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# OUTLOOK FOR THE U.S. LIVESTOCK AND POULTRY SECTORS

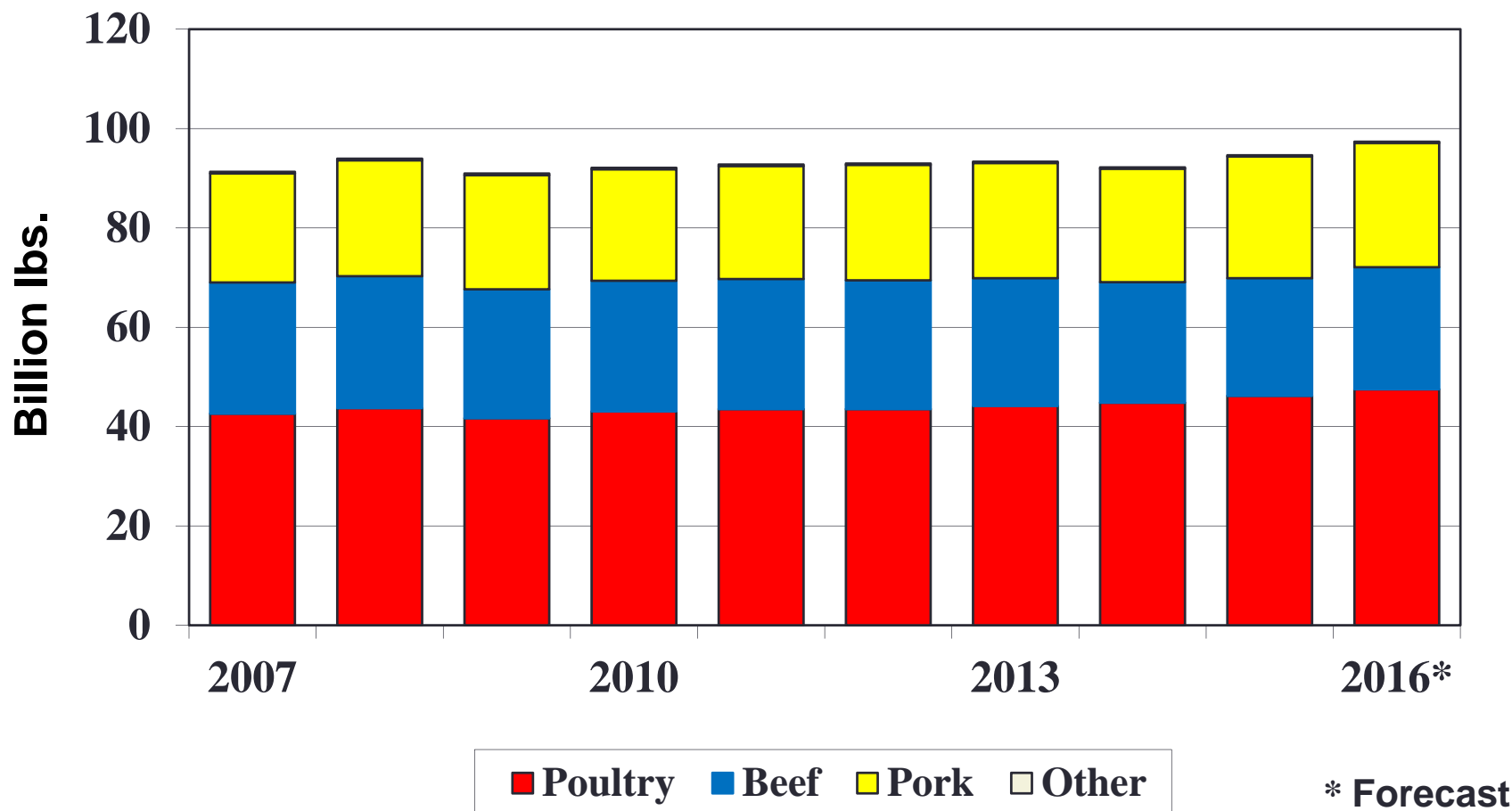
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Presented By  
Shayle D. Shagam  
World Agricultural Outlook Board, USDA

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

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

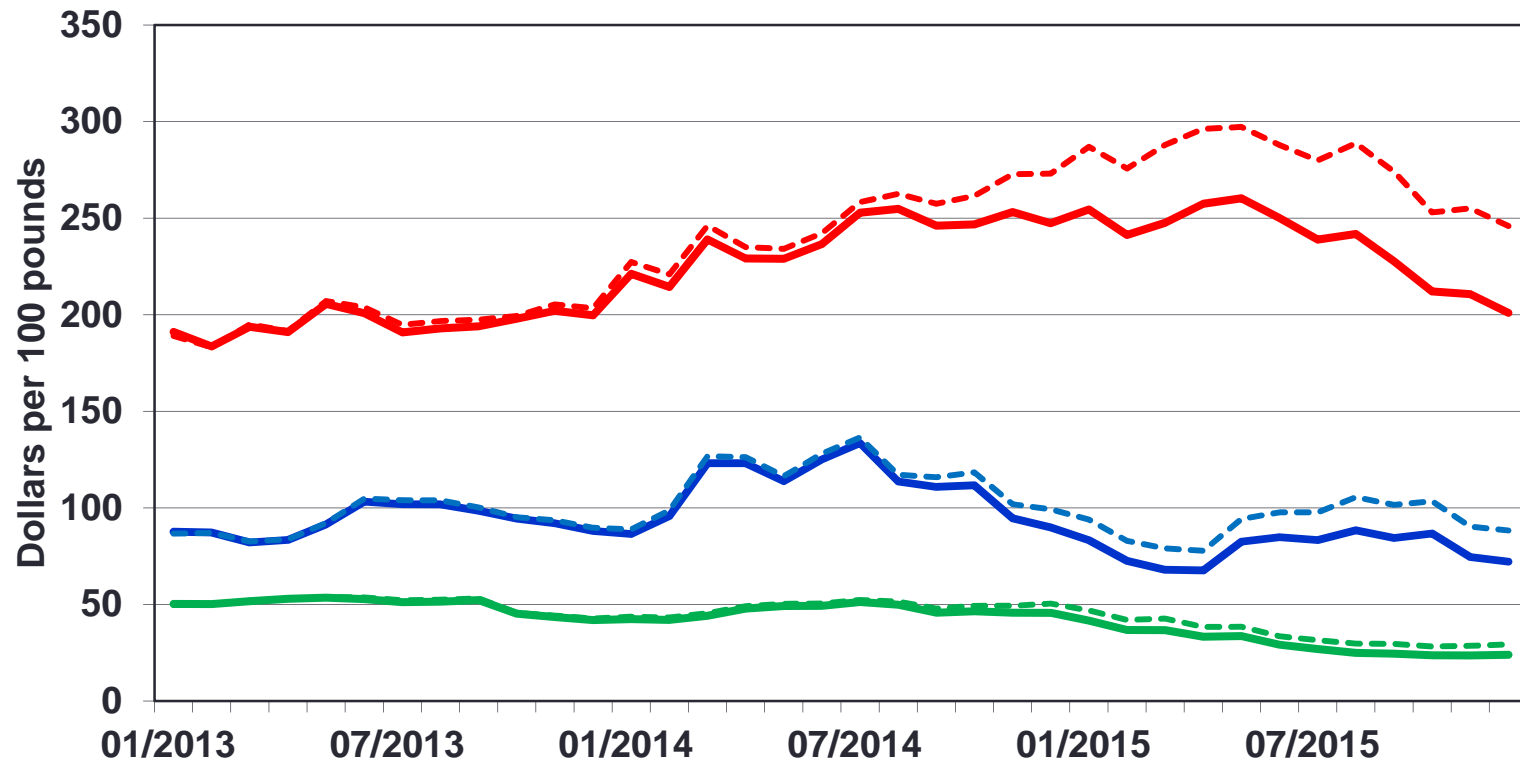


## Meat Exports Will Rise with Lower Prices

Billion pounds	2014	2015	2016	2015-16 % Change
<b>Exports</b>				
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
<b>Imports</b>				
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

