Presentation from the USDA Agricultural Outlook Forum 2017

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"A New Horizon: The Future of Agriculture"

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Arlington, Virginia

Outlook for the U.S. Livestock and Poultry Sectors

Presented By

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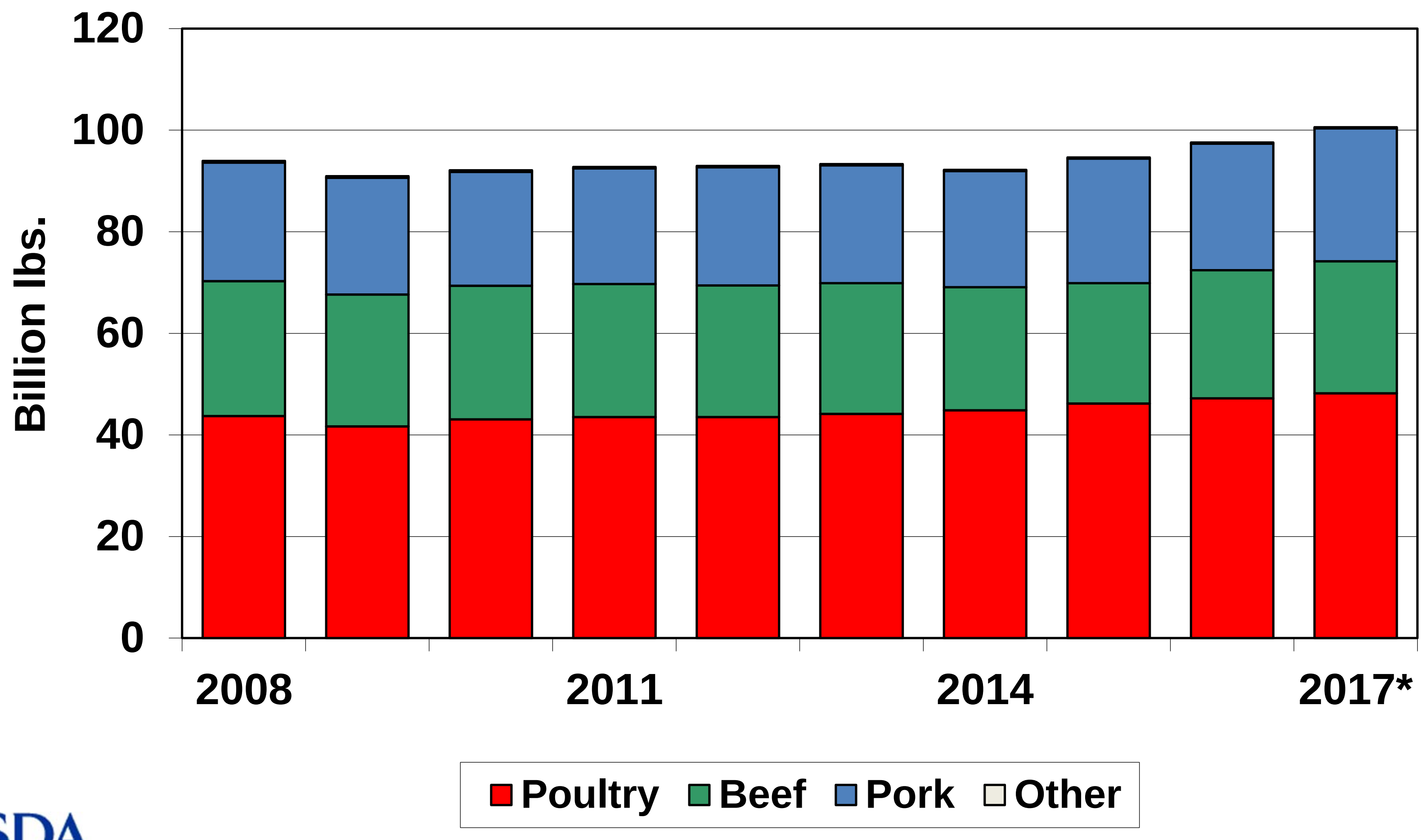
World Agricultural Outlook Board, USDA

USDA Agricultural Outlook Forum

Arlington, VA

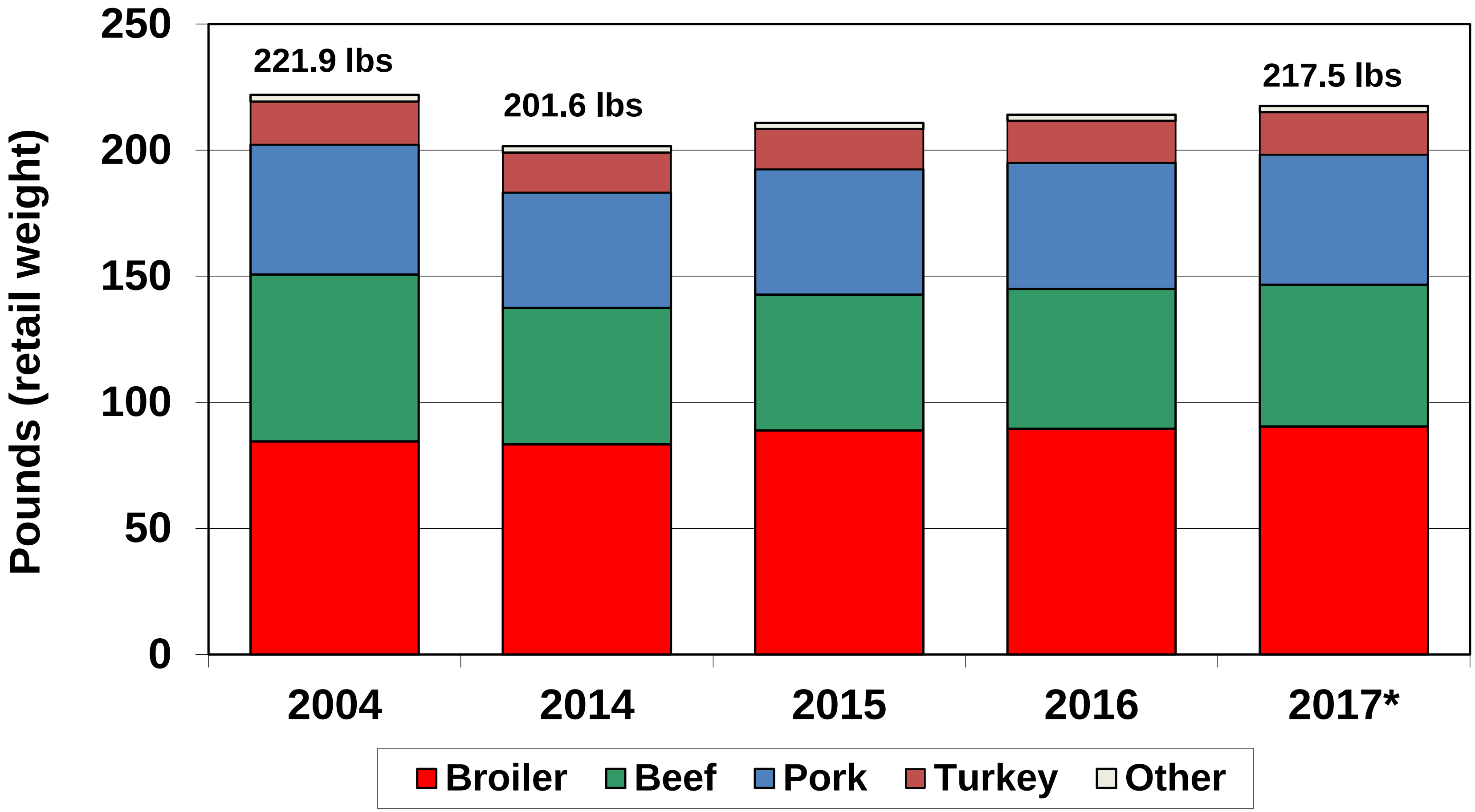
February 24, 2017

Record Red Meat and Poultry Production in 2017



* Forecast

Per Capita Disappearance Approaching 2004 Record



* Forecast

Total Meat Production Higher

Billion pounds	2015	2016	2017	2016-17 % Change
Beef	23.698	25.212	26.000	3.1
Pork	24.501	24.939	26.170	4.9
Broiler Meat	40.048	40.686	41.525	2.1
Turkey	5.627	5.981	6.120	2.3
Total Red Meat And Poultry	94.630	97.589	100.586	3.1

USDA

Large Meat Supplies Will Boost Exports

Billion pounds	2015	2016	2017	2016-17 % Change
Exports				
Beef	2.265	2.550	2.715	6.5
Pork	5.009	5.233	5.440	4.0
Broiler Meat	6.321	6.647	6.925	4.2
Imports				
Beef	3.371	3.016	2.735	-9.3
Pork	1.116	1.092	1.085	-0.6

USDA

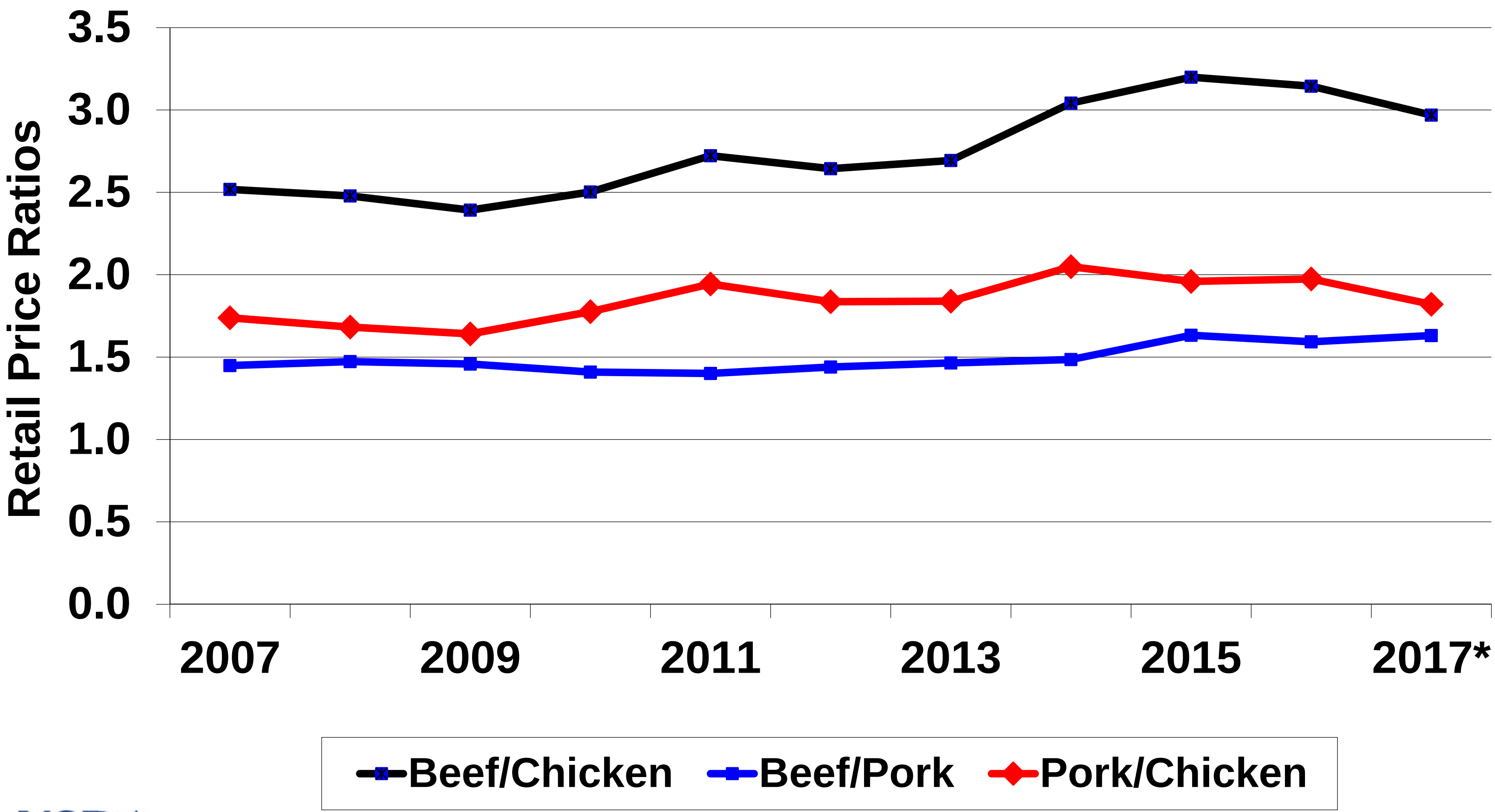
Livestock & Poultry Prices Lower

	2015	2016	2017	2016-17 % Change*
Cattle, $/cwt	148.12	120.86	109-116	-7.3
Hogs, $/cwt (live equiv.)	50.23	46.16	42-45	-5.8
National Composite Broiler, $/lb	0.91	0.84	0.82-0.87	0.5
Turkey, $/lb	1.16	1.17	1.04-1.10	-8.6

