

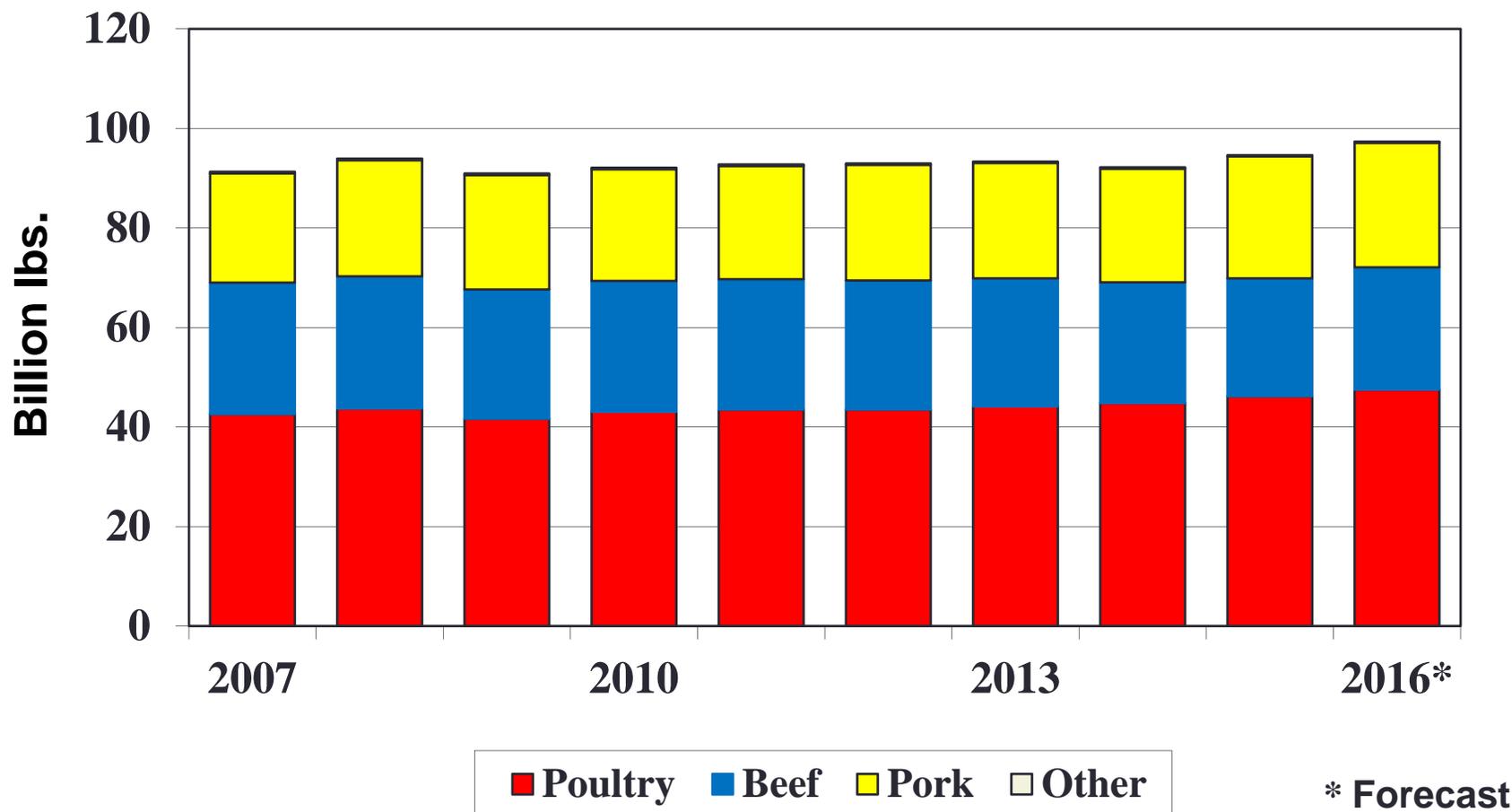
OUTLOOK FOR THE U.S. LIVESTOCK AND POULTRY SECTORS

Presented By
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World Agricultural Outlook Board, USDA

USDA Outlook Forum
Washington, D.C.
February 26, 2016



Red Meat and Poultry Production Will Be Record Large in 2016



Total Meat Production 3 Percent Higher

| Billion pounds | 2014 | 2015 | 2016 | 2015-16 % Change |
|-----------------------------------|---------------|---------------|---------------|-----------------------------|
| Beef | 24.252 | 23.690 | 24.580 | 3.8 |
| Pork | 22.843 | 24.499 | 25.030 | 2.2 |
| Broiler Meat | 38.550 | 40.042 | 41.025 | 2.5 |
| Turkey | 5.756 | 5.628 | 5.945 | 5.6 |
| Total Red Meat And Poultry | 92.171 | 94.615 | 97.352 | 2.9 |

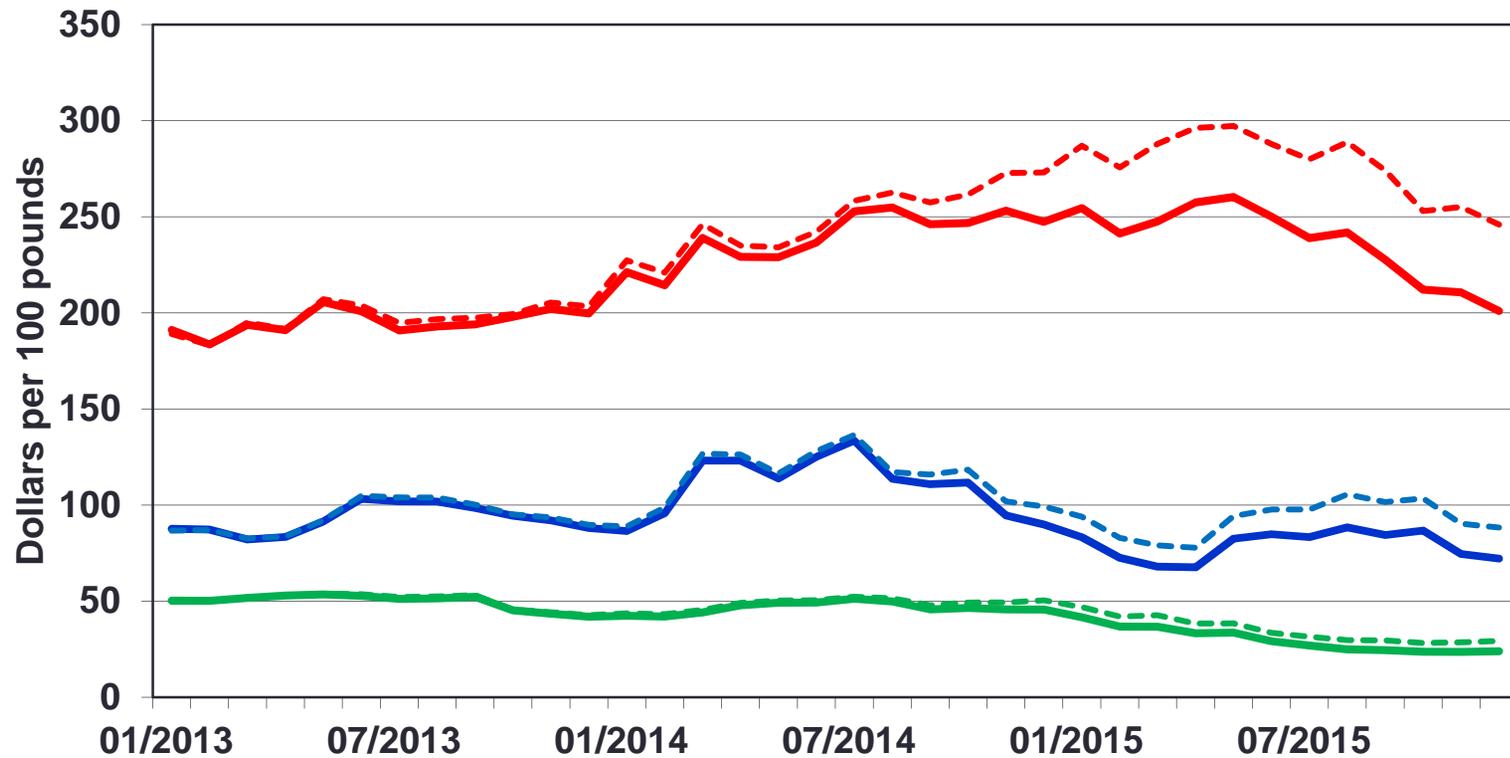


Meat Exports Will Rise with Lower Prices

| Billion pounds | 2014 | 2015 | 2016 | 2015-16 % Change |
|----------------|-------|-------|-------|------------------|
| Exports | | | | |
| Beef | 2.573 | 2.266 | 2.475 | 9.2 |
| Pork | 4.857 | 4.941 | 5.125 | 3.7 |
| Broiler Meat | 7.301 | 6.319 | 6.765 | 7.1 |
| Imports | | | | |
| Beef | 2.947 | 3.370 | 2.845 | -15.6 |
| Pork | 1.008 | 1.111 | 1.000 | -10.0 |



Strong Dollar Limited Benefits of Lower Wholesale Prices



*Exchange Rate: Trade Weighted U.S. Dollar Index
Federal Reserve Bank of St. Louis

Livestock and Poultry Prices Will Decline

| | 2014 | 2015 | 2016 | 2015-16 % Change* |
|--|---------------|---------------|------------------|------------------------------|
| Cattle, \$/cwt | 154.56 | 148.12 | 133-142 | -7.3 |
| Hogs, \$/cwt (live equiv.) | 76.03 | 50.23 | 46-49 | -5.9 |
| National Composite Broiler, \$/lb | 1.05 | 0.91 | 0.85-0.90 | -3.3 |
| Turkey, \$/lb | 1.08 | 1.16 | 1.10-1.18 | -1.9 |



* At midpoint

Situation Facing Livestock and Poultry Producers in 2016

- **Feed prices trending lower**
 - **Corn: \$3.35-\$3.85/bu in 2015/16**
\$3.70 in 2014/2015
 - **Soybean meal: \$270-\$310/ton in 2015/16**
\$368 in 2014/2015
- **Feed prices should decline further moving into 2016/17 crop year**
 - **Corn season average: \$3.45/bu**
 - **Soybean meal season average: \$280/ton**