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



\* 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**



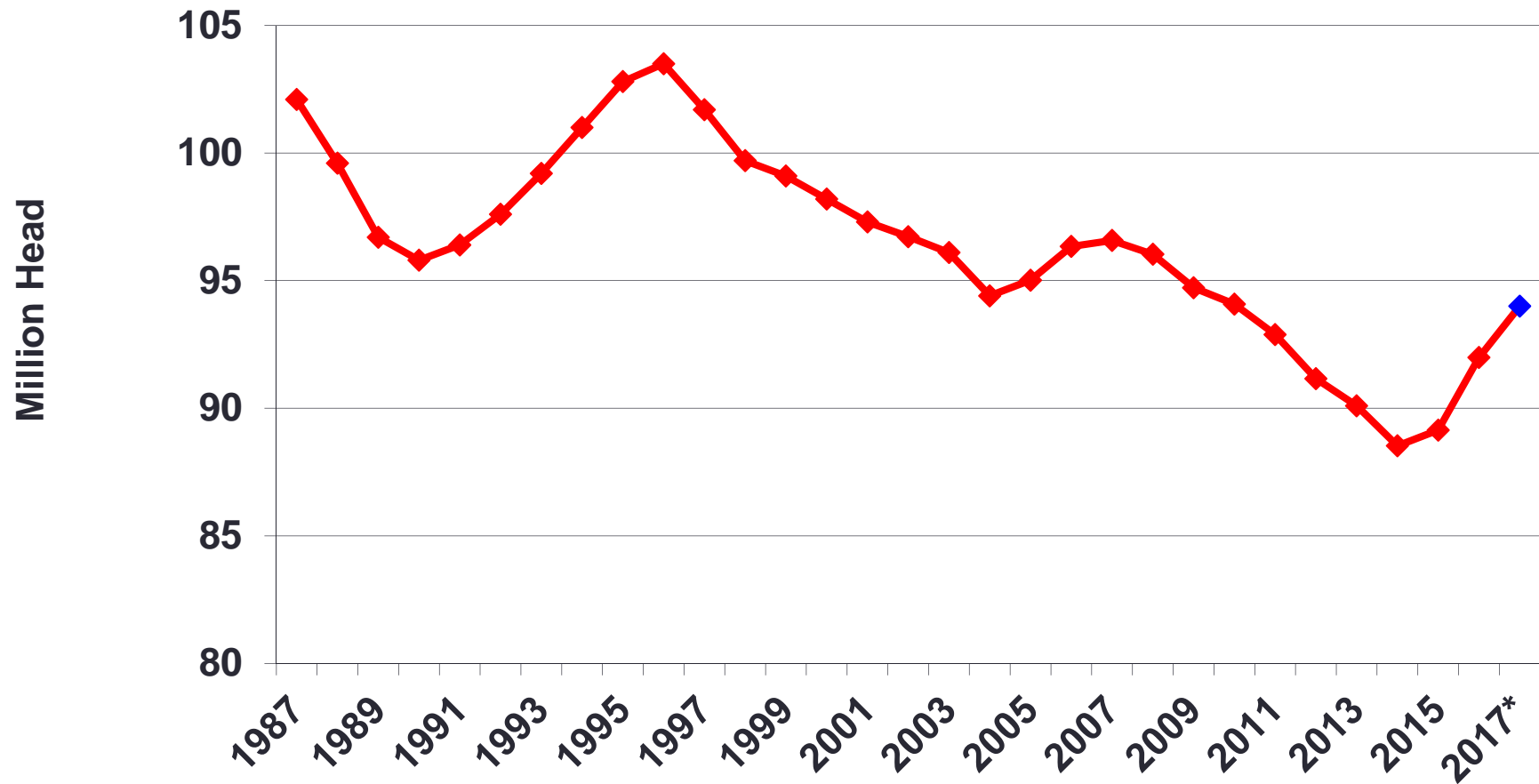


# Factors Driving the Forecasts:

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

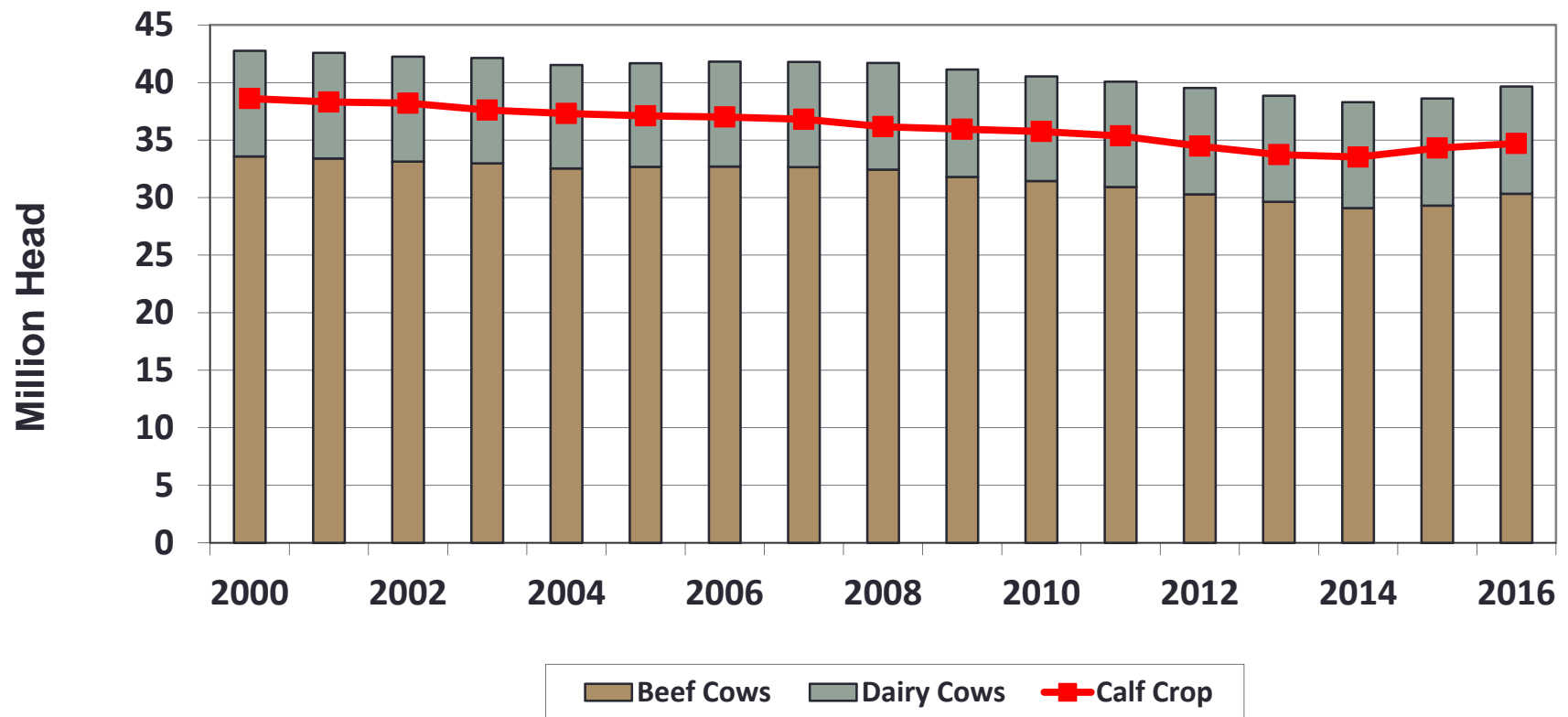


# Cattle Herd at 92.0 Million on Jan 1, 2016; Expansion Will Continue During 2016



\* Forecast

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



\* 2016 Calf Crop Forecast

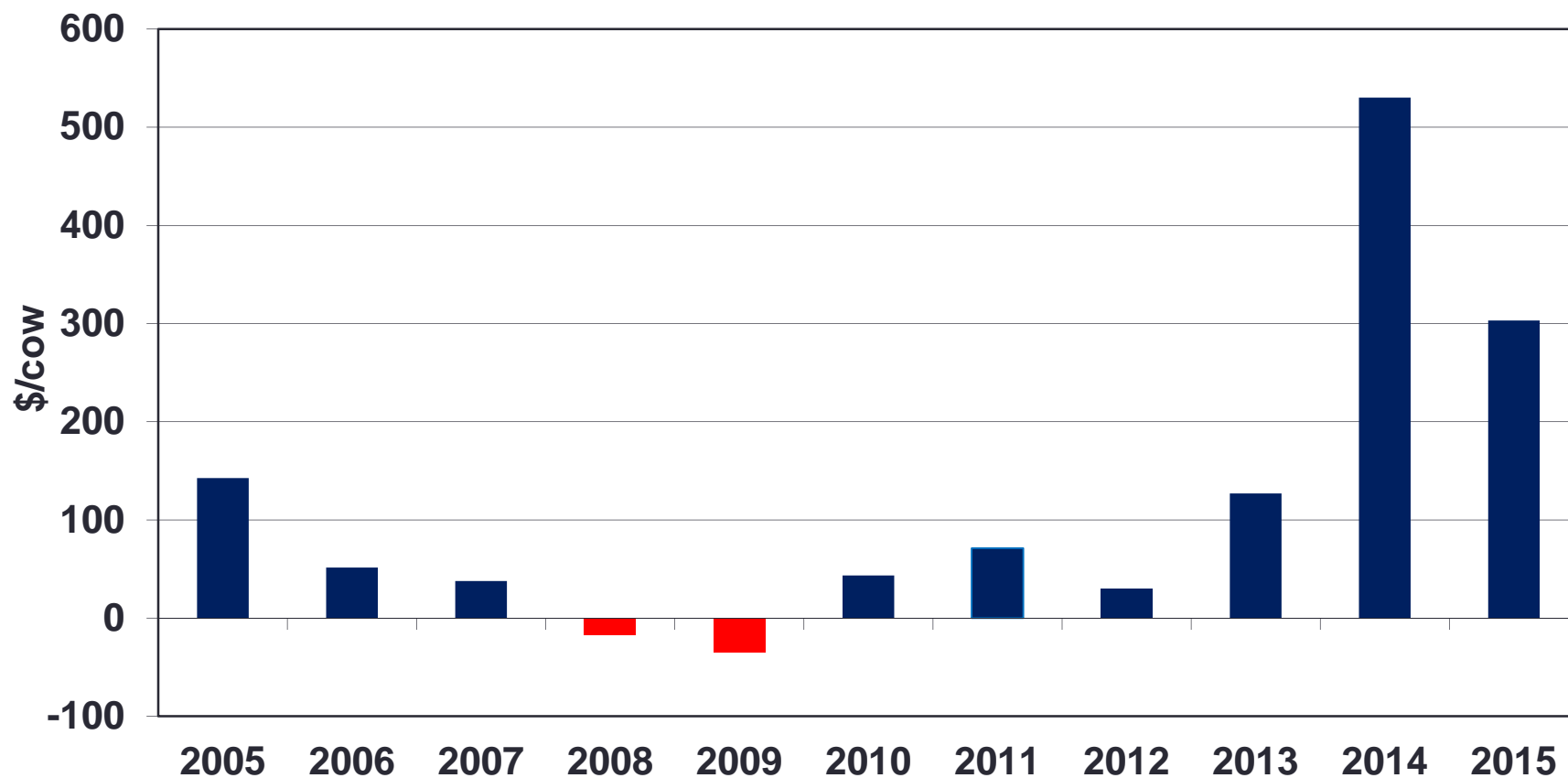
# Factors Driving the Forecasts:

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



# Estimated Average Cow Calf Returns

Returns Over Cash Cost (Includes Pasture Rent), Annual



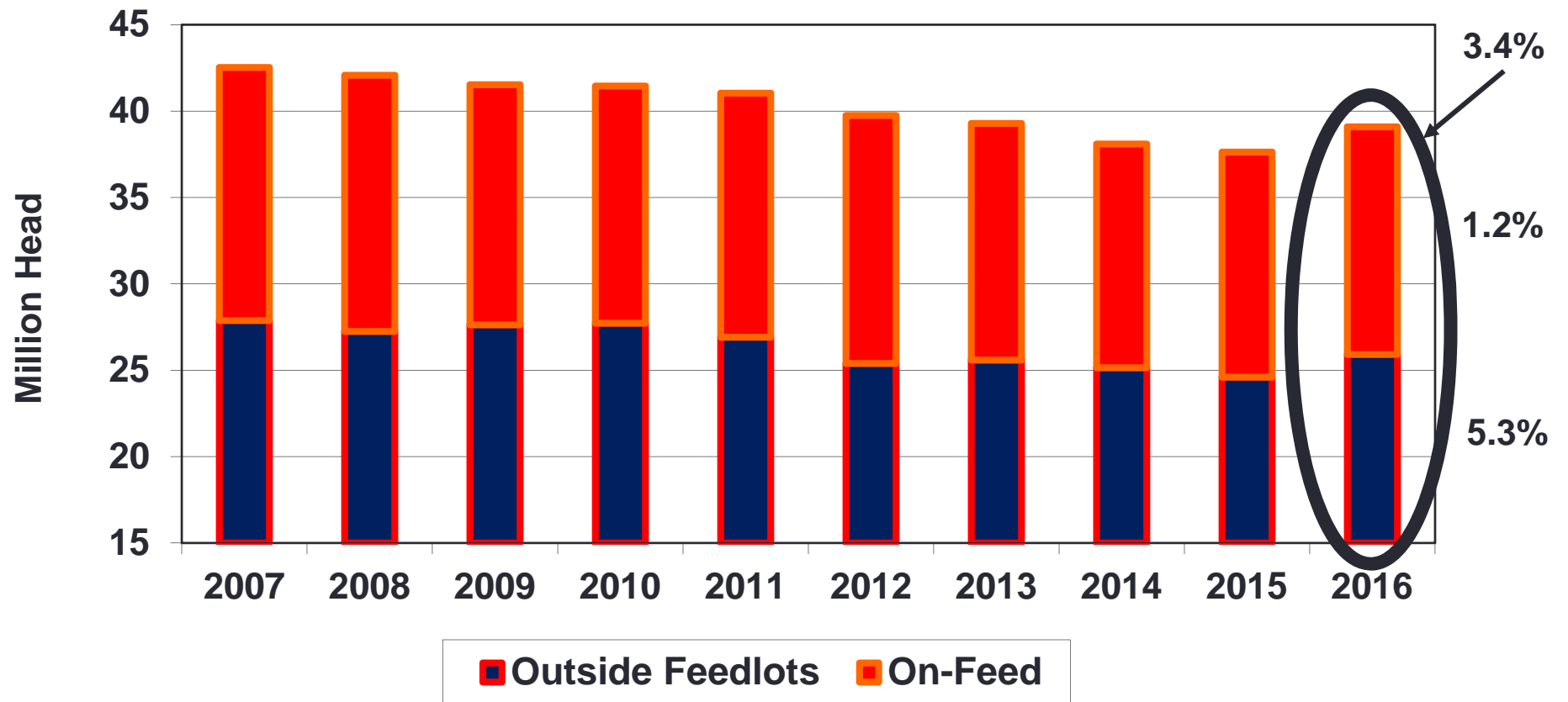
Source: Livestock Marketing Information Center

