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The banner features an orange top section with the USDA logo and name. Below is a blue section with a white box on the left containing 'USDA's 92nd Annual'. The main text reads 'AGRICULTURAL OUTLOOK FORUM TRANSFORMING AGRICULTURE' in large white letters, followed by 'BLENDING TECHNOLOGY AND TRADITION' in smaller white letters, and 'February 25-26, 2016 / Crystal Gateway Marriott Hotel, Arlington, Virginia' at the bottom.

USDA
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AGRICULTURAL OUTLOOK FORUM
TRANSFORMING AGRICULTURE

BLENDING TECHNOLOGY AND TRADITION

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Livestock and Poultry Outlook

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OUTLOOK FOR LIVESTOCK AND POULTRY IN 2016

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Total livestock and poultry production in 2015 was comprised of divergent production patterns among the major livestock and poultry groups. Beef and turkey production declined during the year while pork and broiler production expanded. In aggregate, total red meat and poultry production grew 2.7 percent, the most rapid rate of increase since 2008. In 2016, red meat and poultry production is forecast to increase almost 3 percent to a record 97.35 billion pounds; this increase is expected to be driven by gains in all the major meats. This would be the first simultaneous increase in all major meats since 2008.

Demand is expected to be favorable in 2016 with continued improvement in the domestic economy, but the strength of the U.S. dollar and only modest growth in international economies will provide headwinds on exports. Further constraints on poultry sales are the result of trade bans due to the discovery of Highly Pathogenic Avian Influenza (HPAI) in 2015 and early 2016; the timing of the removal of these bans remains uncertain. Nonetheless, exports are expected to increase during 2016 with expanding domestic beef supplies and lower competitor supplies underpinning beef exports and a partial recovery in broiler and turkey exports. Steady increases in pork production will support the second consecutive increase in pork exports. With expanded production, price declines are expected for cattle, hogs, broilers, and turkeys.

Feed Prices Will Remain Moderate and Economic Growth Will Support Demand

Moderating feed prices and improved pasture conditions will help support production expansion despite lower livestock and poultry prices. Feed prices during 2016 are likely to be below 2015 as corn prices in the first 3 quarters will reflect a forecast 2015/16 crop year average of \$3.35-\$3.85 per bushel, compared to \$3.70 in 2014/2015. Prices in the last quarter are expected to decline further as expanding corn supplies lead to a season average price of \$3.45 for 2016/17 with a typical post-harvest low during the fall quarter expected. Similarly, soybean meal prices in 2016 are expected to average below 2015 levels as prices for the 2015/16 crop year average \$270-\$310 per ton compared with \$369 in 2014/2015. As with corn, soybean meal prices in the fourth quarter are expected to reflect increased production in 2016/2017 when prices will average \$280 per ton for the marketing year.

Real U.S. GDP is expected to grow over 2 percent, about the same as last year's growth, but with unemployment continuing to decline. Internationally, economic growth is forecast to be slightly more

rapid than last year. The U.S. dollar will likely remain strong against a large number of currencies which may offset some of the advantage of declining livestock product prices in foreign markets.

Cattle and Beef

The U.S. cattle herd is entering its third year of expansion in 2016. USDA's January *Cattle* report estimated that the number of cattle and calves on January 1, 2016 rose 3 percent to 92.0 million head. The beef cow herd was estimated at 30.3 million head, about 4 percent more than a year earlier. Producers indicated that they planned to retain 3 percent more heifers for addition to the beef herd and expected to have 6 percent more heifers calve during 2016. Dairy cow numbers were about equal with last year but producers indicated that they were holding 2 percent more heifers for addition to the cow herd and they expected a similar increase in the number calving during the year. The 2015 calf crop was estimated at 34.3 million head, the first year of expansion since 1995.

The expansion of both the beef cow herd and the calf crop are largely due to 2 factors: 2 years of record and near-record feeder calf prices and dramatically improved supplies of pasture. Although feeder calf prices rose every year between 2010 and 2015, constraints on forage due to drought limited the ability of cow-calf operators to expand their herds. Although recent declines in feeder calf prices may have tempered returns, it is likely that herd expansion will continue through 2016. Feeder cattle prices in 2016 will likely be less than those in 2014 and 2015, but returns for cow calf operators should be sufficient to support continued herd expansion.

