



# WEEKLY NEWSLETTER

## "For SMART Management"

Ph: 877-474-7589 • 1600 W. Shawano Ave. Suite 201 • Green Bay, WI 54303

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

	Apr '17	May '17	Jun '17	Jul '17	Aug '17	Sep '17	Oct '17	Nov '17	Dec '17	Jan '18	Feb '18	Mar '18
Change From Prior Week	+0.08	+0.03	-0.04	-0.13	-0.19	-0.11	-0.04	-0.10	-0.09	-0.08	-0.02	+0.00

#### 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 we touch base on the recent announcement by Gov. Jerry Brown of California issued an executive order that indicates that lifts the drought emergency in all but a few San Joaquin Valley counties. The 5-year drought period resulted in greater awareness of water usage to a great number of Californians. During that period, an attempt was made to reduce water usage by 25%. Agriculture, which is the state's largest water user, did cut back some but not near the 25% level. Much of the reduction was done via residents. The elimination of the drought and ban on water usage could open the way for expanded agricultural use of water over the next few years. This could especially be directed to the dairy industry.

**Milk:** According to National Dairy Market News last week, cheese output is strong throughout the nation. To keep up with milk production, a number of Midwest cheesemakers have cancelled their scheduled production downtime. Cheese inventories are long and storage spaces are restricted in some states. The requests for cheese are mixed. In the Northeast and West regions, they are slower, whereas the Midwest reports steady to strong sales. The market undertone is insecure, and some contacts question whether demand will stay in touch with supply.

#### Market News

##### Grains/Cattle

Summary of USDA 4/17/17 Crop Progress Report

This is the first report with corn.

- Corn – 6% planted vs. 12% last year and 9% for 5 yr. avg
- Cotton - 8% planted vs. 7% last yr and 9% for 5 yr avg
- Sorghum - 21% planted vs. 16% last yr and 20% for 5 yr avg
- Winter wheat headed – 19% vs. 11% last yr and 13% for 5 year average
- Winter wheat condition – 54% good & excellent vs. 57% last year

It should be noted that soybean planting progress is not reported yet. Many of the other small grains and sugar beets are all behind 2016, and the 5-year average, due to above average soil moisture conditions in 2017.

#### MARGINSMART Insight

**AS MENTIONED IN THE TIP OF THE WEEK, WITH WATER USAGE LESS RESTRICTED, CALIFORNIA MAY BE POISED TO INCREASE MILK PRODUCTION. CHEAP FEED AND REPLACEMENT COULD ADD TO THIS.**

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

**DIRECT: 920-264-9139**

**EMAIL: mark@marginsmart.com**

### Market Price Updates (As of 4/10/2017 Close)

	Apr'17	+/-*	May'17	+/-*	Jun'17	+/-*	July'17	+/-*	Sep'17	+/-*	Oct'17	+/-*	New Crop	+/-*
Class III Milk	15.23	+0.13	15.20	+0.10	15.38	+0.05	15.86	-0.09	16.48	-0.07	16.50	+0.00	16.37	-0.04
Class IV Milk	14.02	+0.00	14.16	+0.09	14.22	+0.01	14.46	-0.06	14.99	+0.00	15.24	+0.00	15.38	+0.00
Cash Butter	2.13	+0.00	2.08	-0.05	2.10	-0.03	2.13	-0.02	2.16	-0.01	2.17	-0.02	2.15	-0.01
Cash Cheese	1.50	+0.00	1.53	+0.01	1.56	+0.00	1.64	-0.01	1.71	-0.01	1.72	+0.00	1.71	-0.01
Corn			3.71	+0.12			3.78	+0.11	3.84	+0.09			3.94	+0.10
Soybeans			9.55	+0.13			9.66	+0.13	9.64	+0.12			9.62	+0.13
Soybean Meal			318	+0.11			322	+0.11	322	+0.10	320	+0.10	320	+0.09

