

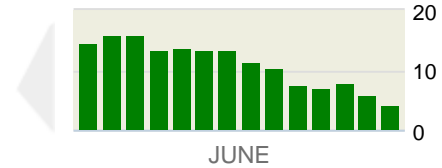
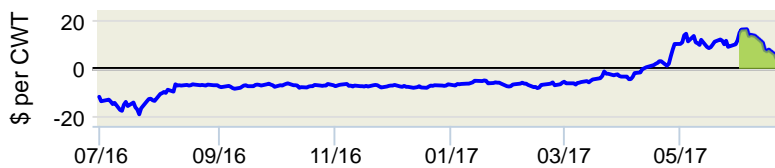
# Beef Margin Watch: June



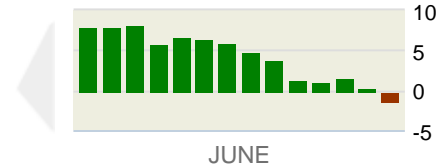
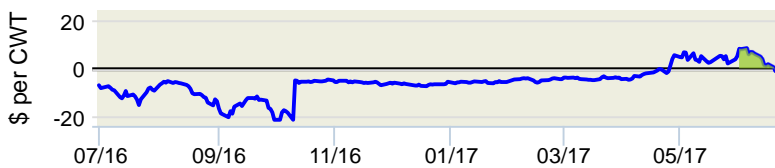
Beef margins have deteriorated sharply since the end of May due to a combination of lower cattle prices and higher projected feed costs. While margins remain positive through fall marketing periods, they are back to breakeven against October, and negative from December forward. Live Cattle futures prices slumped recently despite continued strong performance in the choice beef cutout from solid demand. However, there may be some concern about demand moving forward given the relative attractiveness of competing proteins in the market and the fact that the choice beef cutout has a seasonal tendency to top out around this time of year. Last year brought a significant retreat in cutout prices from the second half of June through early October, and recent increased cattle placements may weigh on prices later in the year as added supplies come to market. Meanwhile, corn prices have been showing strength recently due to less-than-ideal crop conditions across the Corn Belt. Drought conditions are firmly intact in the Northern Plains, and very hot temperatures were recorded in the Midwest over the first half of June. While scattered rainfall has also been present, topsoil moisture is in short supply and there is concern that the drought may expand from outside of the Plains into key Midwestern growing regions, potentially harming crops over the next month as corn moves towards pollination. Corn crop conditions remained unchanged this week at 67% in the good-excellent category, when the market was expecting an average improvement of 1%-3% from the prior week. Our beef producer clients have been active recently making adjustments to existing positions, particularly lightening delta in cattle hedges following the sharp drop in price.

## Live Cattle Marketing Periods:

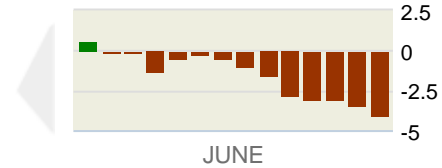
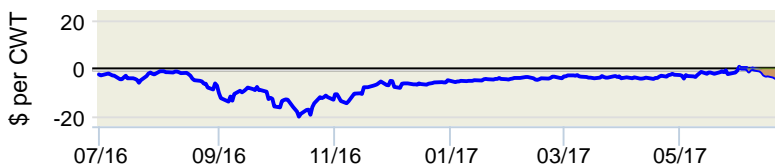
Aug '17  2016  2017 Aug 2017: HIGH **\$16.06** LOW (**\$19.19**) LAST **\$4.10** 10YR PERCENTILE **97.0%**



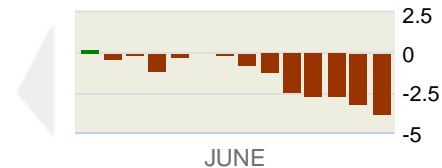
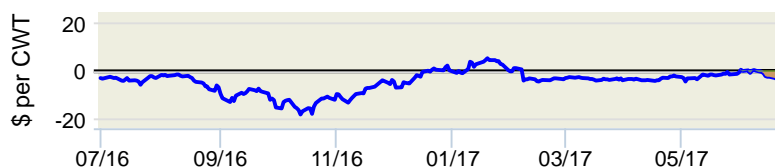
Oct '17  2016  2017 Oct 2017: HIGH **\$8.37** LOW (**\$21.47**) LAST (**\$1.30**) 10YR PERCENTILE **70.6%**



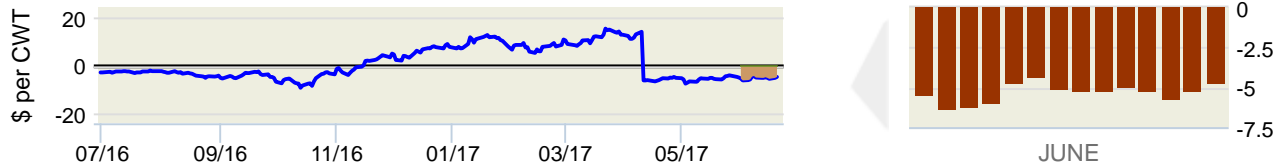
Dec '17  2016  2017 Dec 2017: HIGH **\$0.67** LOW (**\$20.08**) LAST (**\$4.01**) 10YR PERCENTILE **35.1%**



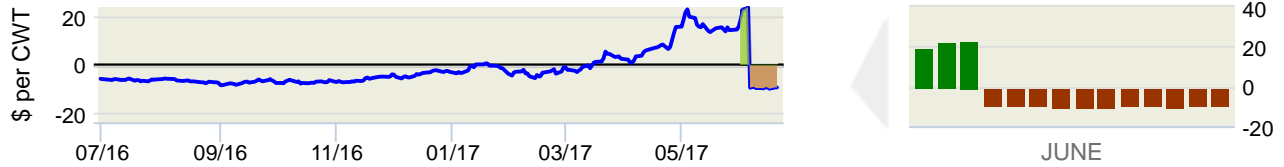
Feb '18  2017  2018 Feb 2018: HIGH **\$5.05** LOW (**\$18.30**) LAST (**\$3.74**) 10YR PERCENTILE **33.6%**



Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$9.28)** LAST **(\$4.71)** 10YR PERCENTILE **23.0%**



Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW **(\$9.99)** LAST **(\$9.45)** 10YR PERCENTILE **20.1%**



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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