

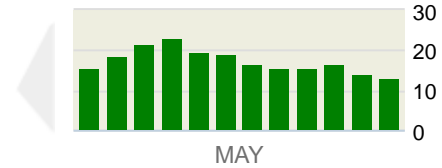
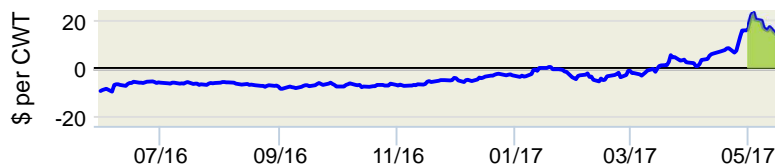
# Beef Margin Watch: May



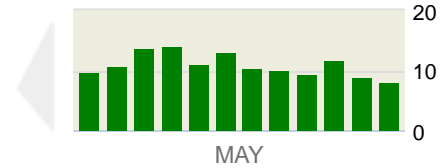
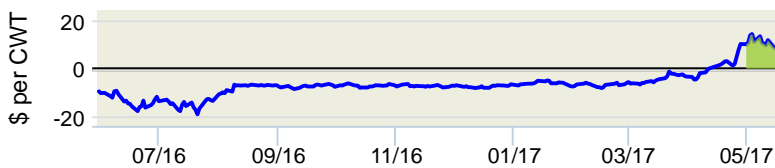
Beef margins declined slightly over the first half of May as cattle prices corrected a bit from the torrential advance during the month of April, while feed costs held mostly steady. Beef finishing margins remain positive and historically strong through fall marketing periods, though below breakeven in winter months against deferred summer placements. Despite the recent price correction in cattle, the beef market remains supported by strong demand. March beef exports of 77,743 metric tons were up 15,407 tons, or 24.7%, from last year, representing the largest monthly beef export volume since June 2014. Beef export revenue of \$510.8 million was also up 24.2%, or \$100 million, from last year, indicating that the increased volume was driven more by increased availability than by lower prices. Meanwhile, the Memorial Day holiday at the end of the month kicks off the traditional summer grilling season in the U.S., and beef features have been prominent in retail circulars. The USDA released their highly anticipated May WASDE report, although the figures failed to provide much direction to the corn market. In their first balance sheet of the 2017/18 new-crop year, USDA forecasts corn ending stocks to decline 185 million bushels from the current season to 2.11 billion, based on a drop of nearly 1.1 billion in year-over-year production. Despite the decline, demand is also forecast down due to intense export competition from South America and lower feed and residual usage. Given the recent setback in price, our cattle finishing clients are evaluating opportunities to add upside flexibility to existing cattle hedges while maintaining strong protection against further price weakness. Making sure feed coverage and protection to higher prices matches cattle positions has also been a priority ahead of the long growing season.

## Live Cattle Marketing Periods:

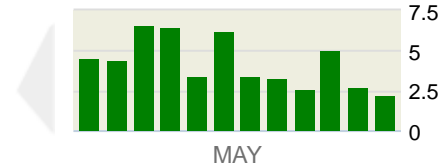
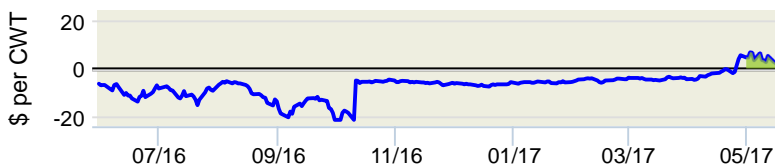
Jun '17   2016   2017   Jun 2017:   HIGH **\$22.89**   LOW **(\$9.81)**   LAST **\$13.49**   10YR PERCENTILE **99.5%**



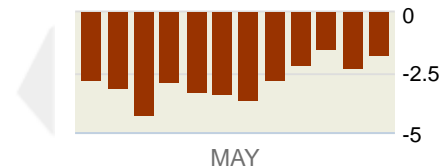
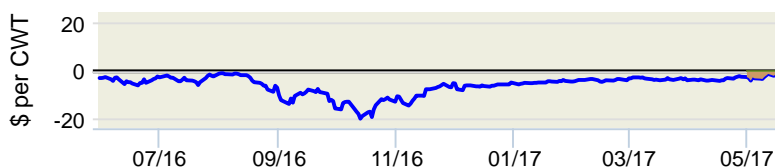
Aug '17   2016   2017   Aug 2017:   HIGH **\$14.18**   LOW **(\$19.19)**   LAST **\$8.23**   10YR PERCENTILE **98.4%**



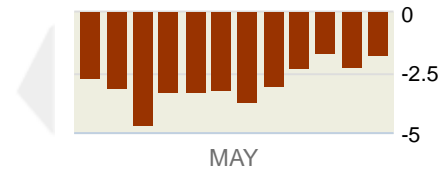
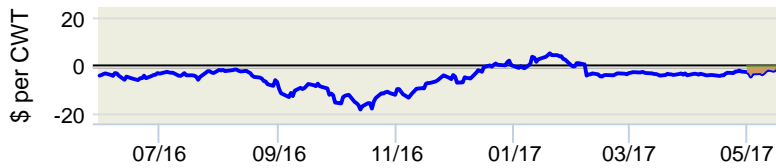
Oct '17   2016   2017   Oct 2017:   HIGH **\$6.62**   LOW **(\$21.47)**   LAST **\$2.18**   10YR PERCENTILE **88.1%**



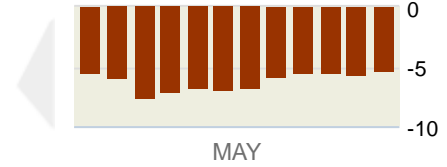
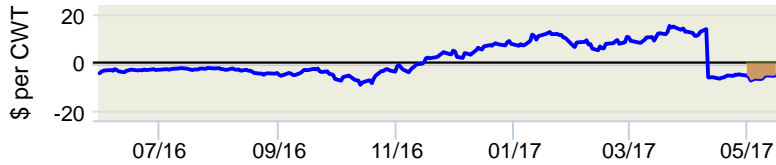
Dec '17   2016   2017   Dec 2017:   HIGH **(\$1.19)**   LOW **(\$20.08)**   LAST **(\$1.72)**   10YR PERCENTILE **70.0%**



Feb '18 2017 2018 Feb 2018: HIGH **\$5.05** LOW **(\$18.30)** LAST **(\$1.72)** 10YR PERCENTILE **55.2%**



Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$9.28)** LAST **(\$5.20)** 10YR PERCENTILE **19.9%**



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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