

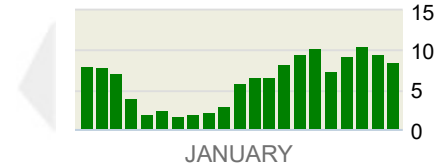
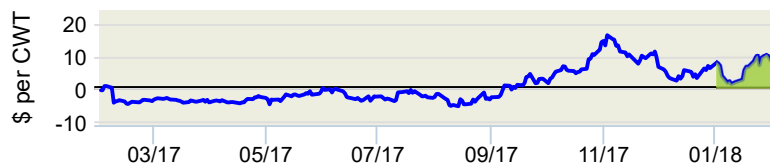
Beef Margin Watch: January



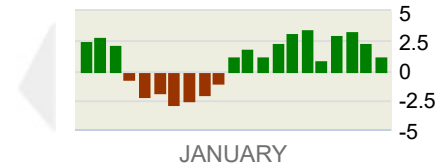
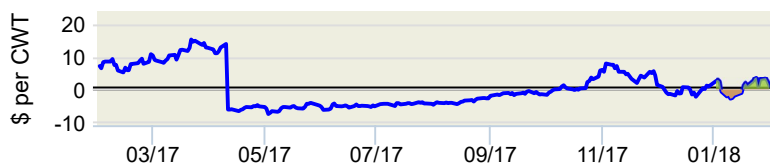
Beef margins have improved since the middle of the month as higher cattle prices more than offset the impact of rising corn costs. The USDA released their annual Cattle Inventory report at the end of the month, reflecting the breakdown of all cattle and calves on January 1 along with the 2017 calf crop. Overall, the figures were in line with pre-report estimates, though on the lower end of the range. The total cattle and calf count of 94.4 million head was up 0.7% from a year ago compared to the average trade guess of a 1.0% increase from 2017. Total cows and heifers that calved were 41.1 million head, up 1.4% from last year, with beef cows that calved representing 31.7 million of that total, up 1.6% year over year. Heifers over 500 lbs. identified as beef cow replacements were 6.1 million head, down 3.7% from 2017 and the lowest since 2015. The 2017 calf crop totaled 35.8 million head, up 2% year over year, but revised down 491,800 head from the July 1, 2017 NASS estimate. Overall, the report reflects continued growth in the national cow herd, though at a reduced pace compared to recent years. USDA also reported 11.489 million cattle on feed as of January 1, up 8% from last year and on the higher end of the range of estimates. December placements were up 1% from the previous year at 1.799 million head, while cattle marketings during the month totaled 1.752 million head, down 1% from 2016. Total beef supplies in Cold Storage on December 31 were reported at 489.5 million pounds, up 4.4 million or 0.9% from November compared to an average build of 3.4% between November and December over the past 10 years. Corn prices have been moving higher recently in response to drought conditions in Argentina, with private forecasters reducing their production estimates. Following the recent increase in corn prices, our beef producer clients are looking to add downside flexibility to feed hedges.

Live Cattle Marketing Periods:

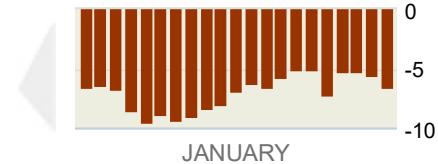
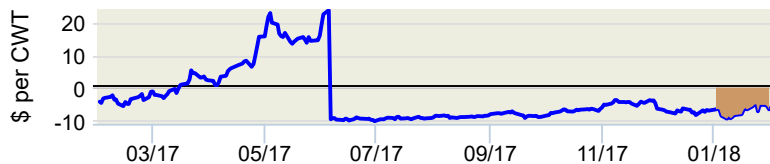
Feb '18 2017 2018 Feb 2018: HIGH **\$16.41** LOW (**\$5.29**) LAST **\$8.65** 10YR PERCENTILE **90.1%**



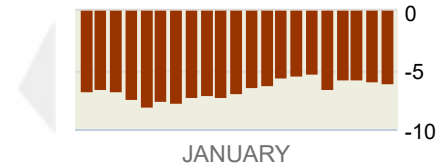
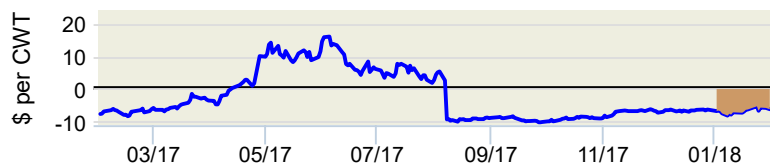
Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW (**\$7.54**) LAST **\$1.16** 10YR PERCENTILE **76.2%**



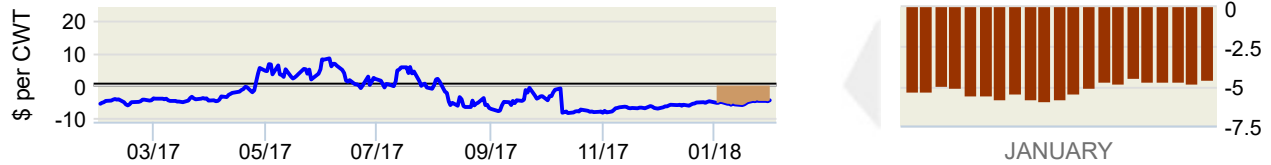
Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW (**\$10.24**) LAST (**\$6.58**) 10YR PERCENTILE **39.7%**



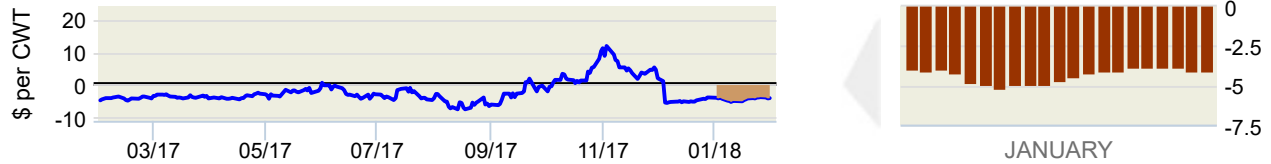
Aug '18 2017 2018 Aug 2018: HIGH **\$16.06** LOW (**\$10.15**) LAST (**\$6.14**) 10YR PERCENTILE **47.7%**



Oct '18 2017 2018 Oct 2018: HIGH **\$8.37** LOW **(\$8.36)** LAST **(\$4.51)** 10YR PERCENTILE **37.0%**



Dec '18 2017 2018 Dec 2018: HIGH **\$11.96** LOW **(\$7.49)** LAST **(\$4.05)** 10YR PERCENTILE **36.6%**



The Beef Margin calculation uses Feeder Cattle futures to price inbound animals and assumes each will consume 55 bushels of corn and cost approximately \$250 per head (for other feed and non-feed expenses) to gain 550 pounds and reach a market weight of 1,250 pounds.

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