Despite the increase in the cattle herd during 2015, the number of cattle on feed on January 1, 2016 was estimated at 13.2 million head, only a 1 percent increase from 2015. Net placements in feedlots with 1,000 head or greater capacity declined almost 5 percent during 2015 as dramatically improved pasture in much of the country and readily available forage offered cow-calf operators and backgrounders opportunities hold cattle longer in an attempt to improve their returns. With a larger pool of cattle available for placement and lower placements during the year, the number of cattle outside feedlots at the beginning of the year was about 5 percent higher. Imports of cattle declined to just over 1.98 million head in 2015 as supplies tightened in both Canada and Mexico. Imports are expected to fall to 1.90 million head in 2016 as inventories in those countries are lower and price incentives to ship cattle to the U.S. diminish.

Commercial beef production for 2016 is forecast to increase by almost 4 percent, to 24.58 billion pounds. Steer and heifer slaughter will be above 2015 as an increasing number of cattle are placed on feed. Cow slaughter is also expected to increase from 2015 as herds are refreshed with the large number of heifers expected to enter both dairy and beef herds. Total commercial cattle slaughter during 2016 is expected to increase over 3 percent. However, the increase in beef production will also reflect continued increases in carcass weights. The abundance of forage has provided opportunities for cow-calf operators and backgrounders to keep cattle on forage longer, while moderating feed costs have resulted in an increase in length of the time cattle are being kept in feedlots. Carcass weights are forecast to increase to just over 827 pounds.

Beef exports for 2016 are forecast at 2.48 billion pounds over 9 percent higher than 2015. In 2015, exports fell about 12 percent as supplies of beef tightened, and a strong U.S. dollar compounded the

impacts of relatively high beef prices. Additionally, supplies in competitor countries were large as Australia liquidated herds, further pressuring U.S. exports. Exports in 2016 will benefit from lower U.S. prices, although continued strength in the dollar will remain a headwind in expanding exports. Australia is expected to begin rebuilding herds from a drought-diminished base; this will limit exportable supplies to the expected benefit of U.S. exports.

U.S. beef imports are forecast at 2.85 billion pounds for 2016, down almost 16 percent from 2015. Increased U.S. cow slaughter and lower prices for lean processing-grade beef will reduce demand for imports. In addition, supplies of beef from Australia, the largest source of U.S. beef imports is expected to be lower. Demand by other beef importing countries may limit the ability of Australia's competitors to sharply increase exports to the United States. Although Brazil has been approved to export fresh, chilled and frozen beef to the United States, the process of plant approval is still underway and will likely limit import growth during the early part of the year.

The 5-Area steer price for 2016 is forecast to average \$133 to \$142 per cwt, down from 2015's average of \$148.12. As fed cattle supplies increase during 2016, prices are likely to be pressured, but feedlot margins are negative and cattle feeders are expected to attempt to leverage their position by slowing the pace of marketings and attempting to reduce bids for feeder cattle. Both these actions will be factors in the expected increases in carcass weights during 2016. With adequate forage available, cow-calf operators and backgrounders may be more resistant to feedlots' attempts to pressure feeder calf prices, but supplies of cattle outside feedlots are 5 percent higher and many of these cattle are expected to be placed during 2016. Feeder steer prices are forecast to average \$176 to \$185 per cwt, down from the record prices of almost \$203 in 2014 and 2015.

Hogs and Pork

Producers exhibited a very measured response to positive returns during 2014 and much of 2015. The number of sows farrowed during 2015 was only fractionally above 2014; the vast majority of the increase in the pig crop reflected a recovery in pigs per litter after the heavy piglet mortality experienced in 2014 due to Porcine Epidemic Diarrhea virus (PEDv). Recent declines in returns for farrow-to-finish operators likely have set the stage for a small decline in farrowings during first-half 2016.

The December 2015 *Quarterly Hogs and Pigs* report estimated that on December 1, 2015 the inventory of all hogs and pigs was 68.3 million head, about 1 percent above the prior year. The breeding herd was 1 percent higher at just over 6.0 million head. Producers likely responded to PEDv by sharply increasing farrowings in the second half of 2014 and early 2015. However, as the incidence of PEDv diminished and pigs per litter rebounded, producers scaled back farrowings. Farrowings in second-half 2015 were below year-earlier, but with gains in pigs per litter, the 2015 pig crop was almost 5 percent above 2014. In the most recent *Quarterly Hogs and Pigs* report, producers indicated they intend to farrow about 1 percent fewer sows in the first half of 2016. This decline is likely to be reinforced by negative returns over the past several months and by prospects for below year-earlier hog prices during 2016. However, to the extent that pigs per litter are expected to continue to return to pre-PEDv levels of growth, it is expected that the first-half 2016 pig crop is likely to be about 1 percent above 2015. Given the larger first half pig crop, coupled with an only fractionally smaller second-half 2015 pig crop and

higher expected imports from Canada, supplies of hogs for slaughter during 2016 are expected to be above a year earlier.

