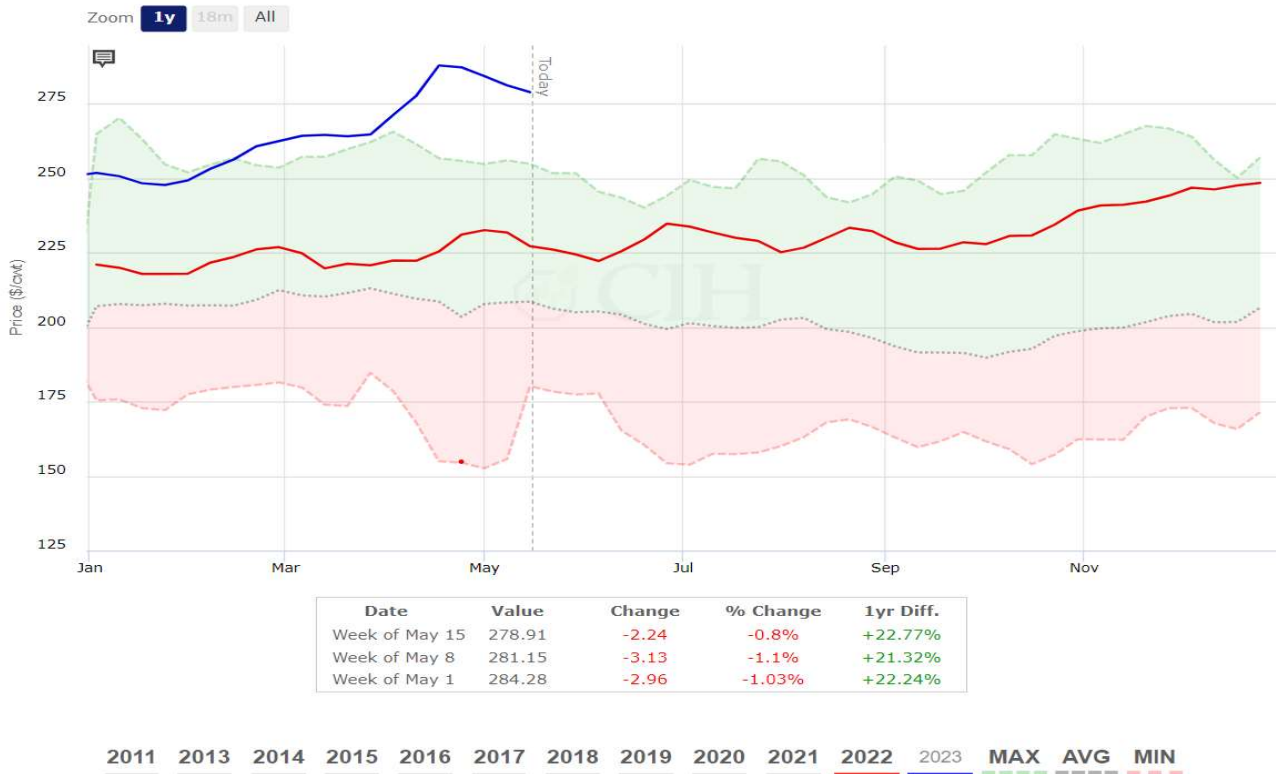


Beef Margin Watch: May



Following a sharp drop at the beginning of the month, live cattle futures recovered through the first half of May while corn feed costs held steady to slightly weaker. After a sharp spike through the first half of April to \$287.82/cwt., the 5-Area dressed cash price has come down to \$278.91/cwt. recently but remains at a 15-year high for this point in the season and well above last year at \$227.18/cwt. the choice beef cutout has declined more modestly since the beginning of the month but remains well above last year and the five-year average at \$301.98/cwt. USDA's ERS released March trade statistics which finalized data for the first quarter, pegging Q1 beef exports at 779.0 million pounds, down 66.7 million or 7.9% below last year. Increases to Japan (+0.2%) and Mexico (+17.8%) over last year to 186.4 and 77.6 million pounds, respectively, were more than offset by double-digit declines to South Korea, China, Canada, and Taiwan. USDA reported exports to South Korea declined 16% to 175.4 million pounds, shipments to China were down 14.4% to 124.5 million pounds, exports to Canada dropped 11.8% to 57.5 million pounds, and shipments to Taiwan were 19.8% lower to 45.6 million pounds. USDA also released the May WASDE report which detailed the first new-crop balance sheet for corn. Due to an expected recovery in yield, production and ending stocks are projected to recover from last year with the season average farm price pegged at \$4.80/bushel from \$6.60 in the current season. While new-crop December corn futures prices have declined to just above \$5.00/bushel with planting progress ahead of the five-year average at 65% complete, our clients have taken the opportunity to strengthen feed hedges ahead of any potential weather disruptions later in the growing season.

USDA 5-Area Dressed Cattle Prices – Weekly versus 15-Year Range:



The information contained in this publication is taken from sources believed to be reliable, but is not guaranteed by Commodity & Ingredient Hedging, LLC, nor any affiliates, as to accuracy or completeness, and is intended for purposes of information and education only. Nothing therein should be considered as a solicitation to trade commodities or a trade recommendation by Commodity & Ingredient Hedging, LLC. All references to market conditions are current as of the date of the presentation. Futures and options trading involves the risk of loss. Past performance is not indicative of future results. Please visit www.cihmarginwatch.com to subscribe to the CIH Margin Watch report.