



# WEEKLY NEWSLETTER

## "For SMART Management"

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### 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	-0.03	-0.20	-0.31	-0.22	-0.20	-0.05	+0.03	+0.10	+0.12	+0.05	-0.02	-0.01

#### 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 will revisit milk basis levels across the USA. With large supplies of milk available in most parts of the country, and limited processing capacity in certain areas, milk basis levels have been compromised over the past year or so for a major portion of the country. Milk buyers are revisiting their premium programs in certain areas as well. Cooperatives have used their ability to underpay PPD levels in certain areas of the country. All this has led to decreased milk basis levels. To some extent, lower basis levels are also inherent with lower milk prices. Dairy producers should expect basis compression until either processing capacity increases or the supply/demand situation improves. In the meantime, we are adjusting basis for customers within MARGINSMART to project reasonable estimates going forward. Call us with any questions.

**Milk:** Year to date January-February EU 2017 milk production is down 3.4% from the same period one year earlier according to Eurolait. Among the primary milk producing countries, February 2017 production was higher than February in only Italy (+5.5%) and Poland (+1.5%). February-February milk production declined in Germany (-7.0%); Ireland (-14.2%); France (-6.5%); Netherlands (-3.5%); and the United Kingdom (-5.3%). Processors in Germany have noted that milk consumption during January-February this year is also down.

#### Market News

##### Grains/Cattle

Summary of USDA 5/1/17 Crop Progress Report

This is the first report with soybeans.

- Corn – 34% planted vs. 43% last year and 34% for 5 yr. avg
- Corn Emerged - 9% vs. 12% last yr and 8% for 5 yr avg
- Soybeans - 10% planted vs. 7% last yr and 7% for 5 yr avg
- Winter wheat condition – 54% good & excellent vs. 61% last year

##### Diesel and Fuel Prices

I have attached the latest US Government report on gasoline and diesel fuel prices. While the report only shows On Highway diesel fuel prices, some correlations can be drawn to off-highway diesel fuel prices. The US avg. shows an increase of \$.32 per gallon since 5/1/16.

#### MARGINSMART Insight

**COLD, WET WEATHER IS DELAYING CORN PLANTING ACROSS PORTIONS OF THE US. ALFALFA WINTERKILL IS HIGHER THAN NORMAL THIS YEAR IN THE MIDWEST.**

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

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### Market Price Updates (As of 4/28/2017 Close)

	Apr'17	+/-*	May'17	+/-*	Jun'17	+/-*	July'17	+/-*	Sep'17	+/-*	Oct'17	+/-*	New Crop	+/-*
Class III Milk	15.17	-0.03	15.35	-0.29	15.47	-0.40	15.98	-0.28	16.65	-0.13	16.65	-0.08	16.59	+0.04
Class IV Milk	13.95	+0.00	14.38	+0.15	14.55	+0.09	14.81	+0.26	15.13	+0.13	15.31	+0.12	15.34	+0.04
Cash Butter	2.11	+0.00	2.13	+0.03	2.15	+0.02	2.16	+0.02	2.18	+0.03	2.19	+0.03	2.16	+0.01
Cash Cheese	1.49	+0.00	1.53	-0.03	1.56	-0.04	1.64	-0.03	1.71	-0.02	1.72	+0.00	1.71	+0.00
Corn			3.58	+0.01			3.66	+0.02	3.74	+0.03			3.85	+0.03
Soybeans			9.45	-0.06			9.56	-0.05	9.55	-0.05			9.53	-0.06
Soybean Meal			312	+2			316	+2	317	+2	316	+1	317	+1