# 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

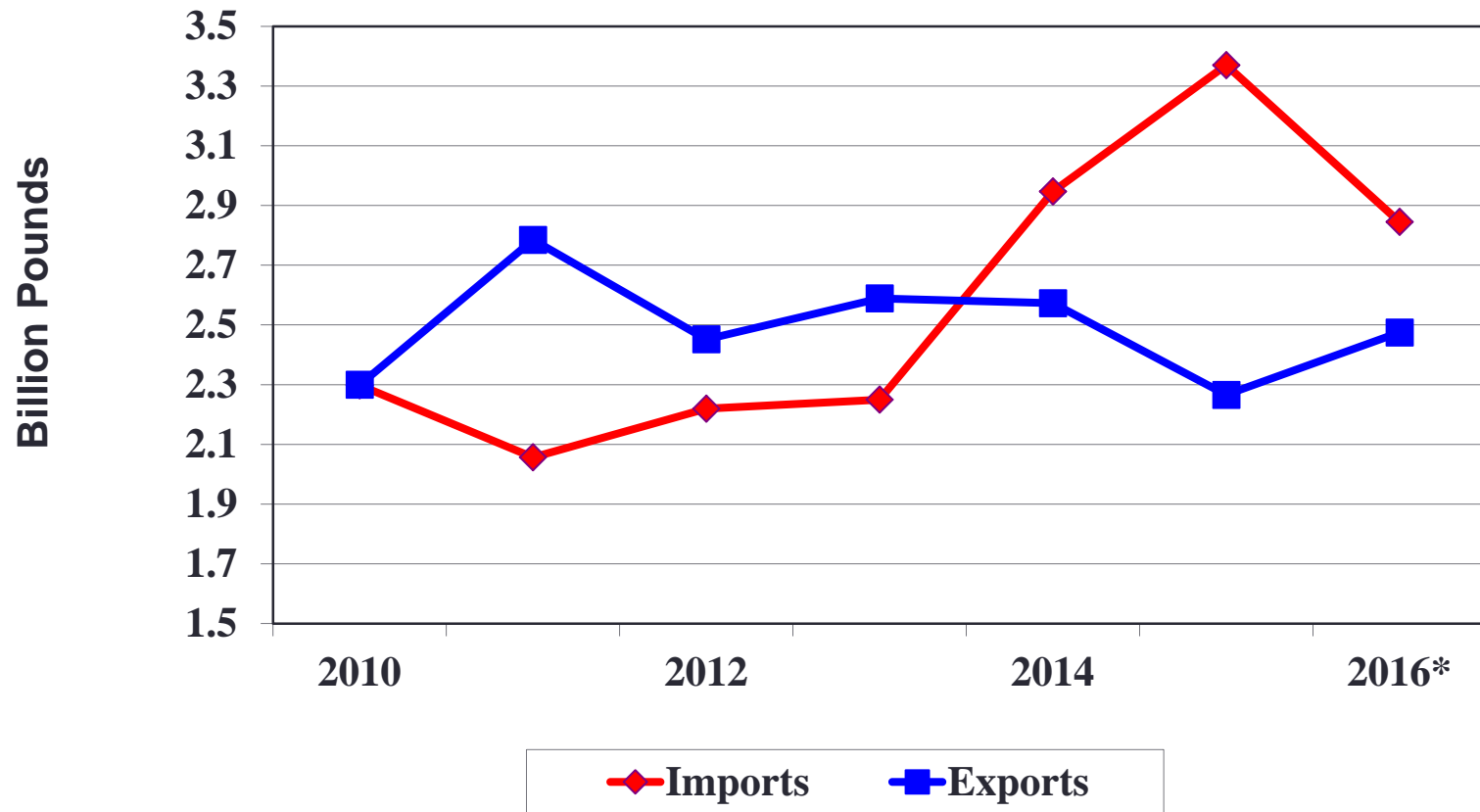


# Factors Driving the Forecasts:

- 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

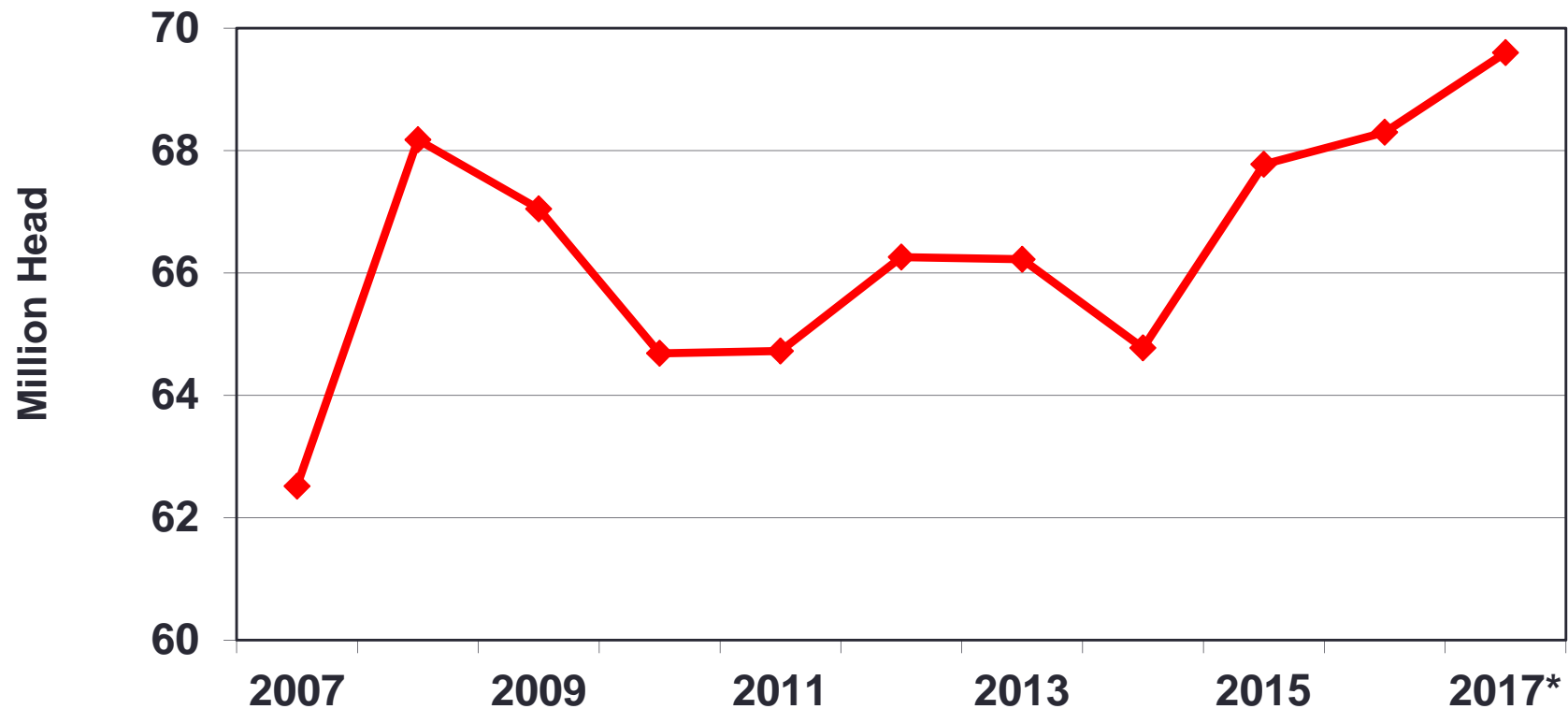


# Factors Driving the Forecasts:

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

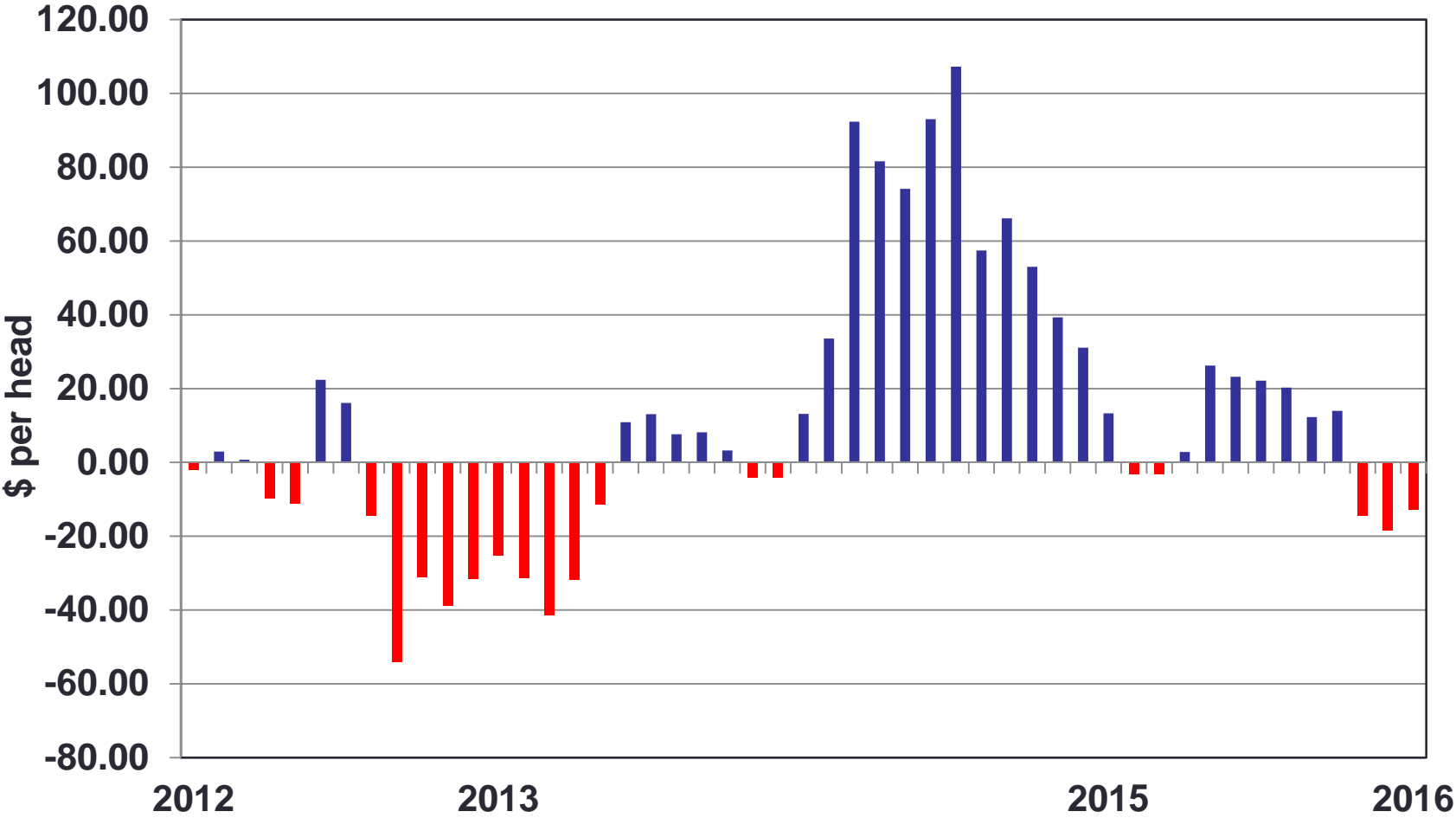
# Hog Inventory Increased to 68.3 Million Head on December 1, 2015