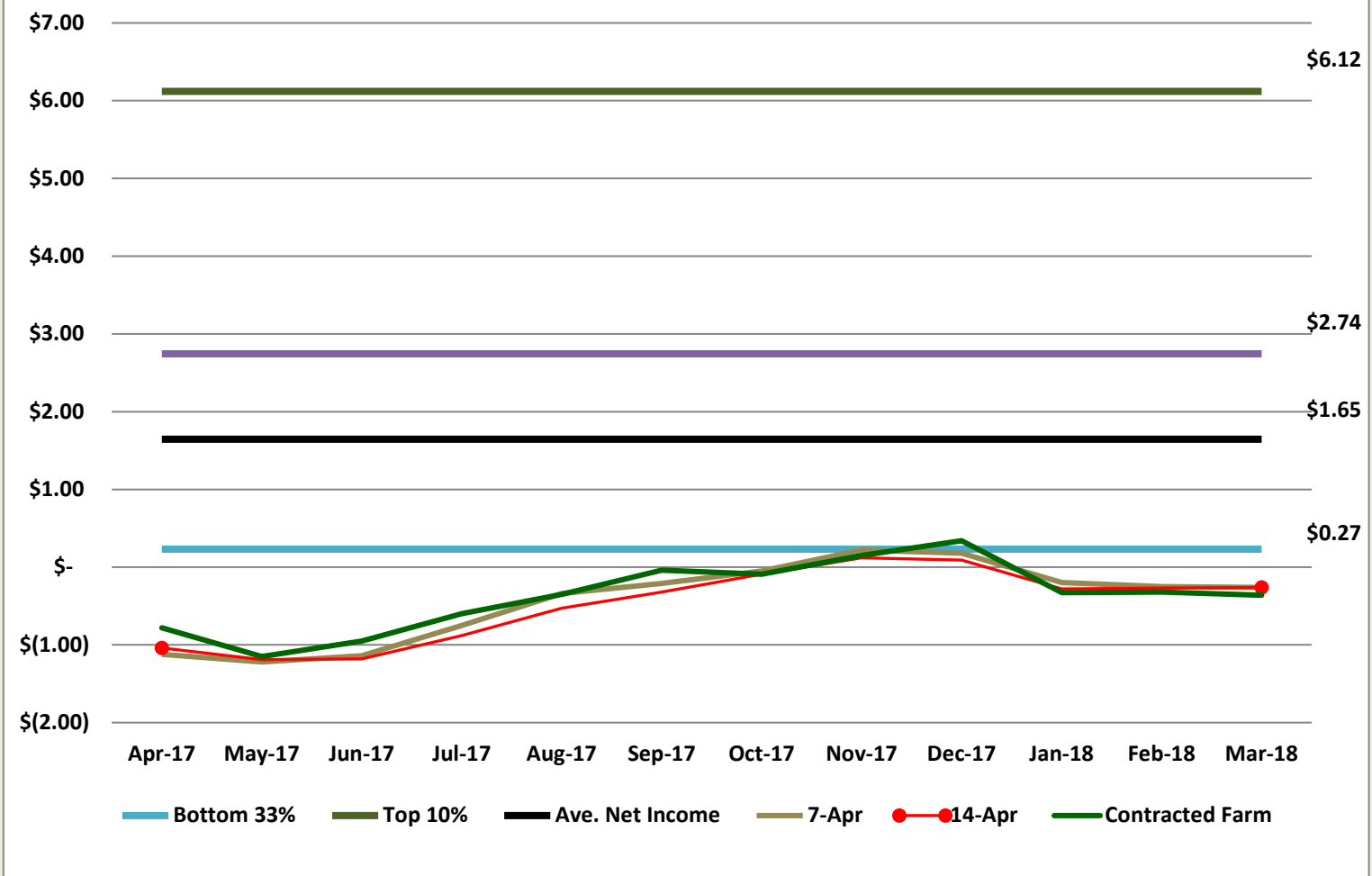
\*Change from the Previous Week Price

\*\*New Crop: Milk (Dec.), Corn (Dec.), Soybeans (Nov.), Soybean Meal (Dec.)



