



WEEKLY NEWSLETTER

"For SMART Management"

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MARGINSMART® Sample Farm Profitability Changes From Last Report

	June '17	July '17	Aug '17	Sep '17	Oct '17	Nov '17	Dec '17	Jan '18	Feb '18	Mar '18	Apr '18	May '18
Change From Prior Week	-0.28	-0.39	-0.24	-0.14	-0.01	.06	.04	-0.04	.01	-0.04	-0.03	-0.02

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's tip of the week relates to a continuation of last week's tip on milk reduction related to the elimination of rBST as required by various processing plants. This appears to be a continuing trend as more processing plants across the Upper Midwest are requiring milk be rBST free. This will likely impact milk production over the next 12 months. Since milk pricing is very elastic, changes in the total milk supply can greatly impact milk prices. Therefore, our tip is that even though the milk production declines will be at relatively small percentages at the total USA level, the reductions in milk supply from reduced rBST usage will (and may already have) positively impact milk prices over the next 12-18 months.

Milk: APRIL 2017 DAIRY PRODUCT HIGHLIGHTS (NASS): Butter production was 164M pounds, 4.1% below April '16, and 6.8% below March '17. American type cheese production totaled 419M pounds, 5.3% above April '16, and 0.8% above March '17. Total cheese output (excluding cottage cheese) was 1.04B pounds, 3.7% above April '16, but 2.1% below March '17. Nonfat dry milk production, for human food, totaled 171M pounds; no percent change from April '16, but 7.0% above March '17. Dry whey production, for human food, was 82.6M pounds, 2.8% above April '16, but 3.1% below March '17. Ice cream, regular hard production totaled 70.8M gallons, 3.1% below April '16, and 6.1% below March '17.

Market News

Grains/Cattle

June 9th WASDE report highlights:

- All US corn related production and ending stocks for 2017/18 corn remained unchanged from the May WADSE report. Ending stocks are projected at 2,110 Billion bushels. Projected acres planted to corn in 2017/18 is down 4M acres to 90M acres.
- US ending 2016/17 soybean stocks were increased 15M bu to 450M bu. This also increased the 2017/18 ending stocks as all estimated production and usage remained unchanged for 2017/18. 6.1M more acres are expected to be planted in 2017/18 than 2016/17.

Quick Summary of USDA 6/12/17 Crop Progress Report

- Corn rated good & excellent was 67% last week vs. 75% last year
- SB rated good & excellent was 66% last week vs. 74% last year

MARGINSMART Insight

AS WE MENTIONED THIS & LAST WEEK, rBST REDUCTION REQUIREMENTS ARE IMPACTING MILK PRODUCTION & PRICING IN THE UPPER MIDWEST.

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

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Market Price Updates (As of 6/9/2017 Close)

	Jun'17	+/-*	Jul'17	+/-*	Aug'17	+/-*	Sep'17	+/-*	Oct'17	+/-*	New Crop**	+/-*	Mar'18	+/-*
Class III Milk	16.28	-0.24	16.55	-0.40	16.99	-0.19	17.27	-0.06	17.32	+0.07	17.03	+0.08	16.59	+0.00
Class IV Milk	16.01	-0.10	16.77	-0.05	16.88	-0.22	16.98	-0.33	17.08	-0.20	16.97	-0.13	16.65	+0.00
Cash Butter	2.44	+0.01	2.53	+0.02	2.55	+0.02	2.56	+0.03	2.54	+0.02	2.46	+0.01	2.29	+0.00
Cash Cheese	1.62	-0.02	1.66	-0.03	1.71	-0.03	1.75	-0.01	1.76	+0.00	1.74	+0.01	1.71	+0.00
Corn			3.88	+0.15			3.96	+0.15			4.06	+0.15	4.15	+0.14
Soybeans			9.41	+0.20	9.45	+0.21	9.45	+0.21			9.48	+0.23	9.59	+0.21
Soybean Meal			306	+4	308	+4	309	+4	309	+3	310	+3	312	+3

