

2016 Beef Cattle Market Outlook

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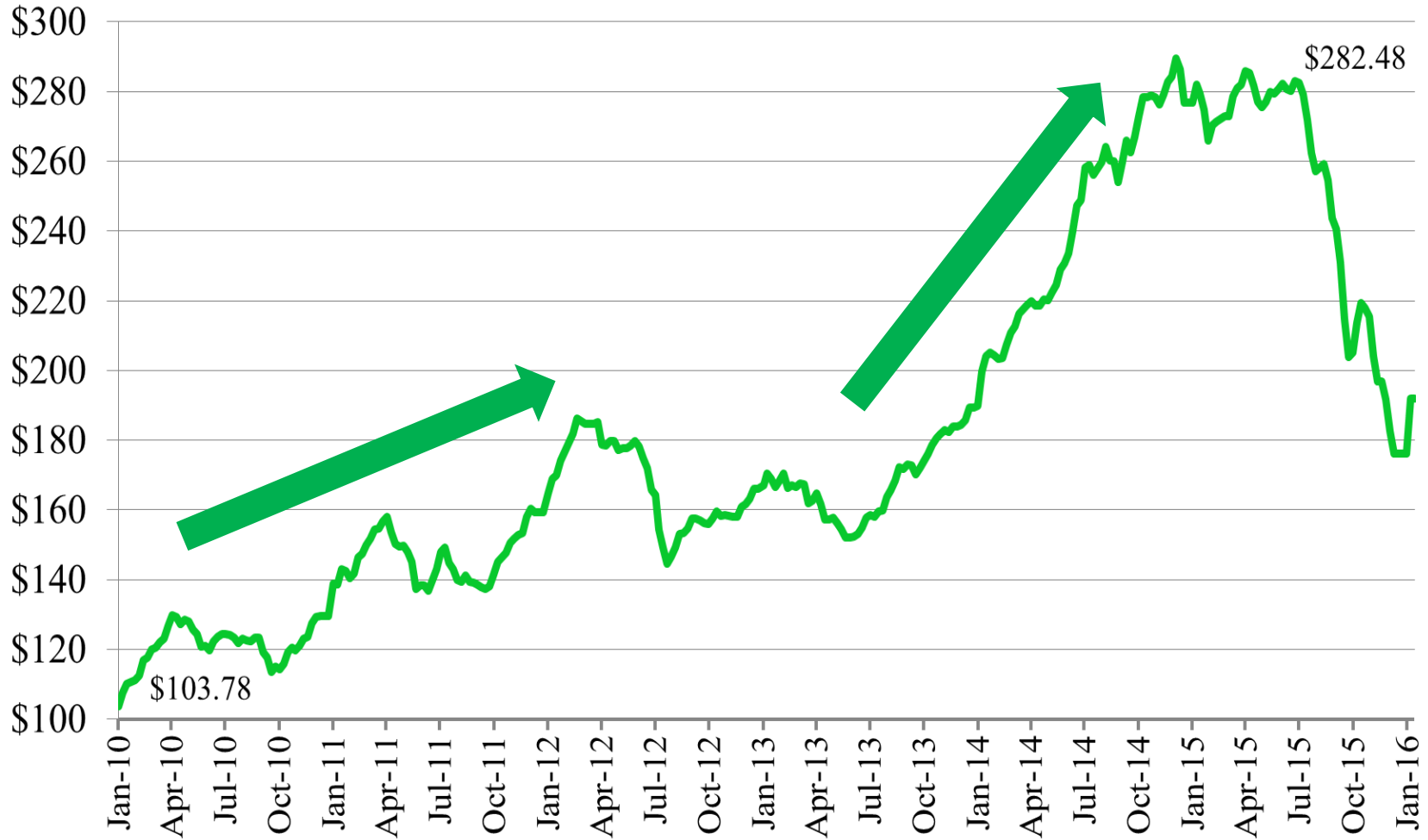
2016 Beef Cattle Market Outlook

Outline

- Recap Feeder Calf Markets from 2010 through 2015
- July 1st U.S. Cattle Inventory Numbers
- Supply of Meat Proteins
- Value of the U.S. Dollar
- Feeder Cattle Futures Market
- Florida 550 *lb.* Feeder Steers

January 2010 - January 2016 U.S. Weekly Avg. 550 lb. Feeder Steers

\$/cwt.