U.S. hog imports are forecast at 6.2 million head for 2016, up 7 percent from 2015. The January 1, 2016 Canadian hog inventory will be released on March 8, but it is expected that the pig crop in 2015 and early 2016 may be higher as producers in Canada benefited from relatively favorable U.S. hog prices and a strong dollar, and at mid-year indicated intentions to have almost 3 percent more sows farrow during the second half of 2015.

Commercial pork production for 2016 is forecast at a record 25.0 billion pounds, 2 percent higher than 2015. Hog slaughter is expected to be higher than last year as a result of both the larger expected pig crop and higher imports from Canada. However, carcass weights are expected to average just over 212 pounds, about the same as 2015. Although a slight increase in weights is expected during most of the year, weights in first-quarter 2015 were skewed by higher weights due to excess capacity in finishing barns which allowed producers to feed hogs longer than usual. As that capacity came into use with larger pig crops, hogs were marketed in a more timely manner and weights were lower during the remainder of the year.

For 2016, pork exports are forecast at about 5.13 billion pounds, up 4 percent from 2015. Exports increased less than 2 percent in 2015 as lower pork prices helped deflect the impact of the strong dollar. Russia remained closed to U.S. exports and exports to Japan and a number of other countries were hindered by the strong dollar and economic weakness. However, strong gains in sales to Mexico and South Korea helped offset losses to other markets. Mexico was the largest destination for U.S. pork for the second year in a row. Exports in 2016 are forecast to increase as economic growth in many foreign economies supports increased meat demand, and as U.S. hog prices decline.

Pork imports for 2016 are forecast at 1.0 billion pounds, 10 percent below 2015. Imports from Canada, the predominant source of imports, increased almost 10 percent in 2015 while increased imports from Poland propelled it into second place. Higher U.S. pork production and lower prices will likely make the United States a less attractive market, especially for Canada.

U.S. hog prices, on a national base, 51%-52% lean, live equivalent, are forecast to average \$46 to \$49 per cwt for 2016, down from last year's \$50.23. Prices are expected to average below year-earlier levels through the entire year, but the year-over-year declines in 2016 will not be as sharp as those experienced in 2015.

Sheep and Lambs

The U.S. sheep and lamb inventory increased for the second year in 2015. The January 1, 2016 inventory of sheep and lambs was 5.32 million head, up fractionally from 2015. The breeding flock likewise increased less than 1 percent and the number of replacement lambs was over 2 percent higher. Producers may be expanding in those parts of the country where forage conditions have improved. The 2015 lamb crop was unchanged from 2014, likely constraining production as producers held animals for replacement. In 2015, commercial lamb and mutton production was 4 percent lower than 2014. Production in 2016 is forecast at 152 million pounds, up about 1 percent as market lambs on January 1 were up almost 1 percent.

Lamb and mutton imports for 2016 are forecast at 195 million pounds, 9 percent lower than 2015. U.S. production is forecast higher and tighter lamb supplies are expected in Australia and New Zealand. Both those countries are expected to build herds during 2016.

The San Angelo Choice slaughter lamb price is forecast to average \$140 to \$149 per cwt for 2016, about the same as 2015's \$144. Despite higher expected U.S. production, lower imports are will likely result in tighter total supplies and support prices.

Broiler Meat

For 2016, broiler meat production is forecast 3 percent higher at a record 41.0 billion pounds. Producers have been expanding broiler-type laying flocks since the end of 2012. Returns were relatively good in 2014 and first-half 2015, encouraging producers to continue to expand flocks. The broiler-type laying flock in 2015 averaged almost 3 percent higher. However, in the second half of 2015, sharply lower broiler prices tightened margins for producers and may have injected a note of caution in expansion plans. Despite a higher number of layers, the ratio of broiler chicks hatched to the average number of layers was below average levels during the last 4 months of 2015. Producers may be taking a "wait-and-see" attitude before adjusting the size of their flocks. Nonetheless, the pace of expansion in 2016 is expected to slow as producers face weaker broiler prices through the first half of 2016. Eggs set in incubators and chicks placed for growout have been less than 1 percent higher during the first 6 weeks of 2016. The number of broiler chicks for slaughter is expected to be slightly above last year's levels; production growth will be driven largely by higher average bird weights.