USDA

* At midpoint

Broiler Meat Will Face Increased Competition at Retail



* Forecast

Situation Facing Livestock and Poultry Producers

Moderating feed prices

- Corn: $3.20-$3.60/bu in 2016/17
  $3.50/bu in 2017/18

- SBM: $310-$340/ton in 2016/17
  $330/ton in 2017/18

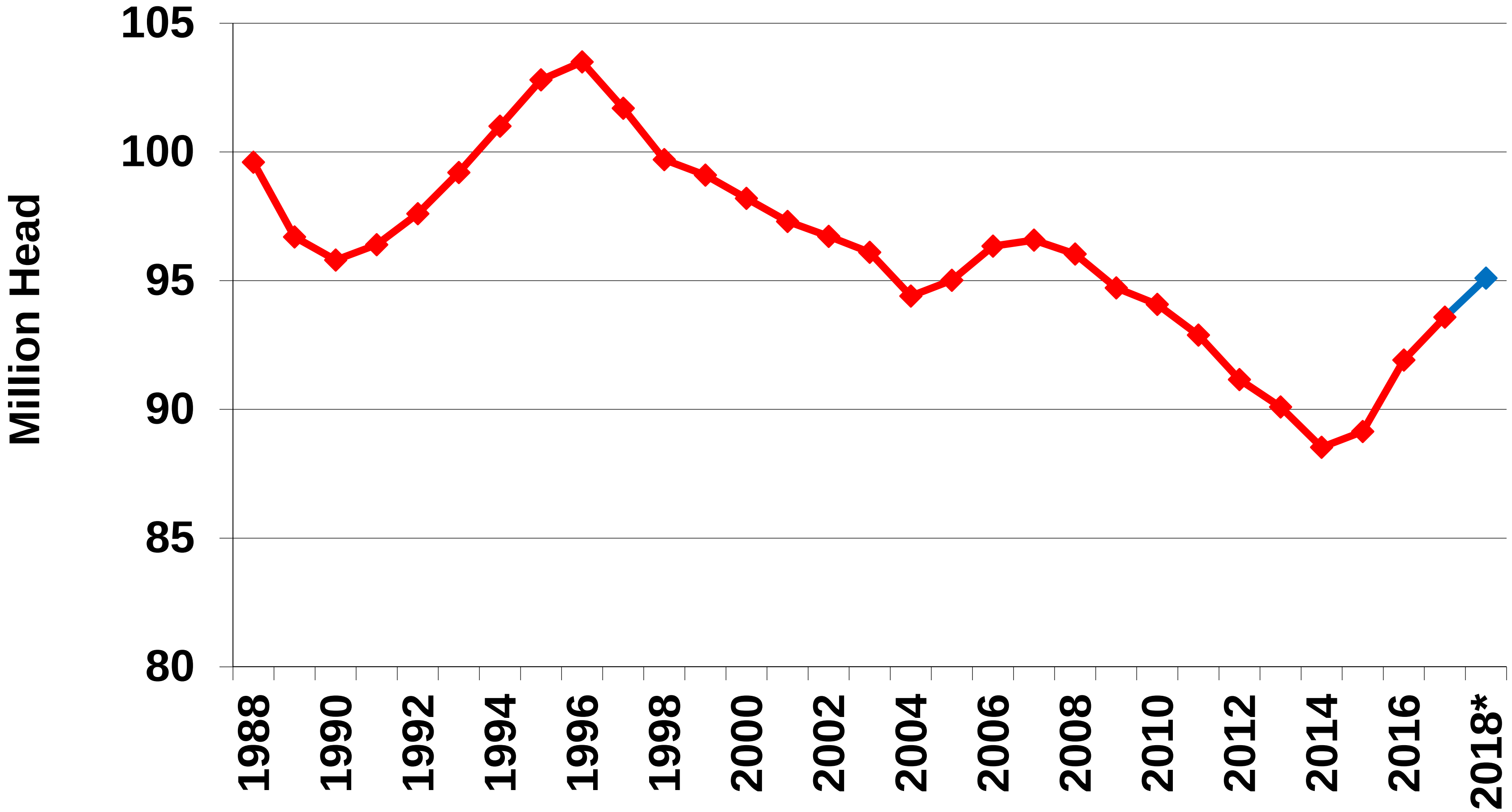
Forage Situation Variable

- 2016 hay prices 16 percent below 2015
- Dec 1 hay stocks 1 percent higher
- Drought-affected areas have shifted

Factors Driving the Forecasts:

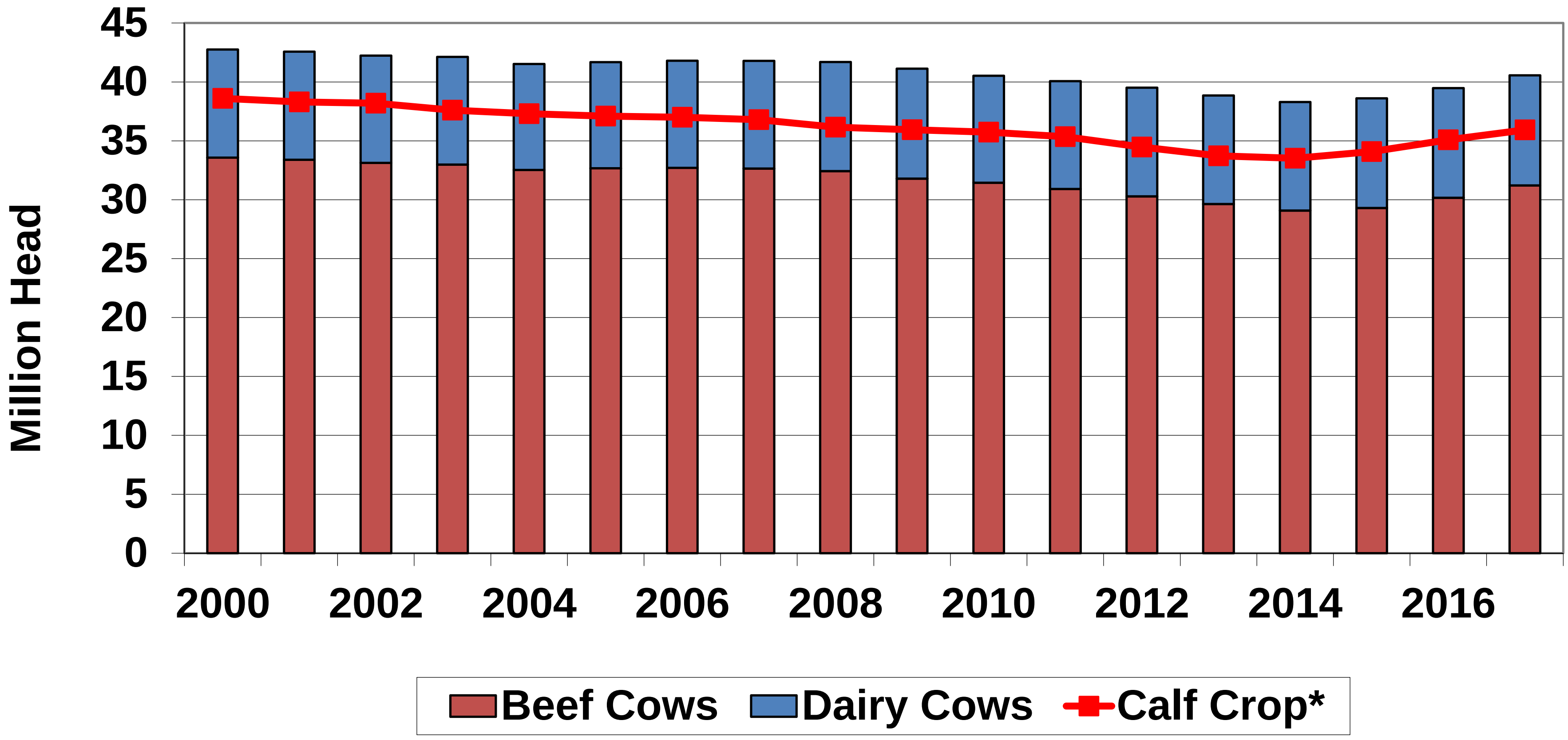
- Cattle – Increasing Supplies
  - **Expanding Inventory**

Cattle Herd at 93.6 Million on Jan 1, 2017; Expansion Will Continue During 2017



* Forecast

Beef Cow Herd Continues to Expand; Calf Crop Increasing

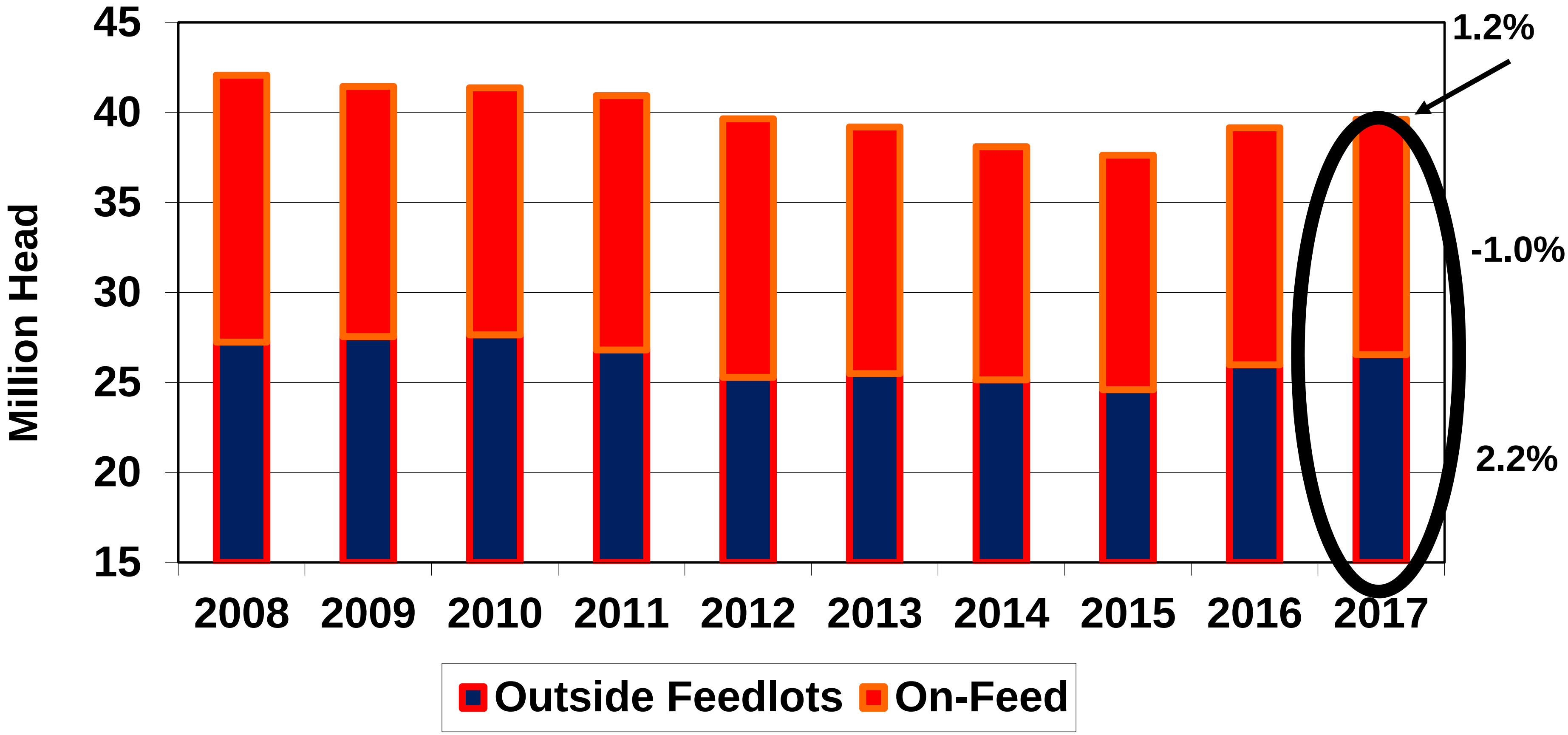


* 2017 Calf Crop Forecast

Factors Driving the Forecasts:

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

Cattle for Placement Higher on January 1

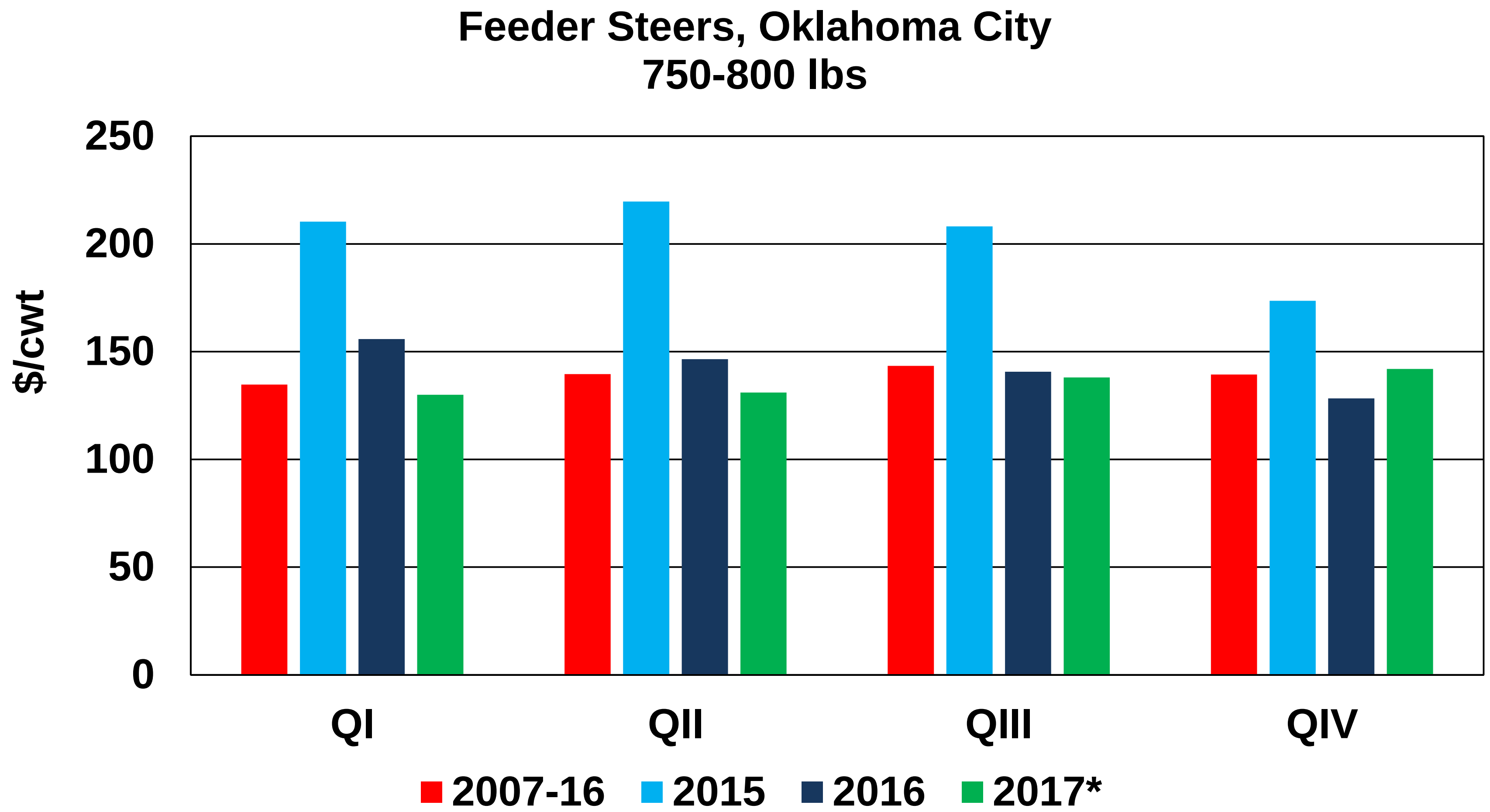


Factors Driving the Forecasts:

- Cattle – Increasing Supplies
  - Expanding Inventory
  - Feeder Cattle Supplies Ample
  - **Expansion May Slow**
    - **Cow-Calf Returns Pressured by Lower Prices**
    - **Forage Supplies Dependent on Location**

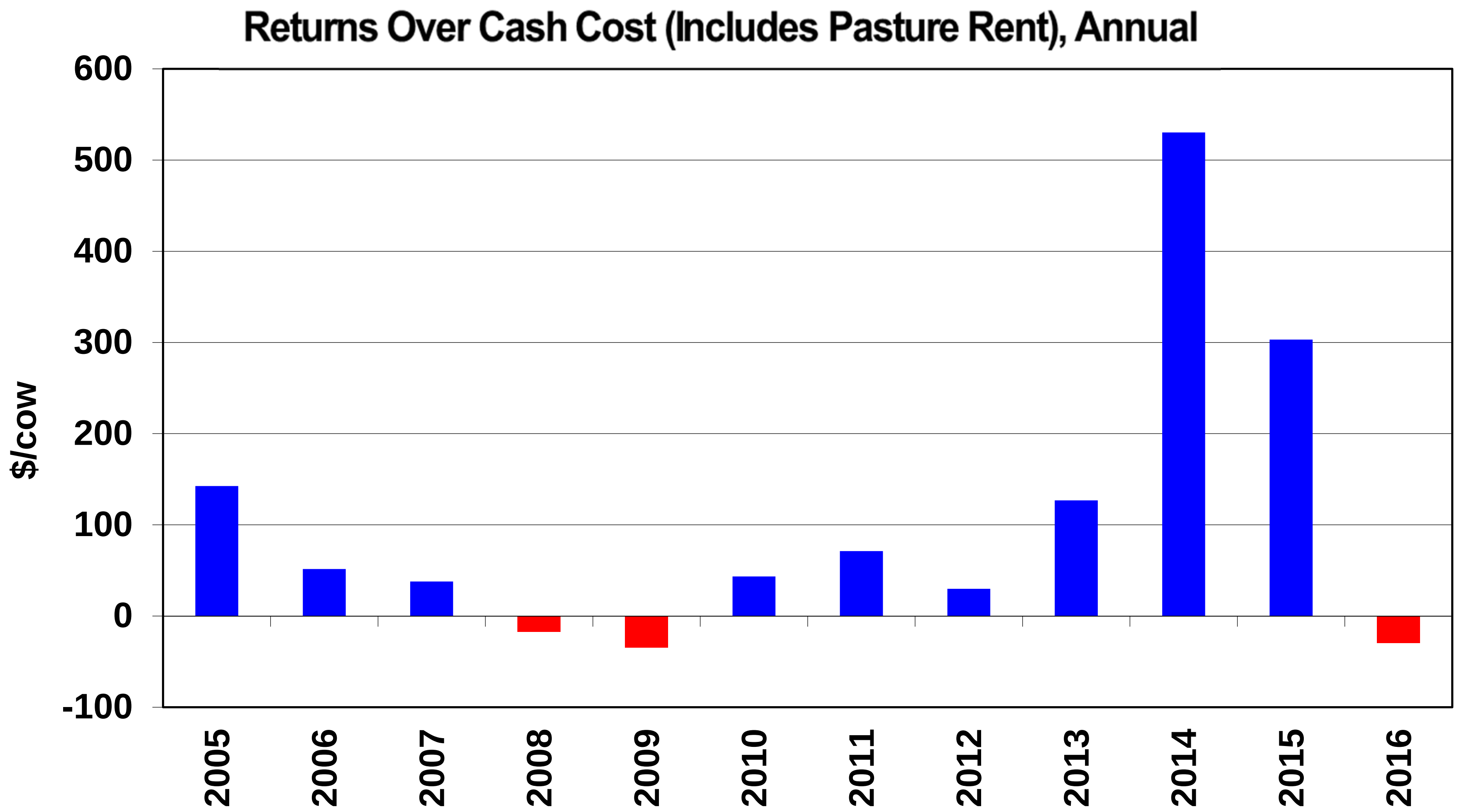
USDA

Feeder Calf Prices Have Adjusted to Increased Calf Supply



*Forecast

Estimated Average Cow Calf Returns



Source: Livestock Marketing Information Center

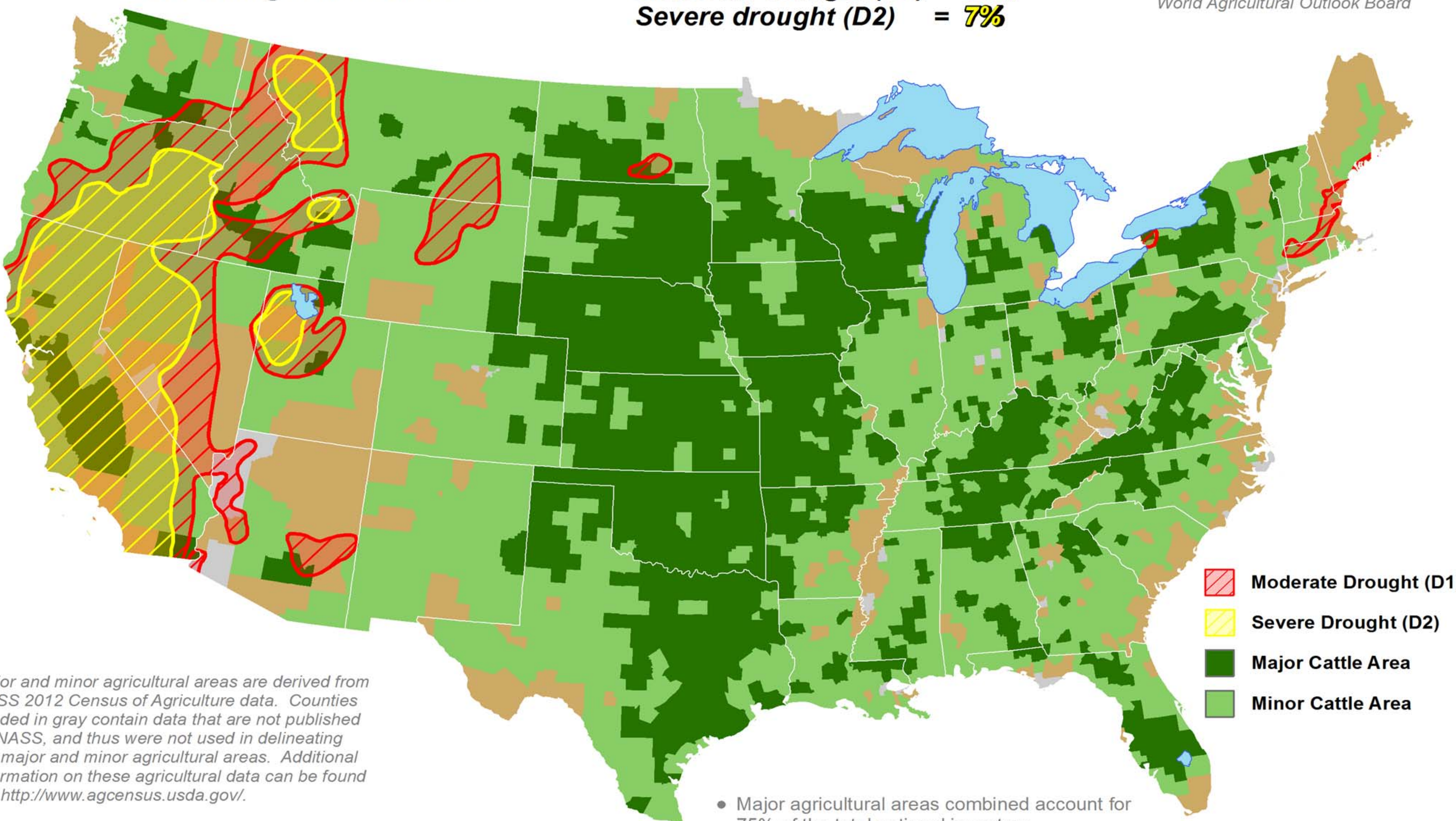
U.S. Cattle Areas Experiencing Drought

USDA United States Department of Agriculture

This product was prepared by the USDA Office of the Chief Economist World Agricultural Outlook Board

Reflects February 2, 2016
U.S. Drought Monitor data

Approximate inventory in drought:
Moderate drought (D1) = 11%
Severe drought (D2) = 7%



Major and minor agricultural areas are derived from NASS 2012 Census of Agriculture data. Counties shaded in gray contain data that are not published by NASS, and thus were not used in delineating the major and minor agricultural areas. Additional information on these agricultural data can be found at: http://www.agcensus.usda.gov/.

Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any particular location. More information on the Drought Monitor can be found at: http://droughtmonitor.unl.edu/.

- Major agricultural areas combined account for 75% of the total national inventory.
- Major and minor agricultural areas combined account for 99% of the total national inventory.