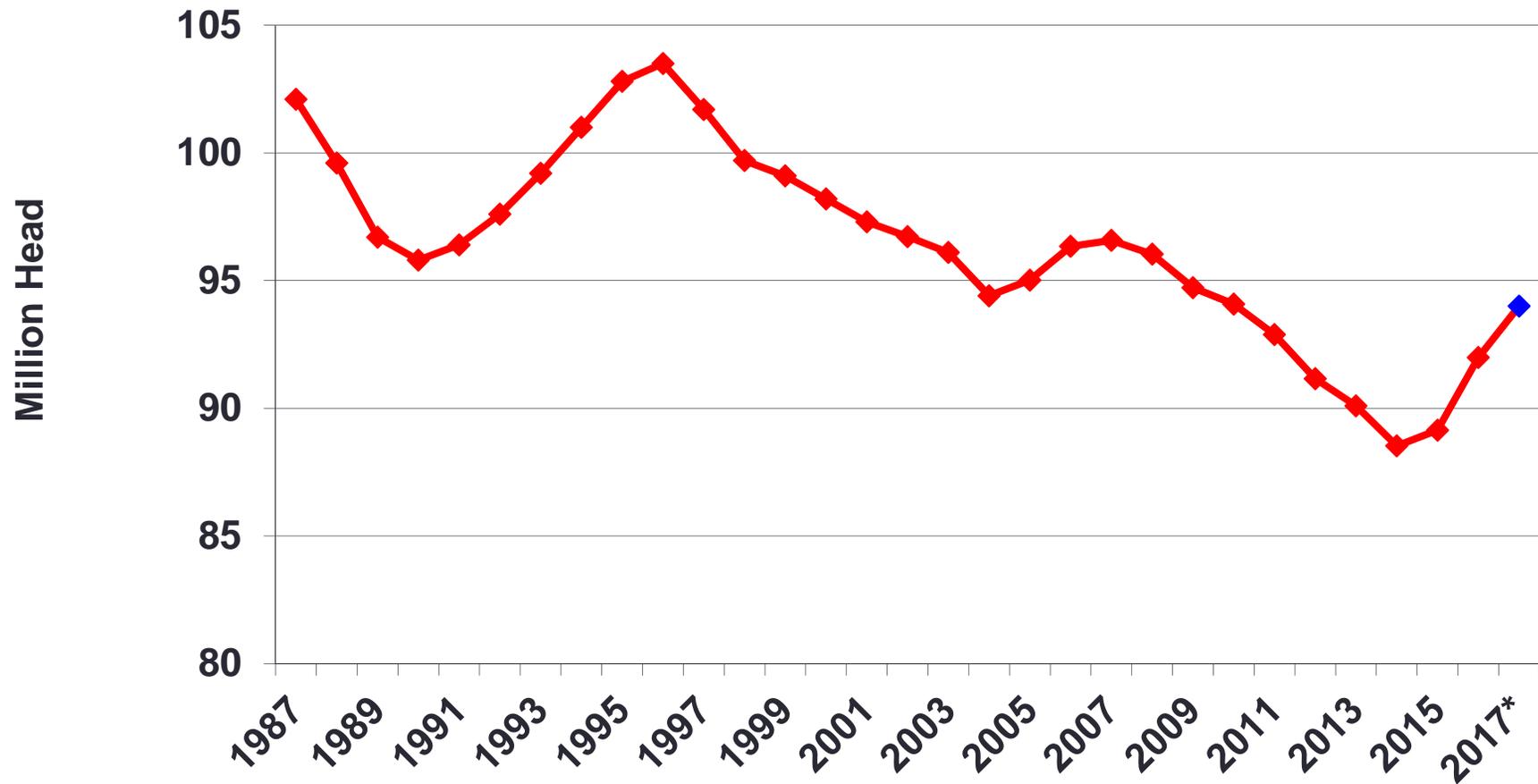


Factors Driving the Forecasts:

- Cattle – Increasing Supplies
 - **Expanding Inventory**

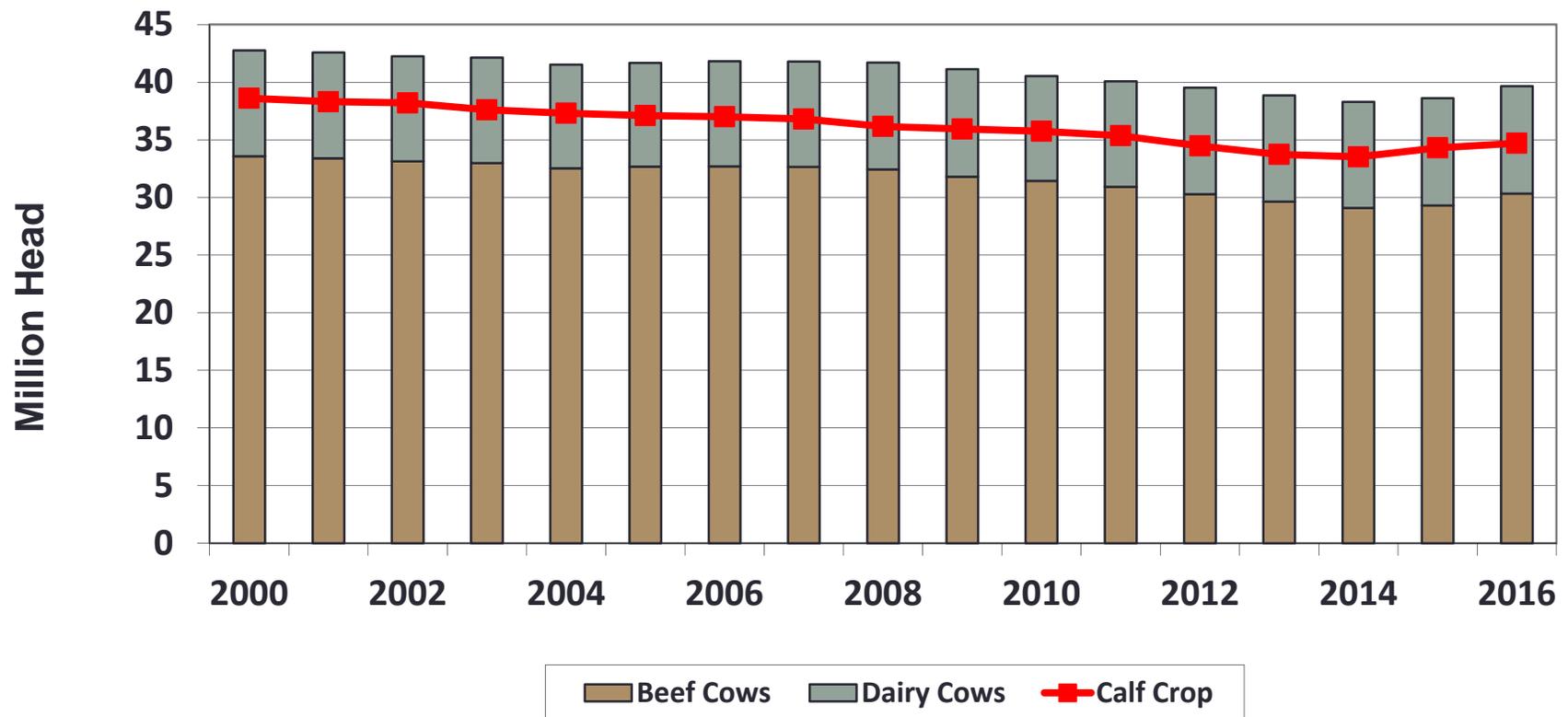


Cattle Herd at 92.0 Million on Jan 1, 2016; Expansion Will Continue During 2016



* Forecast

Beef Cow Herd in Second Year of Expansion; Calf Crop Increasing



* 2016 Calf Crop Forecast

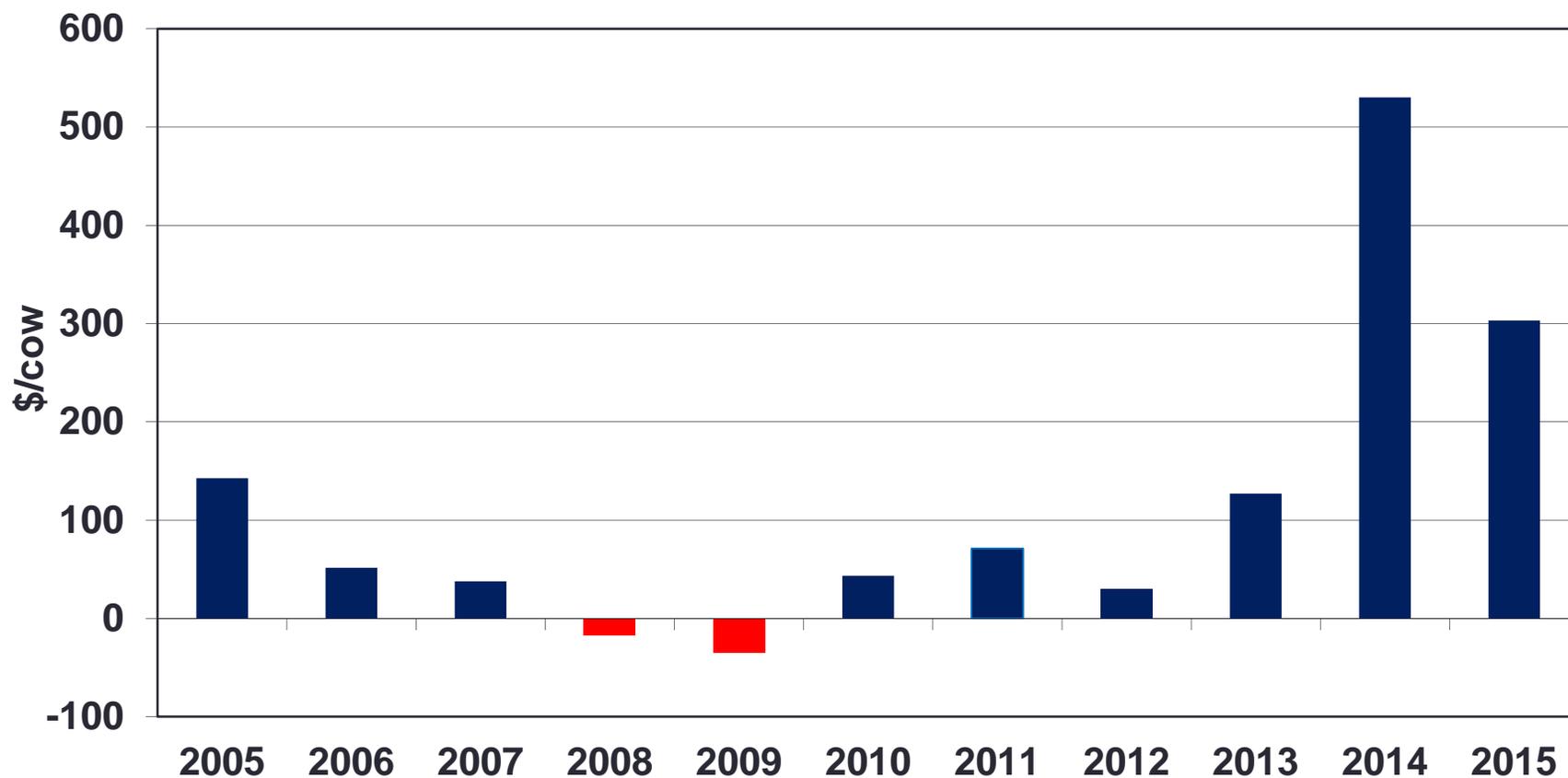
Factors Driving the Forecasts:

- Cattle – Increasing Supplies
 - Expanding Inventory
 - **Incentives to Continue Expanding the Herd**



