



# WEEKLY NEWSLETTER

## "For SMART Management"

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### MARGINSMART® Sample Farm Profitability Changes From Last Report

	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17	Oct '17	Nov '17	Dec '17
Change From Prior Week	-0.01	-0.25	-0.27	-0.25	-0.22	-0.20	-0.14	-0.14	-0.11	-0.14	-0.11	-0.09

#### 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

Our tip of the week discusses the divergence of Class III and Class IV milk futures prices. I periodically visit this and just a few weeks ago, I commented that the averages for all of 2017 for both Class III and Class IV futures prices were very similar. However, the Class IV futures prices have declined quite rapidly in the past couple weeks compared to the Class III prices. At the close of pricing on Friday 1/27/17 the averages for 2017 were \$17.44 for Class III and \$16.63 for Class IV. Please call us to discuss any questions you may have on this.

**Milk:** (NASS) Milk production in the 23 major States during Dec 2016 totaled 16.8B pounds, up 2.4% from Dec 2015. Nov 2016 revised production at 16.1B pounds, was up 2.8% from Nov 2015. The November revision represented an increase of 27M pounds or 0.2% from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,931 pounds for Dec 2016, 35 pounds above Dec 2015. This is the highest production per cow for the month of December since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.69M head, 53,000 head more than Dec 2015, and 10,000 head more than Nov 2016.

#### Market News

##### Grains/Feedstuffs/Cattle/Poultry:

USDA Final Dec 2016 Cattle on Feed Report Highlights:

- Actual placements in Dec 2016 were 117.6% of Dec 2015 vs. Expected of 108.8%
- A large portion of the increased percentage were light weight cattle under 700 pounds so the increased percentage is not as "large" as it may seem
- Fed cattle marketed in Dec 2016 were 106.8% of Dec 2015, or virtually equal to the estimate
- Overall cattle on feed for Dec 2016 were 100.3% of Dec 2015, versus an industry estimate of 99.1%
- Fed cattle on feed over 120 days are over 8% lower than a year ago
- The percentage of heifers placed of the total is still under 34%, which remains one of the lowest in the past 20 years

#### MARGINSMART Insight

**THE ABILITY TO PULL CANOLA MEAL OUT OF CANADA IS AGAIN A SLIGHT ISSUE FOR CERTAIN AREAS OF THE USA AND MAY IMPACT AVAILABILITY AND PRICE.**

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

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### Market Price Updates (As of 1/27/2017 Close)

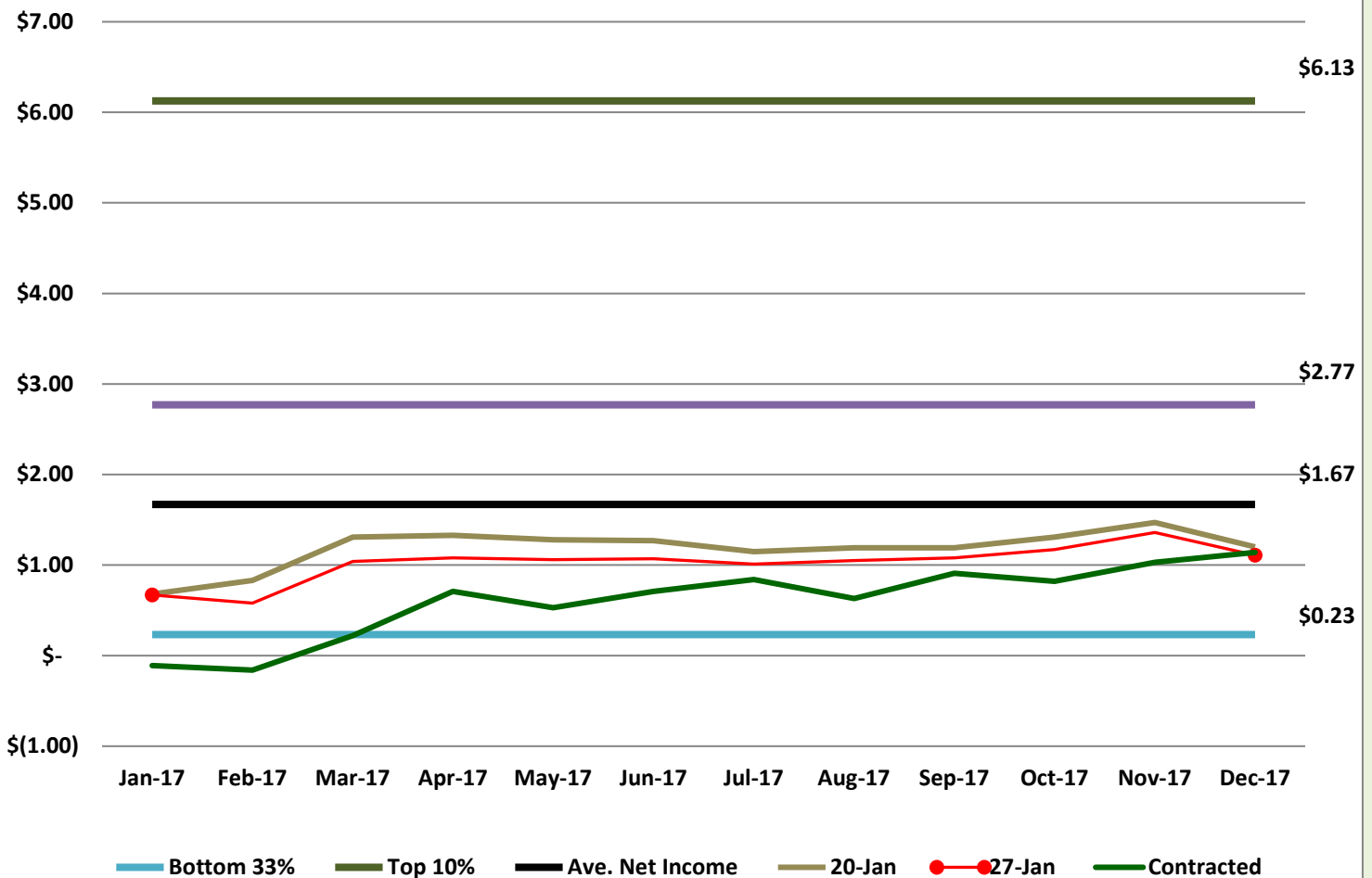
	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*	July'17	+/-*
Class III Milk	16.75	-0.02	16.62	-0.34	17.15	-0.25	17.43	-0.24	17.51	-0.22	17.67	-0.19	17.81	-0.11
Class IV Milk	16.20	-0.09	16.07	-0.35	16.08	-0.51	16.06	-0.80	16.39	-0.67	16.58	-0.68	16.71	-0.75
Cash Butter	2.25	-0.01	2.24	-0.02	2.23	-0.04	2.26	-0.02	2.26	-0.03	2.26	-0.03	2.26	-0.04
Cash Cheese	1.70	+0.00	1.67	-0.04	1.73	-0.02	1.75	-0.01	1.76	-0.01	1.77	-0.02	1.78	-0.01
Corn					3.62	-0.08			3.70	-0.06			3.76	-0.07
Soybeans	10.42	+0.00			10.49	-0.18			10.59	-0.17			10.65	-0.17
Soybean Meal	333	+0.00			343	-6			346	-5			348	-4