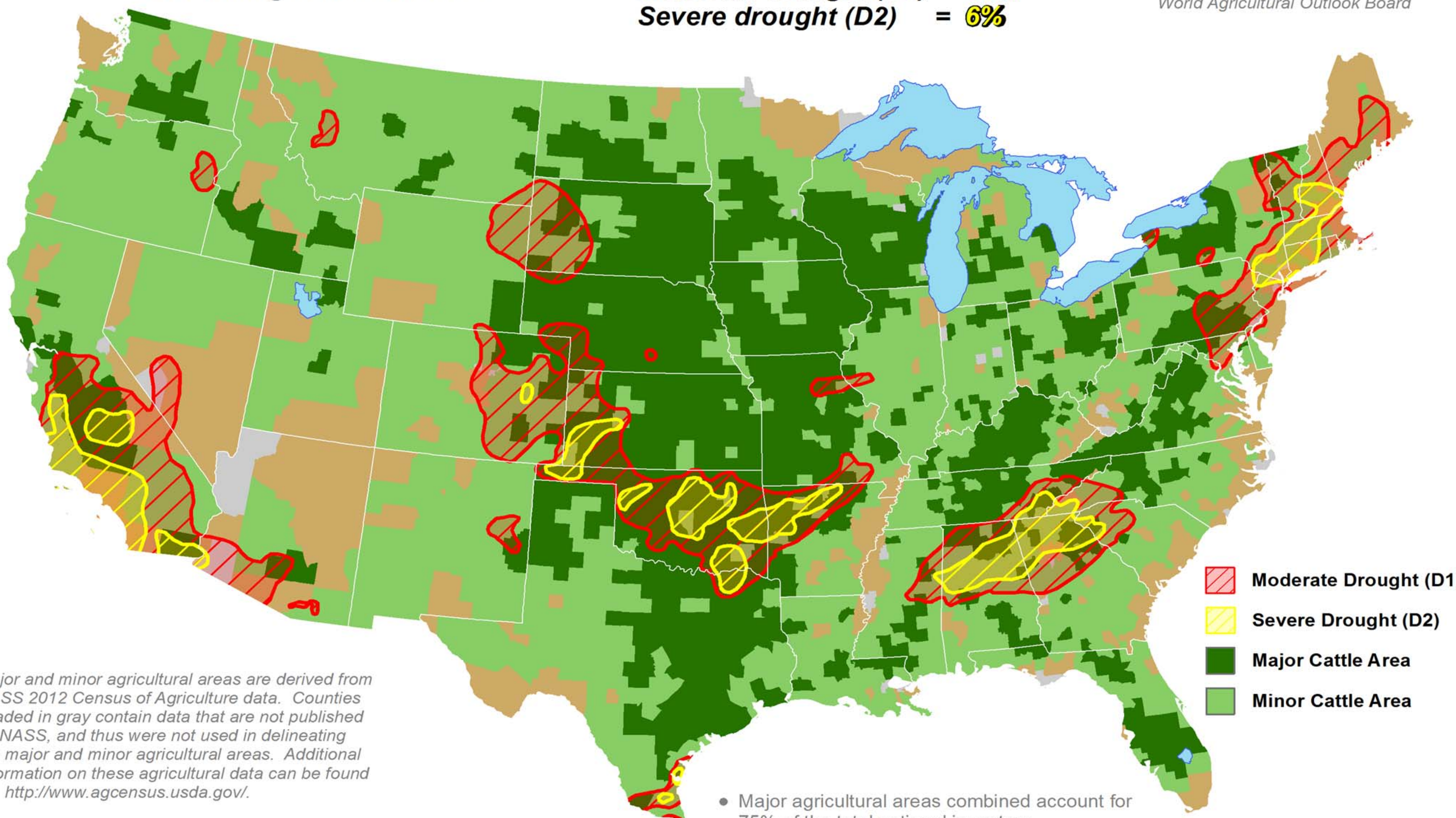
U.S. Cattle Areas Experiencing Drought

Reflects ***January 31, 2017***
U.S. Drought Monitor data

Approximate inventory in drought:
Moderate drought (D1) = 19%
Severe drought (D2) = 6%

United States Department of Agriculture

This product was prepared by the USDA Office of the Chief Economist World Agricultural Outlook Board



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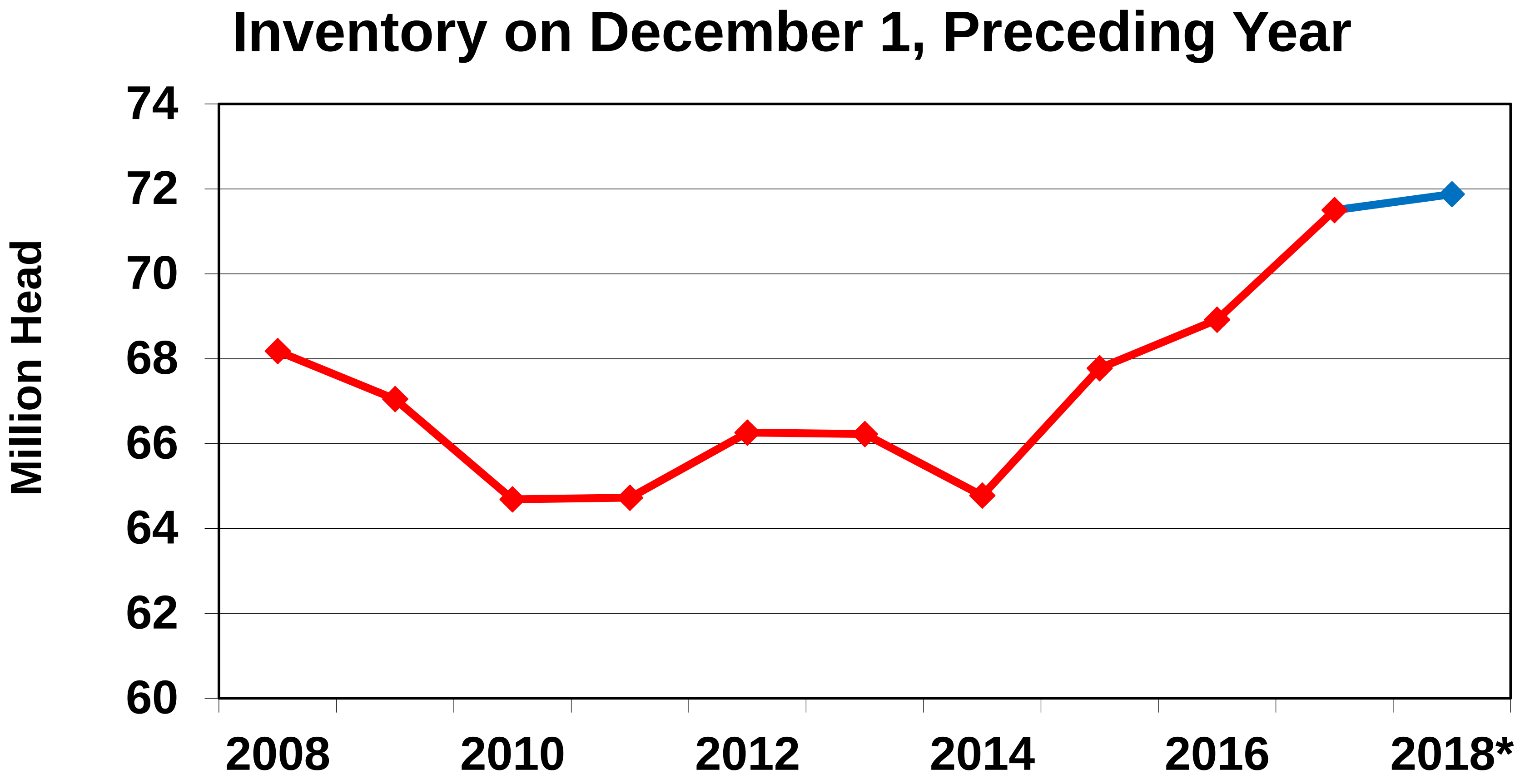
- Major agricultural areas combined account for 75% of the total national inventory.
- Major and minor agricultural areas combined account for 99% of the total national inventory.

Factors Driving the Forecasts:

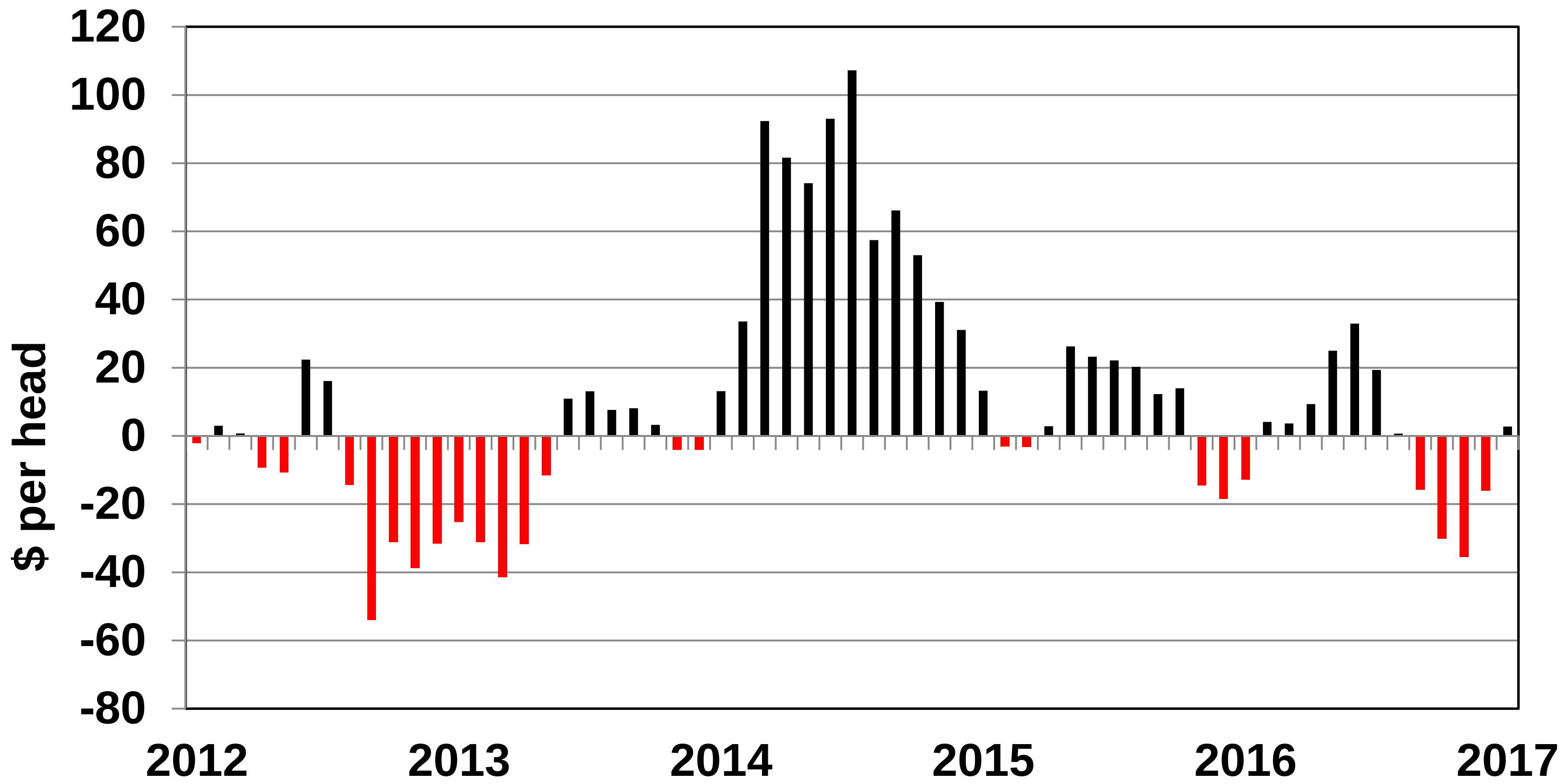
- Hogs – Lots of Hogs on the Way
  - **Producers Optimistic Despite Late-2016 Losses**

