OUTLOOK FOR THE U.S. LIVESTOCK AND POULTRY SECTORS

Presented By
Shayle D. Shagam
World Agricultural Outlook Board, USDA

USDA Outlook Forum
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Red Meat and Poultry Production Will Be Record Large in 2016

![Graph showing forecasted meat production](image-url)

- **Poultry**
- **Beef**
- **Pork**
- **Other**

* Forecast
Total Meat Production 3 Percent Higher

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2015-16 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>24.252</td>
<td>23.690</td>
<td>24.580</td>
<td>3.8</td>
</tr>
<tr>
<td>Pork</td>
<td>22.843</td>
<td>24.499</td>
<td>25.030</td>
<td>2.2</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>38.550</td>
<td>40.042</td>
<td>41.025</td>
<td>2.5</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.756</td>
<td>5.628</td>
<td>5.945</td>
<td>5.6</td>
</tr>
<tr>
<td>Total Red Meat And Poultry</td>
<td>92.171</td>
<td>94.615</td>
<td>97.352</td>
<td>2.9</td>
</tr>
</tbody>
</table>
Meat Exports Will Rise with Lower Prices

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2015-16 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.573</td>
<td>2.266</td>
<td>2.475</td>
<td>9.2</td>
</tr>
<tr>
<td>Pork</td>
<td>4.857</td>
<td>4.941</td>
<td>5.125</td>
<td>3.7</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>7.301</td>
<td>6.319</td>
<td>6.765</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.947</td>
<td>3.370</td>
<td>2.845</td>
<td>-15.6</td>
</tr>
<tr>
<td>Pork</td>
<td>1.008</td>
<td>1.111</td>
<td>1.000</td>
<td>-10.0</td>
</tr>
</tbody>
</table>
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

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

* 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
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

Million Head


Outside Feedlots

On-Feed

3.4%

1.2%

5.3%
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
Average Returns to Farrow-Finish Operators

Source: Iowa State University
Slow Growth in Sows Farrowing

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
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<tbody>
<tr>
<td>QI</td>
<td>-1.9%</td>
<td></td>
<td></td>
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<tr>
<td>QII</td>
<td>-0.1%</td>
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<td>QIII</td>
<td></td>
<td>0.5%</td>
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<tr>
<td>QIV</td>
<td></td>
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<td>0.5%</td>
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</tbody>
</table>

*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

Trend: 2009-13

*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

1998-2000=100

2013 2014 2015 2016

USDA
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

Billion Pounds

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

Legend:
- **2011-15**
- **2014**
- **2015**
- **2016**
Factors Driving the Forecasts:

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

![Graph showing turkey poult placements from 2014 to 2016, with data points for January to November. The graph indicates recovering trends with data peaking in July for all years depicted.](image-url)
Eggs Set Remain Below Year-Earlier

Eggs in Incubators, First of Month

<table>
<thead>
<tr>
<th>Month</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Jan</td>
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<td>May</td>
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<td>June</td>
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<td>July</td>
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<td>Aug</td>
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<td>Sept</td>
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<td>Oct</td>
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<tr>
<td>Nov</td>
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</tbody>
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USDA
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

Graph showing the trend of egg laying flock size from January to November, with data points for 2013, 2014, and 2015.
Egg Production Will Recover

Table

Hatching

*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

![Graph showing Wholesale Egg Prices and Table Egg Layers (Month Average) with Large Egg Price, NY](image)
Egg Prices Will Decline to $1.41-$1.50 per Dozen

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

- World Agricultural Outlook Board (WAOB)
  World Agricultural Supply and Demand Estimates

- 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