



# 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

	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17	June '17	July '17	Aug '17	Sep '17	Oct '17	Nov '17
Change From Prior Week	-0.31	-0.44	-0.21	+0.03	-0.01	-0.23	-0.43	-0.67	-0.71	-0.70	-0.48	-0.24

#### 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

The tip of the week relates to a request from a customer on an update related to the beef import/export situation with Brazil and how that may be affecting cull cow prices. Each country released its ban on fresh beef in Aug '16. Here are a few background facts:

- Projected 2016 beef production: The USA is the largest in the world at 19.2% of worldwide prod. while Brazil is 2<sup>nd</sup> at 16.3%.
- 2015 beef consumption: The USA is the largest at 19.9% of worldwide consumption with Brazil at 13.93%.
- Brazil had imposed a ban on US beef dating back to the initial "mad cow" case in the US in 2003. This has been lifted.
- Correspondingly the US has now approved the food safety system of Brazil and is allowing fresh beef to be imported to the US from Brazil. Foot & mouth disease had been a problem.
- Currency exchange rates show that currently the US \$ is trading in the 90<sup>th</sup> percentile of rates to the Brazilian Real over the past 17 years, although the Real value has improved from its low exchange to the dollar in 2015.
- JBS (2<sup>nd</sup> largest US beef packer) is a Brazilian based company

**Summary:** Total balance of beef trade has yet to be determined, but likely could have a slightly negative impact on US live cattle prices as currency exchange rates favor net imports from Brazil.

**Milk:** Resumes next week

#### Market News

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

##### Update on the December 9, 2016 World Ag Supply and Demand Estimate Report (WASDE)...

##### Corn

- No changes made to the 16/17 US Corn Supply and use projections.
- Estimated corn production for the current crop growing in Brazil has been increased in hectares and yield. If realized, it would be a new record.
- Increased prod also proj. in other parts of the world
- Overall world projected coarse grain ending stocks are raised 4.5M metric tons

##### Soybeans and oil

- No changes made to the 16/17 US Soybean Supply and use projections.
- Global oilseed supply is projected higher for both production and ending stocks

#### MARGINSMART Insight

**CLASS III MILK FUTURES WERE UP AN AVERAGE OF \$.70 PER CWT. FOR JAN-APRIL 2017, \$.49 FOR MAY-JUNE 2017 AND OVER \$.20 PER CWT. THE REST OF 2017.**

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

**DIRECT: 920-264-9139**

**EMAIL: mark@marginsmart.com**

### Market Price Updates (As of 12/9/2016 Close)

	Dec'16	+/-*	Jan'17	+/-*	Feb'17	+/-*	Mar'17	+/-*	Apr'17	+/-*	May'17	+/-*	June'17	+/-*
Class III Milk	17.10	-0.06	16.68	-0.28	16.88	-0.10	17.01	+0.12	17.00	+0.17	17.05	+0.16	17.25	+0.08
Class IV Milk	15.04	-0.25	15.53	-0.55	15.92	-0.45	16.10	-0.55	16.50	-0.27	16.50	-0.42	16.92	-0.15
Cash Butter	2.09	-0.06	2.08	-0.09	2.09	-0.08	2.09	-0.08	2.11	-0.06	2.13	-0.05	2.15	-0.04
Cash Cheese	1.78	+0.00	1.71	-0.03	1.74	+0.00	1.74	+0.01	1.75	+0.03	1.75	+0.02	1.77	+0.02
Corn	3.52	+0.15					3.59	+0.12			3.66	+0.12		
Soybeans			10.37	+0.10			10.48	+0.11			10.56	+0.12		
Soybean Meal	317	+06	319	+06			323	+07			325	+07		

