

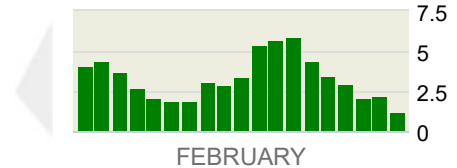
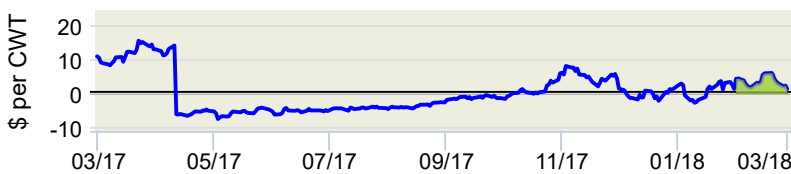
Beef Margin Watch: February



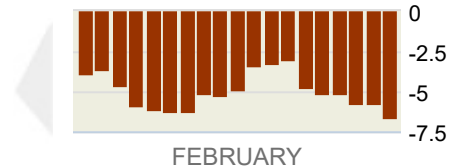
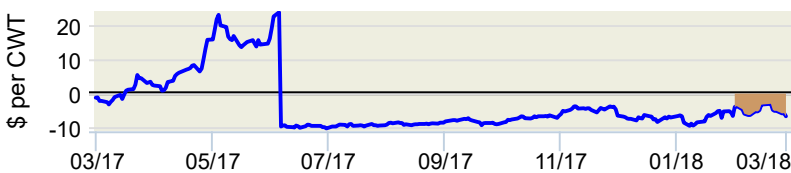
Beef margins deteriorated sharply over the second half of February against existing placements with higher feed costs and lower cattle prices, while forward crushes on deferred placements were steady to firmer with declining feeder cattle prices. While much of the focus on drought conditions in Argentina has surrounded the soybean complex and the meal market in particular, corn prices have begun to advance recently as well with commodity fund short covering and risk premium being added to the market. Following recent downward adjustments from USDA, the Buenos Aires Grains Exchange (BAGE) lowered their corn production estimate 2 million tons to 37 million, with further cuts possible due to limited relief in current weather forecasts. The cattle market meanwhile has been under pressure from another bearish monthly Cattle on Feed report showing much larger placements than expected. USDA reported 11.63 million head of cattle on feed as of February 1, up 7.9% from last year and in line with estimates for a 7.4% average increase over 2017. January placements totaled 2.068 million head, up 4.4% from last year when the market was only expecting a 0.8% increase on average, with the range of estimates between 97.7% to 102.9% of last year. USDA also reported total beef in Cold Storage on January 31 at 499.6 million pounds, up 11.5 million or 2.4% from December compared to the average build of 0.91% between December and January over the previous ten years. January beef inventories were down 38.7 million pounds or 7.2% from 2017 though. Our beef producer clients continue monitoring targets to strengthen delta on cattle hedges while also looking to lighten delta on feed hedges following the recent increase in corn prices.

Live Cattle Marketing Periods:

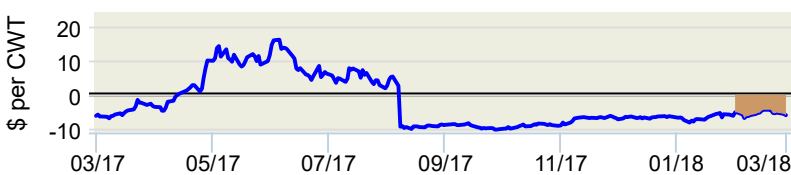
Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$7.54)** LAST **\$1.22** 10YR PERCENTILE **76.0%**



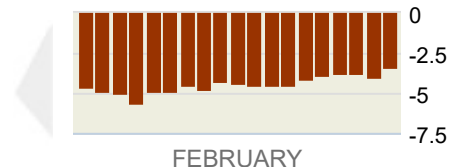
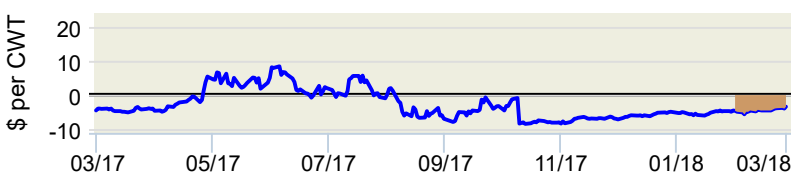
Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW **(\$10.24)** LAST **(\$6.62)** 10YR PERCENTILE **39.0%**



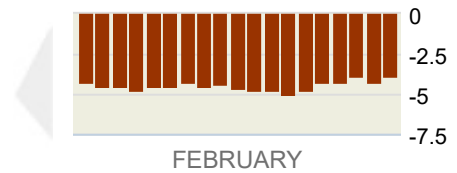
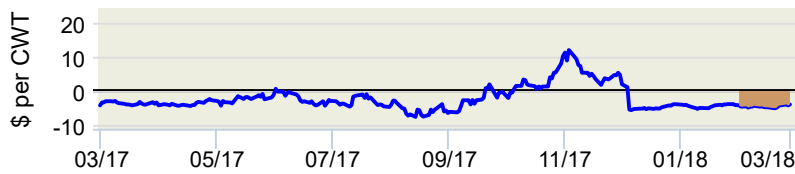
Aug '18 2017 2018 Aug 2018: HIGH **\$16.06** LOW **(\$10.15)** LAST **(\$5.92)** 10YR PERCENTILE **50.9%**



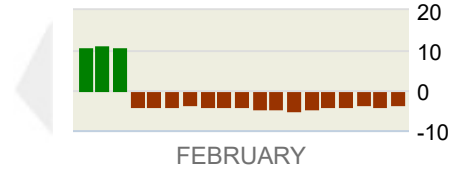
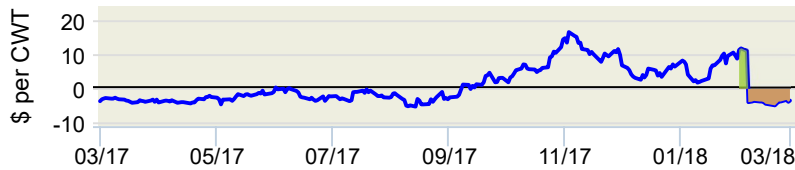
Oct '18 2017 2018 Oct 2018: HIGH **\$8.37** LOW **(\$8.36)** LAST **(\$3.37)** 10YR PERCENTILE **49.6%**



Dec '18 2017 2018 Dec 2018: HIGH \$11.96 LOW (\$7.49) LAST (\$3.92) 10YR PERCENTILE 38.8%



Feb '19 2018 2019 Feb 2019: HIGH \$16.41 LOW (\$5.29) LAST (\$3.50) 10YR PERCENTILE 35.7%



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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