Estimated Average Cow Calf Returns

Returns Over Cash Cost (Includes Pasture Rent), Annual



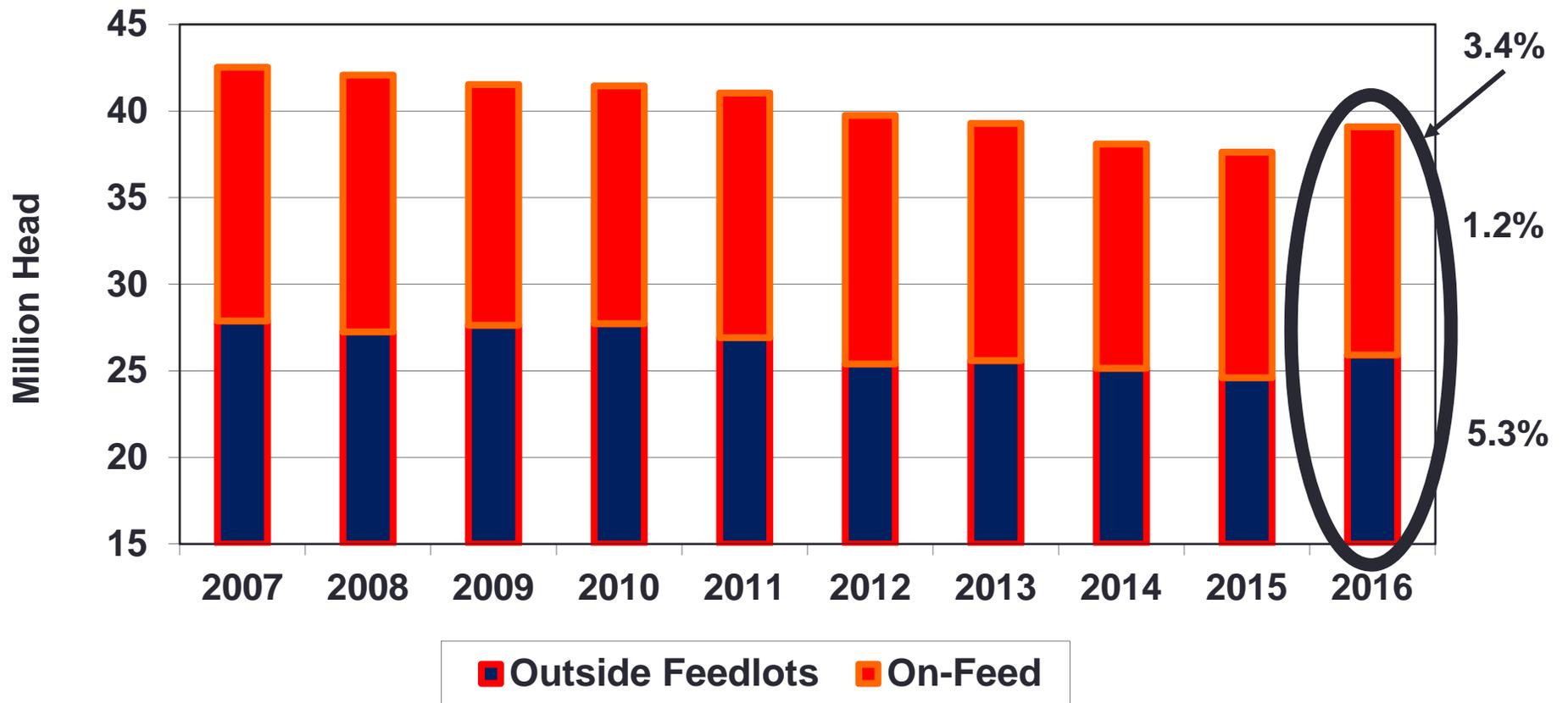
Source: Livestock Marketing Information Center

Factors Driving the Forecasts:

- Cattle – Increasing Supplies
 - Expanding Inventory
 - Incentives to Continue Expanding the Herd
 - **Feeder Cattle Supplies Ample**



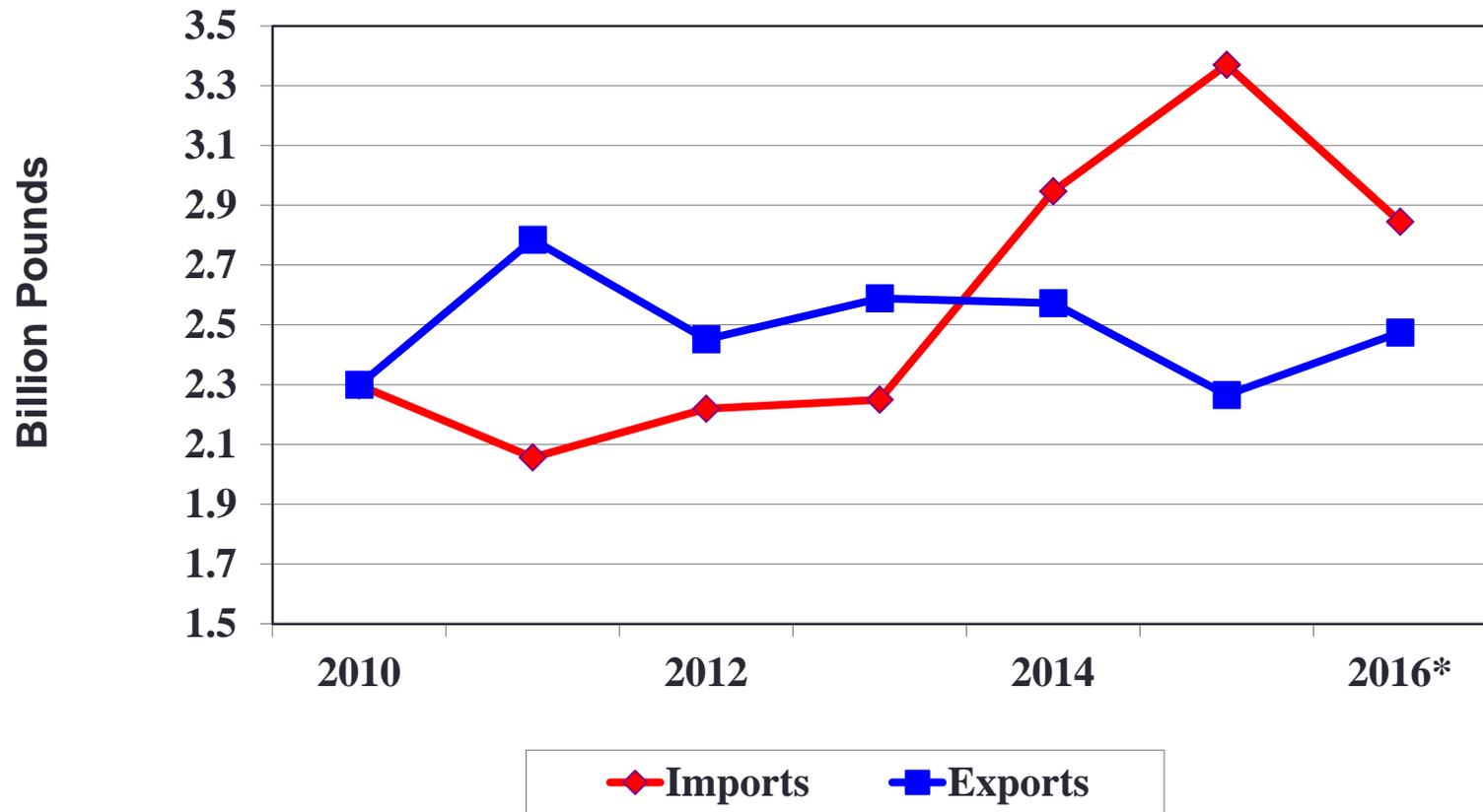
Cattle for Placement Higher on January 1



Factors Driving the Forecasts:

- Cattle – Tighter Supplies
 - Expanding Inventory
 - Incentives to Continue Expanding the Herd
 - Feeder Cattle Supplies Ample
 - **Lower Imports; Higher Exports**

U.S. Smaller Net Importer



* Forecast

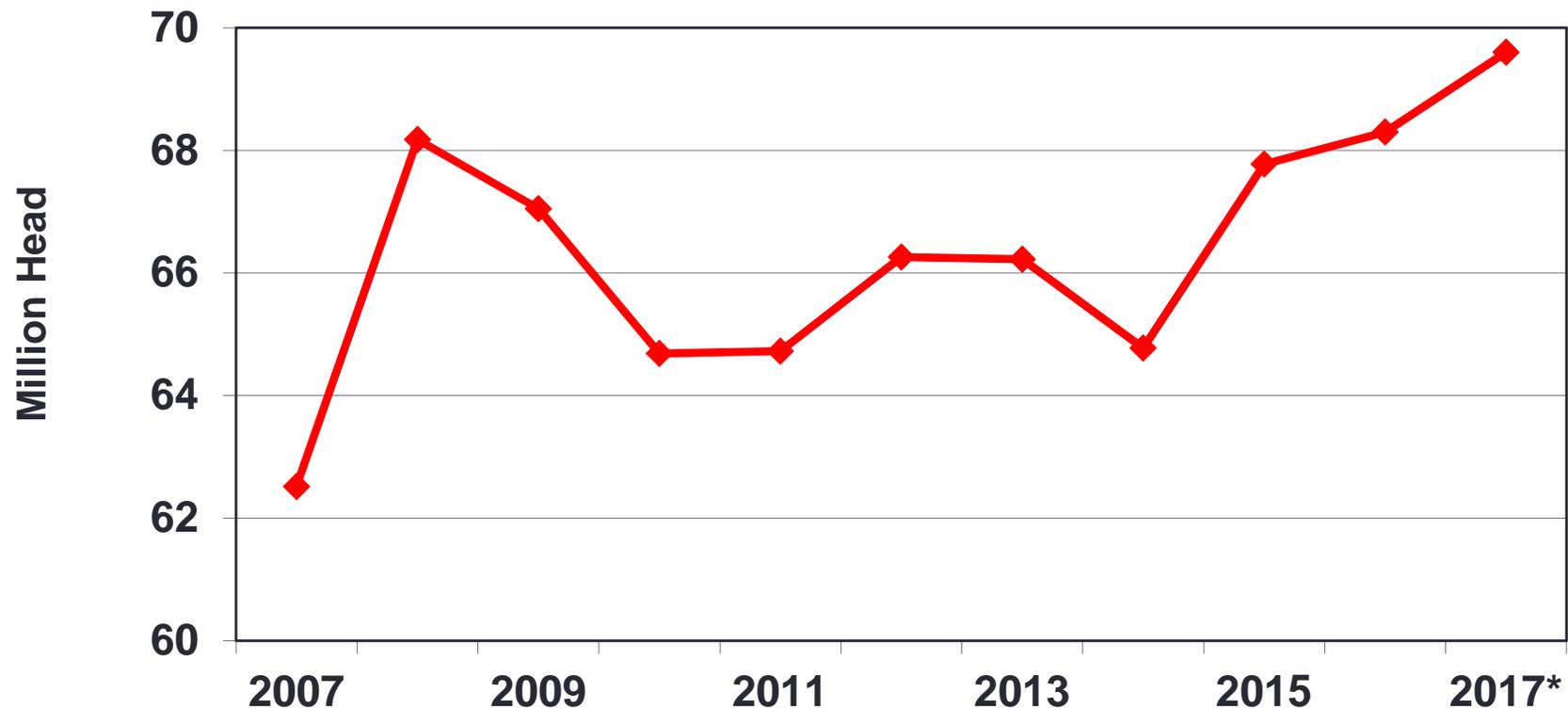


Factors Driving the Forecasts:

- Hogs – Prospects for Expansion
 - **Inventory Larger at Beginning of 2016**
 - **Farrowings Tempered by Weakening Returns**

