

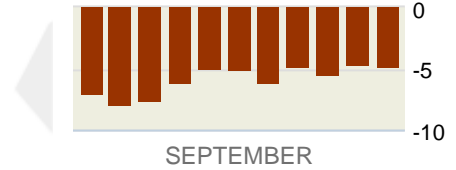
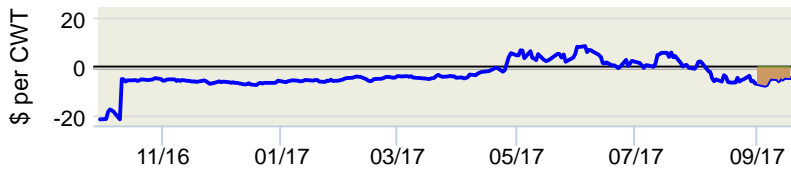
Beef Margin Watch: September



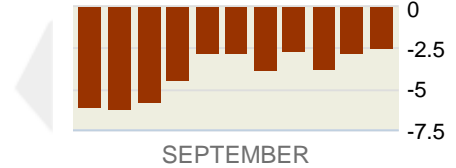
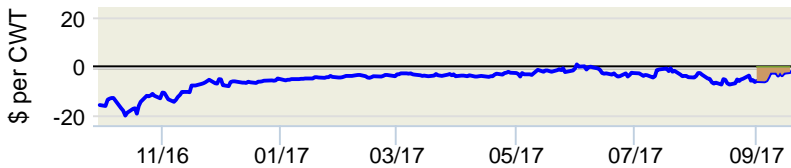
Beef margins continued to improve over the first half of September following higher cattle prices as corn costs remained mostly steady. Cattle finishing margins are now projected above breakeven for the February marketing period, while very close to breakeven in the April slot. Cattle prices have found support from signs of strength in both domestic demand and export channels. Beef packers have sold quite a bit of beef on forward sales recently, which may indicate that retailers are preparing for more beef features into the fall. Meanwhile, export sales averaged 34% above year-ago levels through the four weeks ending September 8, and are comparable to levels seen in 2013. In addition, U.S. cattle prices are down 24% in U.S.-dollar terms since mid-May, while Australian cattle prices are down only 7% in local currency terms for this timeframe. On the feed side, corn prices have failed to move lower despite a bearish September WASDE report from USDA. Contrary to market expectations, corn yield and production were raised from the August estimates to 169.9 bushels per acre and 14.184 billion bushels, respectively. Both figures were on the high end of the range of pre-report estimates, and while the market initially sold off in response to the projections, corn failed to make a new low and prices have since stabilized. Although many traders and analysts continue to believe that actual harvest results will reveal lower yields and production, it appears that the uneven weather across the U.S. Corn Belt this season did much less damage than previously feared. Our beef producer clients are looking to strengthen cattle hedges in response to recent price increases, while maintaining strong feed hedges.

Live Cattle Marketing Periods:

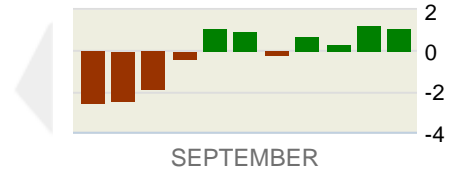
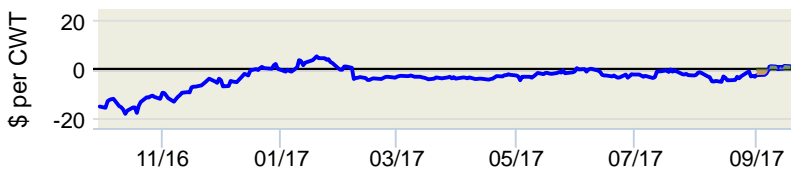
Oct '17 2016 2017 Oct 2017: HIGH **\$8.37** LOW **(\$21.47)** LAST **(\$4.69)** 10YR PERCENTILE **33.0%**



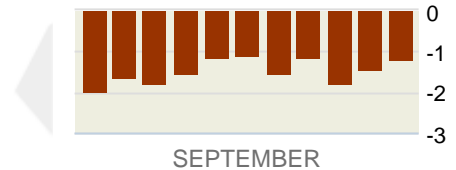
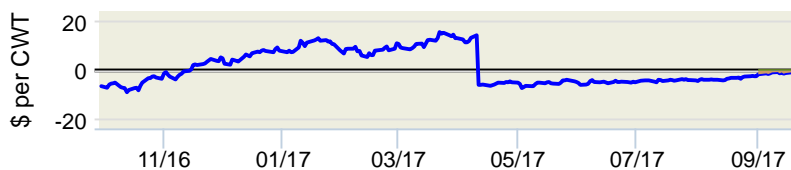
Dec '17 2016 2017 Dec 2017: HIGH **\$0.67** LOW **(\$20.08)** LAST **(\$2.46)** 10YR PERCENTILE **60.6%**



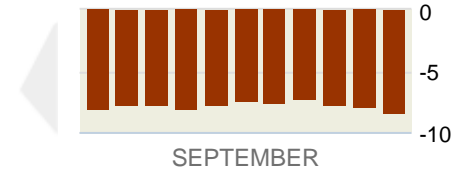
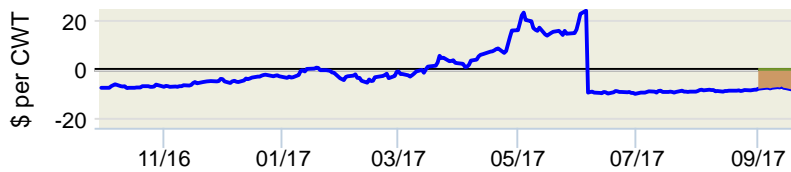
Feb '18 2017 2018 Feb 2018: HIGH **\$5.05** LOW **(\$18.31)** LAST **\$1.09** 10YR PERCENTILE **77.9%**



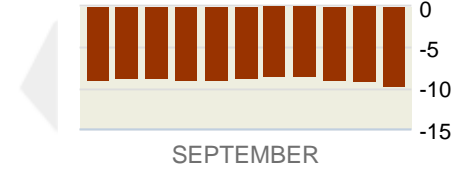
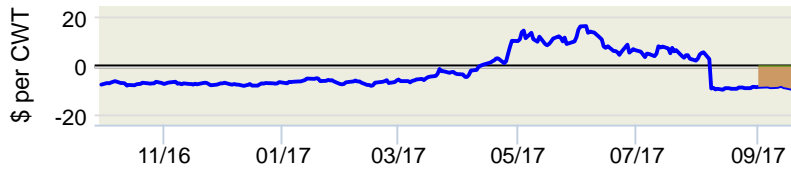
Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$9.28)** LAST **(\$1.16)** 10YR PERCENTILE **63.3%**



Jun '18 2017 2018 Jun 2018: HIGH \$23.69 LOW (\$10.24) LAST (\$8.36) 10YR PERCENTILE 26.9%



Aug '18 2017 2018 Aug 2018: HIGH \$16.06 LOW (\$9.92) LAST (\$9.53) 10YR PERCENTILE 16.5%



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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