

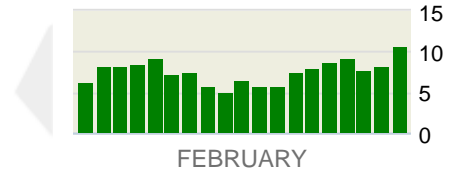
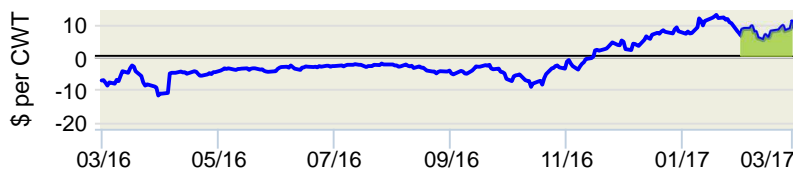
Beef Margin Watch: February



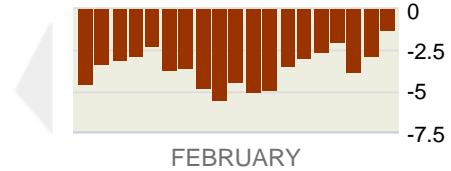
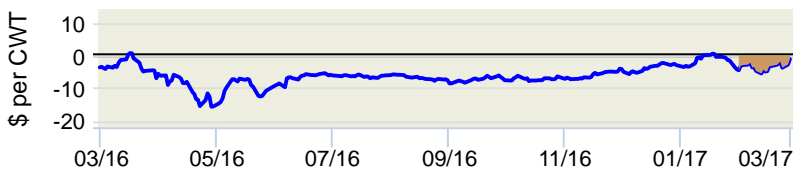
Beef margins improved over the second half of February due to higher cattle prices, while corn feed costs held mostly steady. Continued strength in spot margins are likely behind the stronger January placements noted in the latest monthly Cattle on Feed report. USDA reported January placements at 1.981 million head, up 11.4% from 2016, when on average the market was anticipating a 10.6% increase. Total on-feed supplies as of February 1 were reported at 10.782 million head, up 0.7% from last year and very close to industry expectations of a 0.6% increase on average. January cattle marketings of 1.751 million head were right at pre-report expectations, up 10.2% from 2016. Meanwhile, total beef supplies in cold storage on January 31 were reported by USDA at 537.542 million pounds, down 30.346 million, or 5.34%, from December. The draw-down compares to the 10-year average December-to-January build in beef supplies of 0.91% and was considered somewhat friendly for beef prices. Milder weather and the continued improvement in economic conditions may be helping to stimulate demand, according to analysts. Meanwhile, corn prices have moved higher in recent sessions following rumors that the Trump administration may be looking to amend the Renewable Fuels Standard. Specifically, the point of obligation to prove compliance with the mandate could change from refiners to blenders. There were also discussions about allowing E15 in domestic gasoline blendstocks year-round and limiting biodiesel credits to domestically-manufactured product, both of which were considered bullish for corn and soybean oil. Given the higher trade in corn, beef producers have continued adding flexibility to feed hedges, while also looking to strengthen cattle hedges.

Live Cattle Marketing Periods:

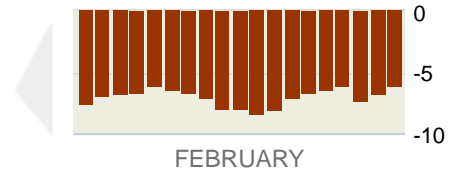
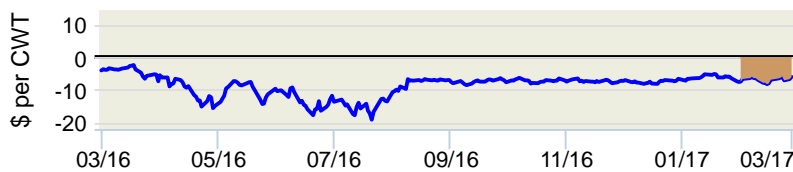
Apr '17 2016 2017 Apr 2017: HIGH **\$12.69** LOW (**\$11.92**) LAST **\$10.73** 10YR PERCENTILE **97.6%**



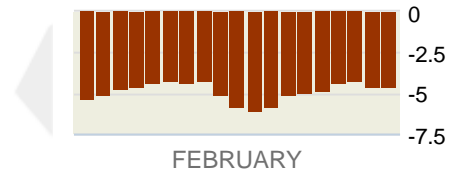
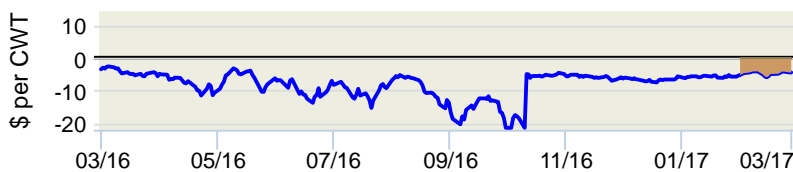
Jun '17 2016 2017 Jun 2017: HIGH **\$0.65** LOW (**\$15.72**) LAST (**\$1.20**) 10YR PERCENTILE **89.3%**



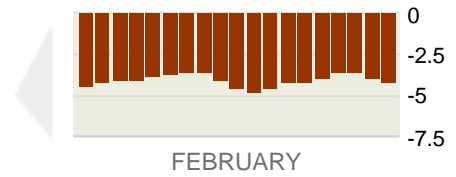
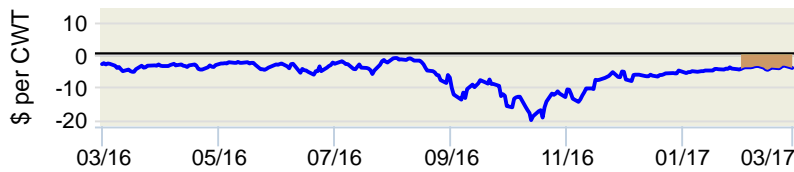
Aug '17 2016 2017 Aug 2017: HIGH (**\$2.49**) LOW (**\$19.19**) LAST (**\$6.11**) 10YR PERCENTILE **44.0%**



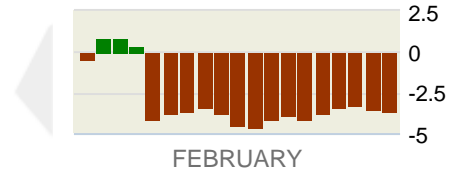
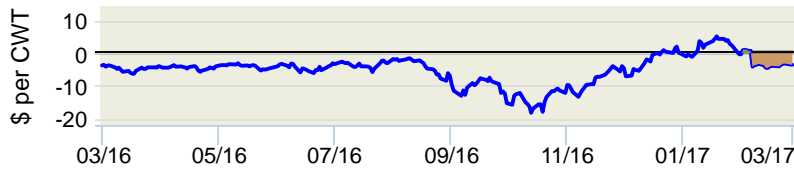
Oct '17 2016 2017 Oct 2017: HIGH (**\$2.73**) LOW (**\$21.47**) LAST (**\$4.51**) 10YR PERCENTILE **32.6%**



Dec '17 2016 2017 Dec 2017: HIGH (\$1.19) LOW (\$20.08) LAST (\$4.15) 10YR PERCENTILE 33.4%



Feb '18 2017 2018 Feb 2018: HIGH \$5.05 LOW (\$18.30) LAST (\$3.67) 10YR PERCENTILE 33.3%



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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