Inventory on December 1, Preceding Year



\* Forecast

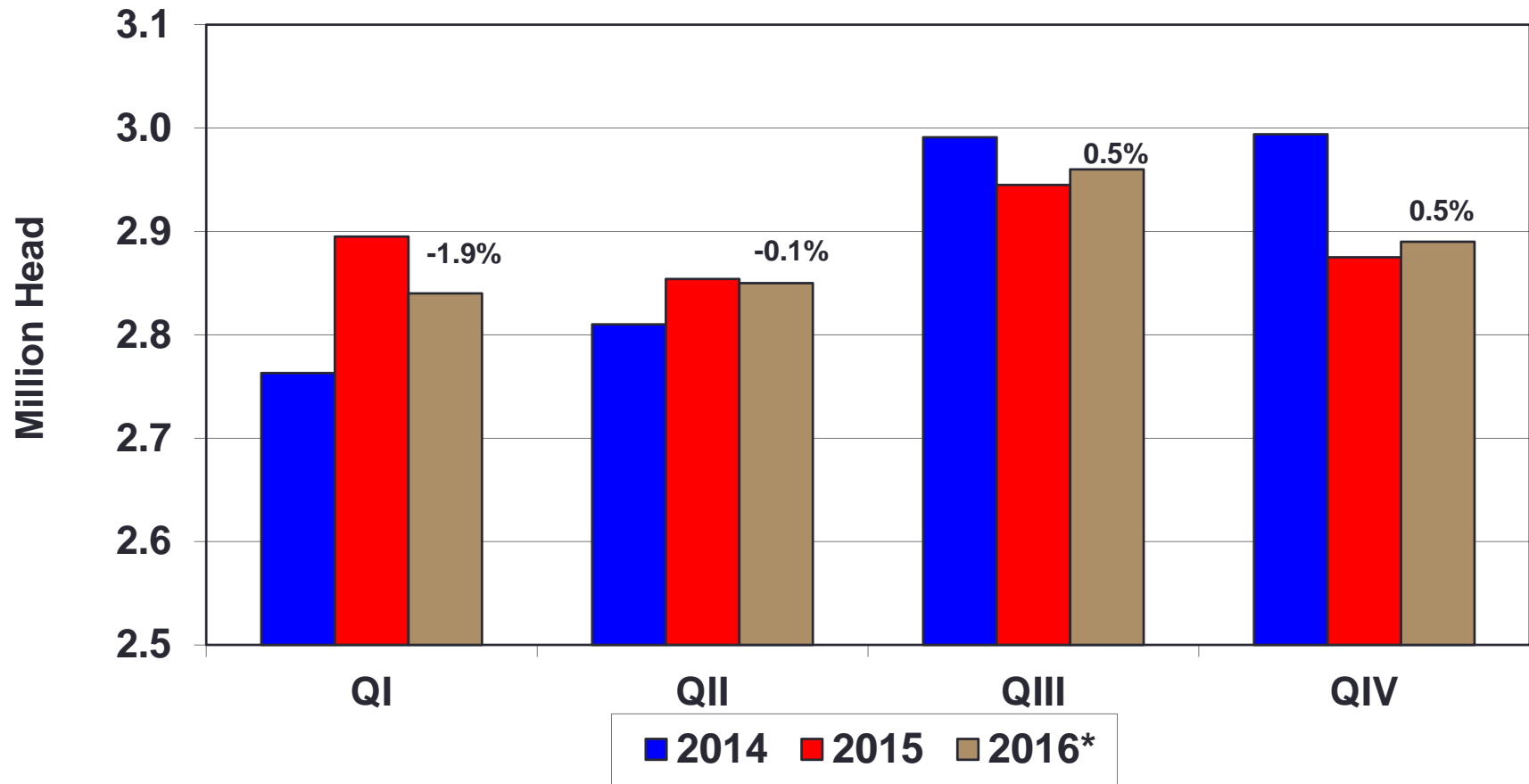
# Average Returns to Farrow-Finish Operators



Source: Iowa State University



# Slow Growth in Sows Farrowing

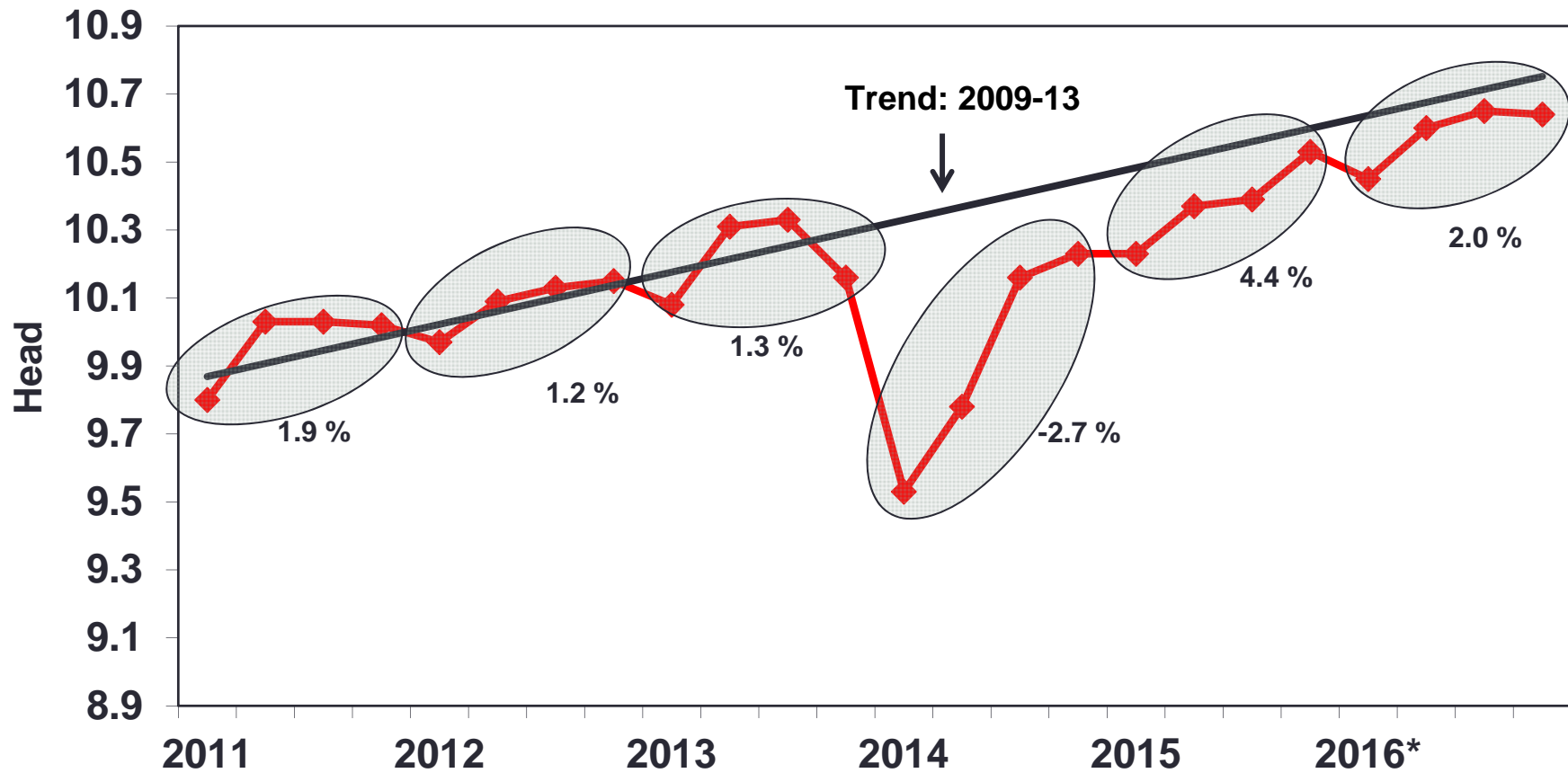


\* Quarters 1-2 NASS Reported ,  
Quarters 3-4 Forecast

# 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**

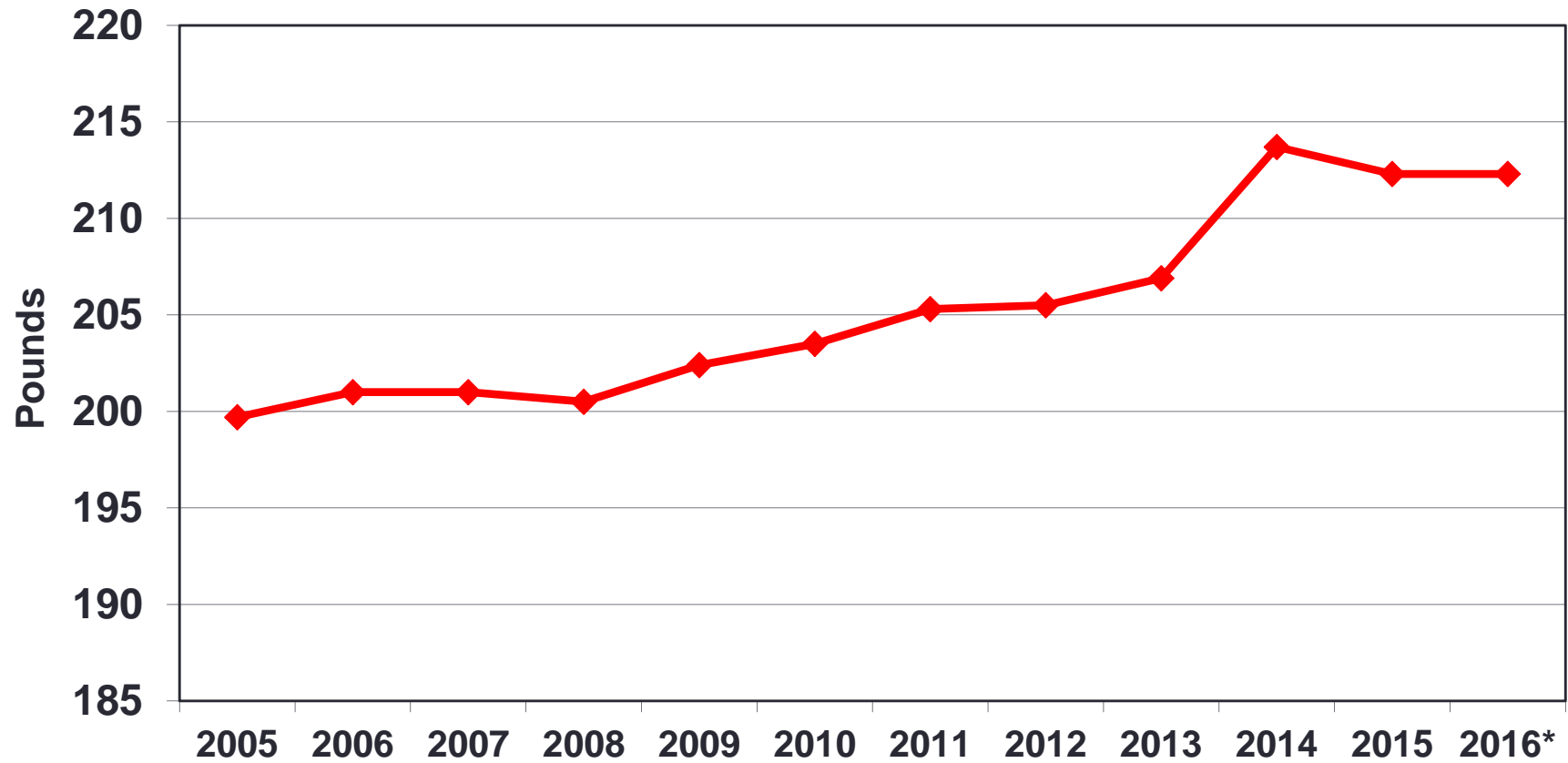
# Growth in Pigs per Litter Recovering From PEDv