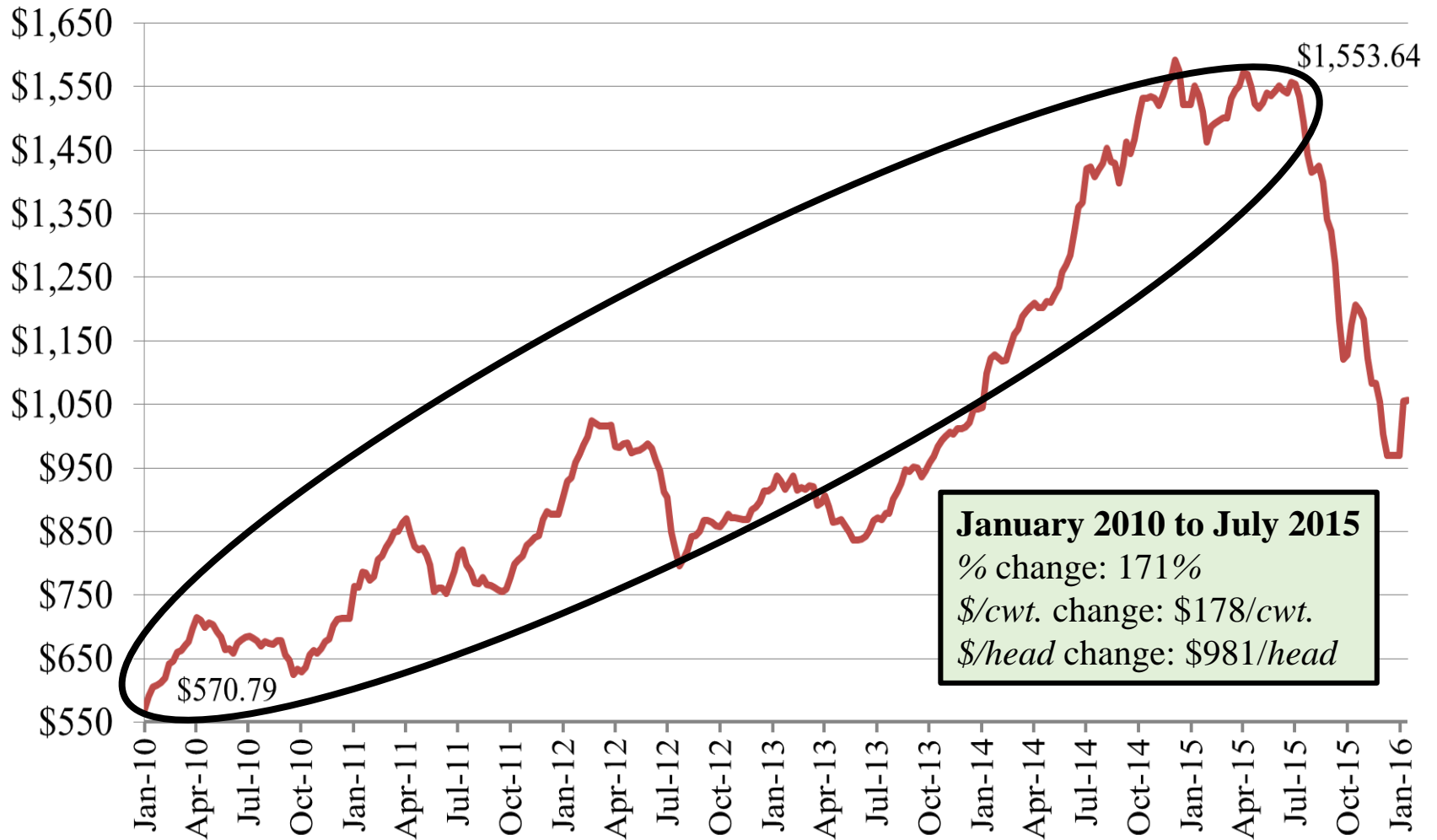


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January 2010 - January 2016

