

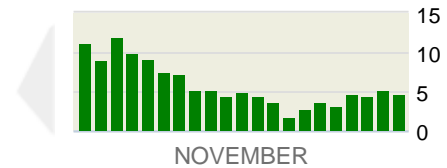
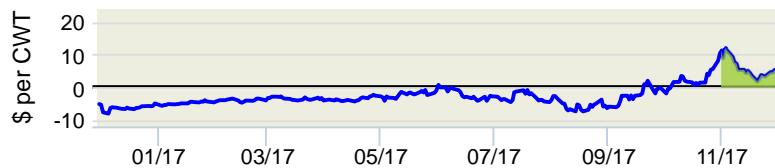
Beef Margin Watch: November



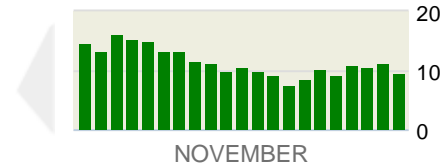
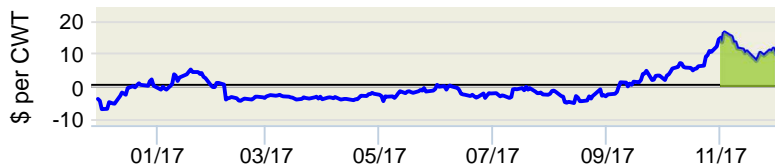
Beef margins were steady to a little better over the second half of November as higher cattle prices more than offset a corn market that was flat to slightly higher. Margins for nearby marketing periods against existing placements remain historically strong through the spring, while deferred slots against forward crushes are still negative. Although cattle futures prices held steady through late November, recently they have started to slip. In addition to the bearish monthly Cattle on Feed report, the USDA reported boneless beef in Cold Storage at the end of October totaled 462.3 million pounds, down 6.5% from 2016, but 12.2% higher than the five-year average. While strong weekly cattle slaughter recently has largely gone to fill holiday orders as slaughter weights are tracking below year-ago levels, increasing beef production from higher cattle placements moving forward into 2018 may become more problematic if demand begins slowing down after the holiday season. Meanwhile, feed costs have held relatively steady with little feature in the market. USDA released their long-term baseline forecasts, which preliminarily projected a further build of corn ending stocks to 2.607 billion bushels by the end of the 2018-19 crop marketing year. Combined, Brazil and Ukraine provide stronger competition in the global export market, which should mitigate any significant price advances over the medium term. Our beef producer clients have benefited from having recently adjusted cattle hedges to stronger delta positions following the price advance, and are now looking to add flexibility back to those positions and reduce delta should the market continue to correct.

Live Cattle Marketing Periods:

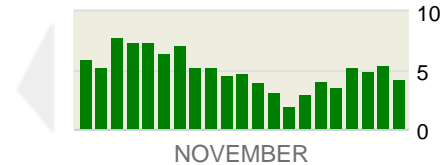
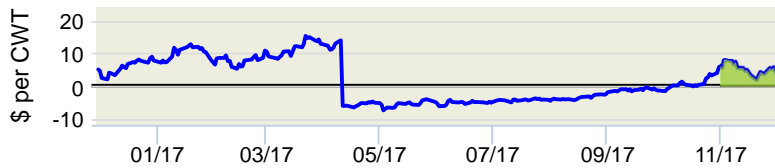
Dec '17 2016 2017 Dec 2017: HIGH **\$11.96** LOW **(\$8.15)** LAST **\$4.70** 10YR PERCENTILE **91.5%**



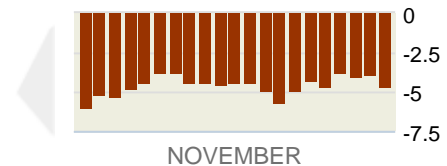
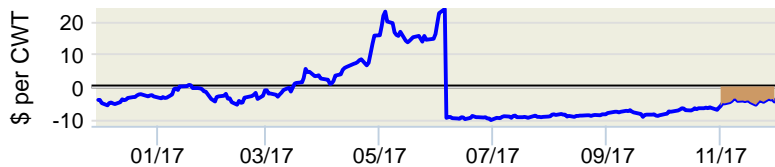
Feb '18 2017 2018 Feb 2018: HIGH **\$16.41** LOW **(\$7.10)** LAST **\$9.78** 10YR PERCENTILE **91.4%**



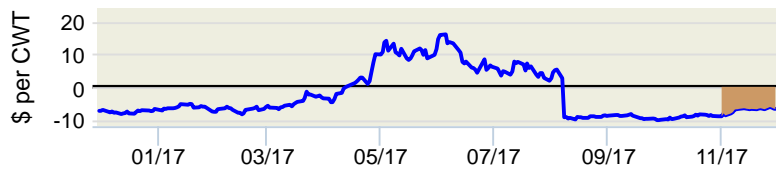
Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$7.54)** LAST **\$4.29** 10YR PERCENTILE **87.9%**



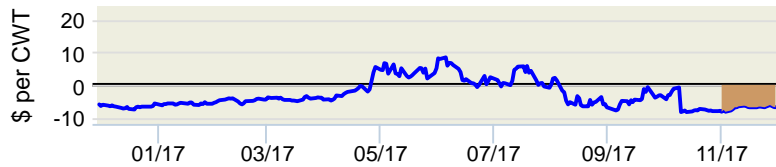
Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW **(\$10.24)** LAST **(\$4.62)** 10YR PERCENTILE **65.6%**



Aug '18 2017 2018 Aug 2018: HIGH **\$16.06** LOW (**\$10.15**) LAST (**\$6.75**) 10YR PERCENTILE **37.7%**



Oct '18 2017 2018 Oct 2018: HIGH **\$8.37** LOW (**\$8.36**) LAST (**\$6.89**) 10YR PERCENTILE **19.5%**



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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