\*Forecast



# Average Hog Carcass Weights Will Flatten



\* Forecast

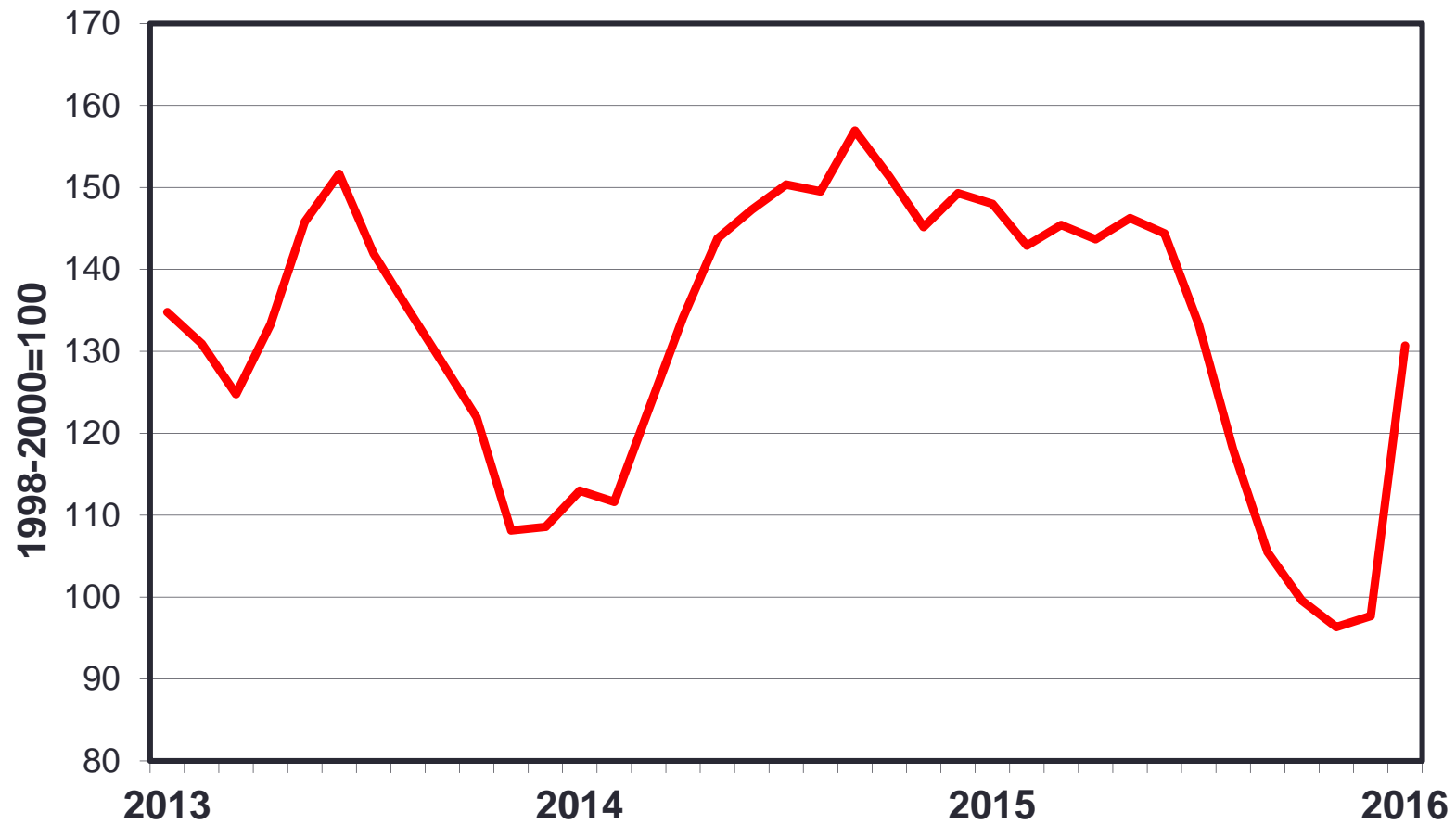




# Factors Driving the Forecasts:

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

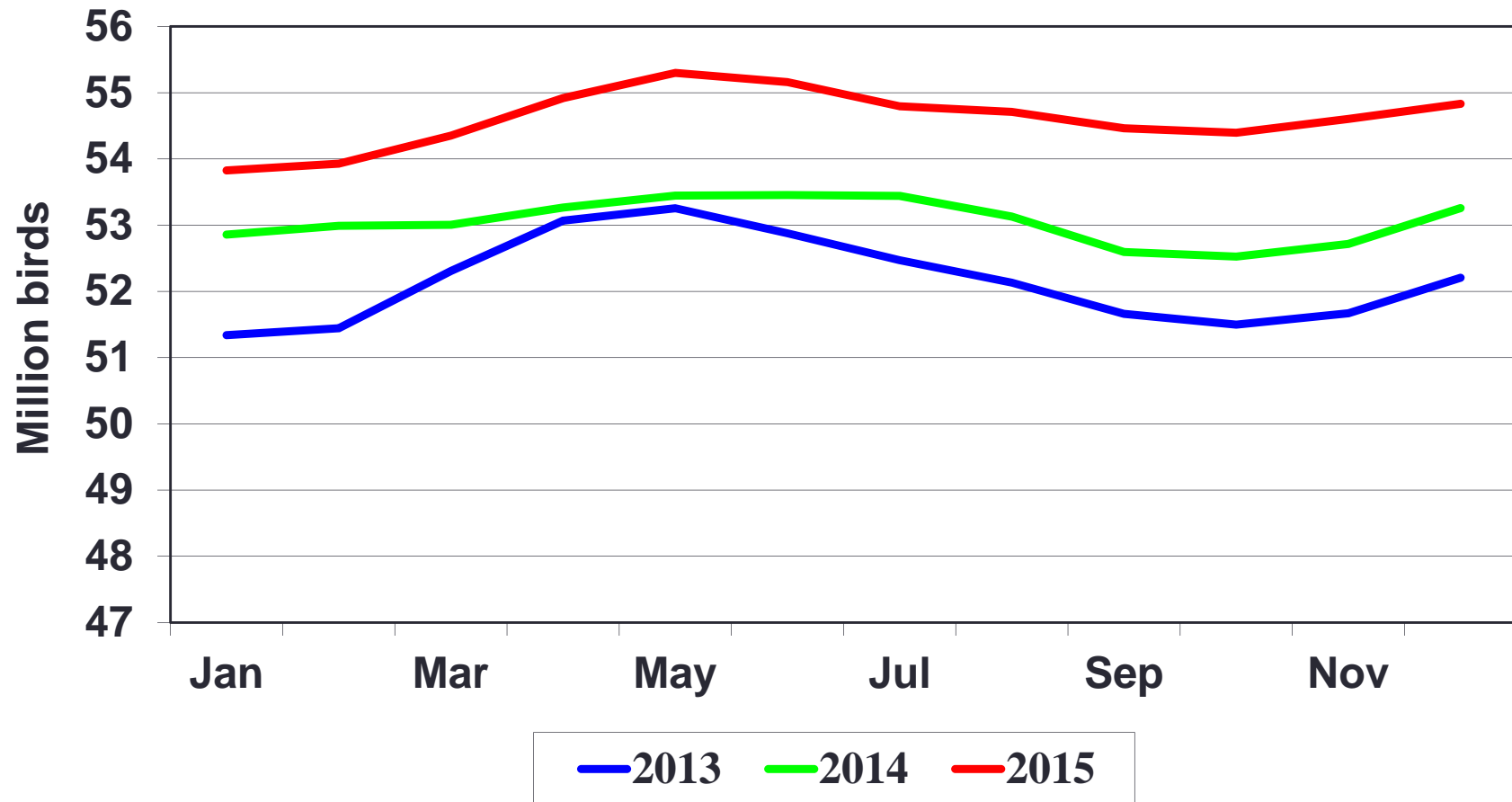
## Indexed Broiler Returns: Market Price Minus Feed Cost



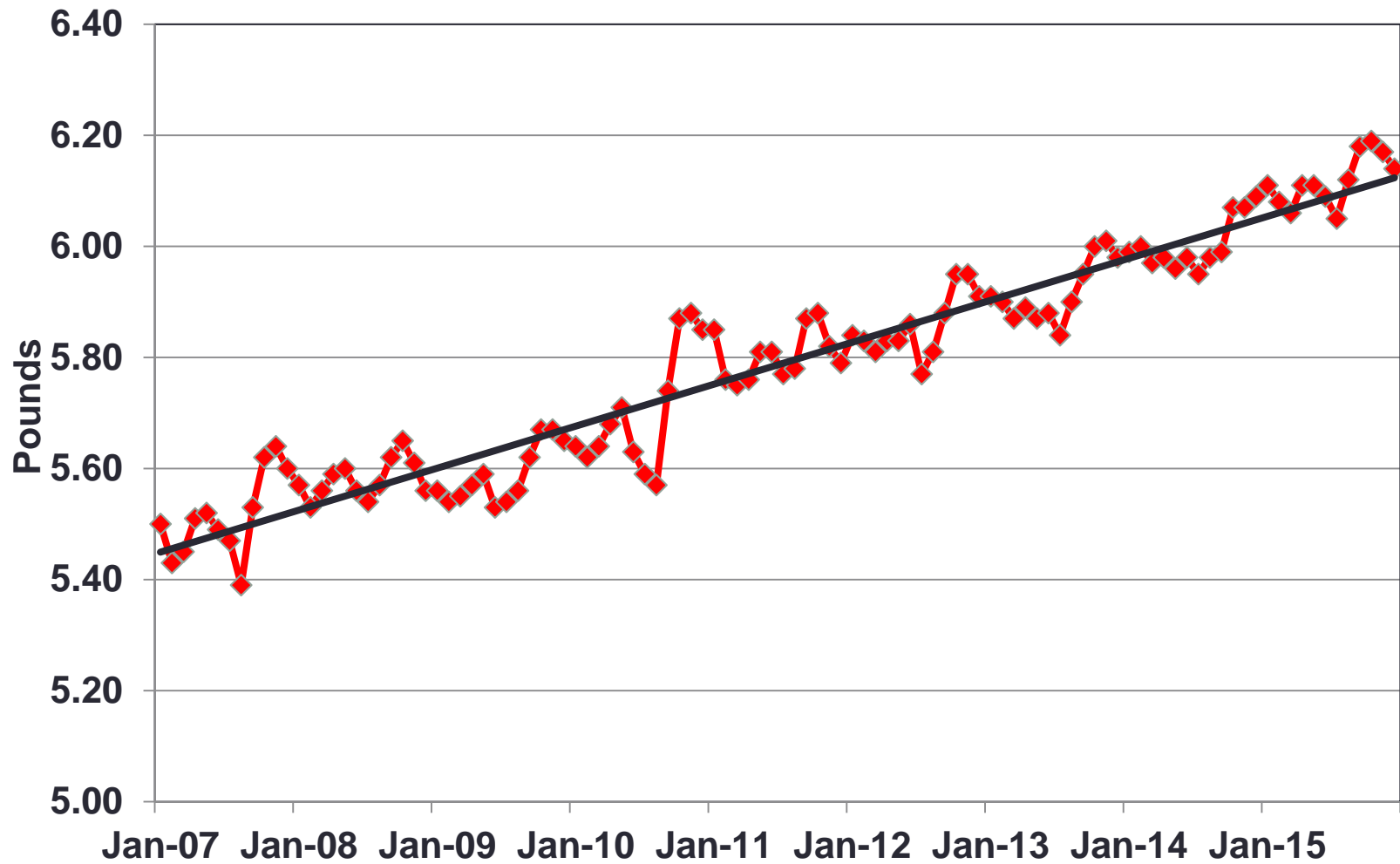
# Factors Driving the Forecasts:

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

# Broiler Laying Flock Increasing Monthly Average



# Broiler Live Weights Growing

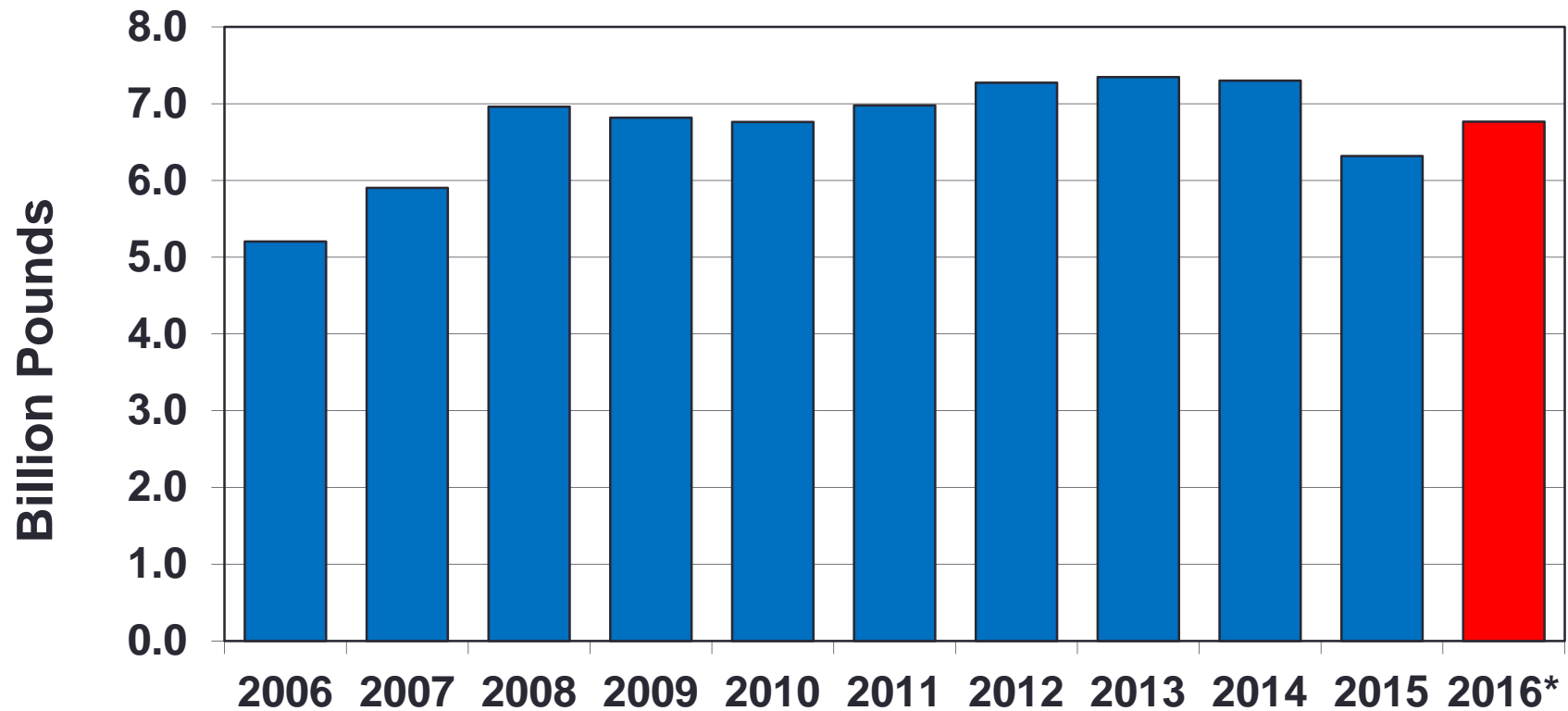


# Factors Driving the Forecasts:

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

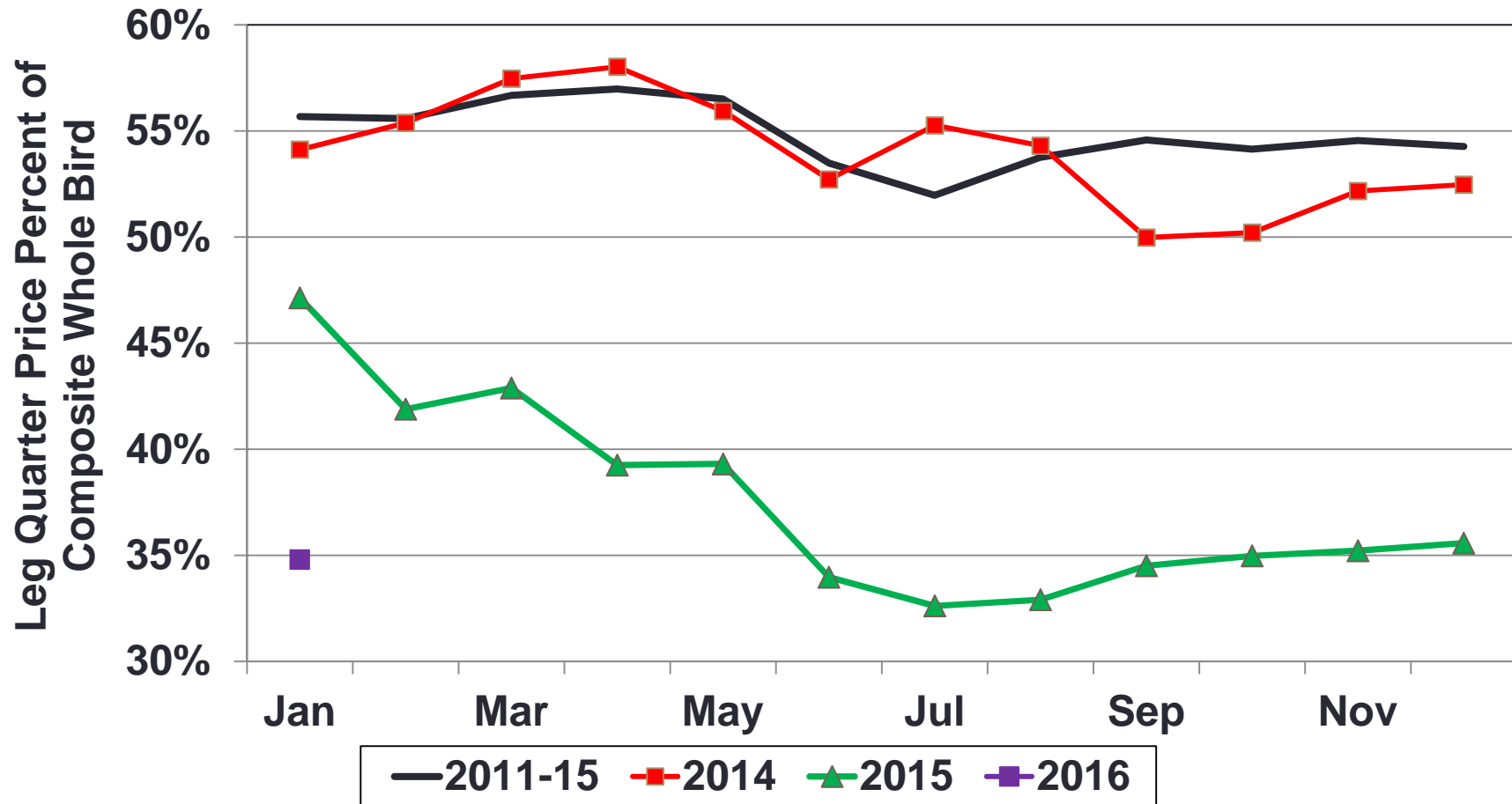


# Broiler Exports to Regain Part of Market Lost in 2015



\* Forecast

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