Hog Inventory Increased to 71.5 Million Head on December 1, 2016



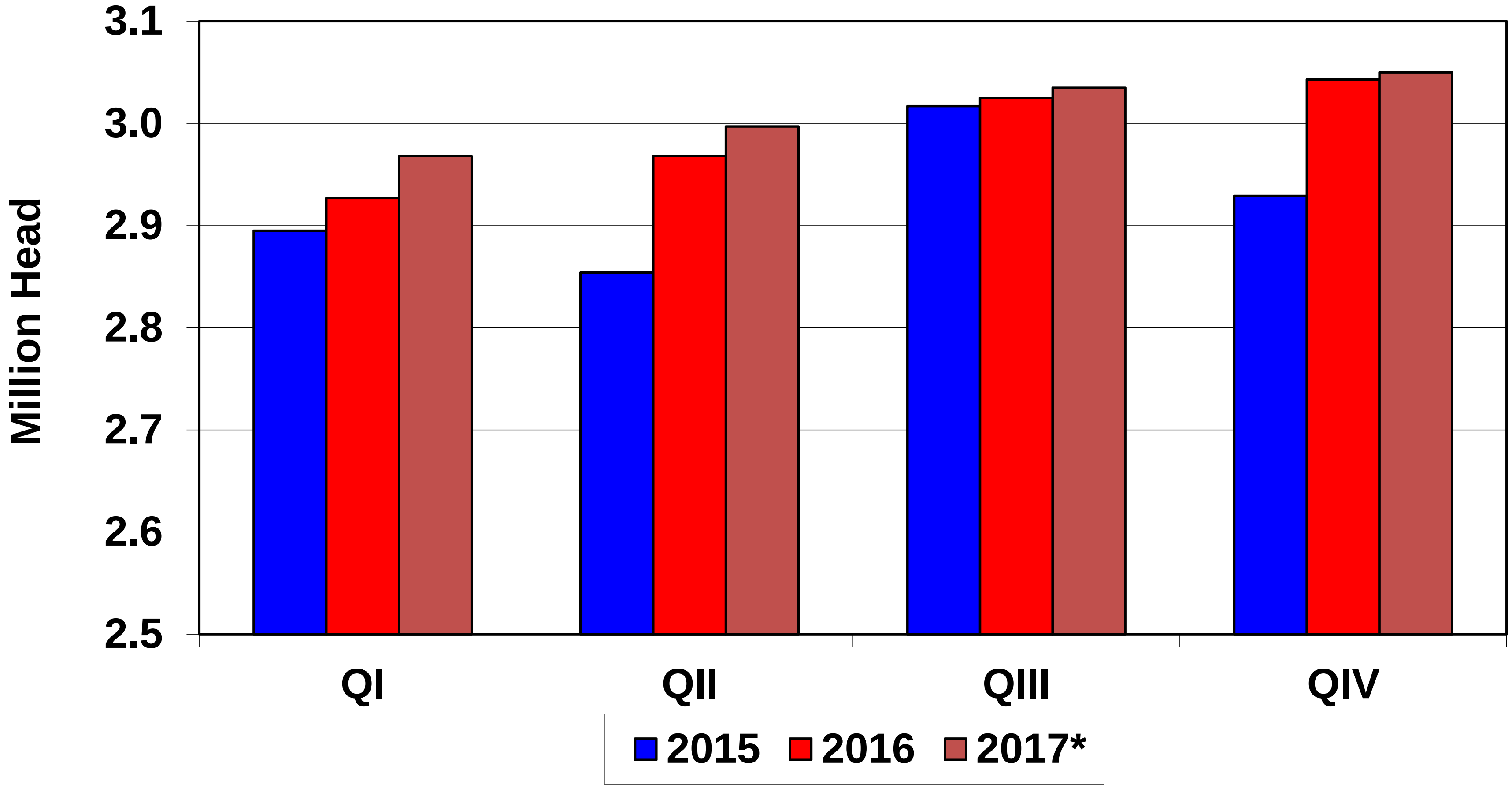
* Forecast

Average Returns to Farrow-Finish Operators



Source: Iowa State University

Strong Late-2016 Farrowing Growth

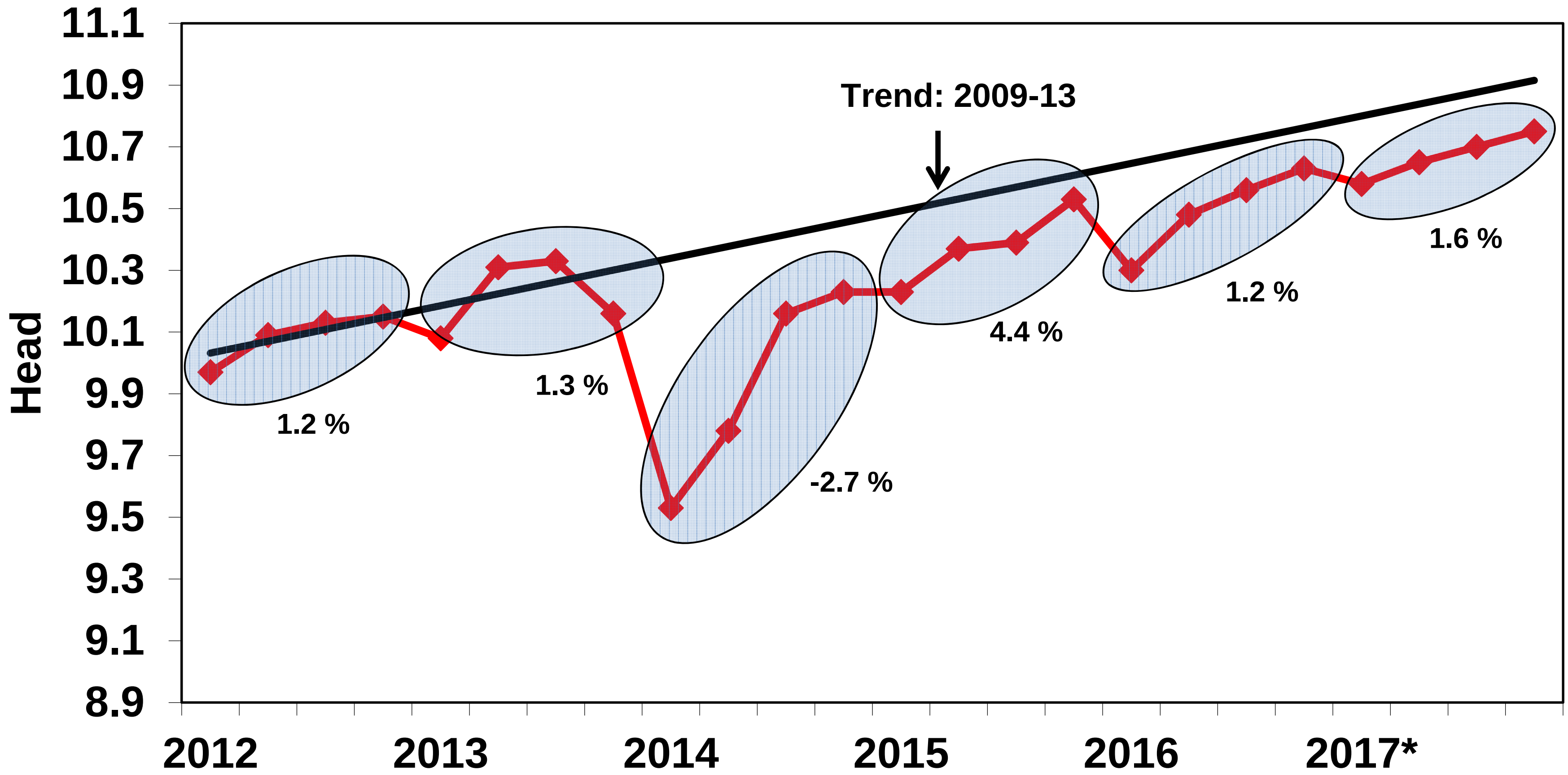


*QI & QII Reported Intentions
QIII & QIV Forecast

Factors Driving the Forecasts:

- Hogs – Lots of Hogs on the Way
  - Producers Optimistic Despite Late-2016 Losses
  - **Pigs Per Litter Continue to Set Records**

Pigs per Litter Near Trend Growth

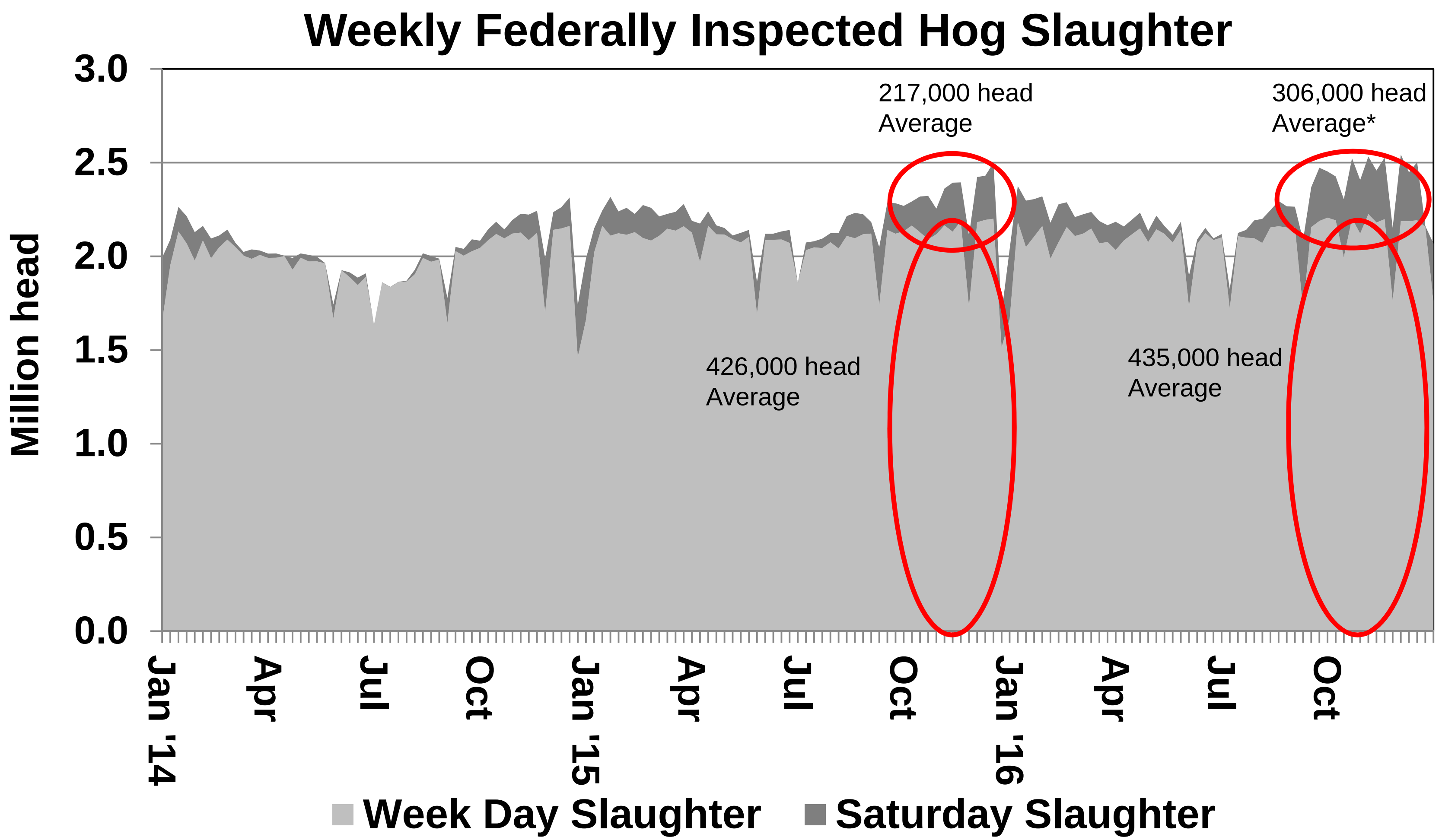


* Forecast

Factors Driving the Forecasts:

- Hogs – Lots of Hogs on the Way
  - Producers Optimistic Despite Late-2016 Losses
  - Pigs Per Litter Continue to Set Records
  - **Slaughter Capacity will be Important**

Saturday Slaughter is Increasingly Important

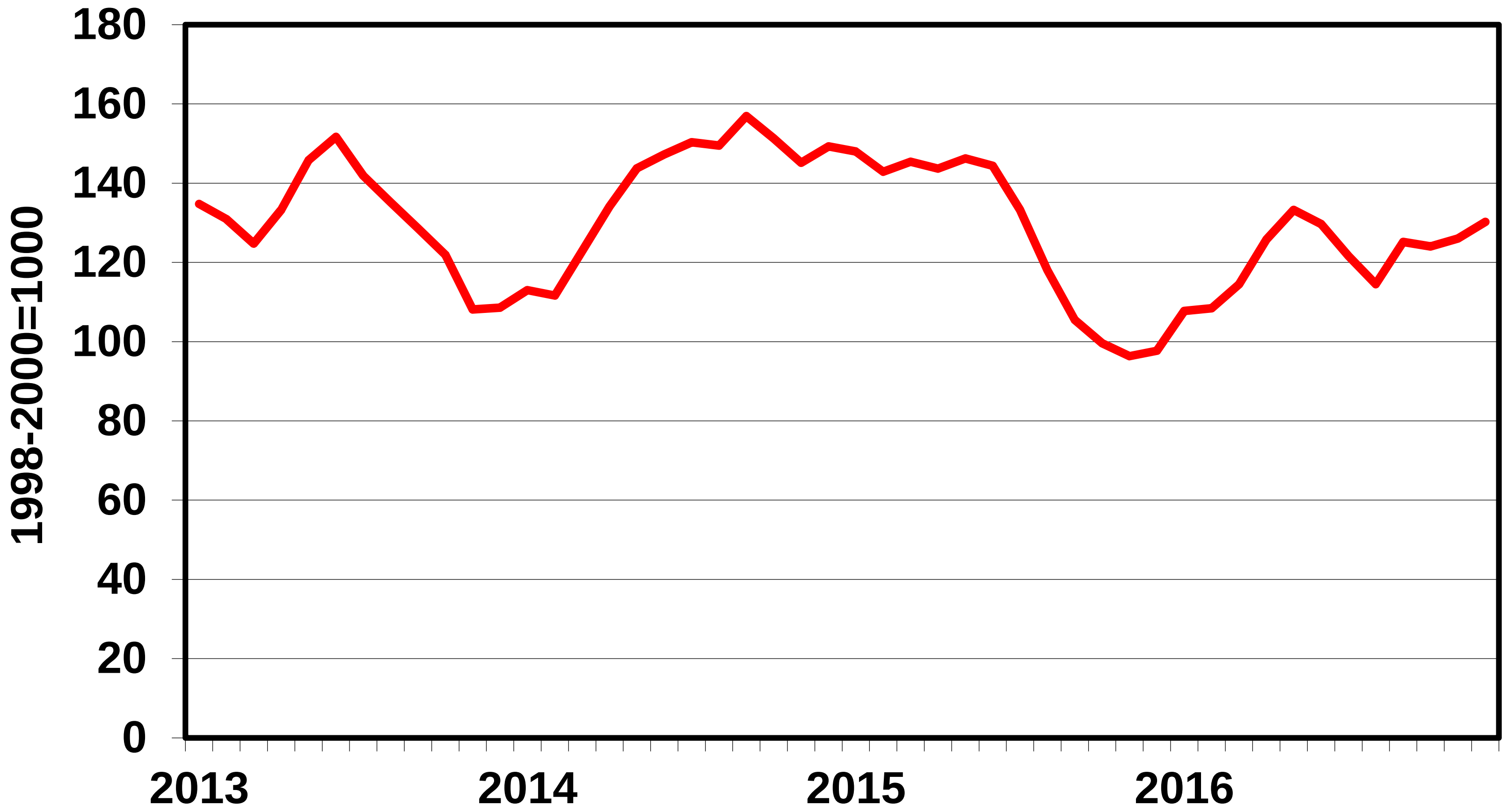


*Excluding 12/24

Factors Driving the Forecasts:

- Broilers - Expansion Continues
  - **Weak Returns Encouraging Caution**

Indexed Broiler Returns: Market Price Minus Feed Costs

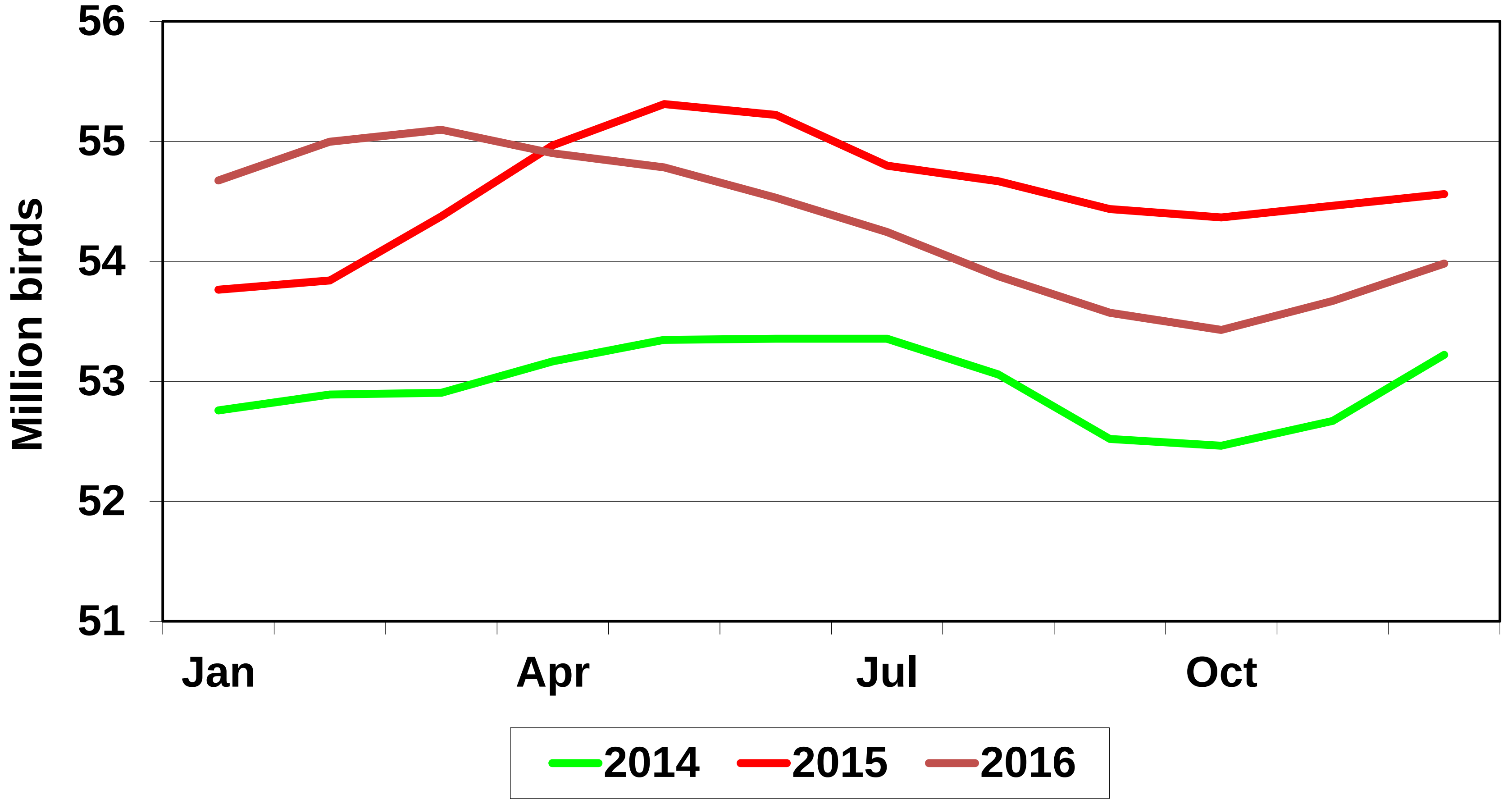


Factors Driving the Forecasts:

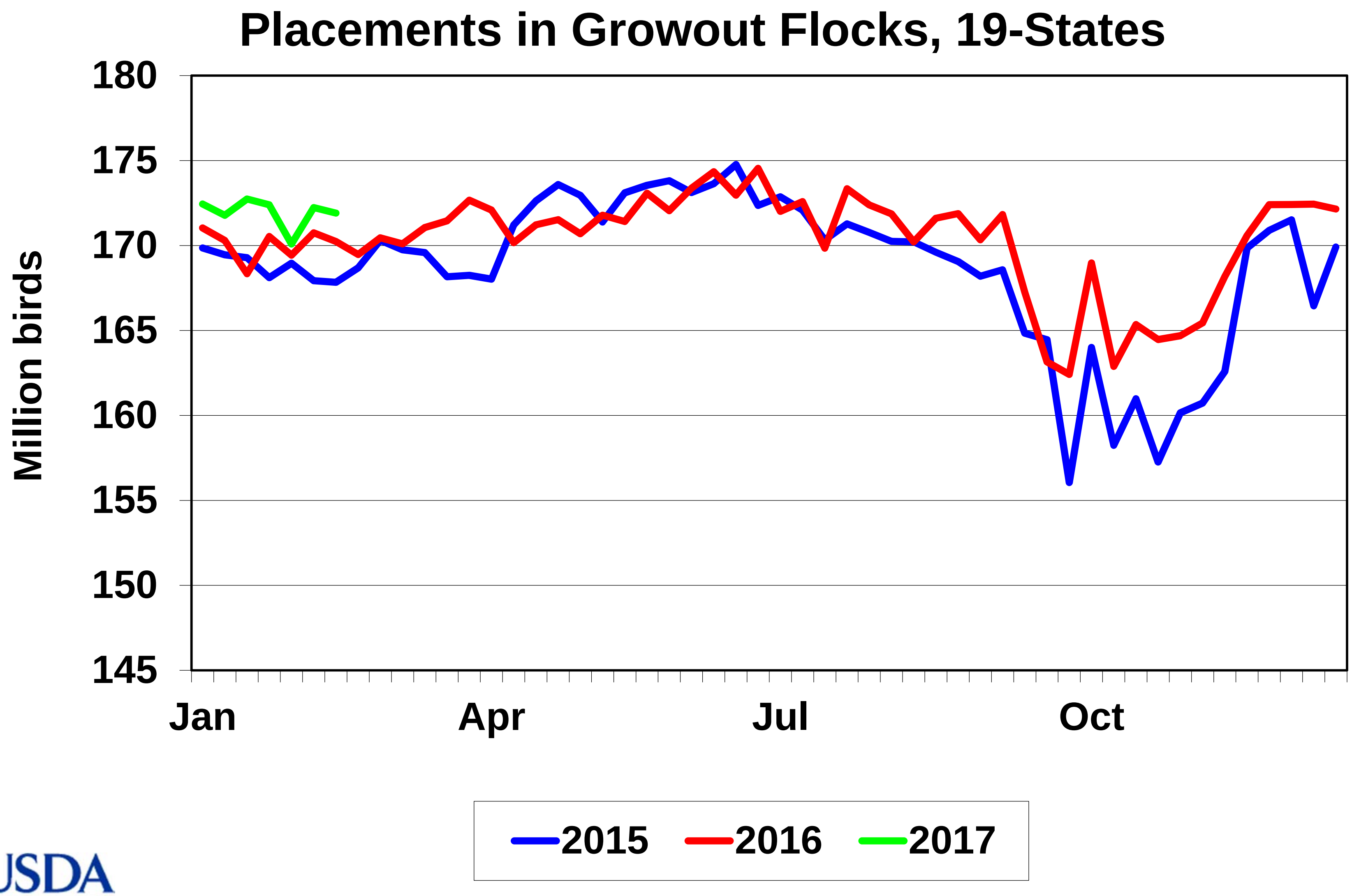
- Broilers – Expansion Continues
  - Weak Returns Encouraging Caution
  - **Mixed Signals from Hatchery Data**

Broiler Laying Flock Below 2015

Monthly Average



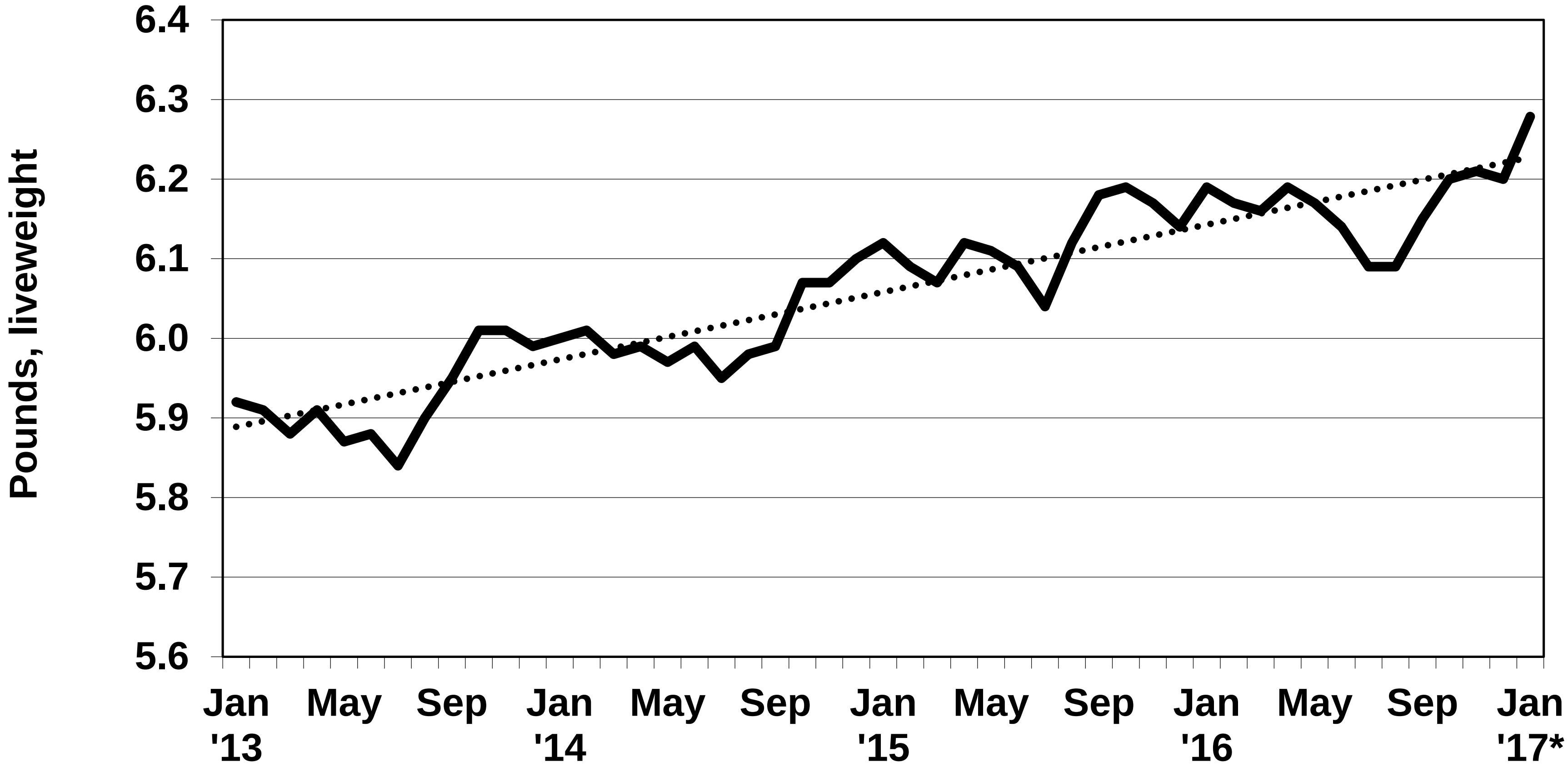
Placements Remain Large



Factors Driving the Forecasts:

