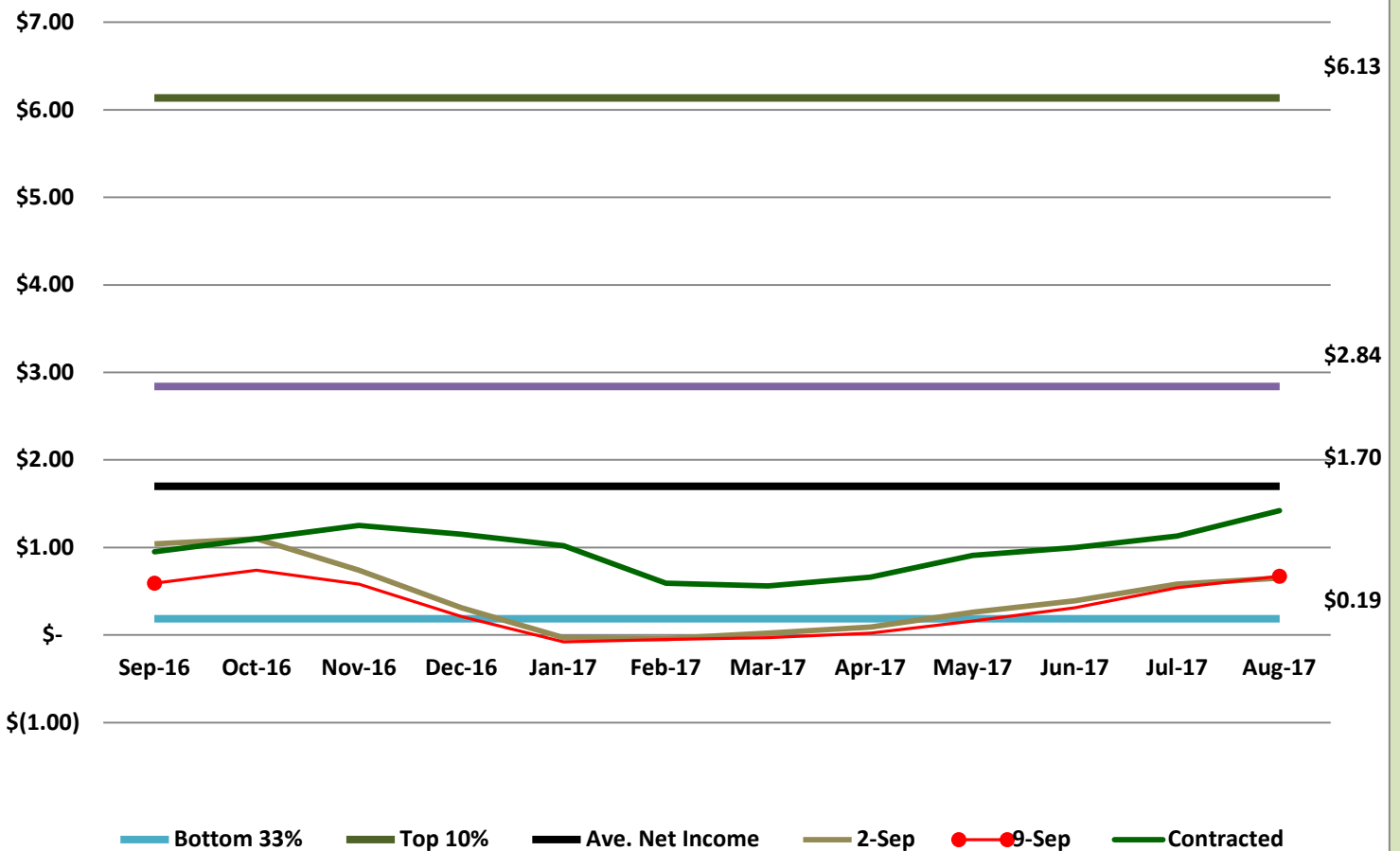
*Change from the Previous Week Price

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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.**

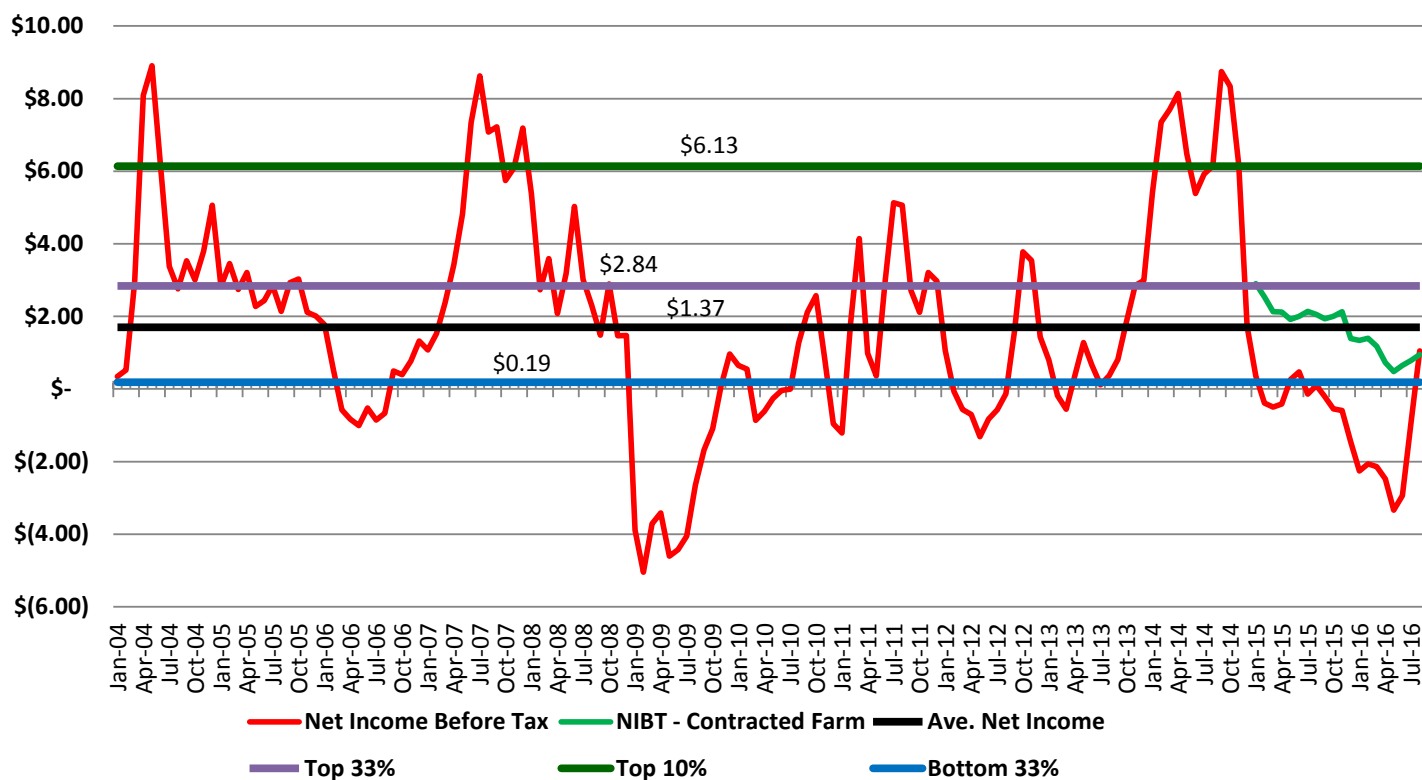
Net Income Available September 9, 2016





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





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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		