

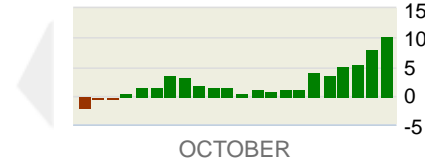
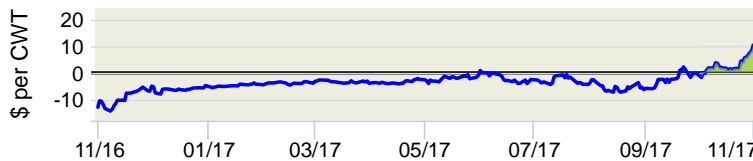
Beef Margin Watch: October



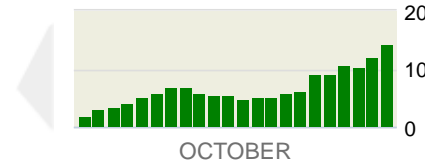
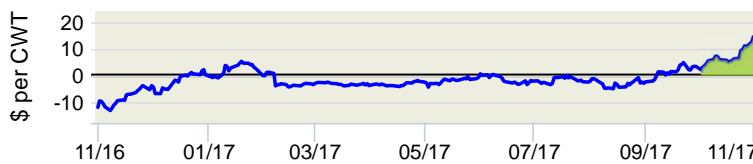
Beef margins moved sharply higher over the second half of October in nearby marketing periods against existing placements due to a strong rally in live cattle futures, while deferred margins against forward crushes held steady. Live cattle futures prices have been supported by recent strength in both the fed cattle cash market as well as the beef cutout. According to USDA's Agricultural Marketing Service (AMS), the five-area average cattle market price last week was \$116.98/cwt., up \$6.11 from the prior week and \$12.83/cwt. from last year. Fed cattle prices were also the highest since early August, supported by strength in beef cutout values. The comprehensive beef cutout last week was \$198.80/cwt., representing a gain of \$2.72 from the prior week and the highest since mid-August. For October, the beef cutout was up \$2.83/cwt. from September and up \$13.97, or 7.7%, from last year. USDA reported Cattle on Feed as of October 1 at 10.813 million head, up 5% from last year versus expectations for a 4.6% increase from 2016. September placements totaled 2.15 million head, which was up 13% from last year and considered bearish relative to expectations for a 7.3% average increase from pre-report estimates. Beef supplies in Cold Storage on September 30 totaled 487.8 million pounds, up 11.2 million pounds or 2.4% from August compared to an average build from August to September over the past 10 years of 3.33%. Year-over-year beef inventories were down however, decreasing 31.2 million pounds, or 6.0%, from September 2016. Corn prices have been steady to a touch weaker since the middle of the month, as the market remains under pressure from advancing harvest progress. Following the recent advance in the market, our beef producer clients have been strengthening cattle hedges to take advantage of improving margins, while setting targets to reduce delta if the market breaks.

Live Cattle Marketing Periods:

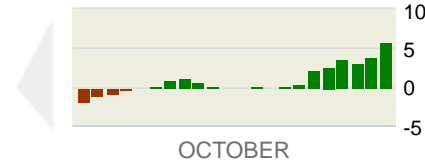
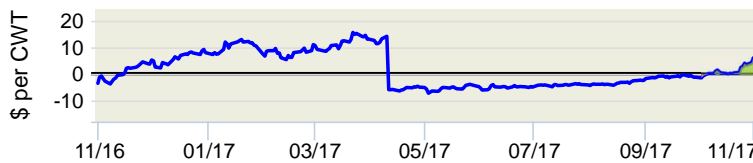
Dec '17 2016 2017 Dec 2017: HIGH **\$10.34** LOW **(\$14.53)** LAST **\$10.34** 10YR PERCENTILE **95.7%**



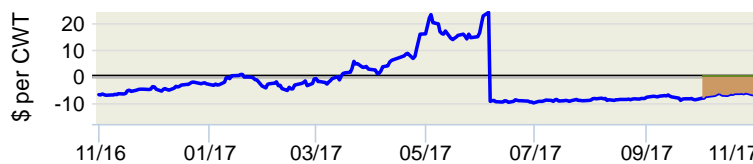
Feb '18 2017 2018 Feb 2018: HIGH **\$14.27** LOW **(\$13.38)** LAST **\$14.27** 10YR PERCENTILE **96.6%**



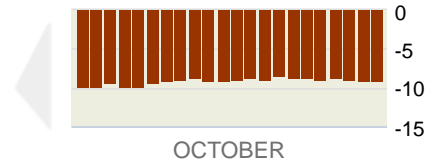
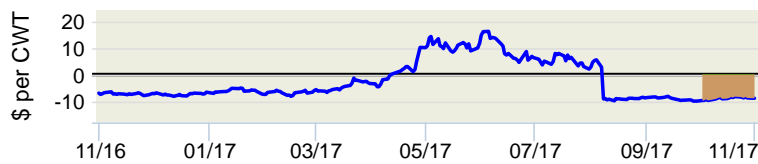
Apr '18 2017 2018 Apr 2018: HIGH **\$15.25** LOW **(\$7.54)** LAST **\$5.77** 10YR PERCENTILE **92.8%**



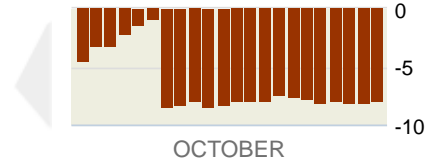
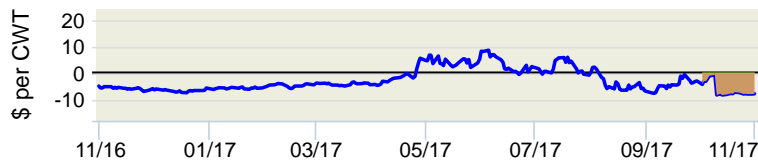
Jun '18 2017 2018 Jun 2018: HIGH **\$23.69** LOW **(\$10.24)** LAST **(\$6.50)** 10YR PERCENTILE **39.5%**



Aug '18 2017 2018 Aug 2018: HIGH **\$16.06** LOW (**\$10.15**) LAST (**\$9.00**) 10YR PERCENTILE **20.2%**



Oct '18 2017 2018 Oct 2018: HIGH **\$8.37** LOW (**\$8.36**) LAST (**\$7.94**) 10YR PERCENTILE **15.2%**



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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