\*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.**

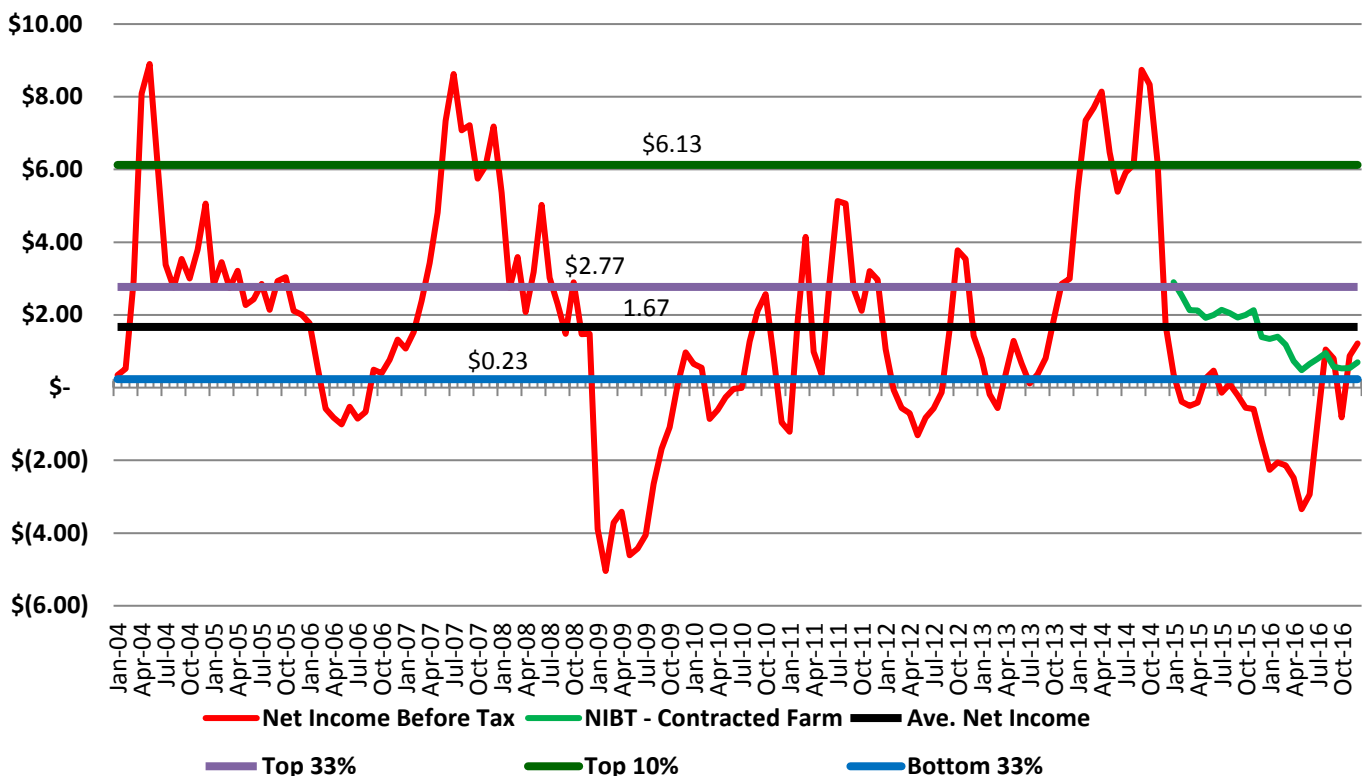
### Net Income Available January 27, 2017





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% (90<sup>th</sup> percentile), top 33% (67<sup>th</sup> percentage), the average and bottom 33% (33<sup>rd</sup> 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	2016
4.04	2.67	0.07	5.21	2.89	-2.79	0.44	2.52	0.60	0.95	6.46	-.25	-1.01

### 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	.33