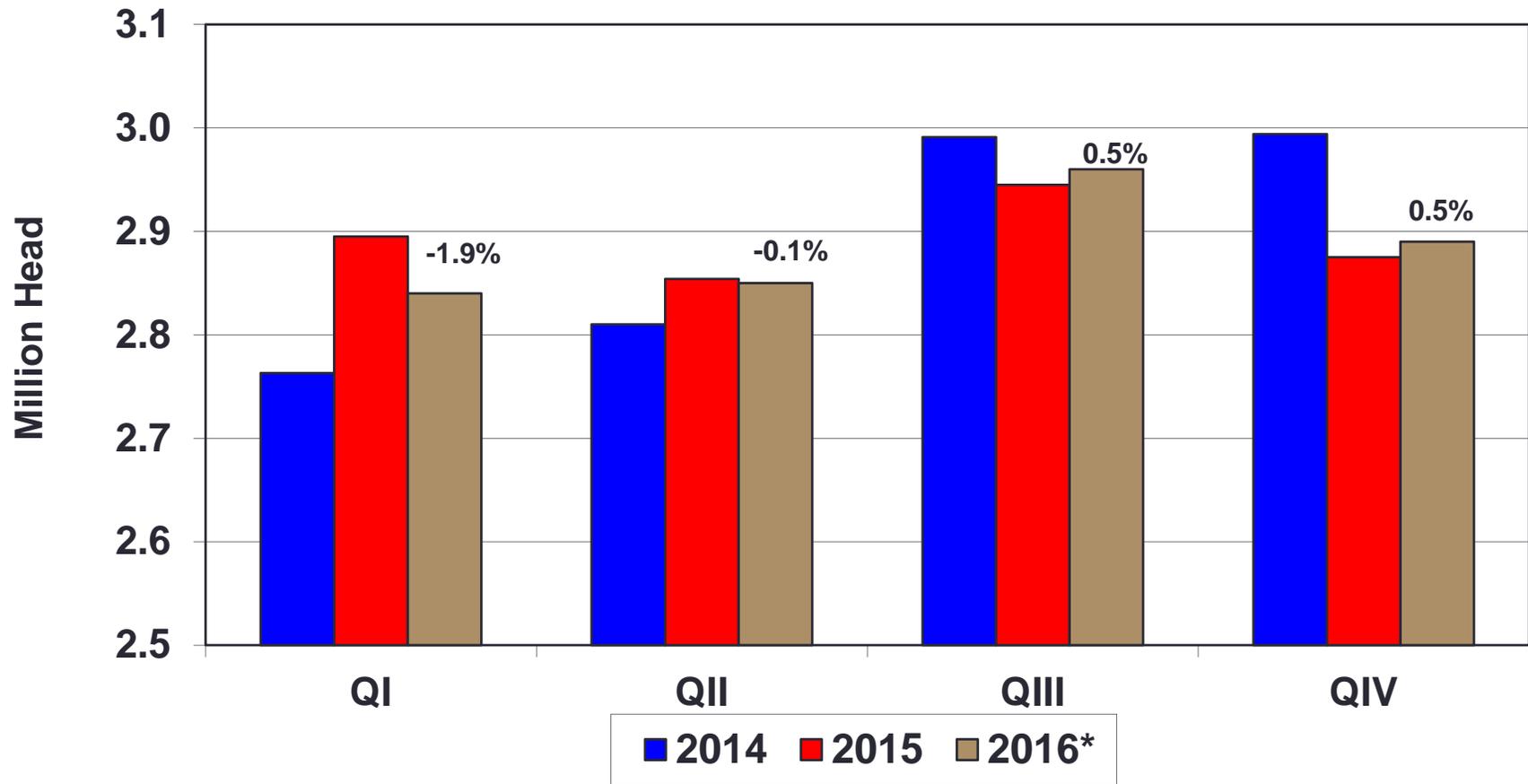
Hog Inventory Increased to 68.3 Million Head on December 1, 2015

Inventory on December 1, Preceding Year



* Forecast

Slow Growth in Sows Farrowing

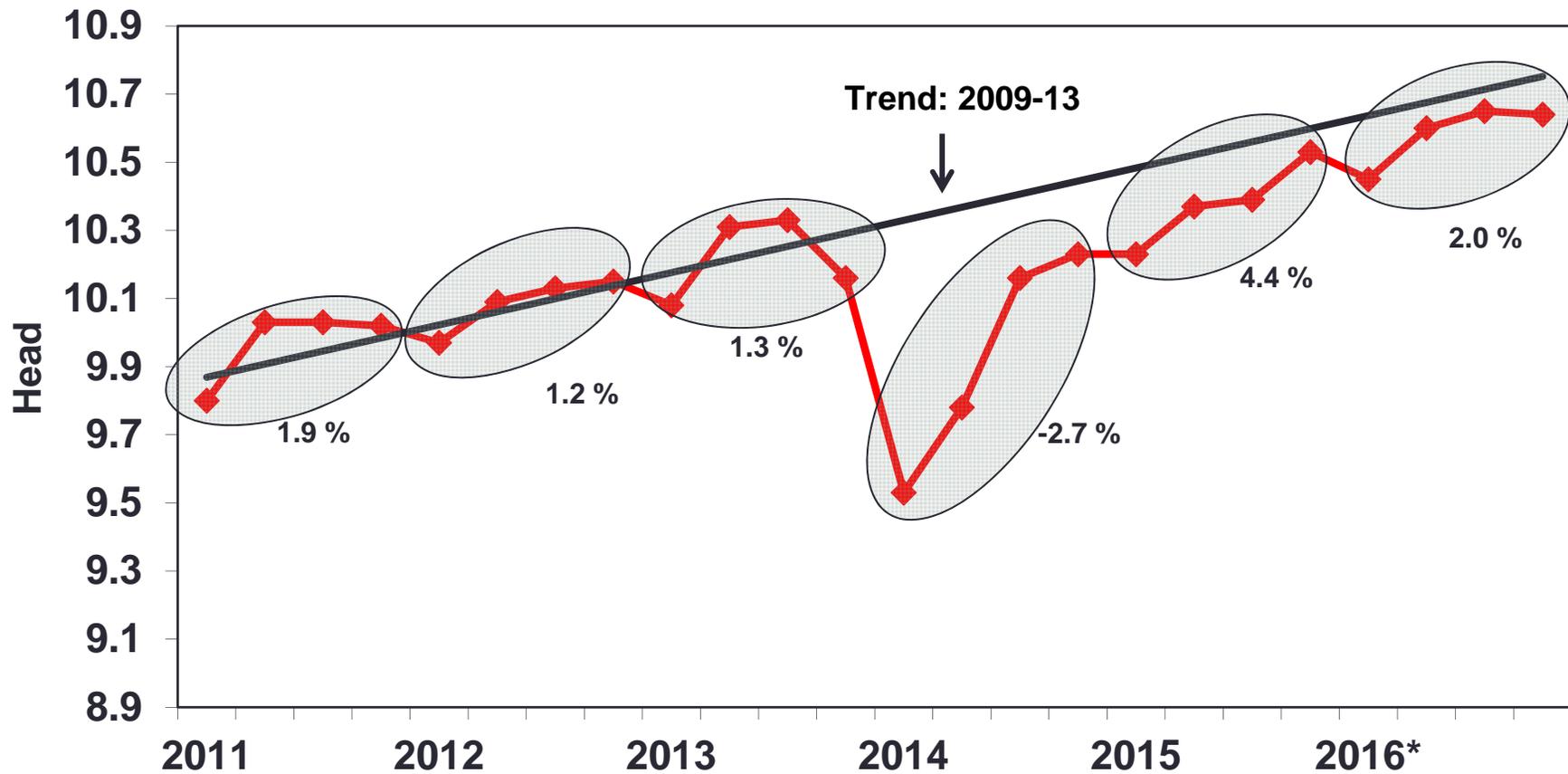


* Quarters 1-2 NASS Reported ,
Quarters 3-4 Forecast

Factors Driving the Forecasts:

- Hogs – Prospects for Expansion
 - Inventory Larger at Beginning of 2016
 - Farrowings Tempered by Weakening Returns
 - **Pigs per Litter Recovering from PEDv**

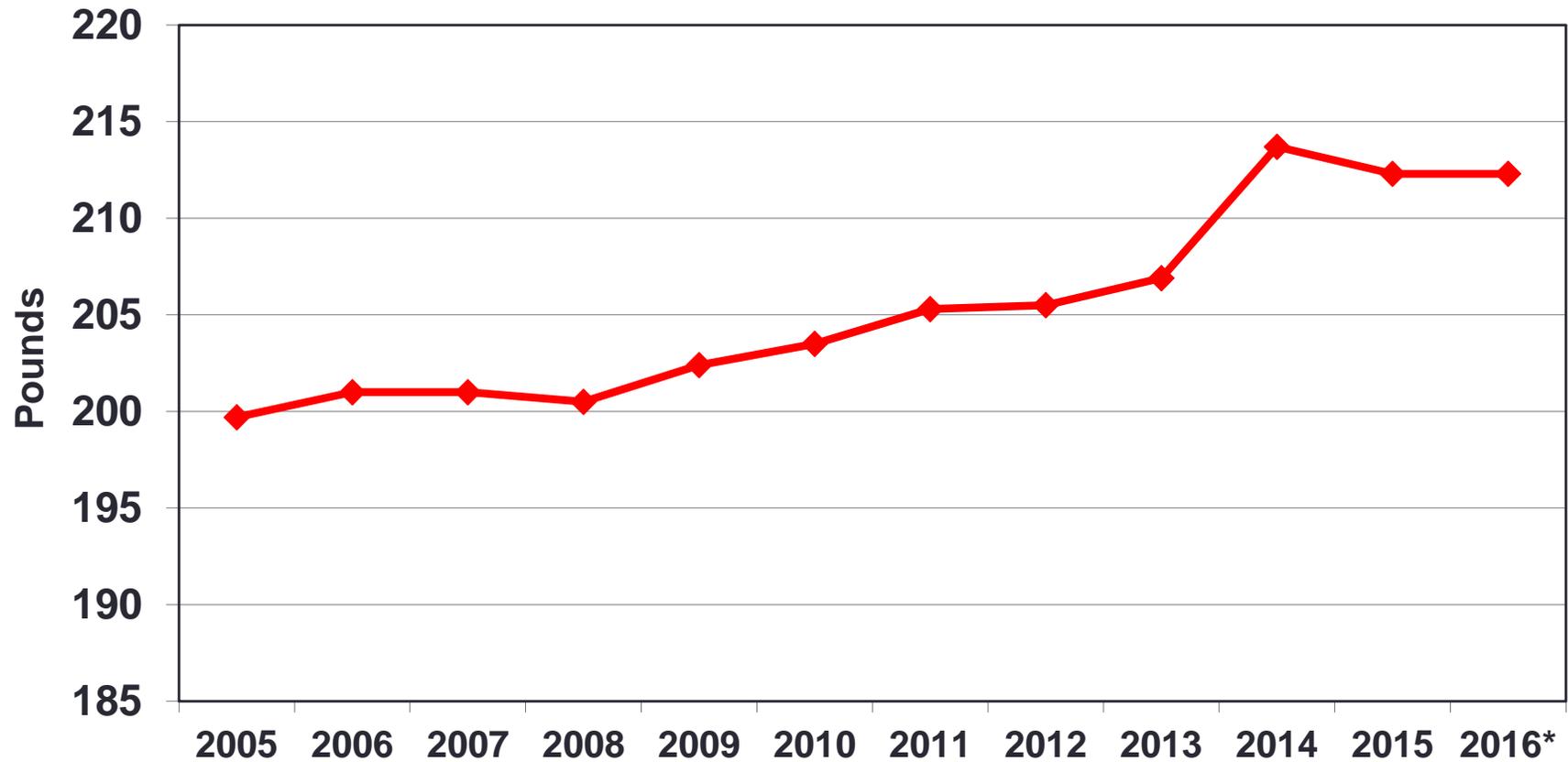
Growth in Pigs per Litter Recovering From PEDv