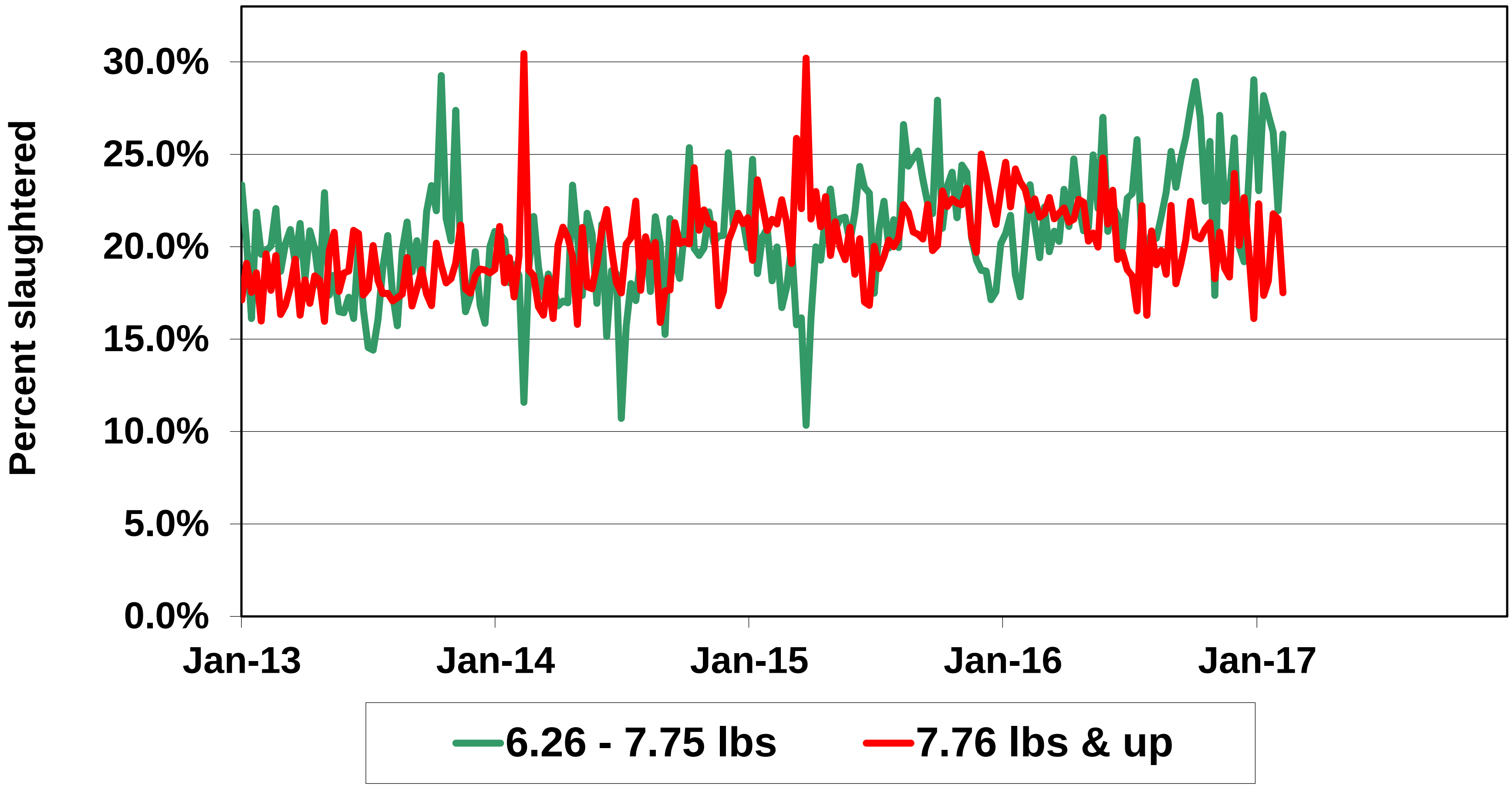
- Broilers – Expansion Continues
  - Weak Returns Encouraging Caution
  - Mixed Signals from Hatchery Data
  - **Bird Weights Increasing**

Bird Weights Continue to Increase



* Mid-month Average

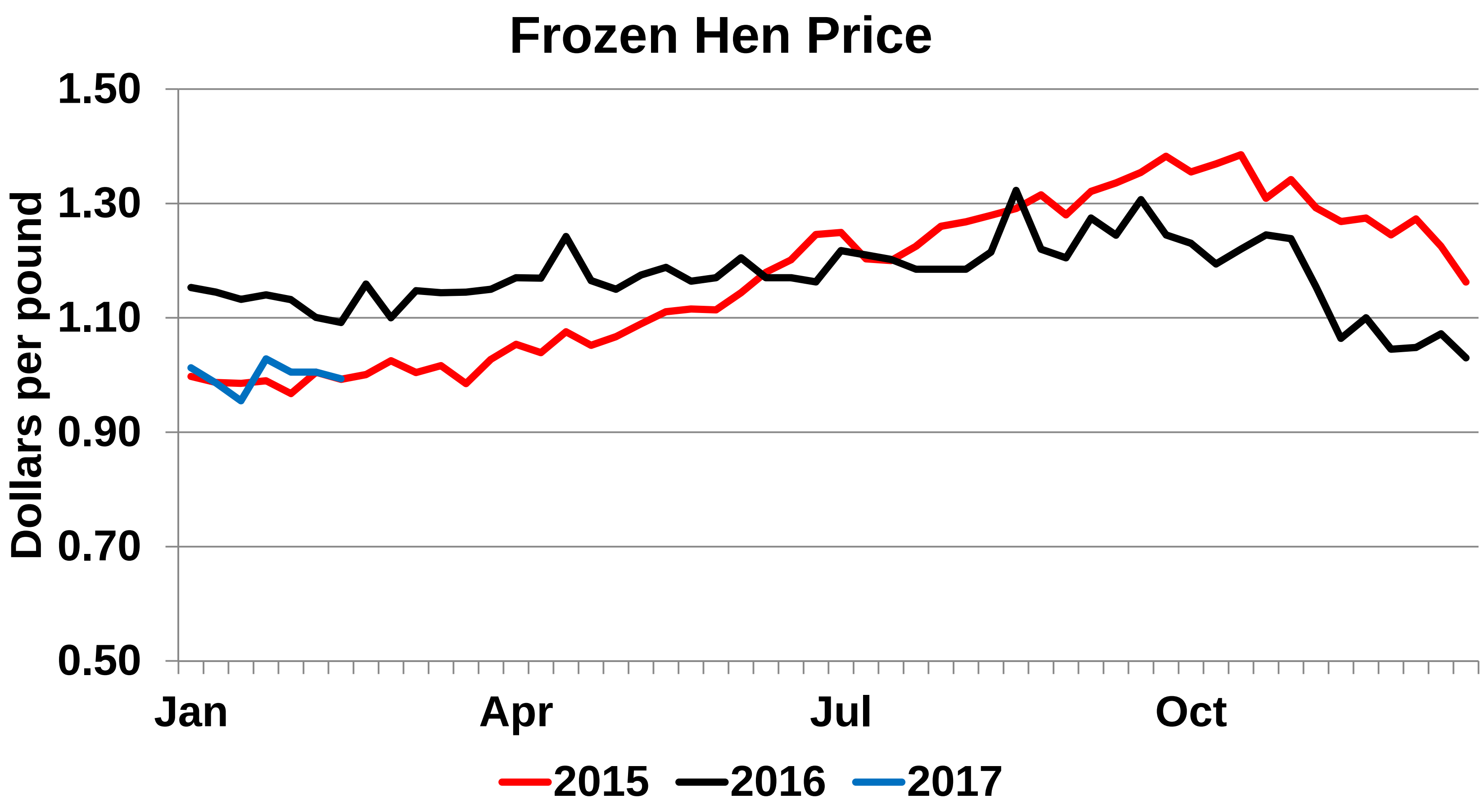
Proportion of Heavy-Weight Birds Slowing



Factors Driving the Forecasts:

- Turkey – Industry Recovered from HPAI
  - **Prices Reflect Larger Supplies**

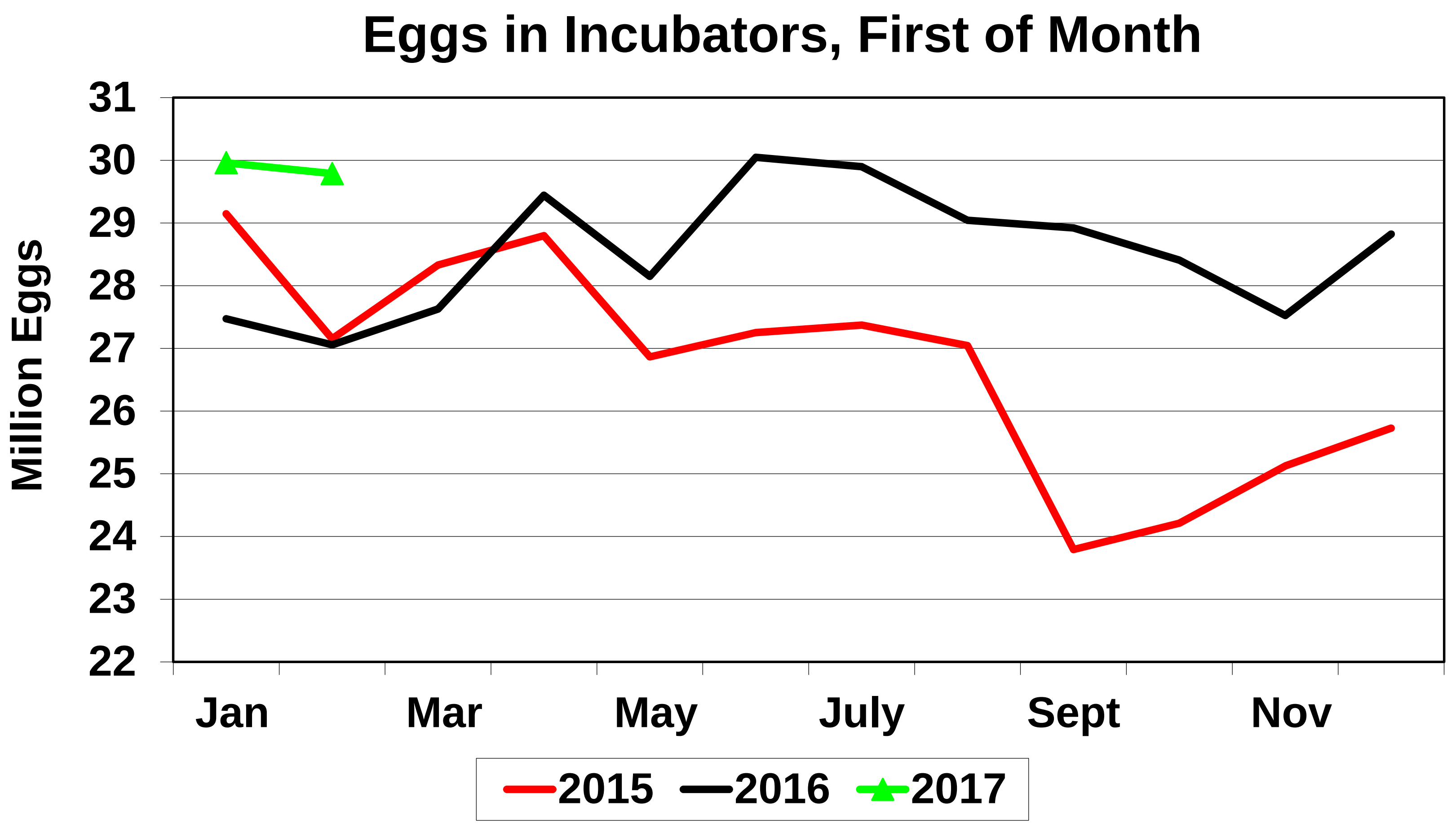
Prices Weaker With Increased Supplies



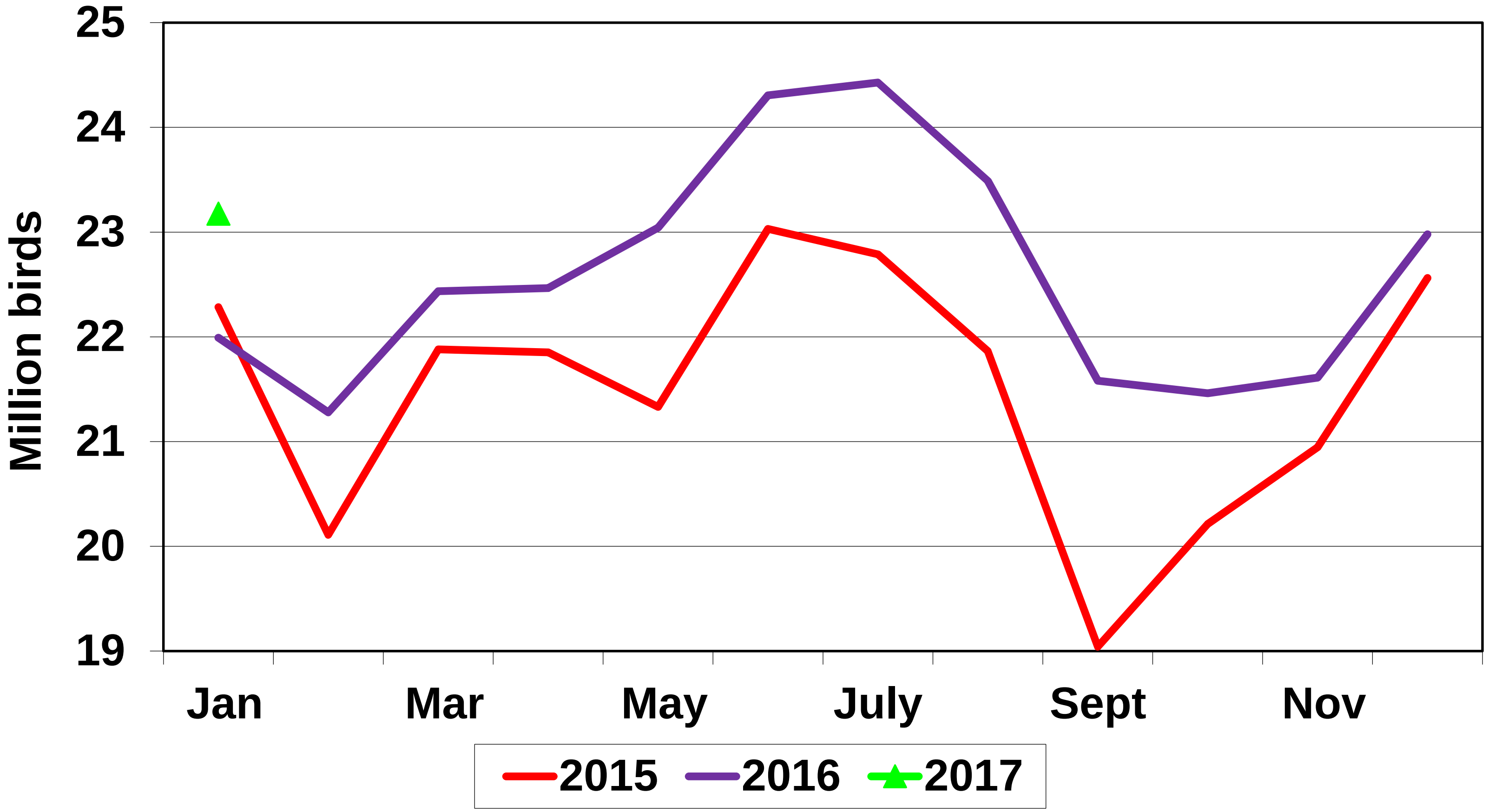
Factors Driving the Forecasts:

