

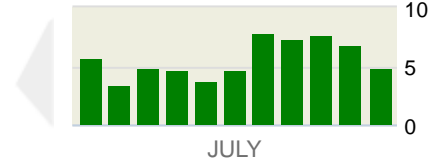
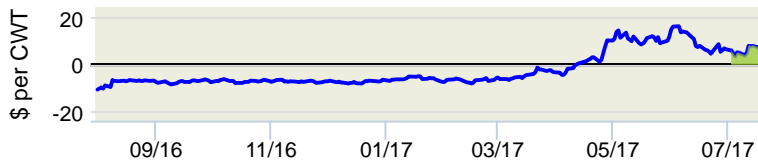
Beef Margin Watch: July



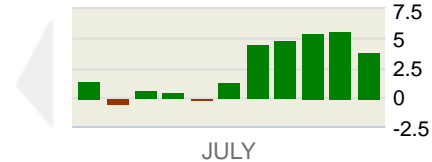
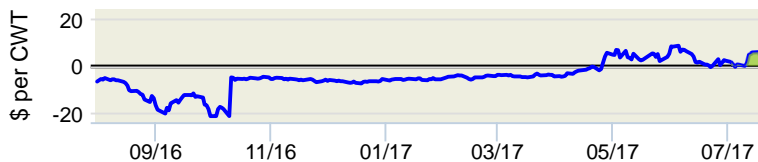
With the exception of the spot marketing period, beef margins have improved since the end of June due to higher cattle prices as feed costs held mostly steady. Margins are positive through the fall marketing period against October cattle futures, though negative from December forward on deferred crushes. Cattle prices have been higher recently despite a sharp drop in the choice beef cutout value, which has dropped \$37.93/cwt. or 15% over the past month. While this weakness is seasonal, there is concern that domestic demand may run into headwinds as the summer grilling season winds down and ample competing proteins, particular pork, are available in the retail meat case. On a positive note, May beef exports were up 3.2% from last year on a carcass-weight basis, fueled in large part by strong demand from Asian markets. The U.S. dollar continues to weaken in the global forex market, which also offers a tailwind to beef exports amid declining cutout values. Meanwhile, the feed market has been relatively quiet with limited movement in corn. The USDA's corn acreage and stocks reports were considered bearish, and the market initially sold off in response to the data, however recent strength has been tied to updated forecasts returning heat and dry weather to the Western Corn Belt. Corn pollination is occurring later this year and there is concern that final yields may be well below current trendline assumptions. The July WASDE report left the projected corn yield unchanged at 170.7 bushels per acre, although most forecasts are no better than the mid to upper 160's based on current conditions. USDA will incorporate actual field surveys into their August crop report next month. Our beef producer clients have benefited from recent adjustments to existing positions, particularly adding flexibility to cattle hedges following the price weakness experienced through the middle of June.

Live Cattle Marketing Periods:

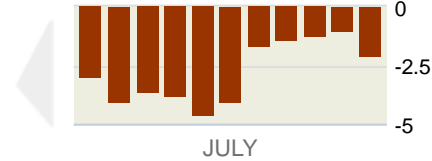
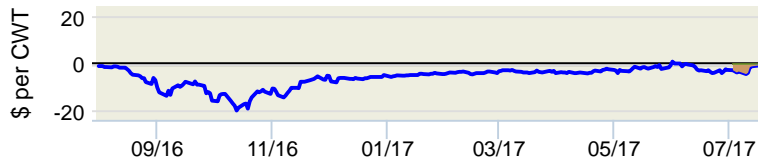
Aug '17 2016 2017 Aug 2017: HIGH \$16.06 LOW (\$10.79) LAST \$4.99 10YR PERCENTILE 96.5%



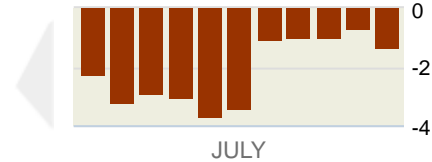
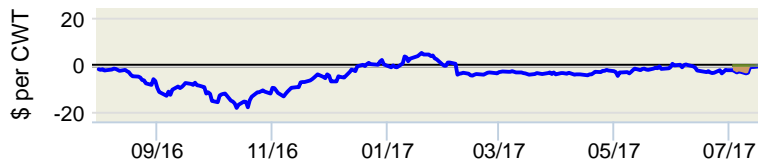
Oct '17 2016 2017 Oct 2017: HIGH \$8.37 LOW (\$21.47) LAST \$3.85 10YR PERCENTILE 92.5%



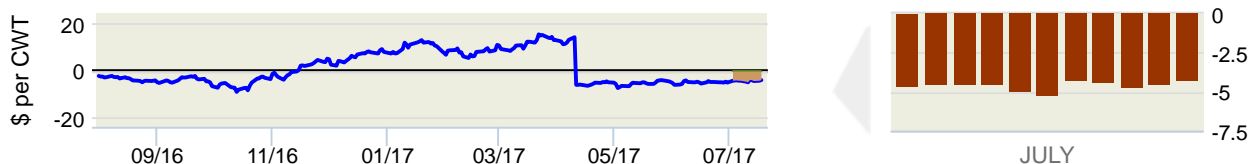
Dec '17 2016 2017 Dec 2017: HIGH \$0.67 LOW (\$20.08) LAST (\$2.02) 10YR PERCENTILE 65.8%



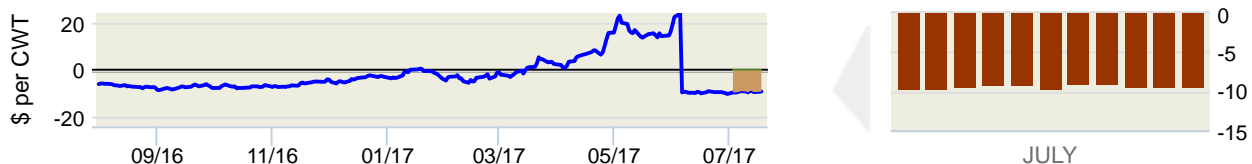
Feb '18 2017 2018 Feb 2018: HIGH \$5.05 LOW (\$18.31) LAST (\$1.30) 10YR PERCENTILE 60.4%



Apr '18 2017 2018 Apr 2018: HIGH \$15.25 LOW (\$9.28) LAST (\$4.23) 10YR PERCENTILE 26.4%



Jun '18 2017 2018 Jun 2018: HIGH \$23.69 LOW (\$10.24) LAST (\$9.27) 10YR PERCENTILE 21.7%



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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