



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	+01	-50	-44	-26	-21	-19	-20	-27	-16	-13	-04	+05

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 reminds readers that the last week of September has historically been a time period when corn, soybean and SBM futures prices have been at relatively low prices for the year. While this is not a 100% guarantee, and much of the price discovery centers around harvest time situations, the tip here is to remind you to consider this as we near that time of year. If you decide to take some action to protect some of your feed needs at this time, there are various ways of doing so. Call us with questions.

Milk: Class III milk futures prices continued to tumble last week and into today Monday September 26th. The spread between Class III and Class IV futures for Oct – Dec '16 have narrowed significantly. We had identified this spread several weeks ago and that either Class III may drop in relation to Class IV (more likely) or Class IV may rally to meet Class III (less likely) Just 3 weeks ago on 9/6/16 the average Class III futures for O-D '16 were \$1.37 over the Class IV futures. At closing today, the Class III futures for the same month were only \$.39 over the related Class IV prices - for a convergence of nearly \$1.00 per cwt.

Market News (Continued)

Grains/Feedstuffs/Cattle/Poultry:

Summary of USDA 9/26/16 Crop Progress Report

- Corn condition – 74% Good & Excellent vs. 74% last week and 68% last year
- Corn harvested – 15% vs. 5 year avg of 19%
- SB condition – 73% Good & Excellent vs. 73% last week and 62% last year

Livestock Price Info

Under approval provided by Equity Livestock Markets, this week we provide some graphs on the various prices of fed cattle, cull cows and Holstein bull calves in the State of Wisconsin. Please see the attachment to this newsletter. While prices may vary throughout the United States, we believe the information stated is relatively important across the US. These graphs show prices over the past year.

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 9/23/2016 Close)

	Sep '16	+/-*	Oct '16	+/-*	Nov '16	+/-*	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*
Class III Milk	16.38	+02	15.56	-51	15.78	-46	15.73	-27	15.62	-24	15.73	-23	15.79	-26
Class IV Milk	14.23	-01	14.80	+08	15.20	-01	15.30	-08	15.37	-08	15.83	+08	15.92	+04
Cash Butter	2.06	-01	2.04	+01	2.06	+02	2.04	+02	2.01	+03	1.98	+00	2.01	+01
Cash Cheese	1.75	+00	1.65	-05	1.66	-04	1.66	-02	1.64	-02	1.65	-02	1.66	-02
Corn	3.22	+00					3.36	-01					3.46	-01
Soybeans	9.72	+00			9.55	-11			9.61	-10			9.66	-08
Soybean Meal	316	+00	303	-11			303	-10	304	-09			305	-08