- Turkey – Industry Recovered from HPAI
  - Prices Reflect Larger Supplies
  - **Expansion Continues**

Eggs Above Pre-HPAI Levels



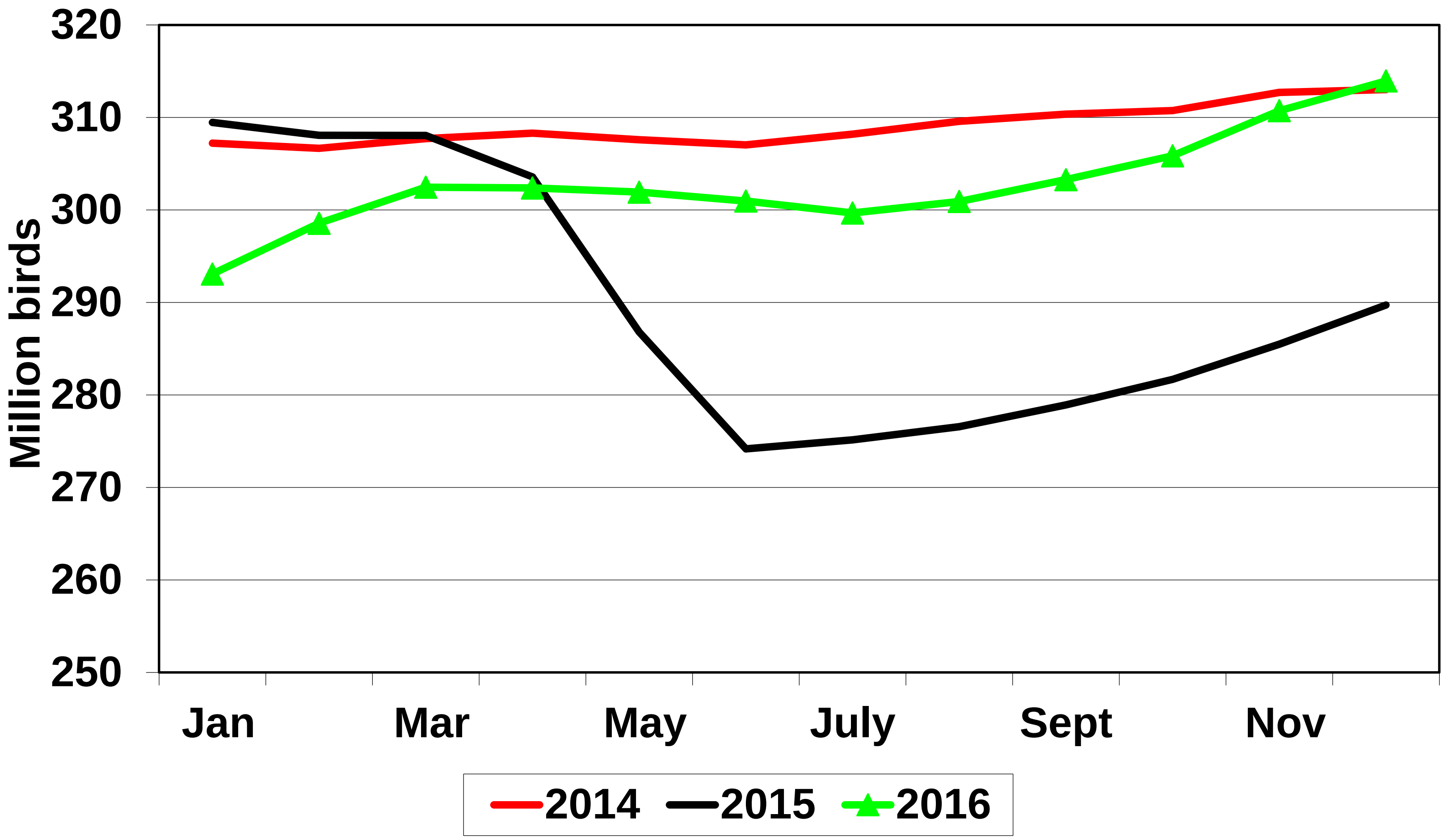
Turkey Poults Above Pre-HPAI Levels



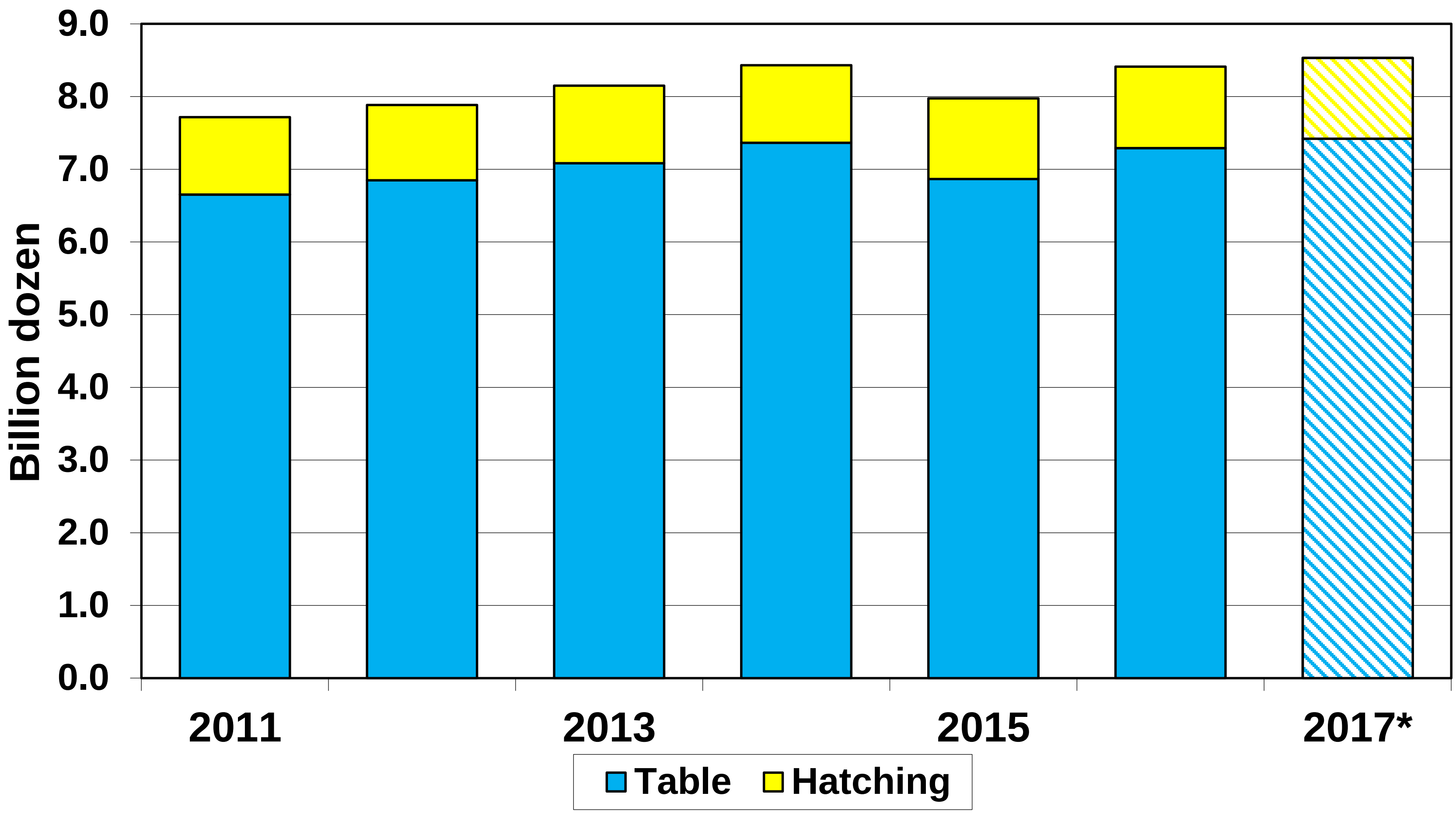
Factors Driving the Forecasts:

- Eggs – HPAI Cut Production
  - **Laying Flock Rebuilt From HPAI**

Egg Laying Flock At Pre-HPAI Levels



Egg Production Will Be Record Large

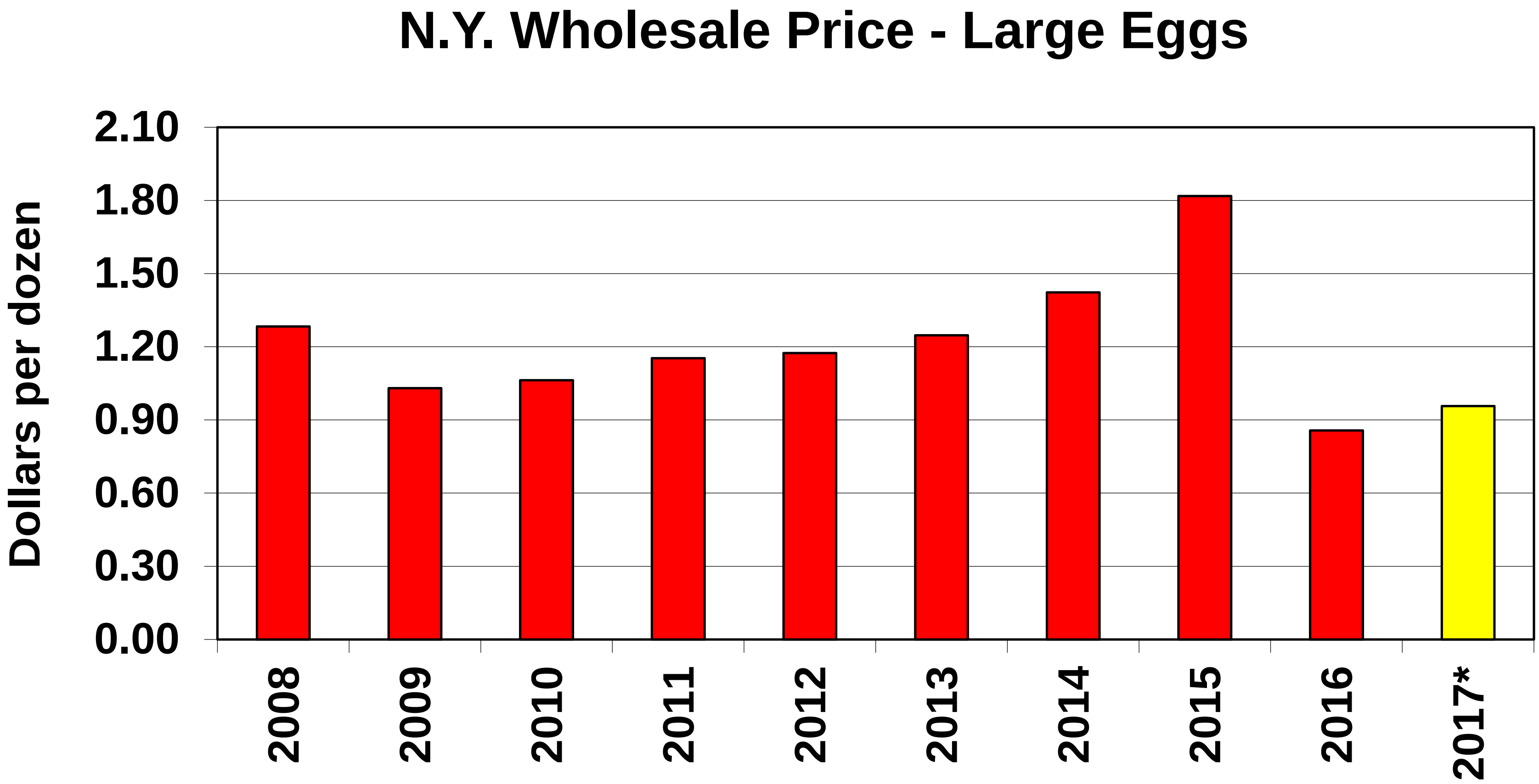


*Forecast

Factors Driving the Forecasts:

- Eggs – HPAI Cut Production
  - Laying Flock Rebuilt From HPAI
  - **Egg Prices More Stable but Below Pre-HPAI**

Egg Prices Will Average $0.93-$0.98 per Dozen



* Forecast

Additional information about 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
  - https://www.ers.usda.gov/topics/animal-products/

- Foreign Agricultural Service (FAS)
  Livestock and Poultry: World Markets and Trade
  - http://www.fas.usda.gov/data/livestock-and-poultry-world-markets-and-trade