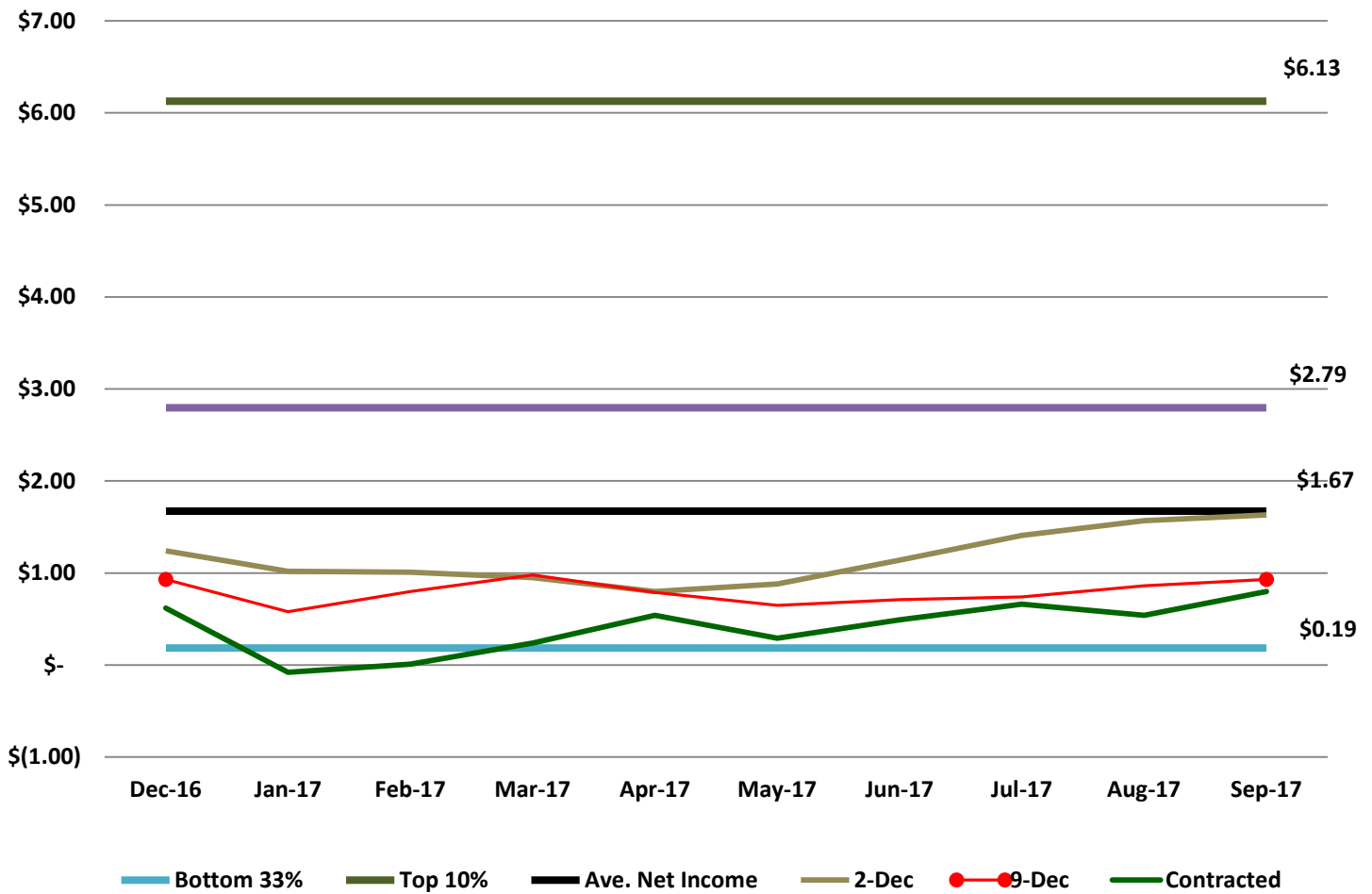
\*Change from the Previous Week Price

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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.**

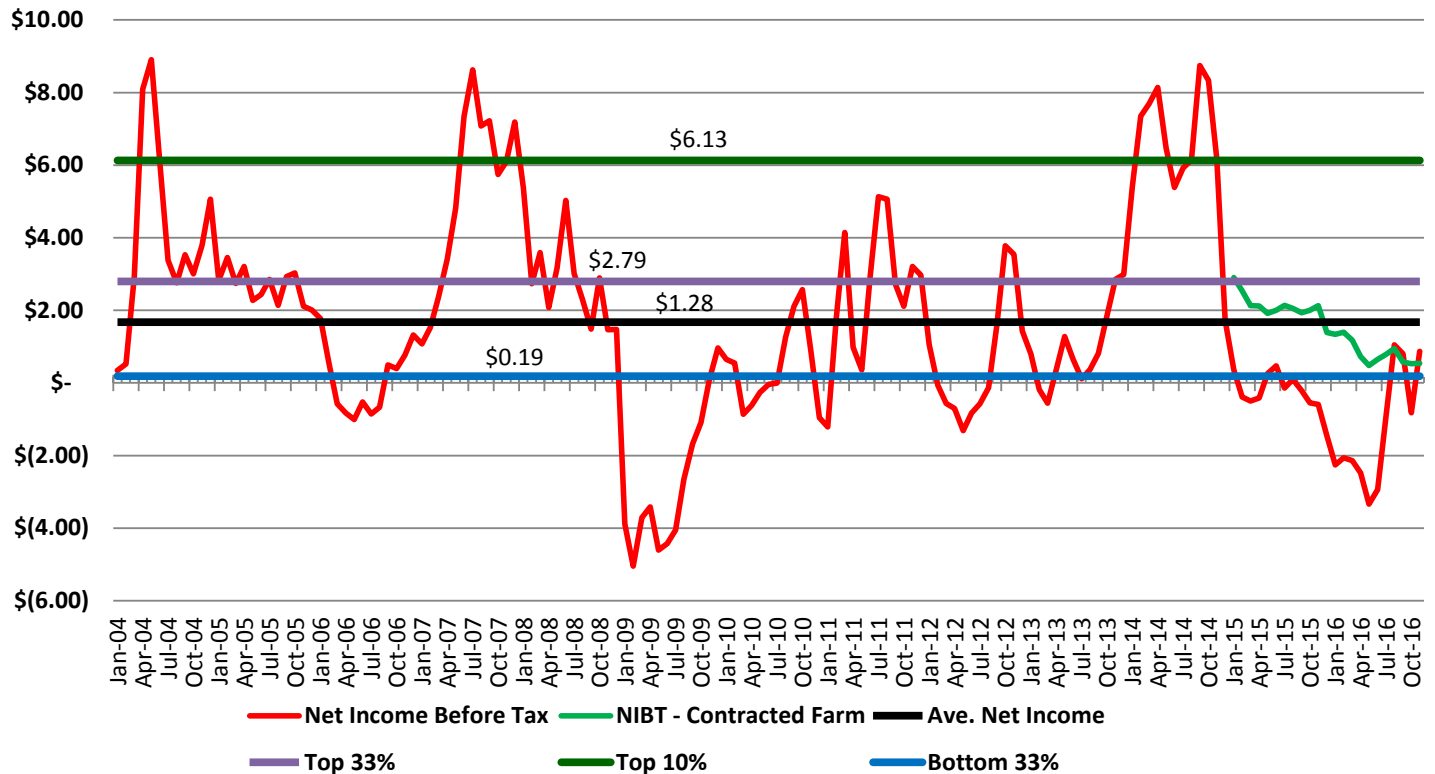
### Net Income Available December 9, 2016





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% (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
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	0.31	