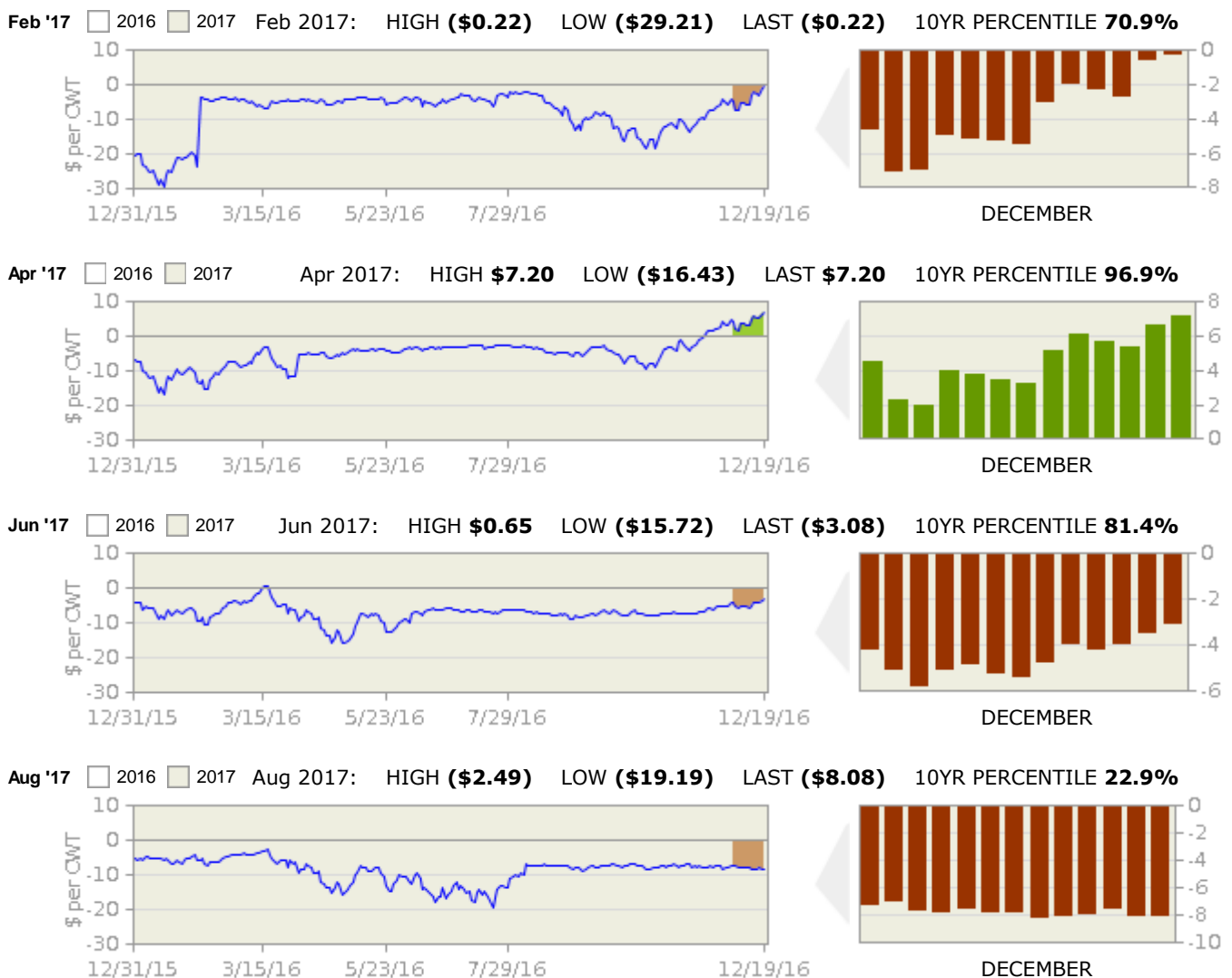


Beef Margin Watch: December

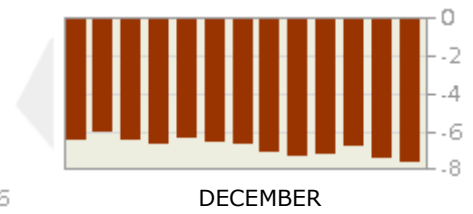


Beef margins were mixed over the first half of December, improving in nearby marketing periods against existing placements while deteriorating in deferred periods against future placements. The spring marketing period against April is currently offering the best margins, which rank at the 96th percentile of the previous 10 years, while all other marketing periods remain negative. Cattle prices have been supported by strength in both the cash market and the cutout. Live cattle prices have increased since mid-November, while the cutout has likewise gained in the past few weeks due to strong holiday demand for middle meats. Cattle prices are also drawing support from the recent increase in hog prices, as pork and beef compete in retail and export demand channels. However, concern remains that demand may soften following the holidays while renewed strength in the dollar could compromise exports, especially as beef production is forecast to increase again in 2017. Feed costs held steady over the first half of December with limited feature in the corn market. USDA made no changes to their balance sheet in the recent WASDE report, and the market is already looking ahead to January when final production and quarterly stocks will be released. Weather conditions remain generally favorable in South America, although there has been some recent concern over dryness in Argentina. Following recent higher trade in the cattle market, beef producers continue to focus on current placements against the April marketing period where margins are now positive, and on strengthening existing cattle hedges.

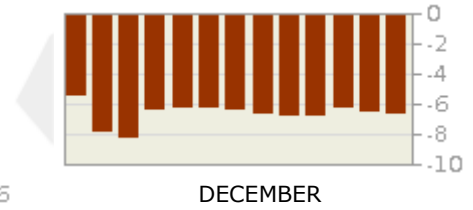
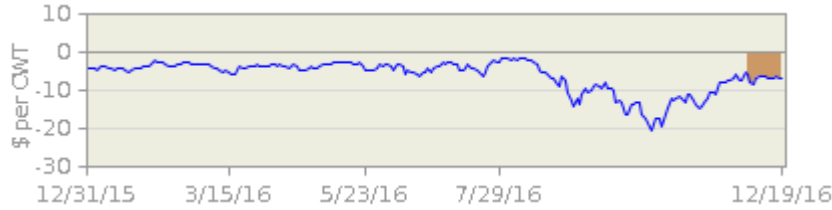
Live Cattle Marketing Periods:



Oct '17 2016 2017 Oct 2017: HIGH (**\$1.60**) LOW (**\$21.47**) LAST (**\$7.58**) 10YR PERCENTILE **15.8%**



Dec '17 2016 2017 Dec 2017: HIGH (**\$1.19**) LOW (**\$20.08**) LAST (**\$6.65**) 10YR PERCENTILE **17.2%**



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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