

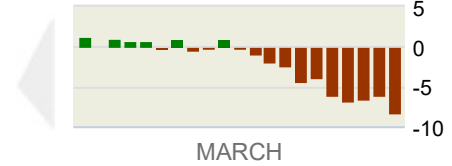
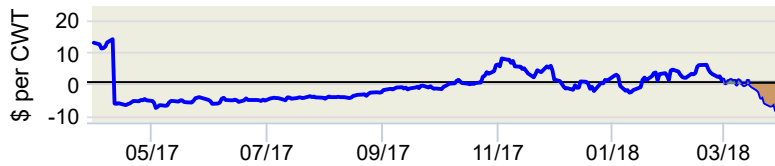
Beef Margin Watch: March



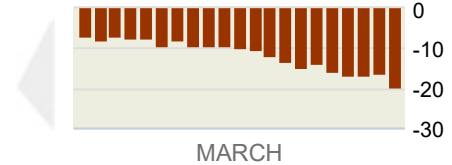
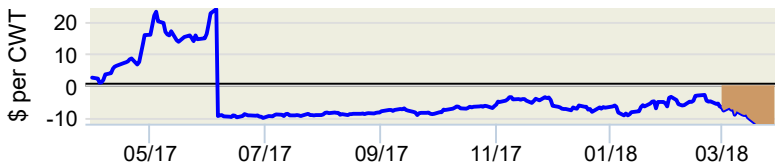
Beef margins deteriorated sharply from mid-month following a steep fall in the cattle market that was coupled with a spike in corn prices. Spot margins against existing inventory are back below breakeven while forward crushes are also projected at steep losses on future placements. Cattle remains under pressure due to ongoing heavy placements and large inventories of cattle on feed amidst concern over spring demand as beef supply looks to increase over the next few months. USDA reported total on feed supplies as of March 1 at 11.715 million head, up 8.8% from last year compared to the average estimate of an 8.1% increase and the largest March inventory since 2006. February placements totaled 1.817 million head, up 7.3% from last year and 12.9% higher than the five-year average. Here also the placement figure came in well above the 4.5% average increase based on pre-report estimates. Much of this increase in placements is coming from heavy weight cattle in the Southern Plains which has been plagued by drought, and the marketing ratio of cattle relative to total inventory has been declining relative to past years which is raising concerns that a significant increase in market-ready cattle could be hitting the market later this spring and early summer. USDA shocked the market with their Prospective Plantings report, reflecting preliminary corn acreage well below expectations. Corn acreage was estimated at 88.026 million, down 2.141 million from last year and outside of the range of estimates between 88.4 and 91 million. Meanwhile, the first half of April looks like it is off to a cold start for much of the Midwestern Corn Belt, raising concerns over potential planting delays. Our clients have been focused mainly on strategic adjustments to existing positions. Recent moves to strengthen feed hedges have proven timely ahead of the USDA's Prospective Plantings report.

Live Cattle Marketing Periods:

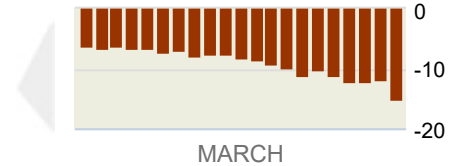
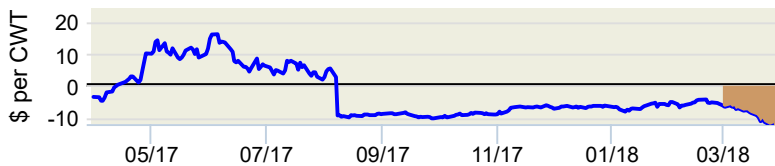
Apr '18 2017 2018 Apr 2018: HIGH **\$13.90** LOW **(\$8.30)** LAST **(\$8.30)** 10YR PERCENTILE **6.6%**



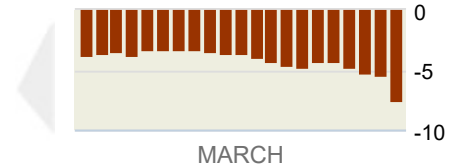
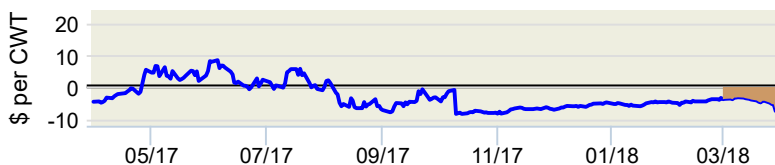
Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW **(\$19.77)** LAST **(\$19.77)** 10YR PERCENTILE **0.8%**



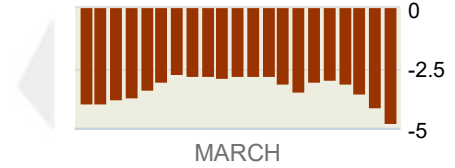
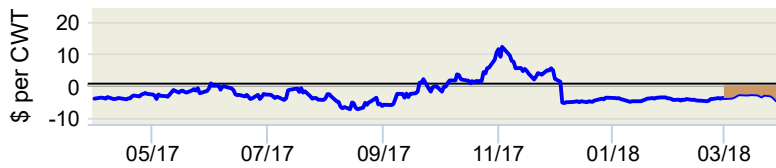
Aug '18 2017 2018 Aug 2018: HIGH **\$16.06** LOW **(\$15.14)** LAST **(\$15.14)** 10YR PERCENTILE **3.7%**



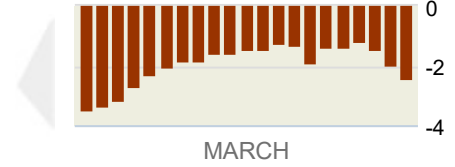
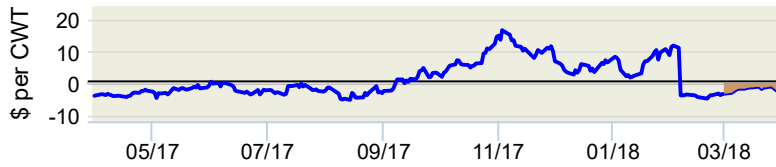
Oct '18 2017 2018 Oct 2018: HIGH **\$8.37** LOW **(\$8.36)** LAST **(\$7.46)** 10YR PERCENTILE **17.0%**



Dec '18 2017 2018 Dec 2018: HIGH **\$11.96** LOW **(\$7.49)** LAST **(\$4.74)** 10YR PERCENTILE **29.9%**



Feb '19 2018 2019 Feb 2019: HIGH **\$16.41** LOW **(\$5.29)** LAST **(\$2.42)** 10YR PERCENTILE **47.0%**



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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