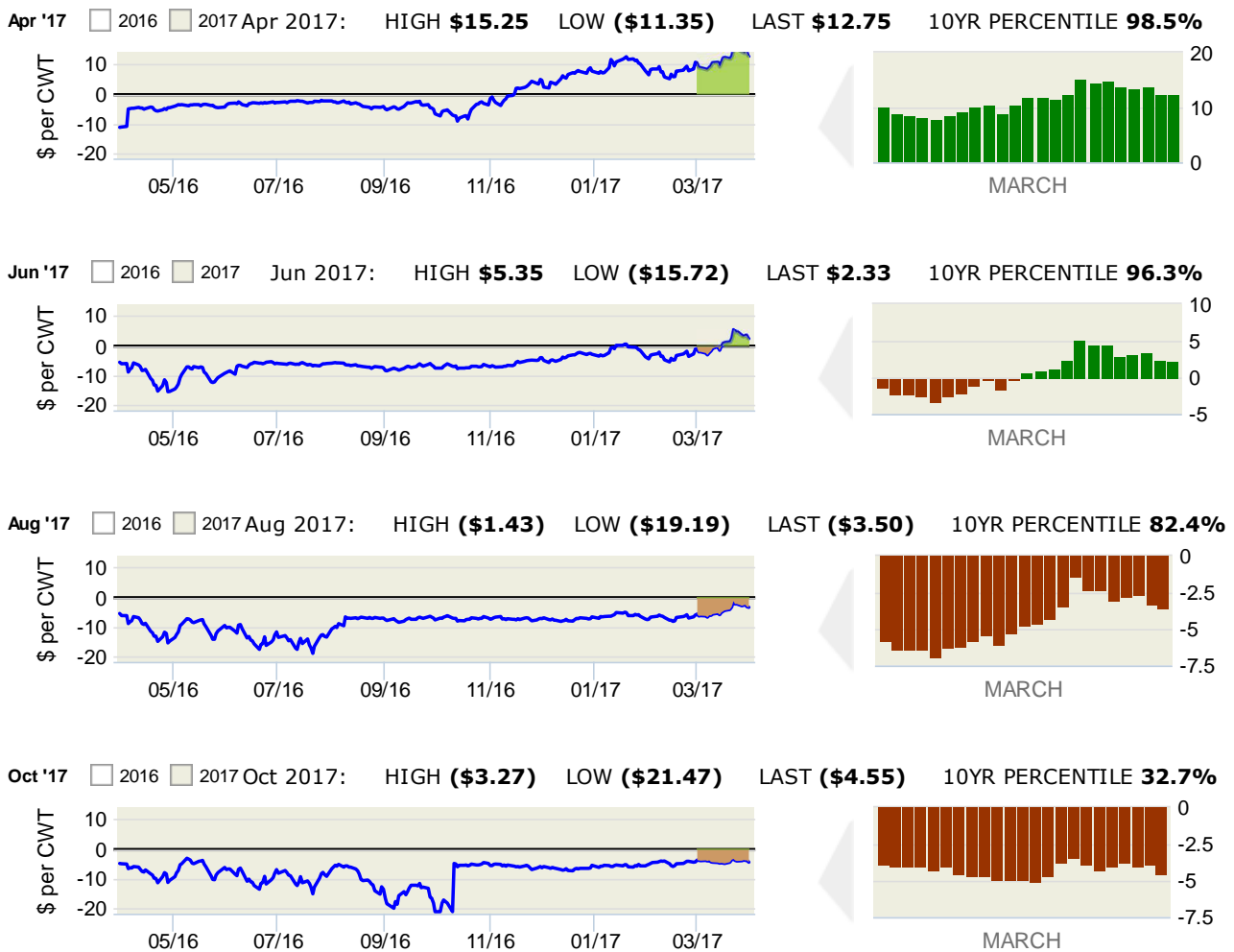


Beef Margin Watch: March

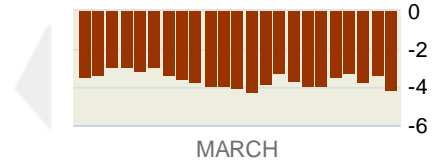
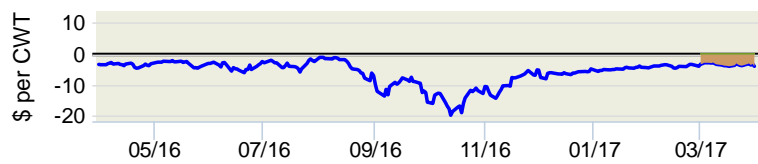


Beef margins were steady to slightly stronger over the last half of March due mainly to higher cattle prices, as corn was largely flat during the period. . Cattle prices got a boost following news of a scandal in Brazil's meatpacking industry that has compromised beef exports from the country. A whistleblower revealed extensive corruption as several beef processing plants had bribed federal inspectors to either overlook unscrupulous practices or skip inspections altogether. As a result, many large importing countries – including China, the EU and others halted Brazilian beef imports, although those restrictions were recently relaxed to some degree. While it remains questionable to what extent the development may help boost U.S. beef exports, Q1 shipments already have been quite strong. While U.S. beef production this past quarter is expected to be up 4% to 5% from last year, domestic supply is actually expected to be down 0.4% from last year due to strong exports. USDA reported a 1% increase in cattle placed into feedlots during February, with the March 1 feedlot inventory at 10.78 million head, up 0.7% from 2016. February marketings were reported up 8.8% from last year, and packers continue to bid aggressively for cattle given strong cutout values and processing margins. USDA also released the Quarterly Grain Stocks and Prospective Plantings reports, with corn receiving support from the latter. Corn planting intentions were pegged at 89.996 million acres, down more than 4 million from last year and 1 million below the average trade forecast. While March 1 corn stocks of 8.616 billion bushels remain more than adequate and up 794 million from last year, weather and new crop fundamental considerations will begin driving feed price direction over the medium to longer term. Our beef producer clients benefited from adjustments made recently to strengthen feed hedges and continue to evaluate forward crush opportunities.

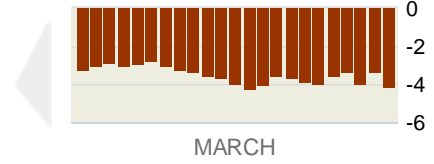
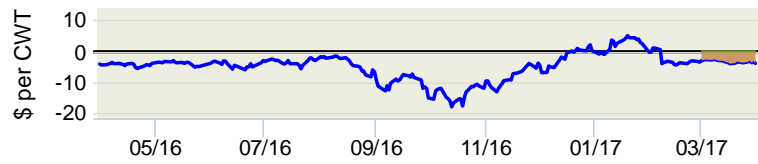
Live Cattle Marketing Periods:



Dec '17 2016 2017 Dec 2017: HIGH (\$1.19) LOW (\$20.08) LAST (\$4.14) 10YR PERCENTILE 33.6%



Feb '18 2017 2018 Feb 2018: HIGH \$5.05 LOW (\$18.30) LAST (\$4.06) 10YR PERCENTILE 30.5%



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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