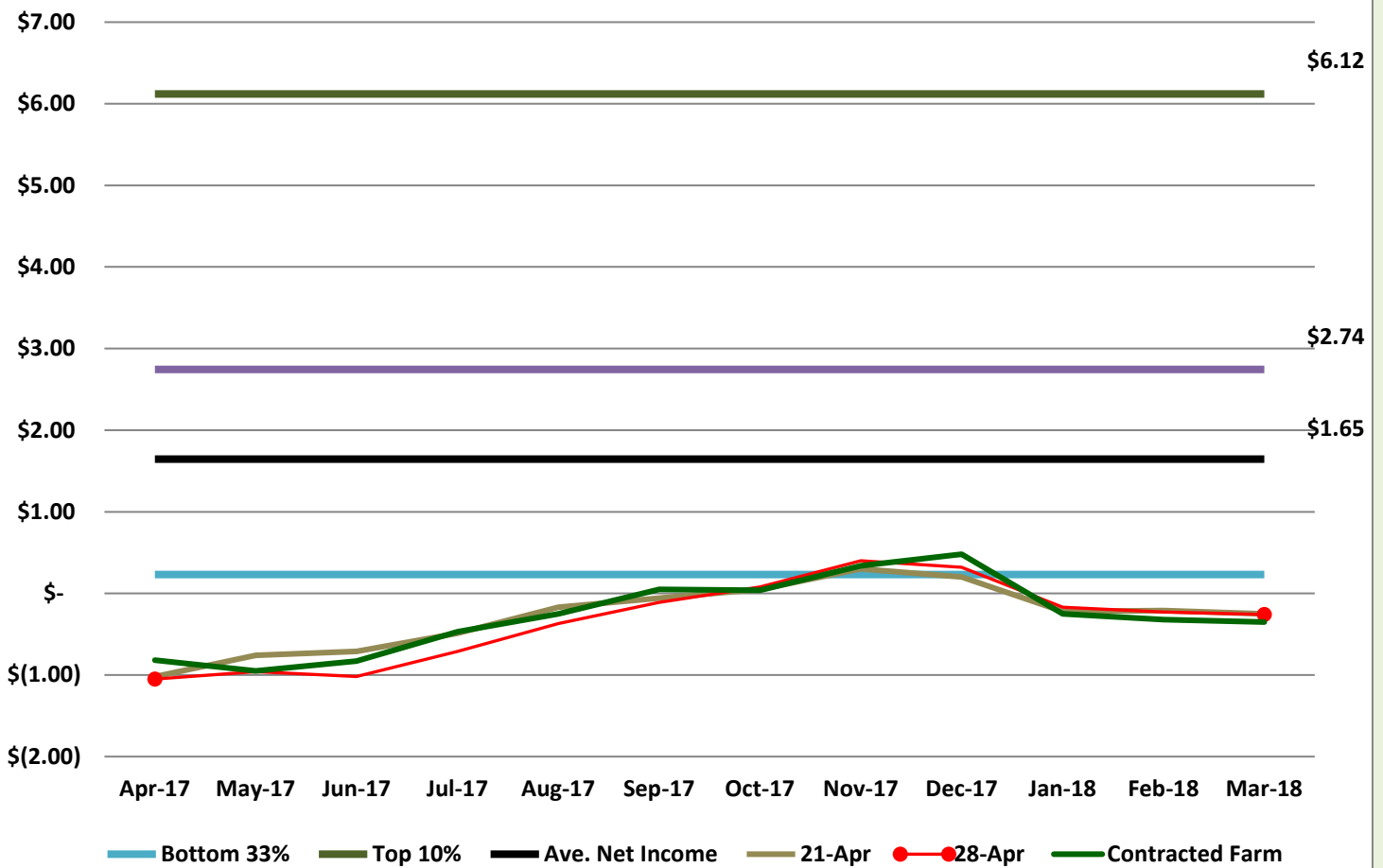
\*Change from the Previous Week Price

\*\*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.**

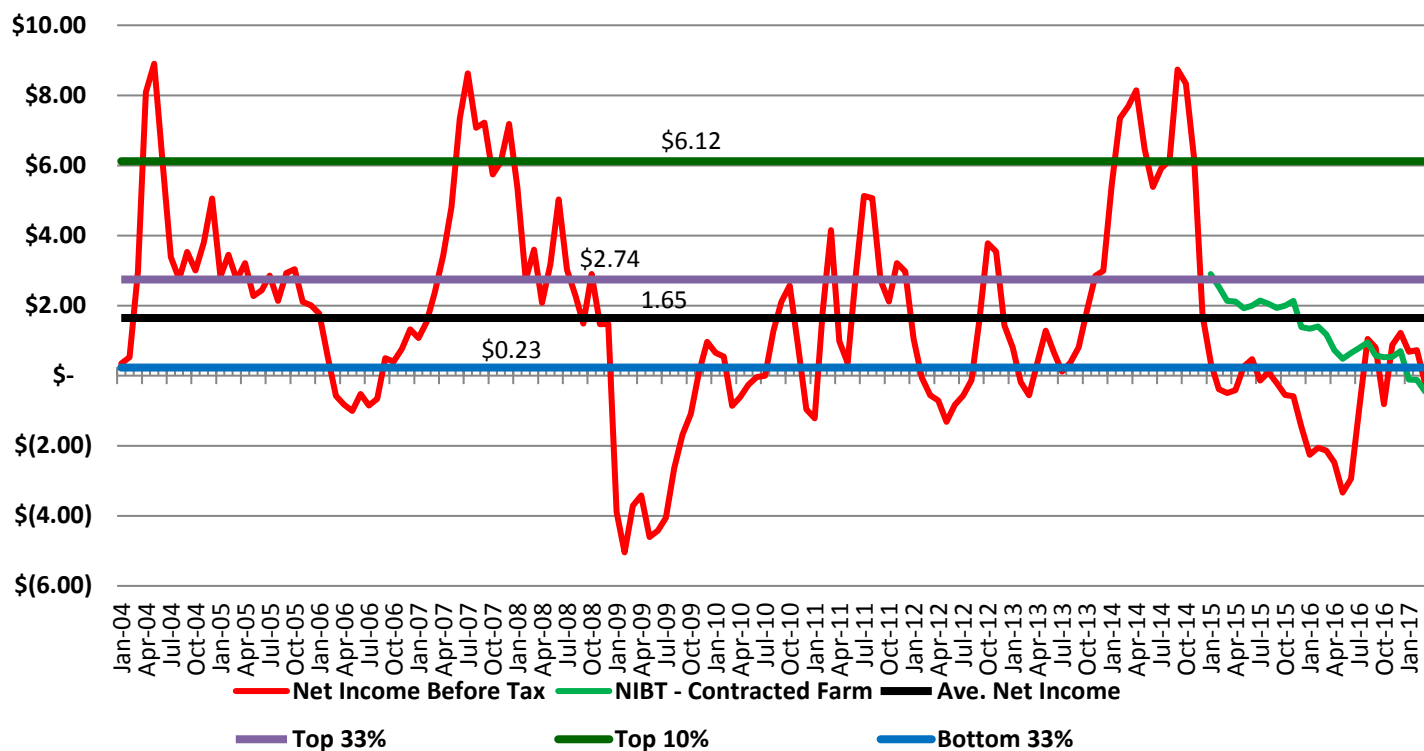
### Net Income Available April 28, 2017





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





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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