U.S. broiler meat exports for 2016 are forecast to increase 7 percent to 6.77 billion pounds. This reflects a partial recovery in exports following the 13.4 percent decline in 2015 exports after many markets were closed to U.S. poultry due to HPAI. A number of markets have reopened, but the continued closure of 2 notable markets, China and South Korea, to U.S. poultry due to HPAI and Russia's ban on imports of U.S. poultry are expected to be a constraint on export growth. Although supplies of leg quarters are large and prices have been well below year-earlier levels, weak economic growth in a number of key markets as well as a strong U.S. dollar are also factors which are expected to limit growth in exports.

The National Composite wholesale broiler price is forecast to average \$0.85 to \$0.90 per pound in 2016, compared with an average of \$0.91 in 2015. Broiler prices are forecast to remain below 2015 during the first half of the year as broiler meat supplies remain large, but second half prices are forecast on gains in exports and improved domestic demand.

Turkey

Turkey production for 2016 is forecast to increase about 6 percent to 5.95 billion pounds. Flocks were hard-hit by HPAI which resulted in the loss of over 7 million birds in 2015. As a result an expected expansion in turkey production was derailed and production for the year fell 2 percent to 5.63 billion pounds. Most of the regions affected by HPAI have be cleared for restocking, but due to biological lags inherent in flock expansion, it is unlikely that production will increase above 2015 until the second

quarter of 2016. Eggs set in incubators were below year-earlier levels into early 2016. However, with strong whole turkey prices forecast for 2016 producers are expected to expand production during the year.

Turkey exports for 2016 are forecast to increase about 29 percent to 690 million pounds after falling 34 percent in 2015. Trade was significantly depressed in 2015 as restrictions were placed on U.S. turkey shipments by a number of countries, and supplies of U.S. turkey were limited. A number of restrictions on importing U.S. turkey have been removed and increased U.S. turkey production will support an expansion in exports. However, China, which prior to the HPAI bans was the second largest market for turkey exports, has continued to maintain its ban on imports of U.S. poultry and Mexico, the largest importer continues to maintain bans on product from a number of states; this is expected to limit the recovery in exports.

With tight supplies of turkey moving into the holiday season, the monthly National turkey hen price peaked at a series record of \$1.36 in October. Following the holiday, prices have declined but in January averaged 16 cents per pound above 2015. As production recovers, prices are expected to moderate further. In 2016, the National turkey hen price is forecast to average \$1.10-\$1.18 per pound, compared to an average of \$1.16 in 2015.

Eggs

Total U.S. egg production in 2016 is expected to be 8.18 billion dozen, almost 4 percent higher than HPAI-depressed levels of 2015. The egg sector was hit hard by HPAI with table egg production declining almost 7 percent from the previous year as the number of table egg layers declined from a high of 305.1 million birds on March 1 to 270.2 million birds on June 1 before gradually increasing to 288.1 million birds by the beginning of 2016. Producers are gradually restocking houses, but it is unlikely production will exceed year-earlier levels before the second quarter. Egg-type hatching layers were up 5 percent as producers expand hatching layers to provide chicks for table egg flocks. Hatching egg production for 2016 is expected to increase about 2 percent as broiler and table egg producers increase production.

In 2015, egg and egg product exports fell 19 percent to 318 million dozen, shell egg equivalent. Restrictions on imports from HPAI infected areas and higher U.S. prices limited sales. As many restrictions have been removed, increased production and lower prices are expected to support an increase in exports. Exports are expected to increase 4 percent in 2016 to 330 million dozen.

For 2016, New York wholesale egg prices are forecast to average \$1.41 to \$1.50 per dozen, down from the \$1.82 average for 2015. Egg prices spiked as egg supplies tightened and were extremely volatile through the end of 2015 and into early 2016. Although it is likely that prices will remain volatile during 2016, prices are expected to average lower than 2016 the year as production increases.

Additional information about the 2016 livestock and poultry outlook is available at:

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>