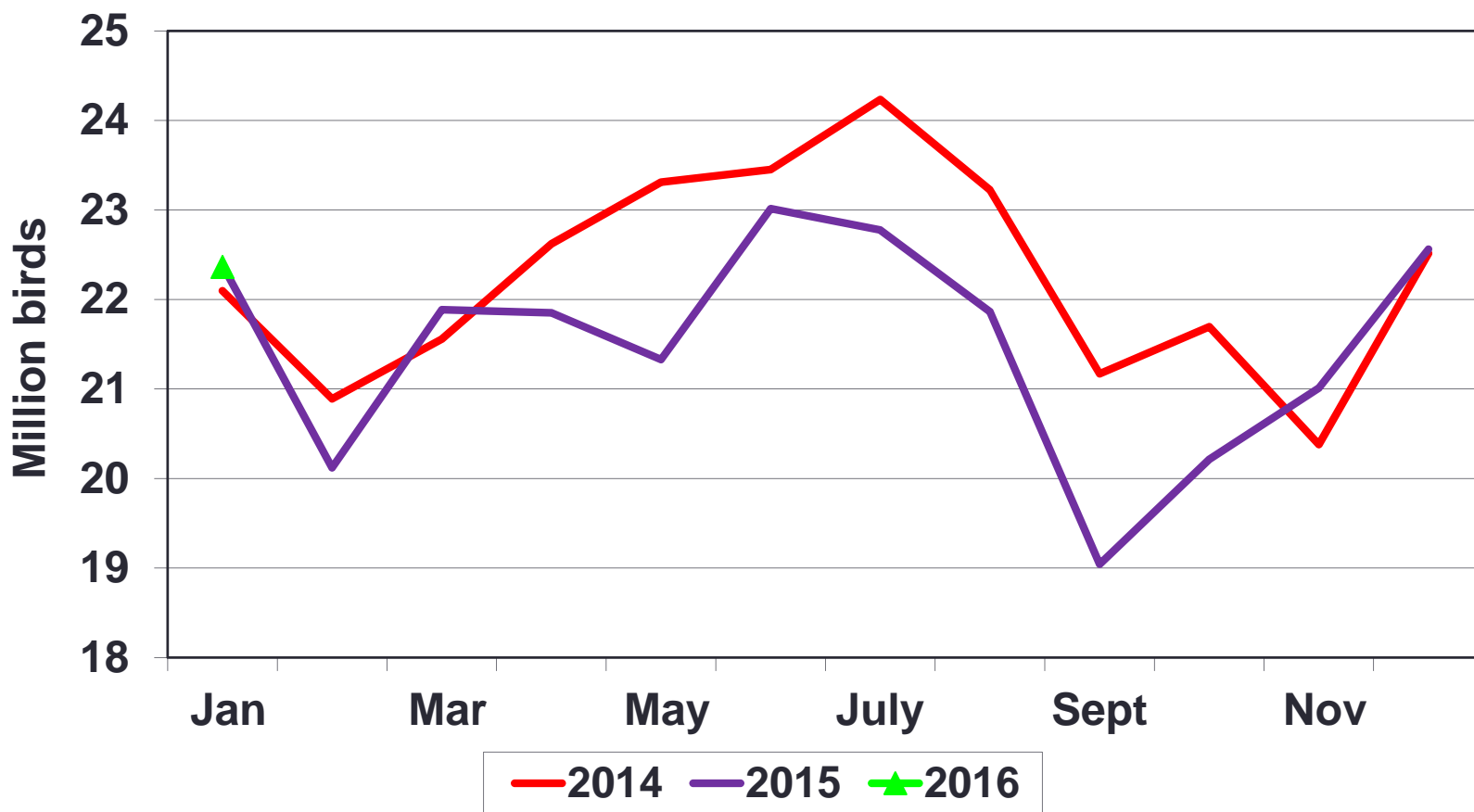




## Factors Driving the Forecasts:

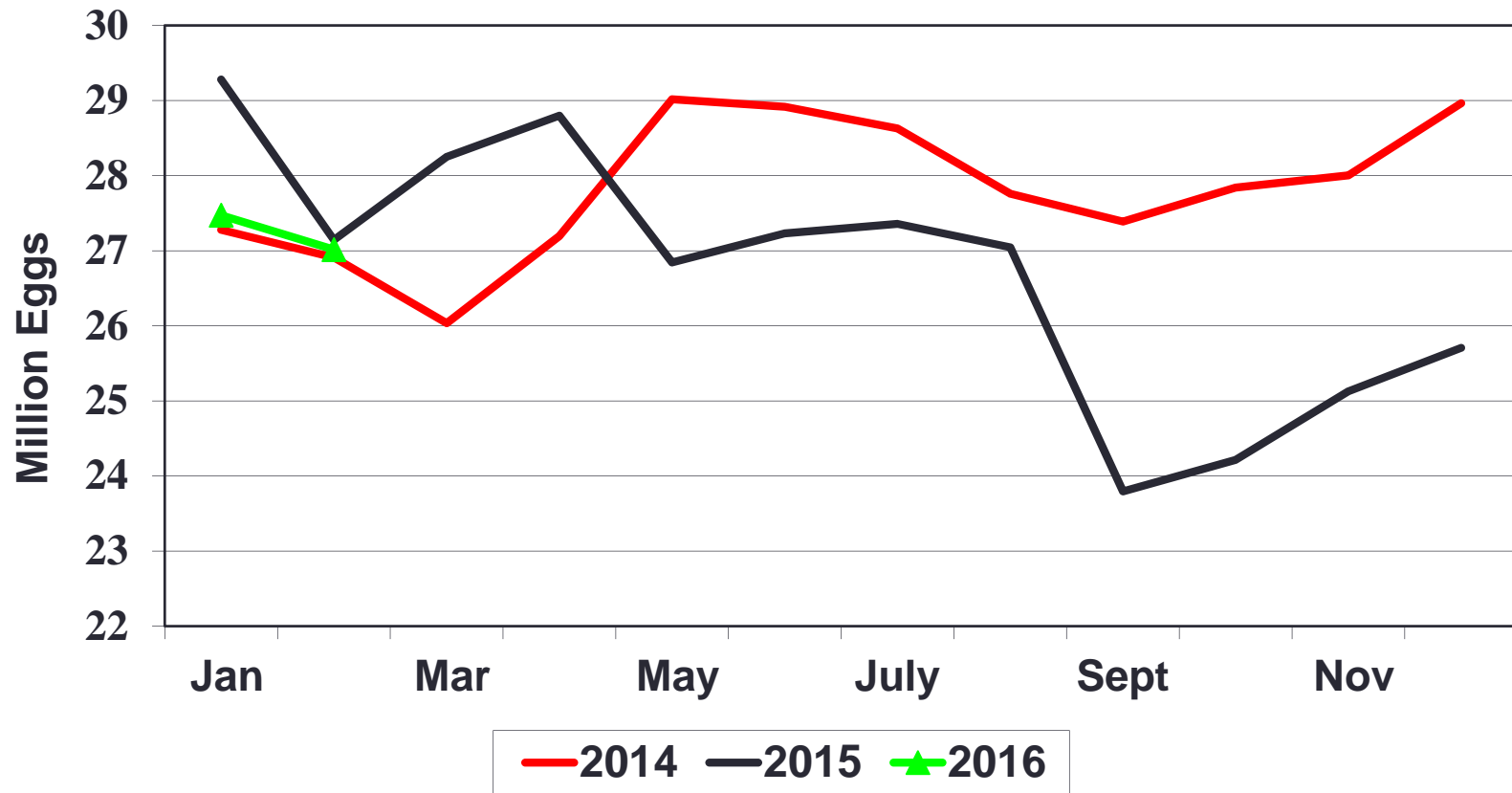
- Turkey – Industry Recovering from HPAI
  - **Flock Declines Reflect Bird Losses Due to HPAI**

# Turkey Poult Placements Recovering

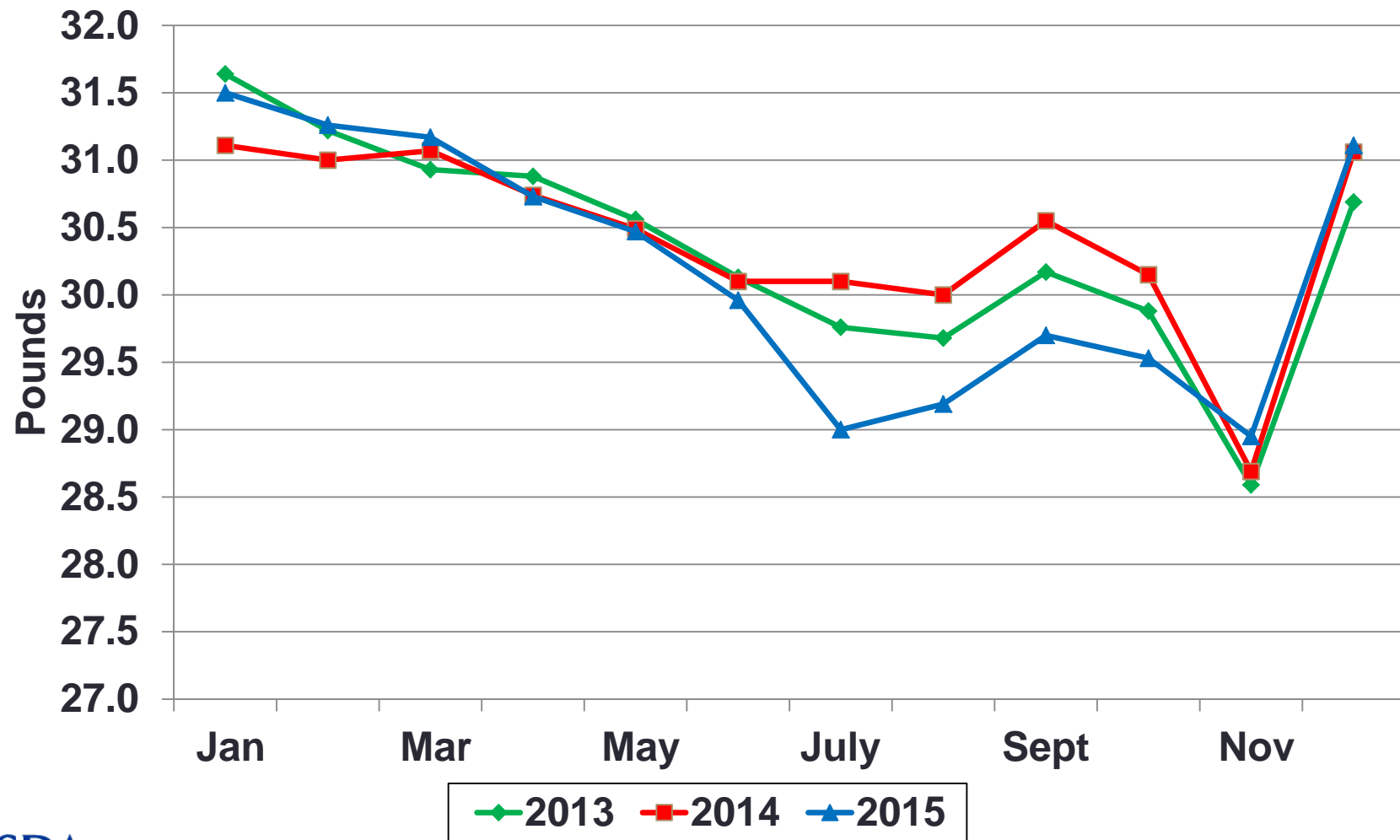


# Eggs Set Remain Below Year-Earlier

Eggs in Incubators, First of Month



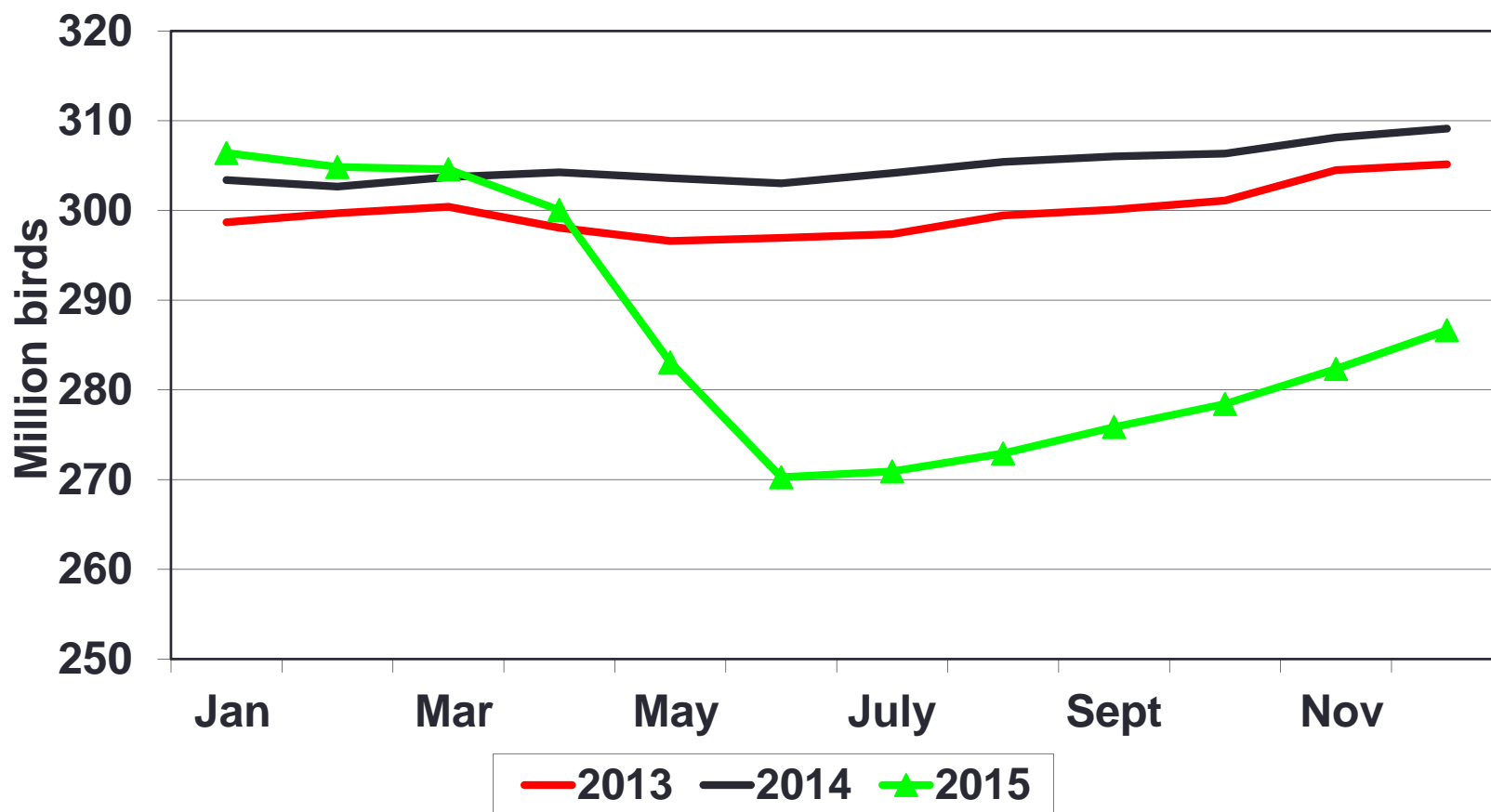
## Live Turkey Weights Averaged Lower in 2015



