

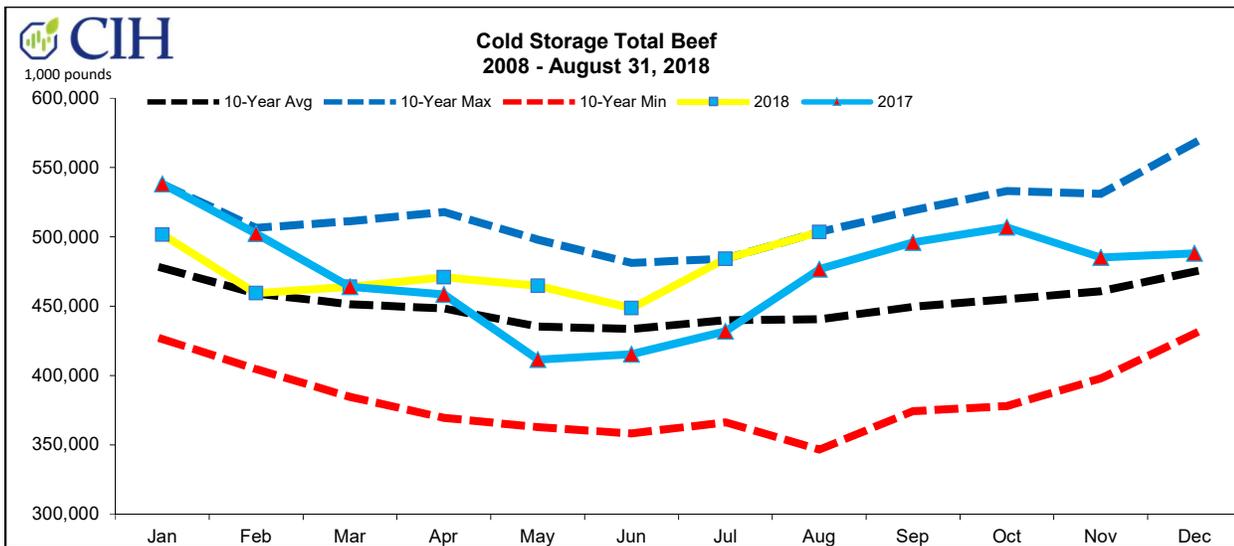
Beef Margin Watch: September



The cattle market remained strong the past couple of weeks as it digested a plethora of fundamental news. The Cattle-on-Feed report revealed the fourth consecutive month of record on feed numbers, with September's estimate of 11.1 million head, 6% greater than last year. August, July and June also were record on feed levels for each particular month since NASS initiated the data series in 1996. While the on feed inventories were slightly above expectations, actual placements of 7% greater compare to average estimates of 4% gains. Marketings, however, were in-line and on par with 2017 levels. Cold Storage supplies of beef as of August 31 totaled 503 million pounds, 4.0 % more than last year, while chicken in freezers is off the charts at 928 million pounds, 18.6% greater than last year's inventories. Countering the robust production and supply are average dressed weights, which year-to-date are 0.3% higher, but are down nearly 3 pounds from like weeks last year. The entire agricultural sector received a large dose of adrenaline when the U.S. and Canada came to terms on NAFTA 2.0. The new, so-called, U.S.-Mexico-Canada Agreement (USMCA) eased broad concerns of trade unrest throughout the continent. The new treaty awaits approval from all three nations, and ratification will likely fall into 2019. Canadian tariffs on U.S. processed beef however, are expected to remain in place as U.S. steel and aluminum tariffs against Canada and Mexico have yet to be lifted. The news stoked relief rallies across both commodity and equity markets, as at least part of the trade war uncertainty is eliminated from the equation. The U.S. corn harvest is 26% complete, ahead of the 5-year average of 17%, but pesky rains throughout the belt will slow progress as fields dry out. The Quarterly Grain Stocks report revealed 2.14 billion bushels of corn as of September 1, above expectations by 138 million bushels, but did represent a drawdown of 7% from last year's levels on greater disappearance. The October WASDE report will update yield and production projections, and will incorporate the fresh stocks data as well. Our beef clients continue to consider strengthening delta, rewarding the live cattle run, while maintaining some flexibility for potential seasonal moves into late fall.

Number of Cattle on Feed, Placements, Marketings, and Other Disappearance on 1,000+ Capacity Feedlots - United States: September 1, 2017 and 2018

Item	Number		Percent of previous year (percent)
	2017 (1,000 head)	2018 (1,000 head)	
On feed August 1.....	10,604	11,093	104.61%
Placed on feed during August.....	1,928	2,070	107.37%
Fed cattle marketed during August.....	1,979	1,983	100.20%
Other disappearance during August.....	49	55	112.24%
On feed September 1.....	10,504	11,125	105.91%



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