



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	-10	-59	-33	-22	-06	-02	+02	+05	-01	-02	-10	-20

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 the tip of the week relates to the impact of cull cow and bull calf prices on overall profitability, margins and cash flow. The following shows the impact that this can have (it can be eye opening how much this equals).

1. If cull cow prices drop \$300 per head with a 35% cull rate, that equates to a drop of \$.39 per cwt. in profitability/margin/cash flow based on 85 pounds of milk per cow per day
2. A \$500 drop in cull cow prices equals a \$.64 per cwt drop
3. A \$200 per bull calf price drop on 50% of calves with a 5% death loss equates to \$.34 per cwt and a \$300 per bull calf drop equals a \$.51 per cwt. drop.

Call us with questions.

Milk: Key notes from the USDA September Supply and Demand Estimates (FMMO): The milk production forecast for 2016 is raised from last month as the cow inventory appears to have steadied in the face of expected improvements in returns. The production forecast for 2017 is raised to reflect slightly more rapid growth in milk per cow. The all milk price is forecast lower at \$16.10 to \$16.30 per cwt for 2016 but is unchanged from last month at \$16.15 to \$17.15 per cwt for 2017.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 9/19/16 Crop Progress Report

- Corn condition – 74% Good & Excellent vs. 74% last week and 68% last year
- Corn dented -93% vs. 5 year avg of 91%
- Corn harvested – 9% vs. 5 year avg of 12%
- SB condition – 73% Good & Excellent vs. 73% last week and 63% last year

Livestock Info

- Cow slaughter headcounts are 6.6% above 2015
- Cull cow prices have stabilized though, and while lower than the past 2 years, they are still at reasonably historically good prices
- Market hog prices are down 17% from ago even though YTD pork production is virtually equal to last year. Recent production is up.

MARGINSMART Insight

JUST A REMINDER THAT MARGINSMART WILL BE AT THE 50TH WORLD DAIRY EXPO IN MADISON, WI OCT 4-8. PLEASE PLAN TO STOP AND SEE US IN BOOTH 5010!

Contact us for a FREE MARGINSMART® Demo!

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Market Price Updates (As of 9/16/2016 Close)

	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*
Class III Milk	16.36	-0.15	16.07	-0.63	16.24	-0.35	16.00	-0.20	15.86	-0.10	15.96	-0.05	16.05	+0.01
Class IV Milk	14.24	-0.07	14.72	-0.24	15.21	-0.23	15.38	-0.09	15.45	-0.08	15.75	+0.00	15.88	-0.06
Cash Butter	2.07	-0.01	2.03	-0.08	2.04	-0.08	2.02	-0.03	1.98	+0.00	1.99	+0.00	2.00	+0.01
Cash Cheese	1.72	-0.02	1.70	-0.06	1.70	-0.04	1.68	-0.02	1.66	-0.01	1.67	+0.00	1.68	+0.00
Corn	3.22	-0.08					3.37	-0.04					3.47	-0.04
Soybeans	9.72	-0.25			9.66	-0.14			9.71	-0.13			9.74	-0.13
Soybean Meal	316	-07	314	-04			313	-04	313	-03			313	-01

