

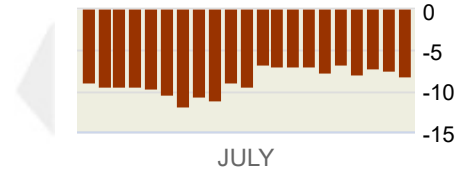
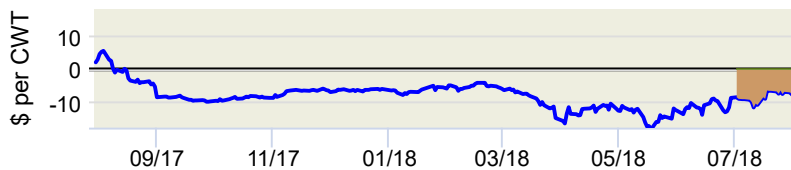
# Beef Margin Watch: July



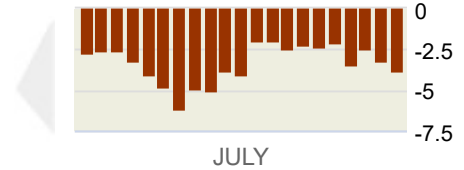
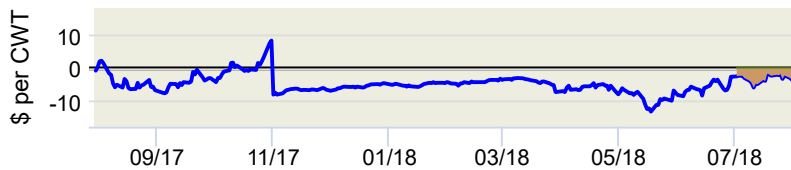
Beef margins declined over the second half of July as higher projected feed costs more than offset an improvement in cattle prices. With the exception of the marketing period against the February Live Cattle contract which is projecting a breakeven, cattle feeding margins and forward crushes remain negative and below average from a historical perspective. Cattle prices are drawing support from ideas that the growth in the beef cow herd is starting to moderate as we reach the end of the current expansion cycle. Beef cow slaughter through the middle of July has increased 11% over last year, although most of this increase is coming from non-fed slaughter with more cows coming to market. USDA released the July 1 Cattle Inventory report, which showed all cattle and calves coming in 1% or 1 million head higher than 2017 at 103 million. The dairy herd was stable while the beef cow herd that calved totaled 32.5 million head, up from 32.2 million last year. The number of heifers held for beef cow replacement dropped 2.1% to 4.6 million head, with heifers not intended for replacement and making their way through slaughter channels climbing nearly 3%. While moderating growth, the calf crop is still larger than last year, up nearly 2%, and continued modest growth may be noted in the January report as well. The corn market has increased recently as deteriorating crop conditions and yield uncertainties ahead of the USDA's August WASDE report has put some risk premium back in the market. Our clients continue to focus mainly on adjustments to existing positions with limited forward margin opportunities due to negative crushes. Adding flexibility to feed hedges has been a focus following the recent price recovery.

## Live Cattle Marketing Periods:

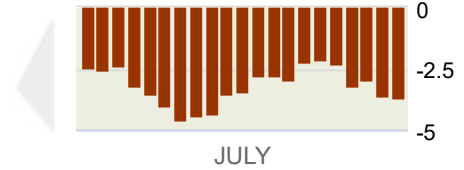
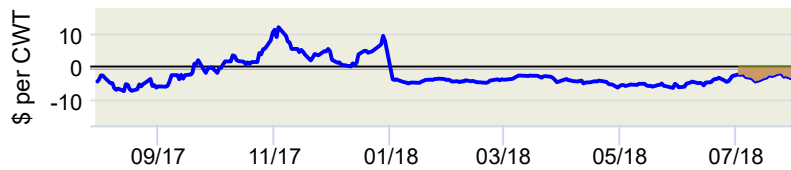
**Aug '18** 2017 2018 Aug 2018: HIGH **\$5.37** LOW **(\$18.63)** LAST **(\$8.03)** 10YR PERCENTILE **29.5%**



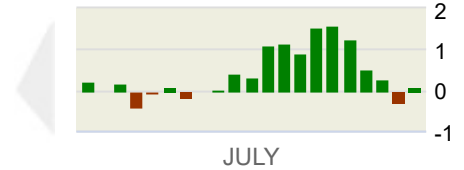
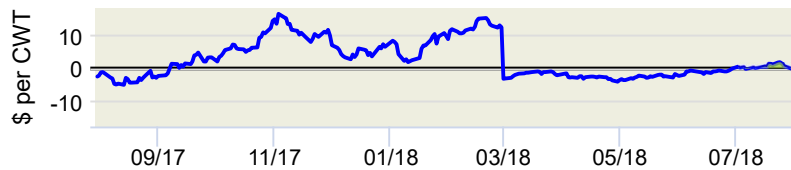
**Oct '18** 2017 2018 Oct 2018: HIGH **\$8.23** LOW **(\$13.41)** LAST **(\$3.81)** 10YR PERCENTILE **47.6%**



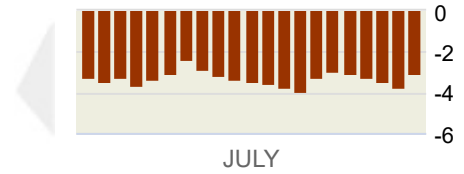
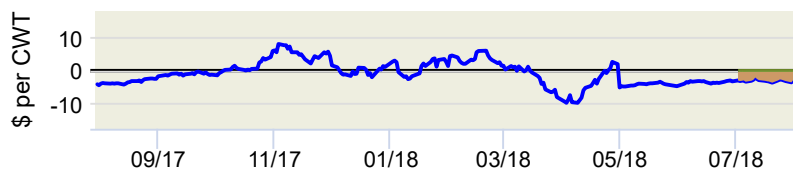
**Dec '18** 2017 2018 Dec 2018: HIGH **\$11.96** LOW **(\$7.49)** LAST **(\$3.72)** 10YR PERCENTILE **44.3%**



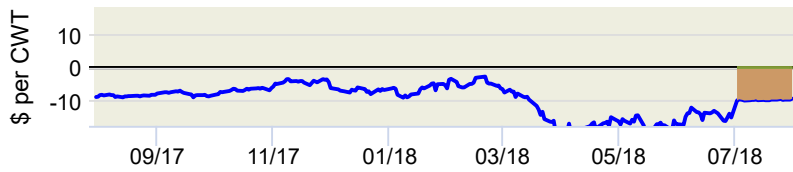
**Feb '19** 2018 2019 Feb 2019: HIGH **\$16.41** LOW **(\$5.29)** LAST **\$0.08** 10YR PERCENTILE **68.7%**



**Apr '19** 2018 2019 Apr 2019: HIGH **\$7.88** LOW **(\$10.08)** LAST **(\$3.05)** 10YR PERCENTILE **39.1%**



**Jun '19** 2018 2019 Jun 2019: HIGH **(\$3.01)** LOW **(\$22.73)** LAST **(\$9.66)** 10YR PERCENTILE **22.1%**



*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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