*Forecast



Average Hog Carcass Weights Will Flatten



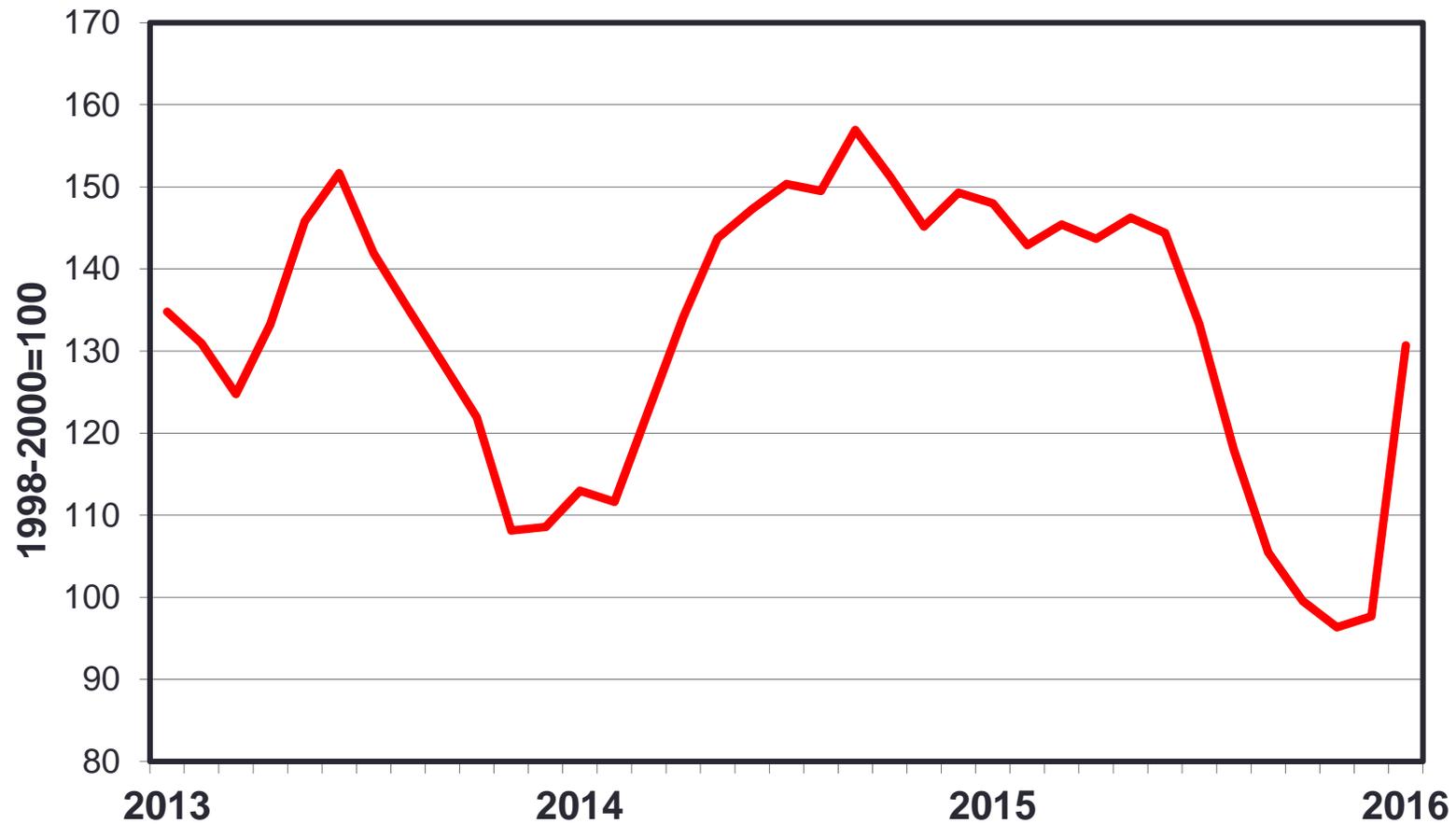
* Forecast



Factors Driving the Forecasts:

- Broilers - Expansion Continues
 - **Producer Returns Under Pressure**

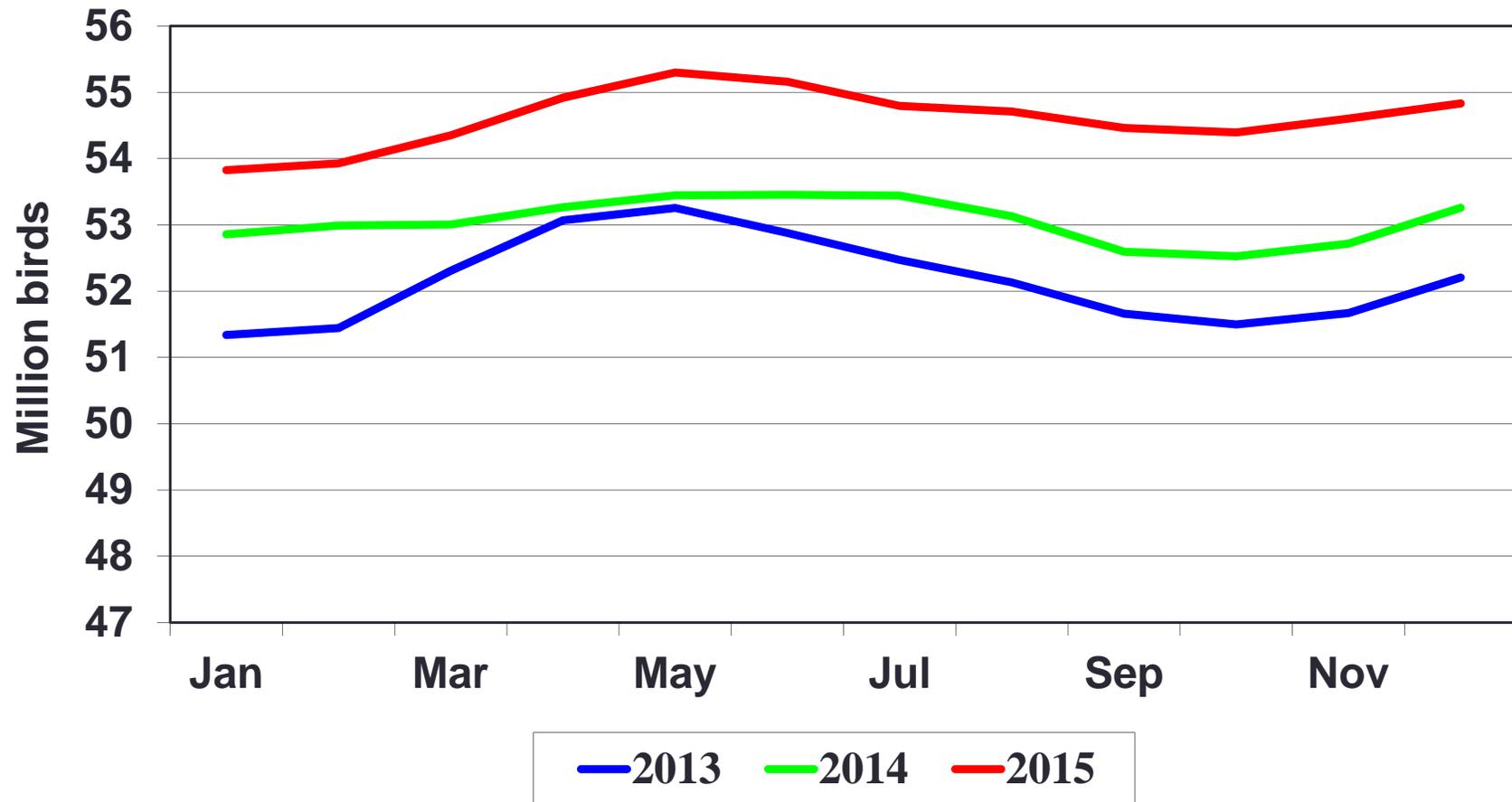
Indexed Broiler Returns: Market Price Minus Feed Cost



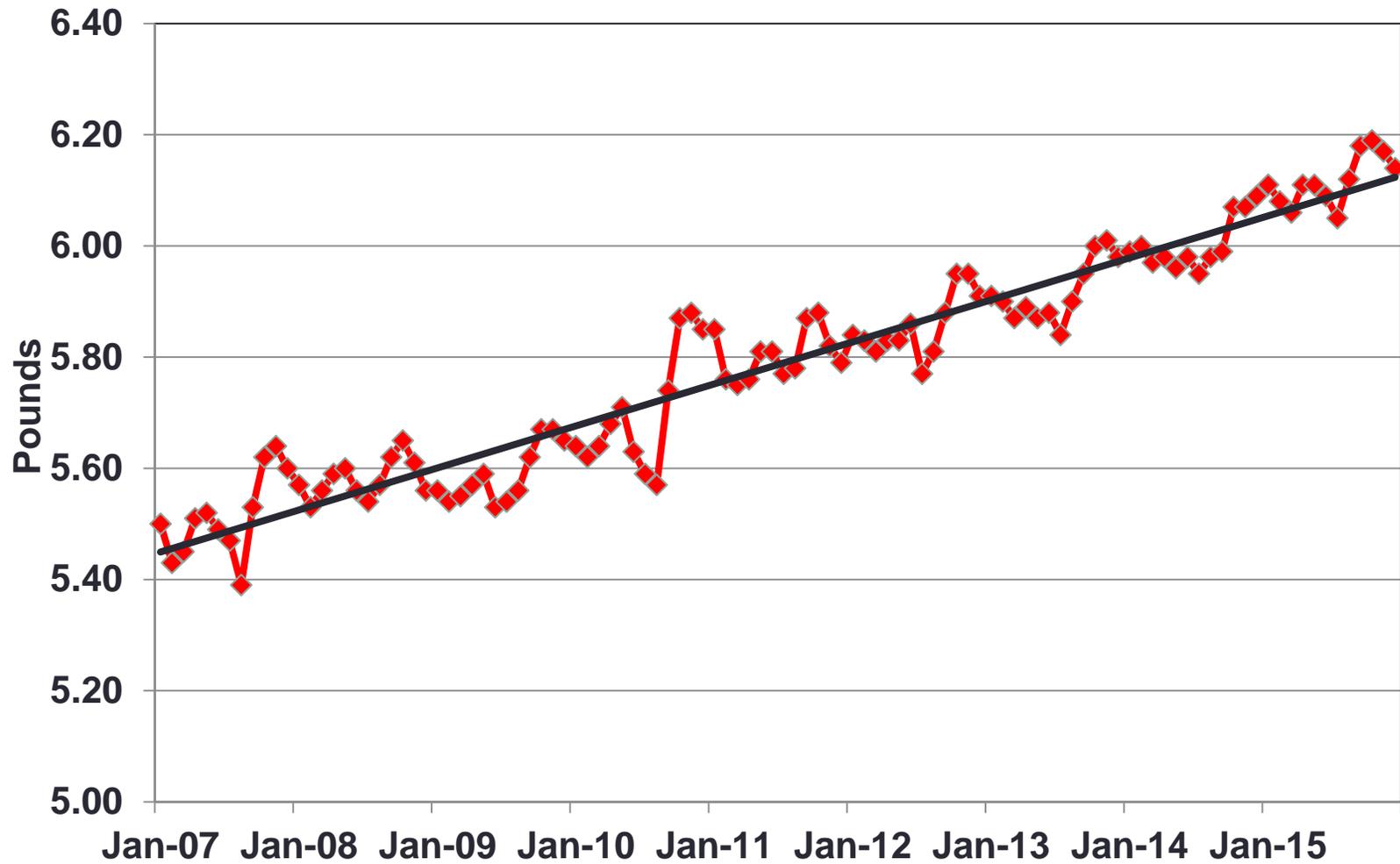
Factors Driving the Forecasts:

- Broilers – Expansion Continues
 - Producer Returns Under Pressure
 - **More Birds, Heavier Weights**