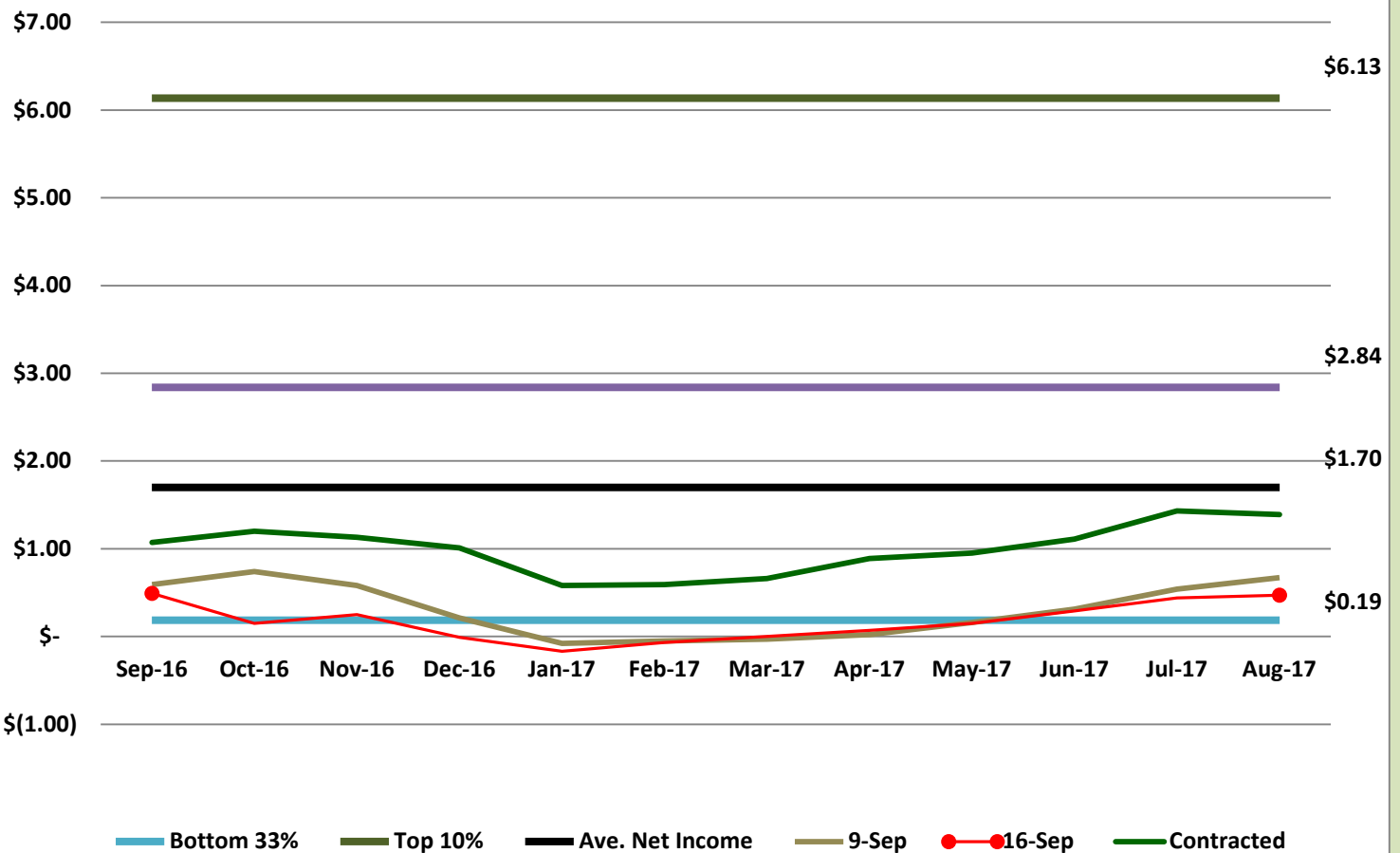
*Change from the Previous Week Price

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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.**

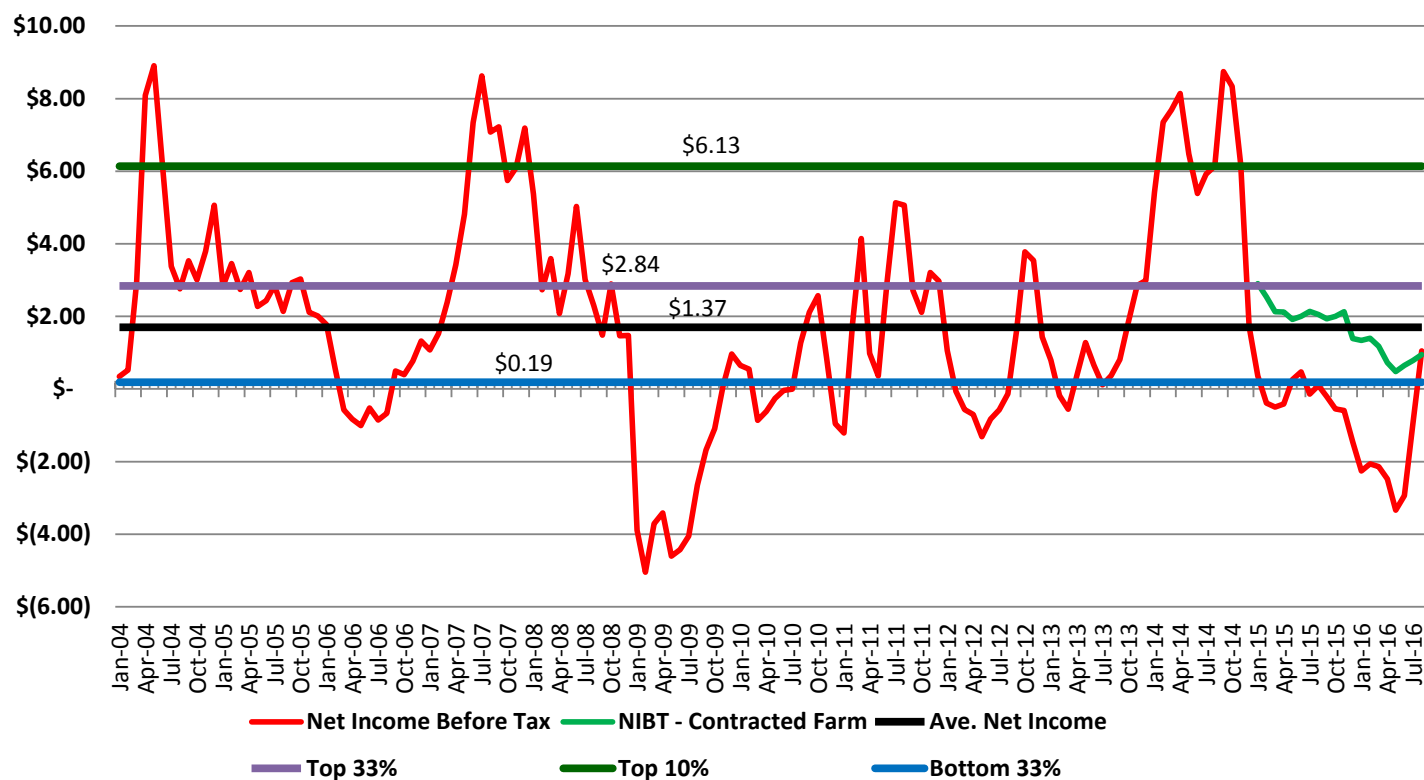
Net Income Available September 16, 2016





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		