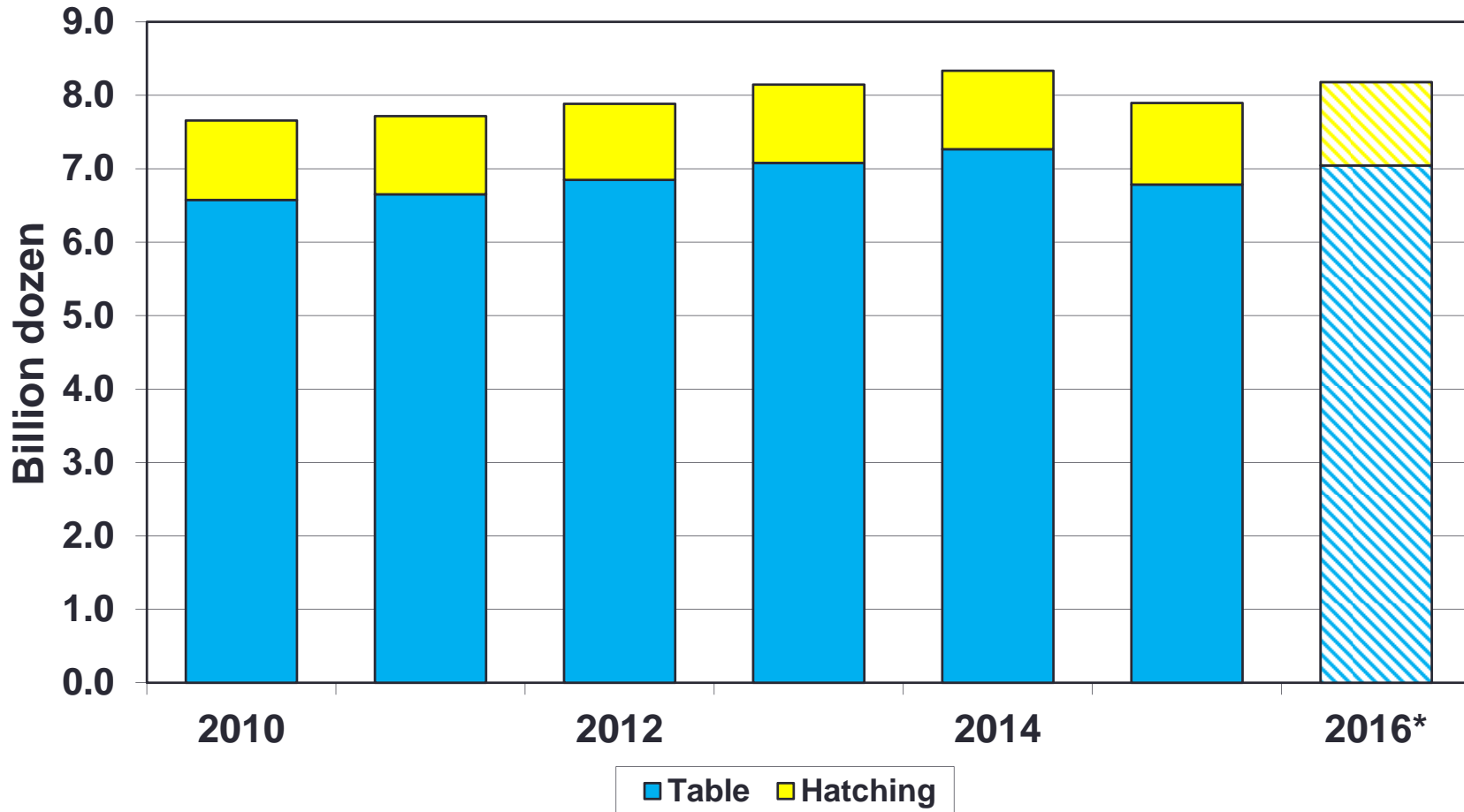
# Factors Driving the Forecasts:

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

# Egg Laying Flock Slowly Recovering



# Egg Production Will Recover



\*Forecast

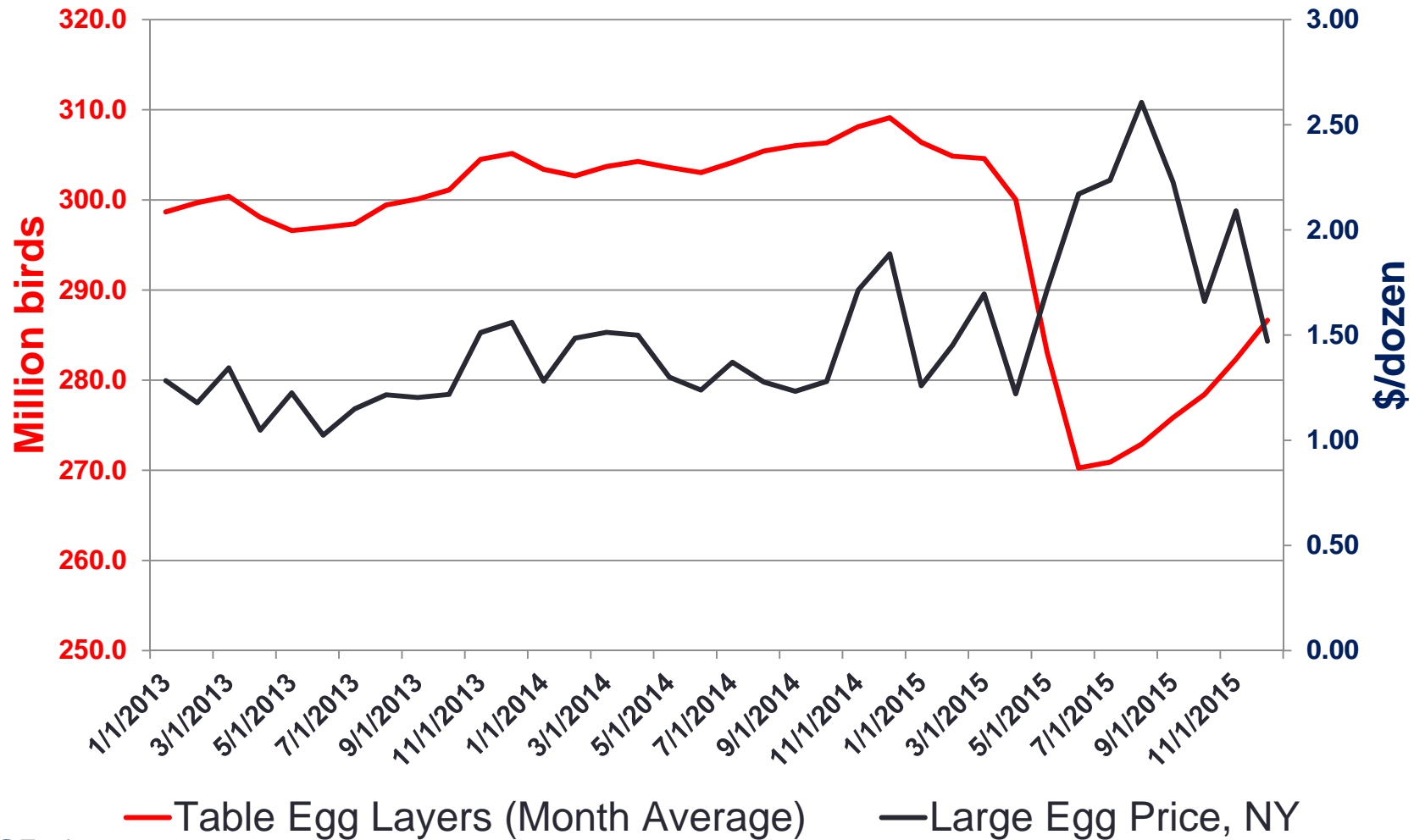


# Factors Driving the Forecasts:

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

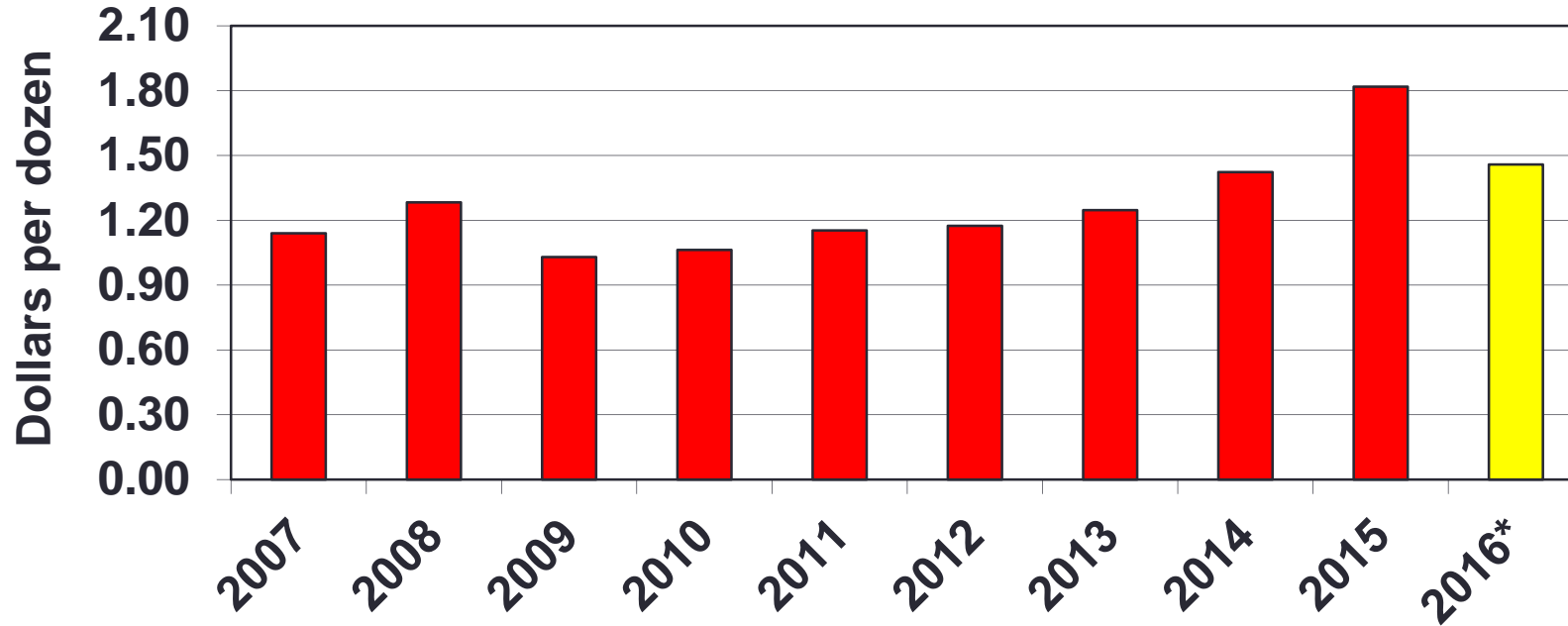


# Wholesale Egg Prices Spiked as Reduced Laying Flock Affected Egg Supplies



# 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](http://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/](http://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>