Broiler Laying Flock Increasing Monthly Average



Broiler Live Weights Growing

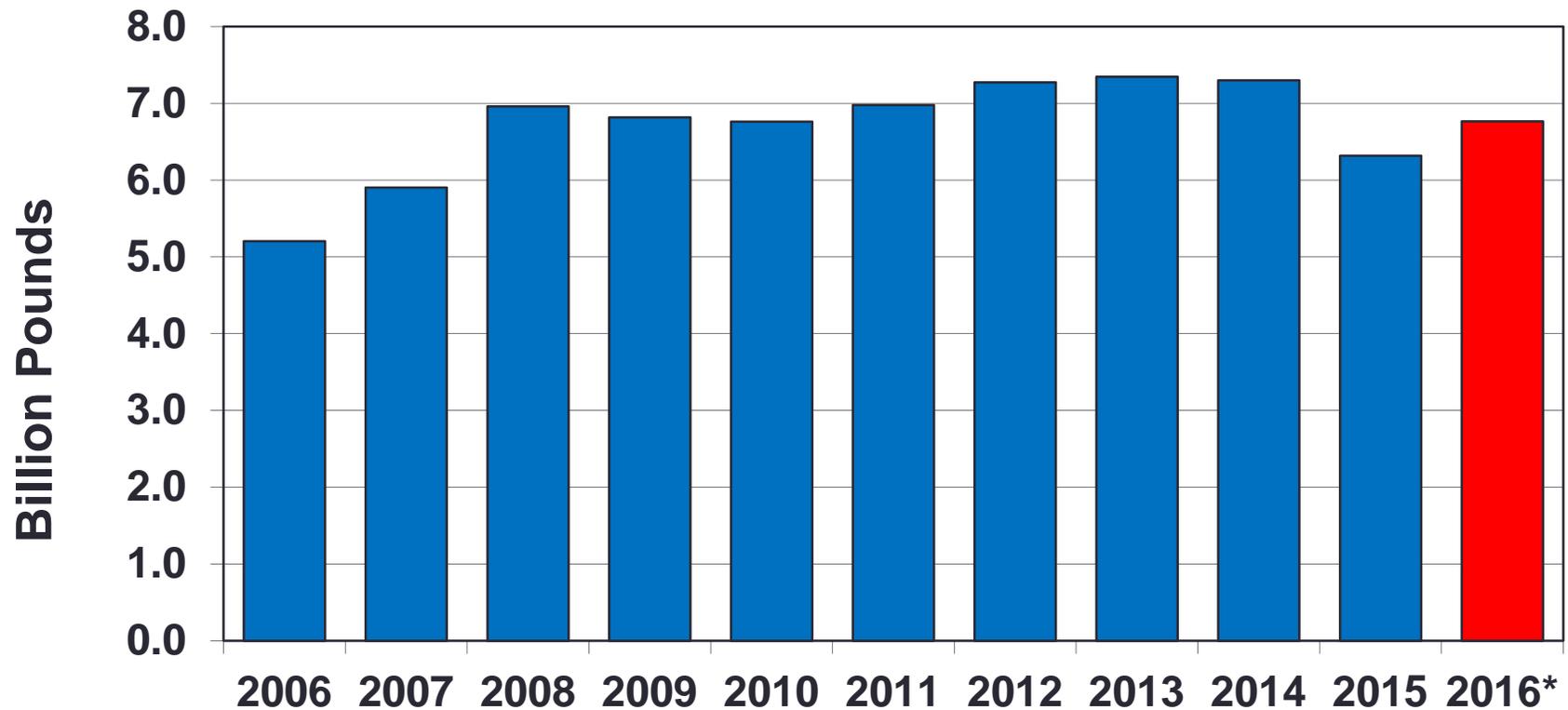


Factors Driving the Forecasts:

- Broilers – Expansion Continues
 - Producer Returns Under Pressure
 - More Birds, Heavier Weights
 - **Exports Affected by HPAI Bans**

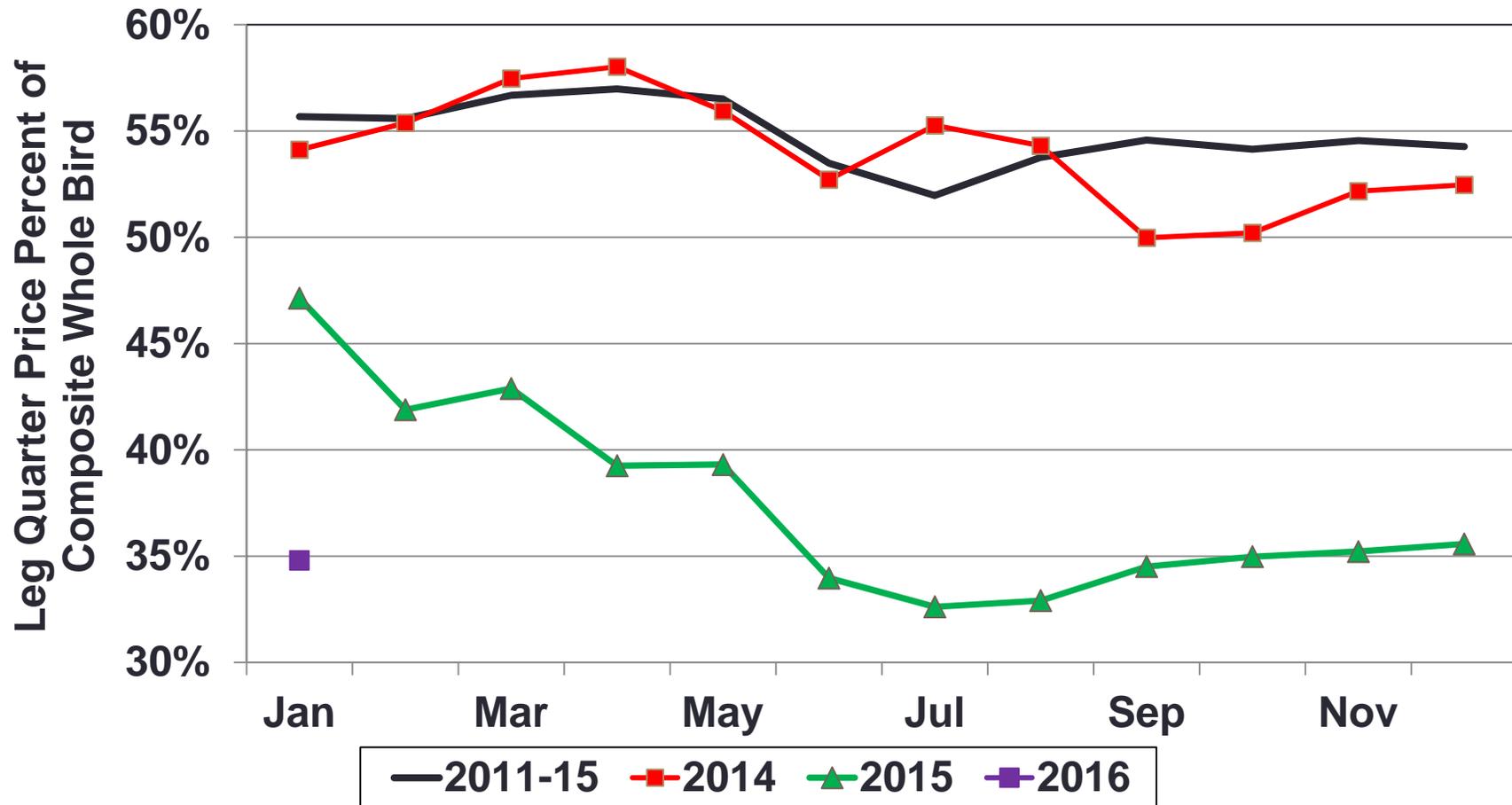


Broiler Exports to Regain Part of Market Lost in 2015



* Forecast

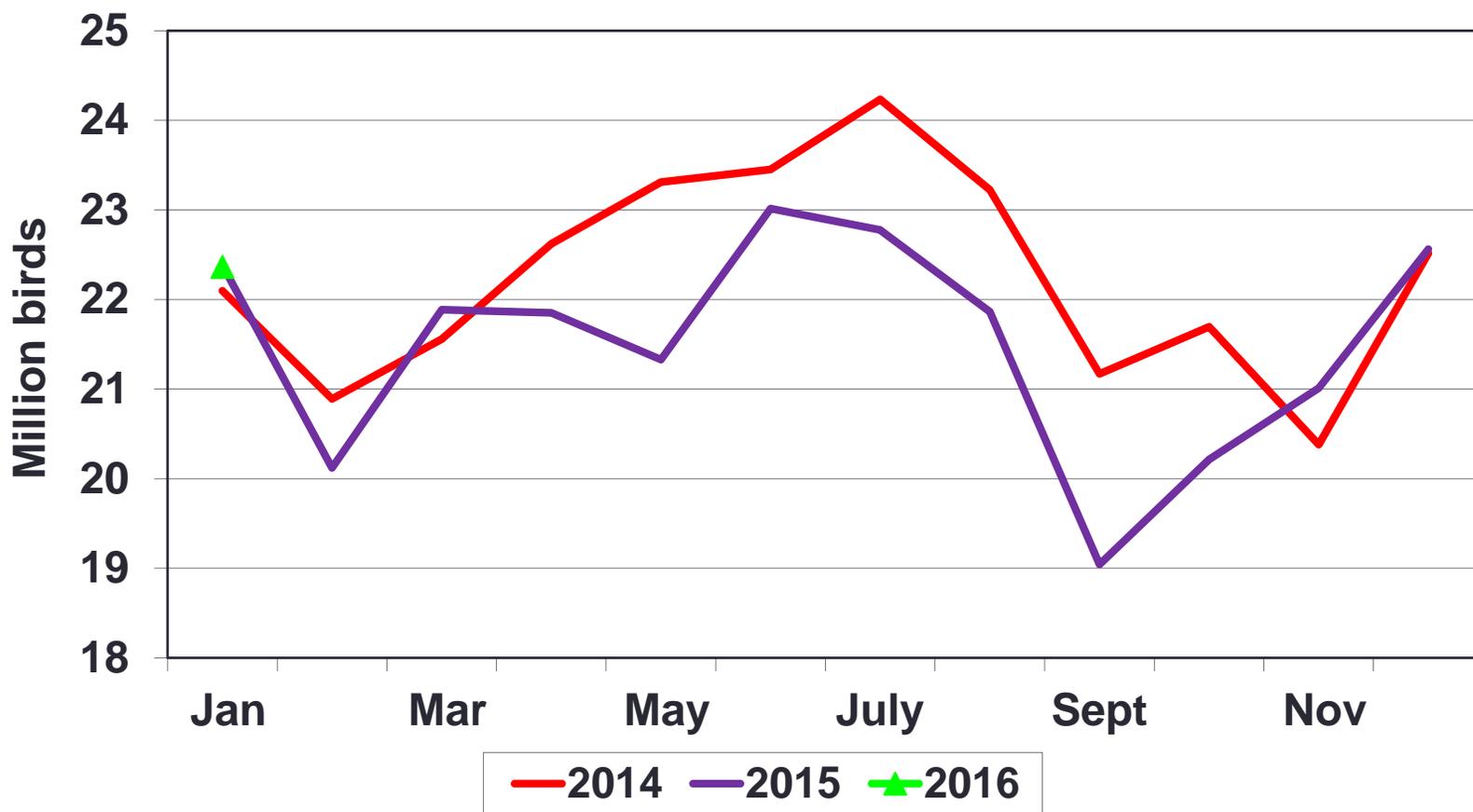
N.E. Leg Quarter Prices Soft Relative to Other Parts Prices



Factors Driving the Forecasts:

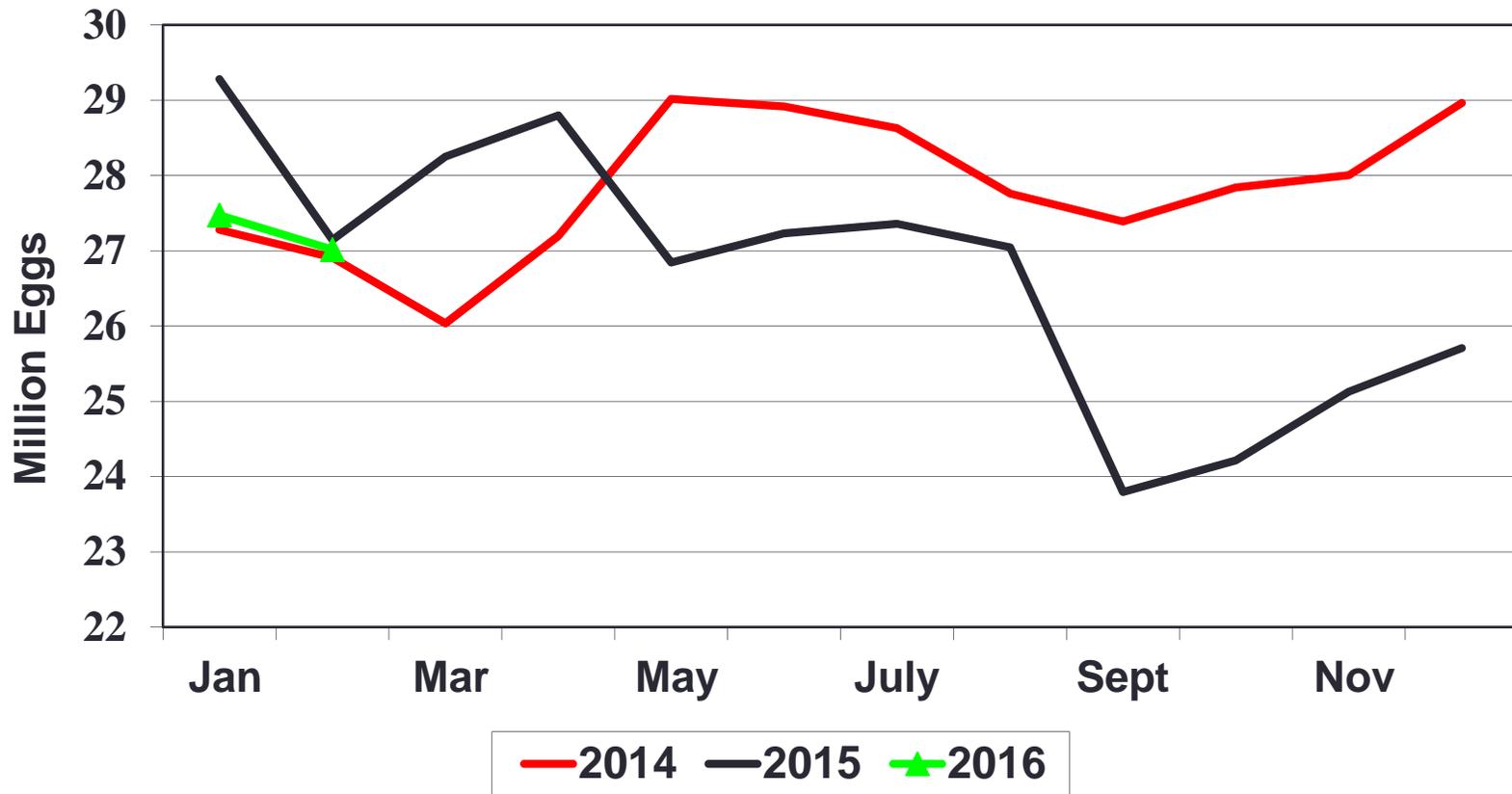
- Turkey – Industry Recovering from HPAI
 - **Flock Declines Reflect Bird Losses Due to HPAI**

Turkey Poult Placements Recovering

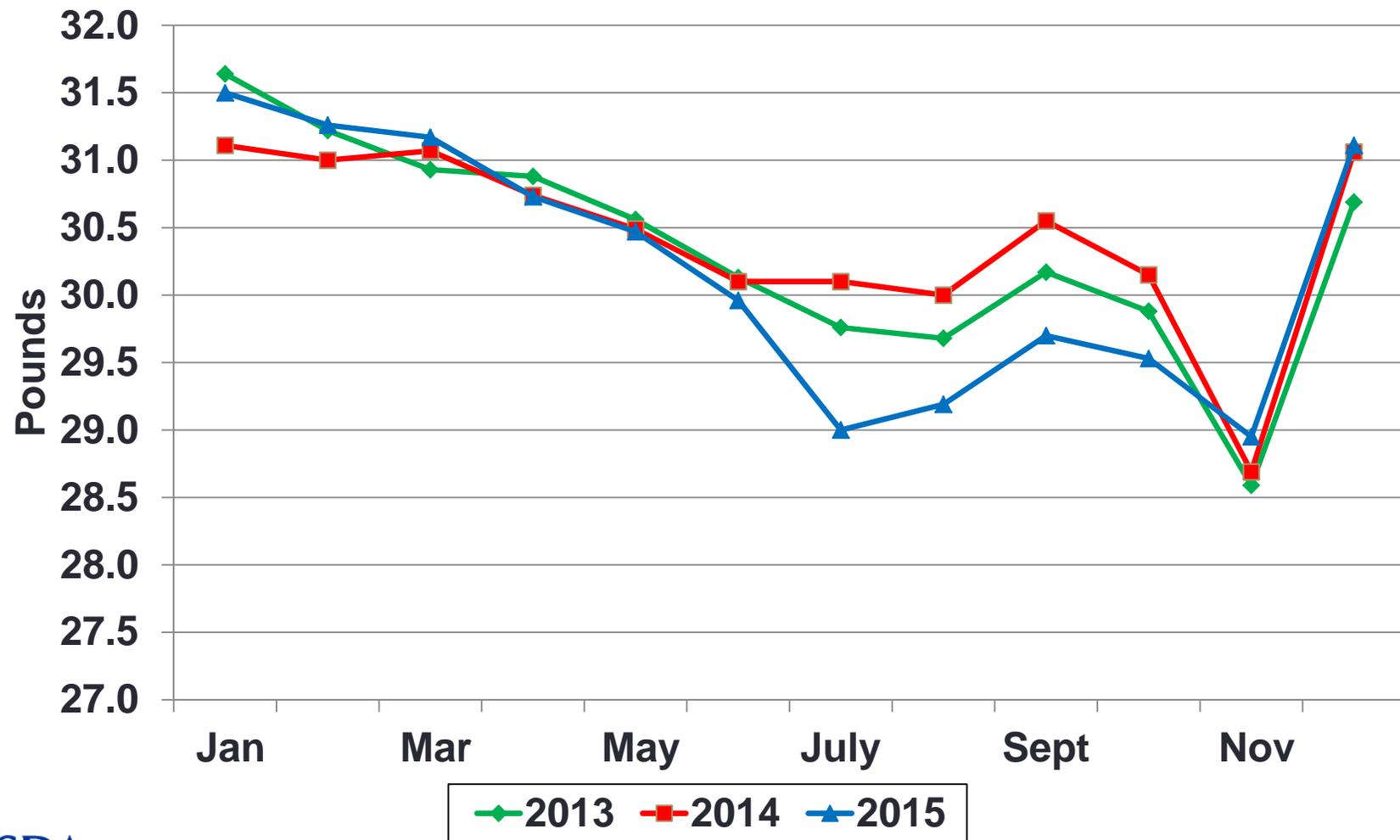


Eggs Set Remain Below Year-Earlier

Eggs in Incubators, First of Month



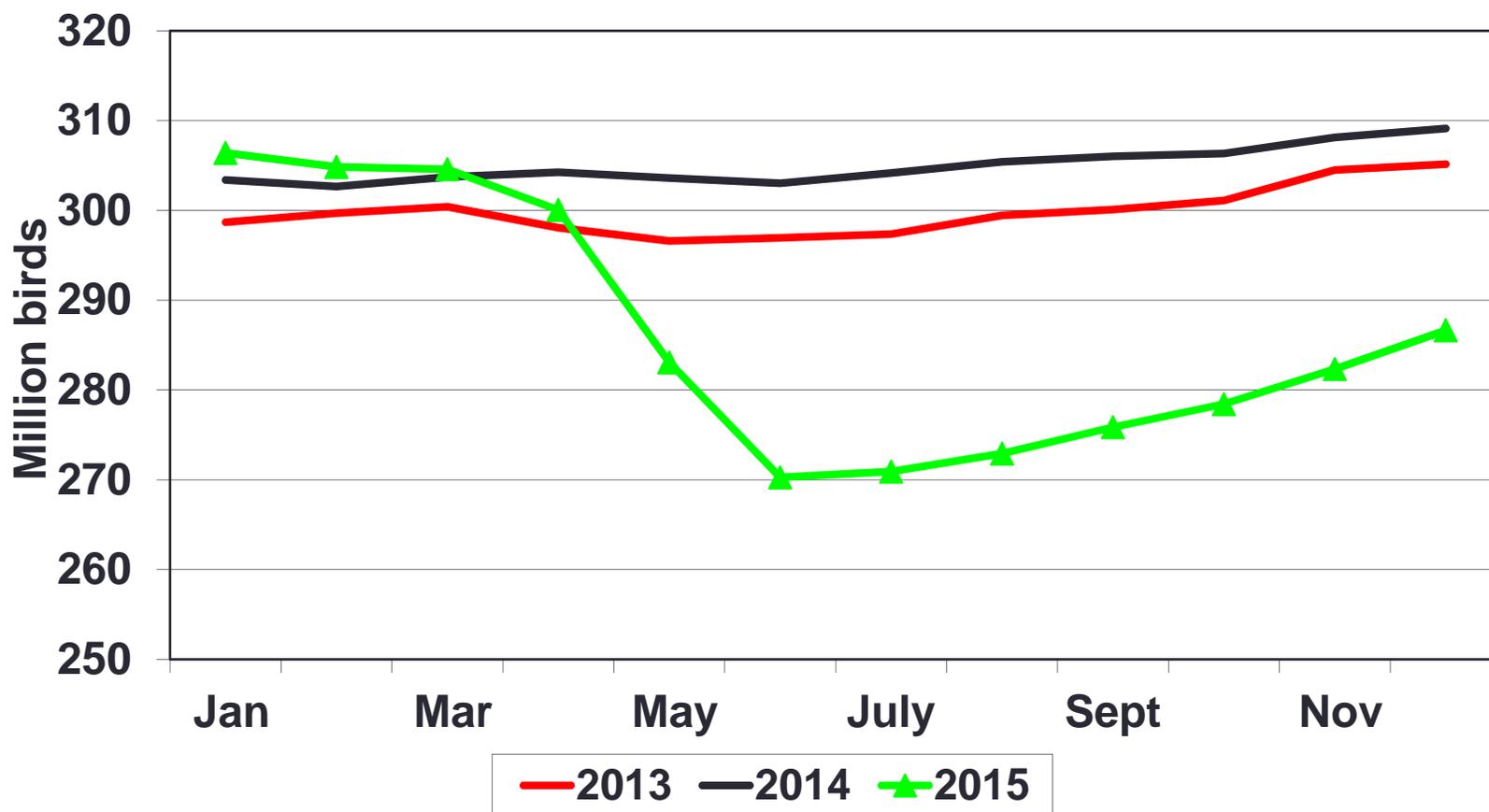
Live Turkey Weights Averaged Lower in 2015



