

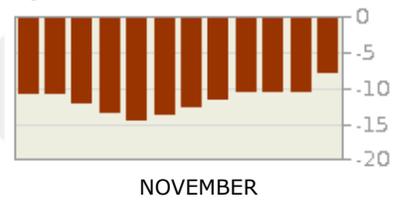
# Beef Margin Watch: November



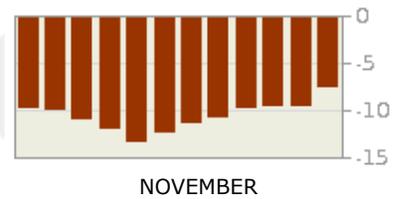
Beef margins continued to strengthen over the first half of November due to a combination of higher cattle prices and lower feed costs. While margins remain below breakeven, in some cases spot placements for spring marketing periods may pencil in the black. Cattle prices have held up well despite ongoing beef production that continues to track well above last year's levels. USDA reported total beef production for the week ending November 13 at 512.8 million pounds, 8.9% higher than the same period last year and 6.8% higher than the five-year average. At the beginning of the year, USDA projected Q4 beef production at just 0.5% above 2015 levels; however, beef production for October and the first two weeks of November has averaged 7.8% above last year and the current forecast is for Q4 production to be about 5.8% higher than 2015. Meanwhile, feed costs have moderated somewhat following a bearish USDA report for corn. The November WASDE raised yield and production estimates from last month, and corn ending stocks increased 83 million bushels as a result. While firm domestic and export demand has helped offset the impact of larger supplies, maintaining that level of demand may depend on continued low prices. The U.S. dollar index has moved higher recently following currency responses from the election. Moreover, there is concern that the incoming administration's trade policies could negatively impact exports for both beef and corn. Following recent adjustments that added flexibility to cattle hedges, our feedlot clients are focused on strengthening these positions and taking advantage of current market strength.

## Live Cattle Marketing Periods:

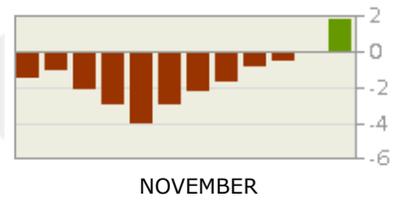
Dec '16  2015  2016 Dec 2016: HIGH (\$1.19) LOW (\$34.83) LAST (\$7.81) 10YR PERCENTILE 13.7%



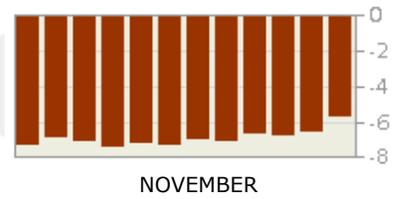
Feb '17  2016  2017 Feb 2017: HIGH (\$1.65) LOW (\$33.93) LAST (\$7.51) 10YR PERCENTILE 13.6%



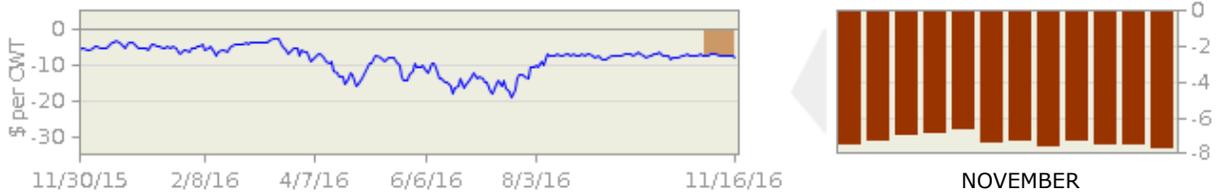
Apr '17  2016  2017 Apr 2017: HIGH \$1.83 LOW (\$20.55) LAST \$1.83 10YR PERCENTILE 84.1%



Jun '17  2016  2017 Jun 2017: HIGH \$0.65 LOW (\$15.72) LAST (\$5.72) 10YR PERCENTILE 46.0%



Aug '17 2016 2017 Aug 2017: HIGH (\$2.49) LOW (\$19.19) LAST (\$7.74) 10YR PERCENTILE 24.7%



Oct '17 2016 2017 Oct 2017: HIGH (\$1.60) LOW (\$21.47) LAST (\$6.18) 10YR PERCENTILE 21.3%



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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