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.**

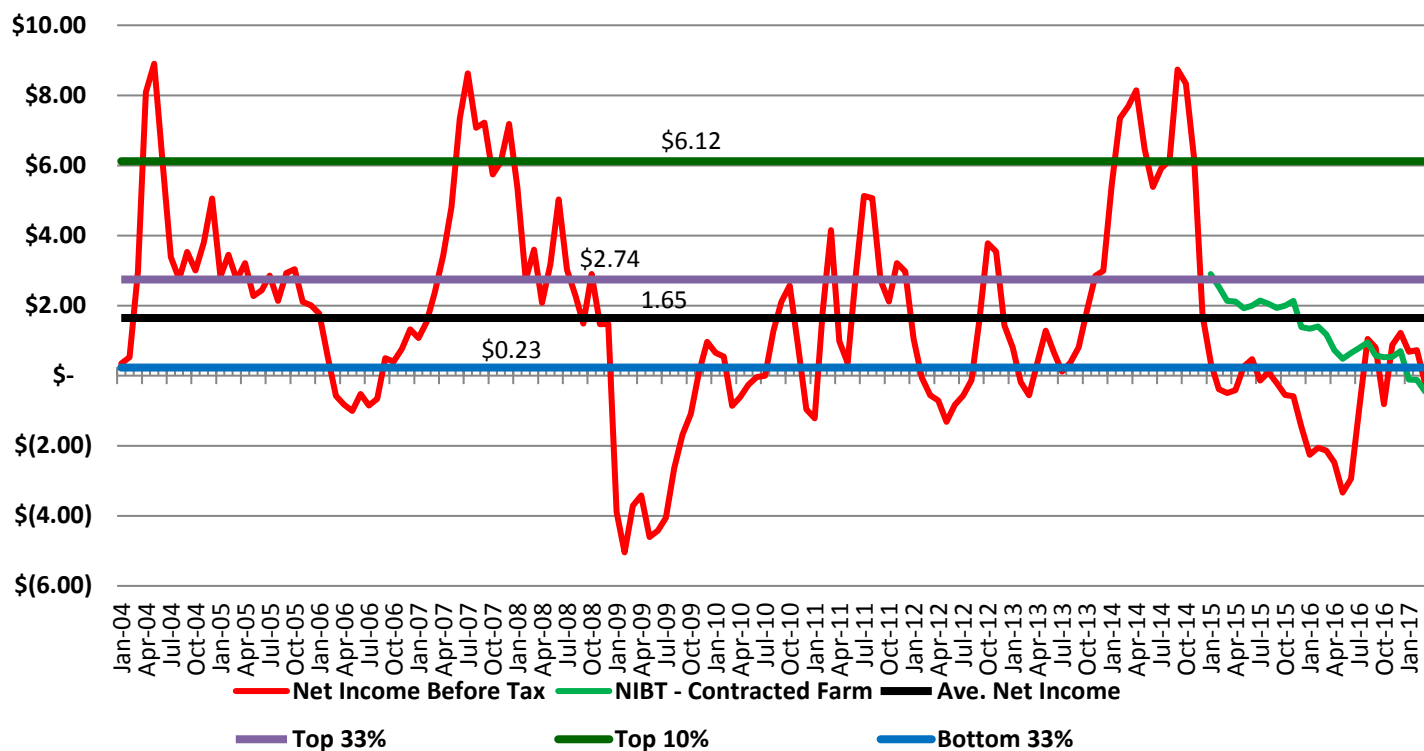
### Net Income Available April 14, 2017





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.**

## 2004-2017 Historical Net Income Before Tax





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 year’s results (with adj. milk / day). The first chart is the yearly average net income per cwt. for the last 12 years. The second chart breaks the yearly income into quarterly increments per cwt. for the last 12 years. The charts below are a breakdown of the information in the historical graph above. **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.**

### 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