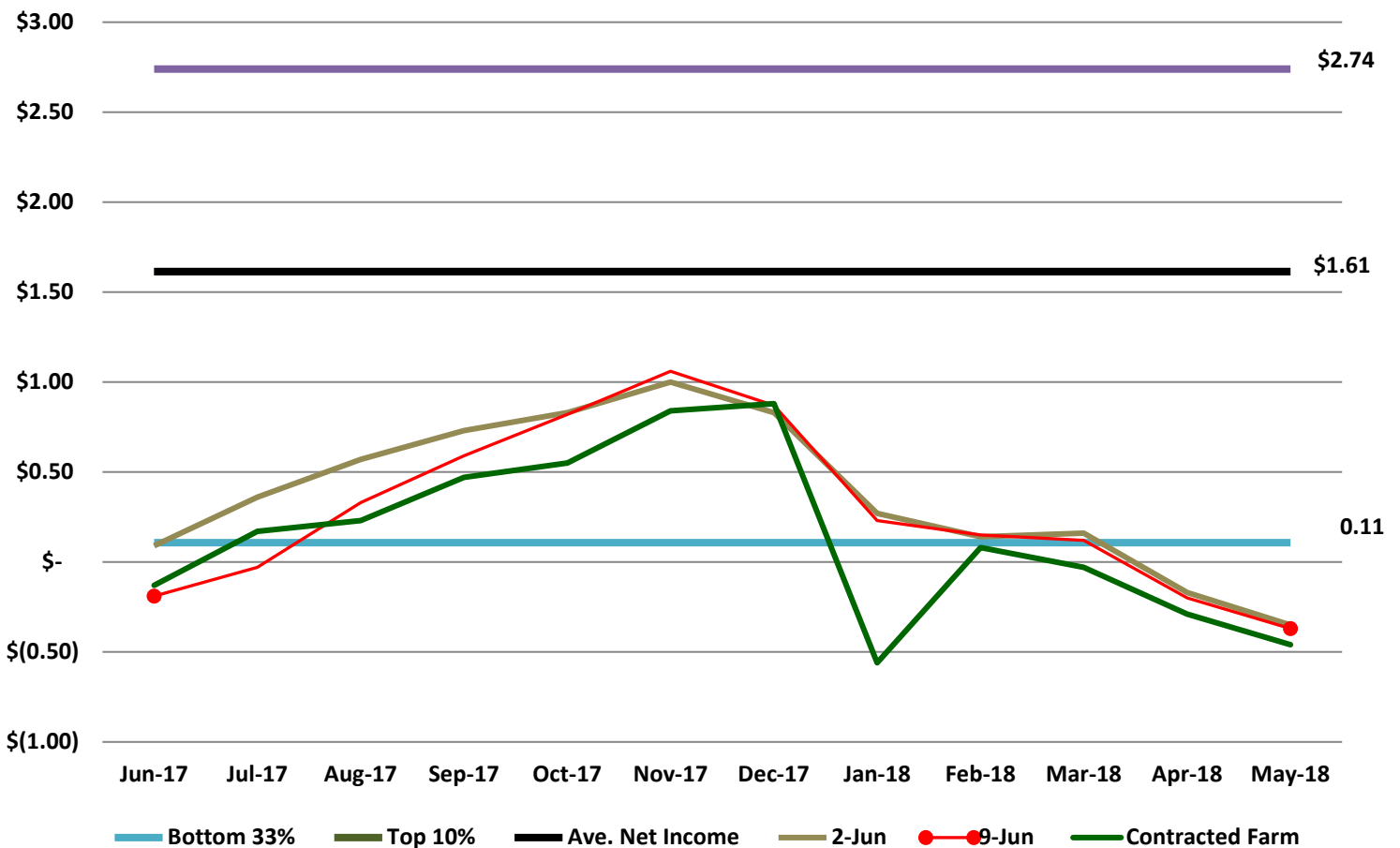
*Change from the Previous Week Price

**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.**

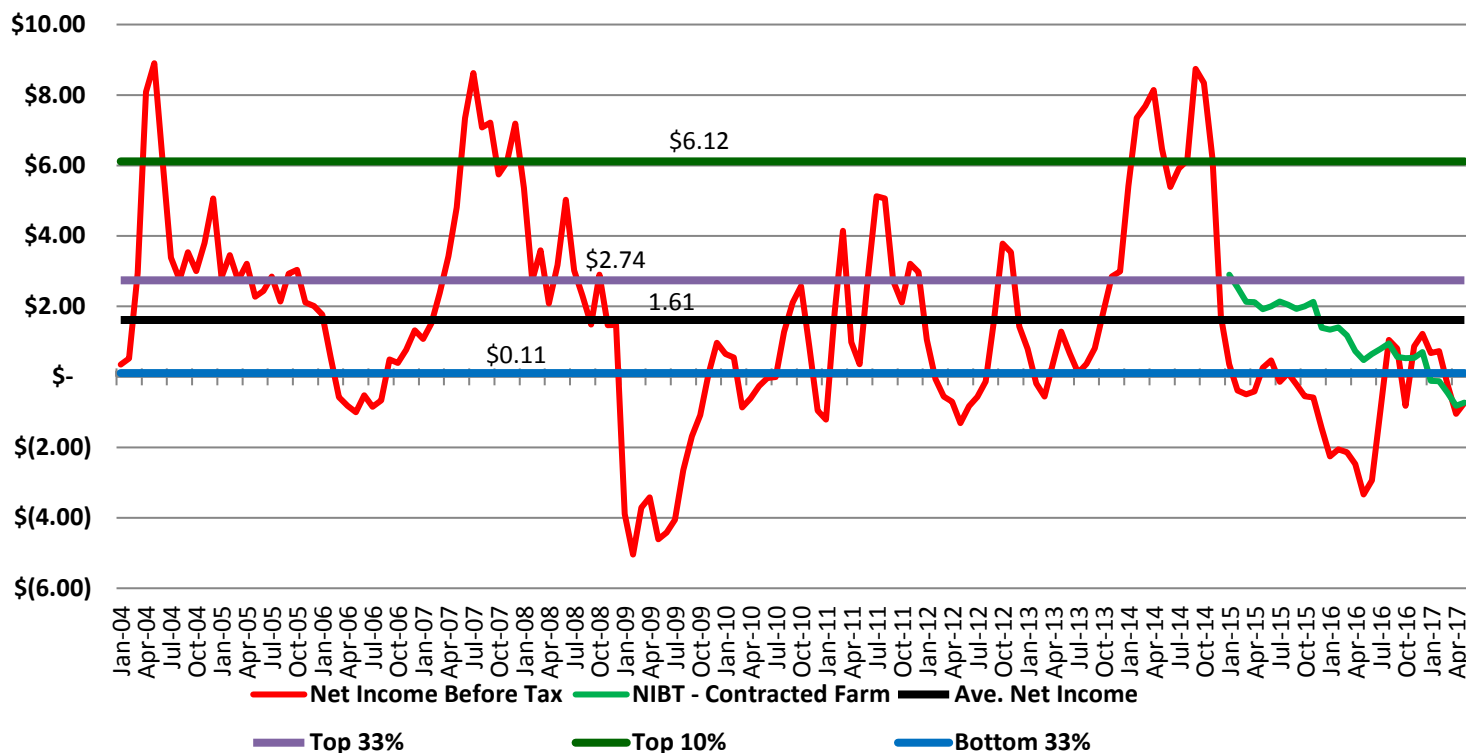
Net Income Available June 9, 2017





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% (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.**

2004-2017 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
2017	.39			