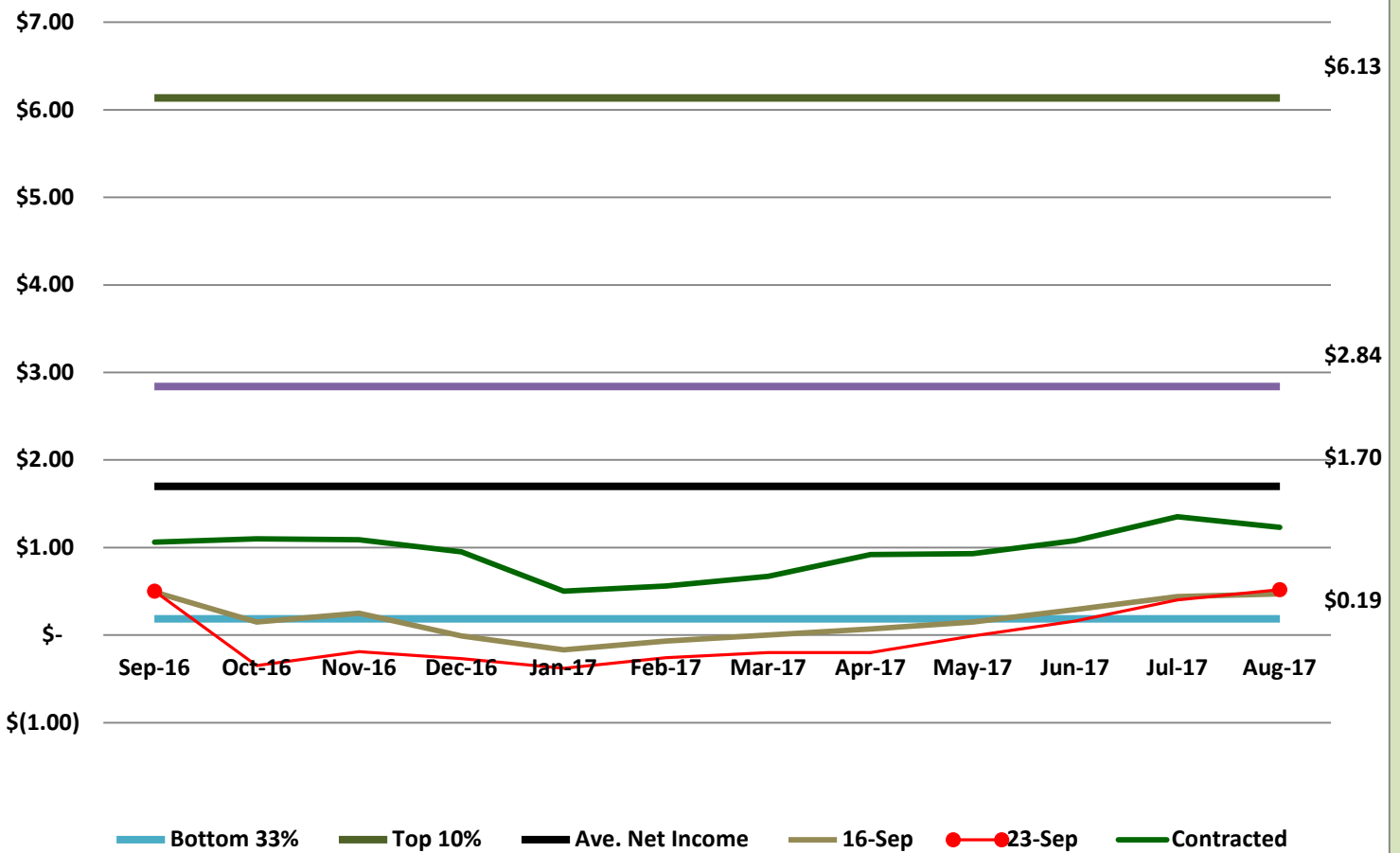
*Change from the Previous Week Price

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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.**

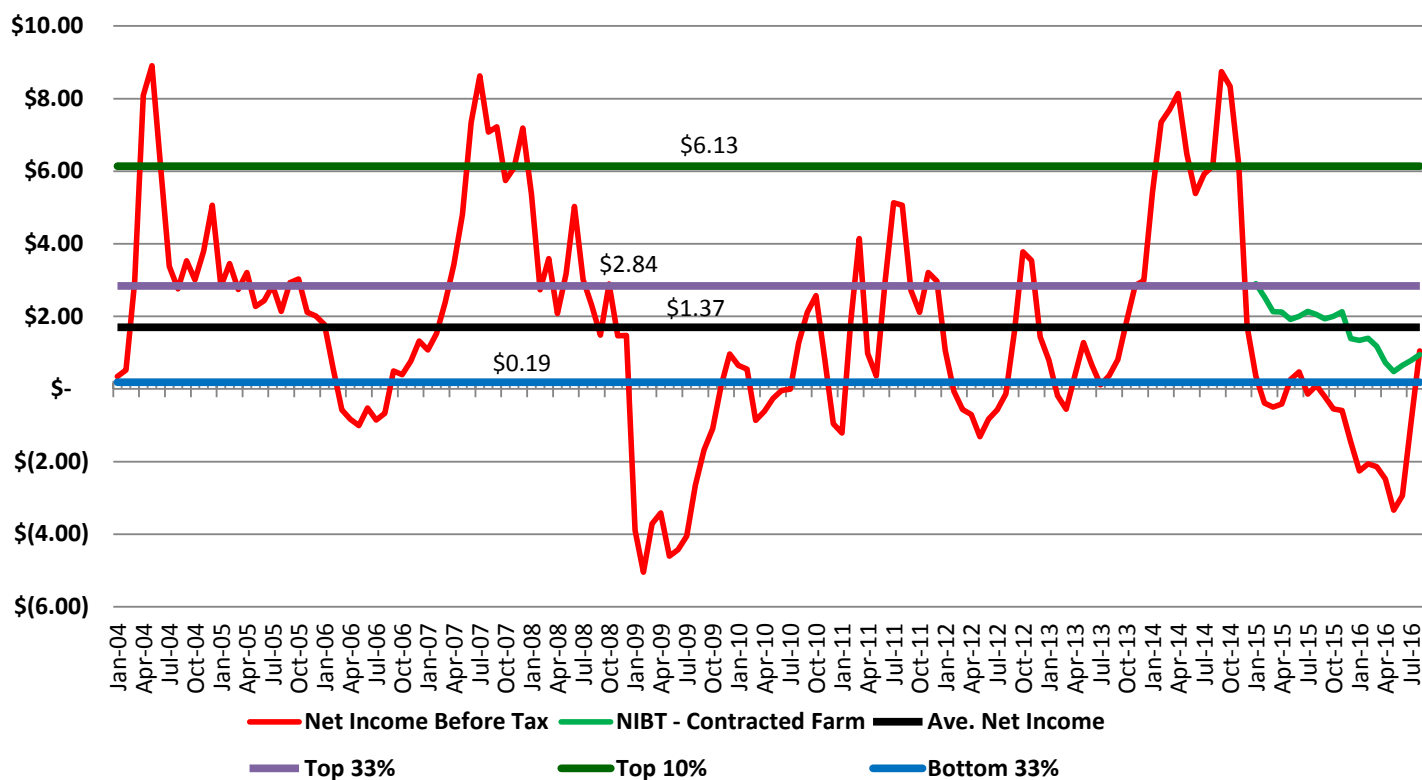
Net Income Available September 23, 2016





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	-.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		