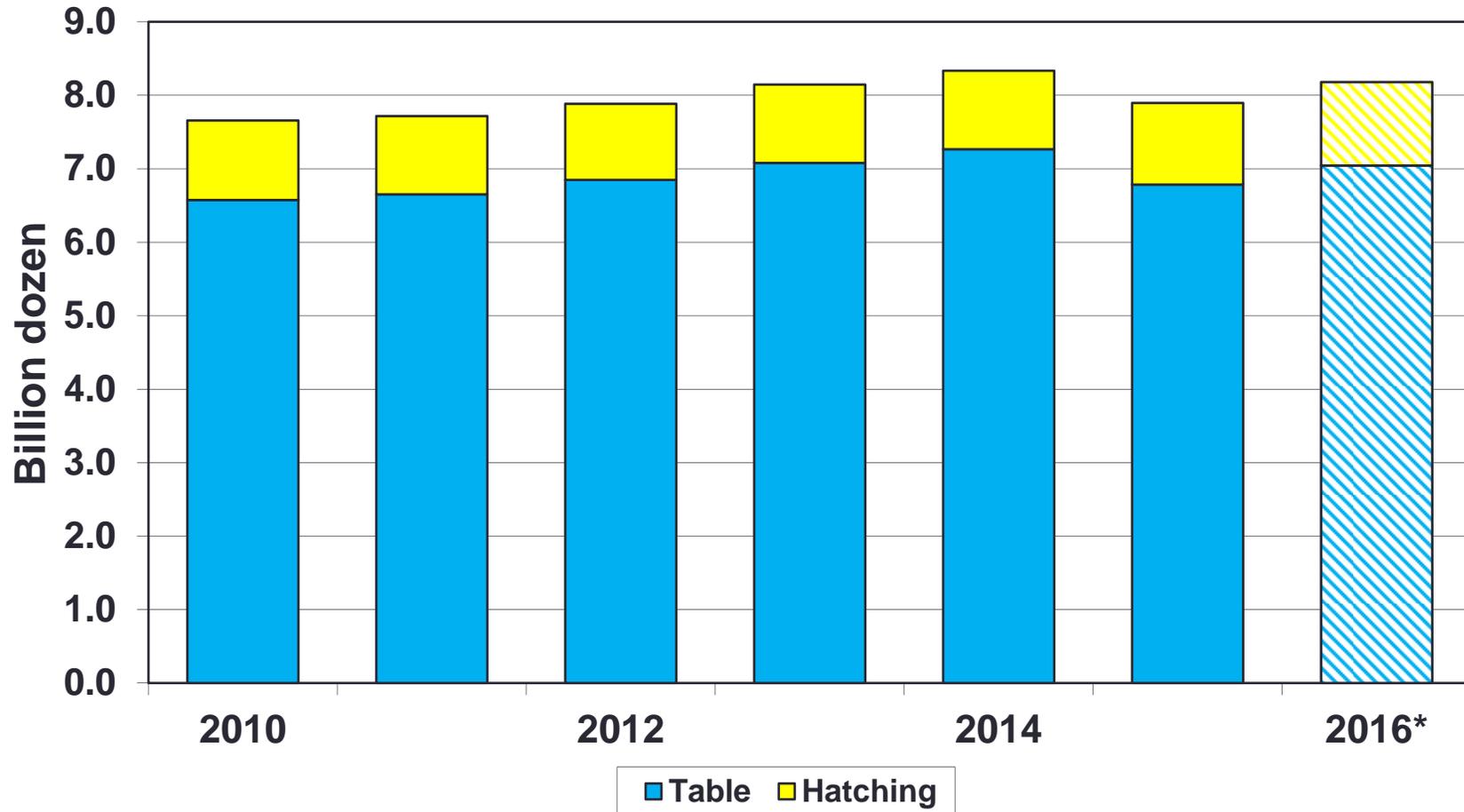
Factors Driving the Forecasts:

- Eggs – HPAI Cut Production
 - Laying Flock Lower on Bird Losses

Egg Laying Flock Slowly Recovering



Egg Production Will Recover



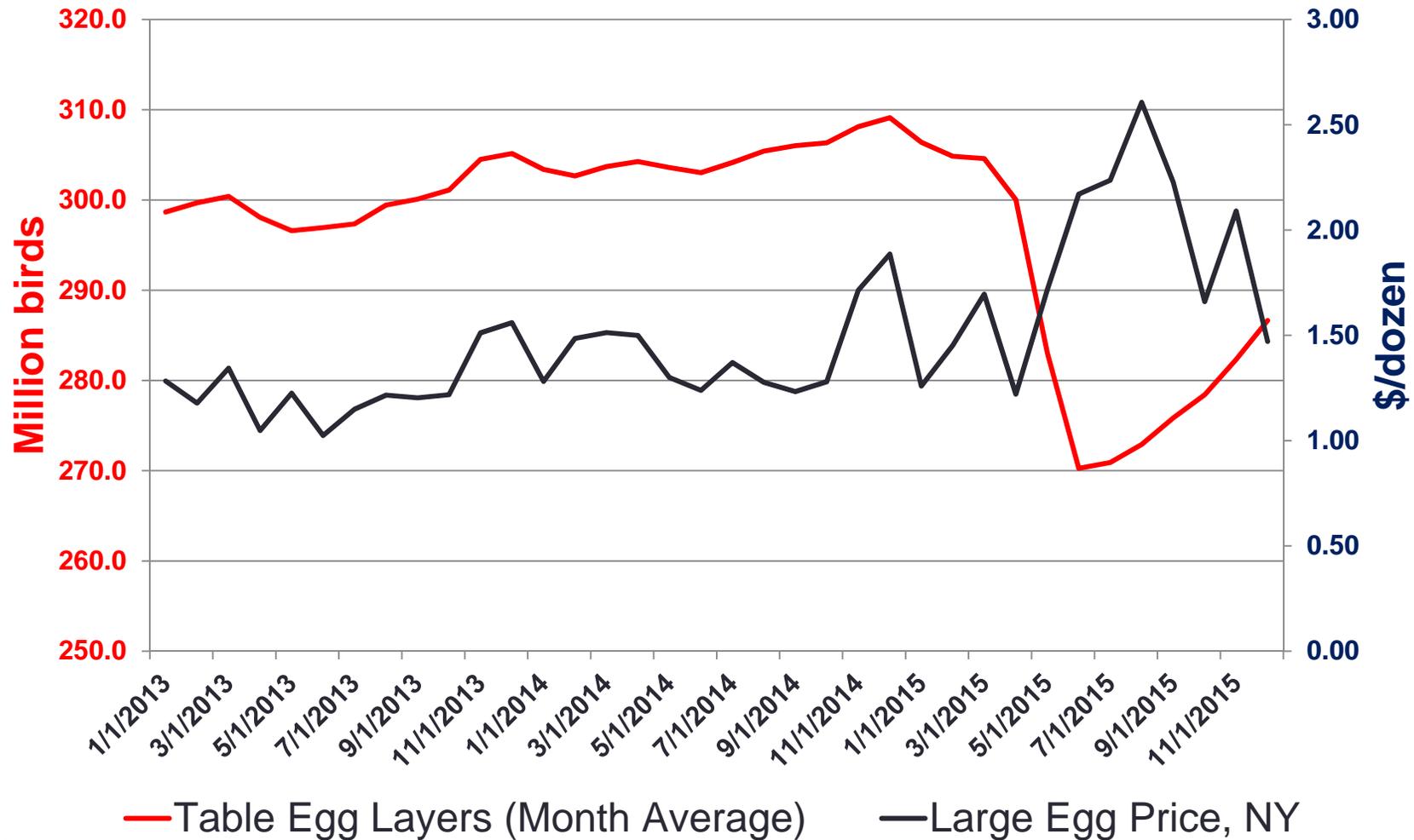
*Forecast



Factors Driving the Forecasts:

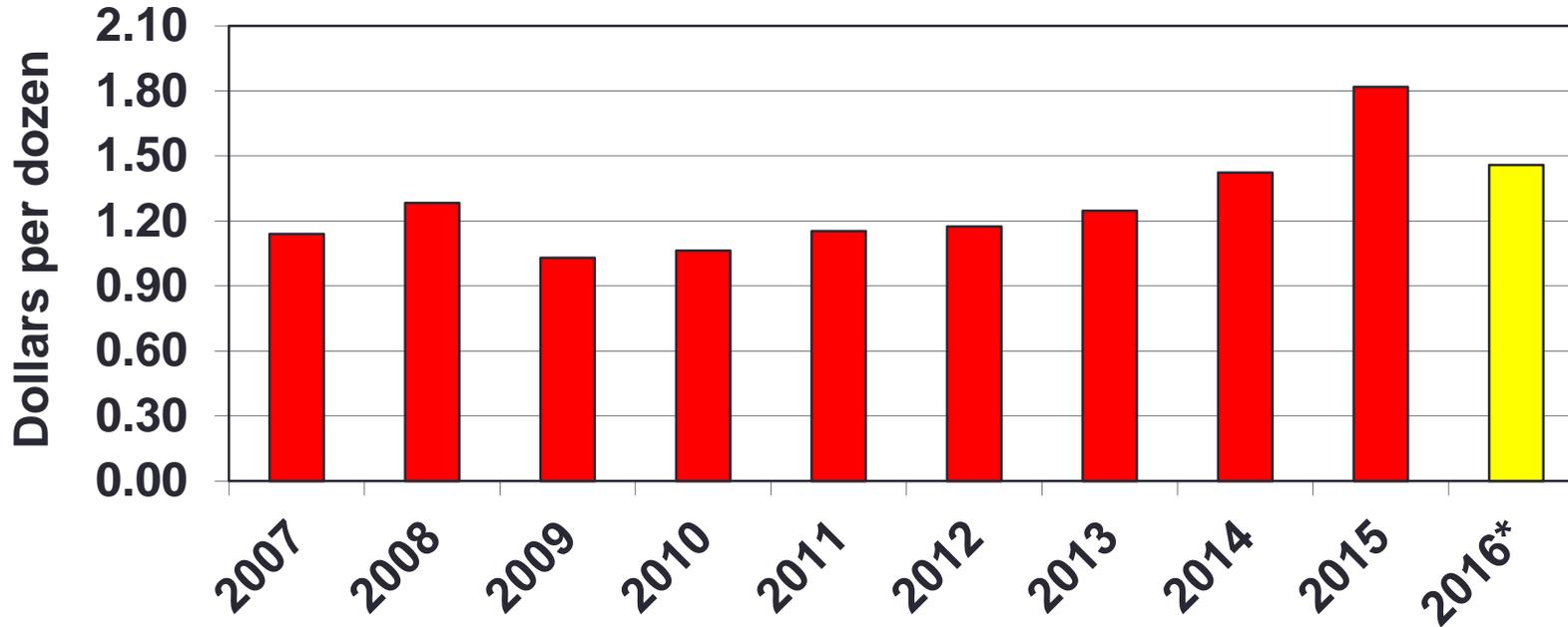
- Eggs – HPAI Cut Production
 - Laying Flock Lower on Bird Losses
 - **Egg Prices Volatile on Supply Tightness**

Wholesale Egg Prices Spiked as Reduced Laying Flock Affected Egg Supplies



Egg Prices Will Decline to \$1.41-\$1.50 per Dozen

N.Y. Wholesale Price - Large Eggs



* Forecast



Additional information about the USDA outlook is available at the following websites:

- World Agricultural Outlook Board (WAOB)
World Agricultural Supply and Demand Estimates
 - www.usda.gov/oce/commodity/wasde/index.htm
- Economic Research Service (ERS)
Livestock, Dairy, and Poultry Situation and Outlook
 - www.ers.usda.gov/publications/ldp/
- Foreign Agricultural Service (FAS)
Livestock and Poultry: World Markets and Trade
 - <http://www.fas.usda.gov/data/livestock-and-poultry-world-markets-and-trade>