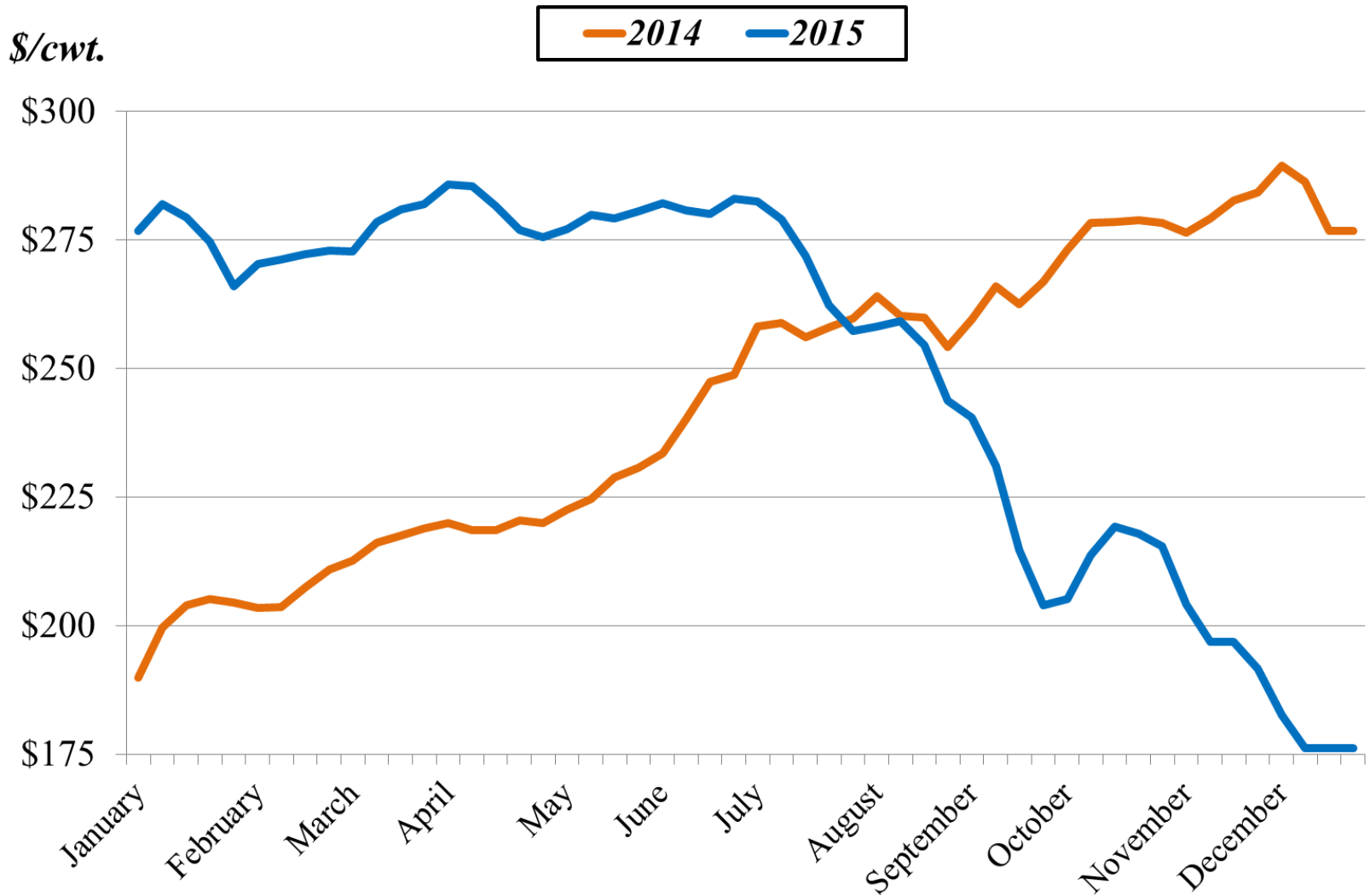
U.S. Weekly Avg. 550 lb. Feeder Steers

\$/head



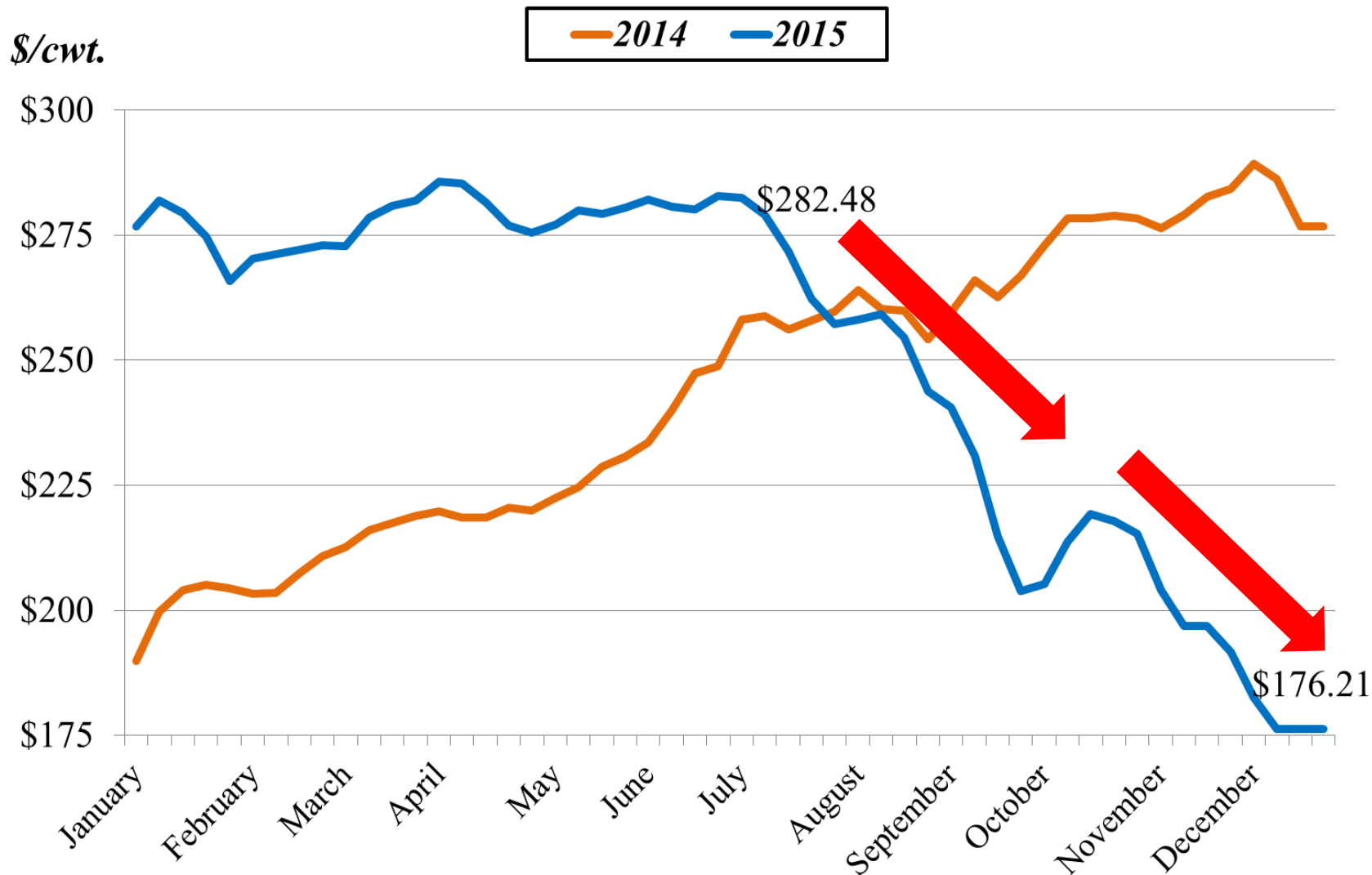
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U.S. Weekly Avg. Feeder Steer Prices, 550 lbs.



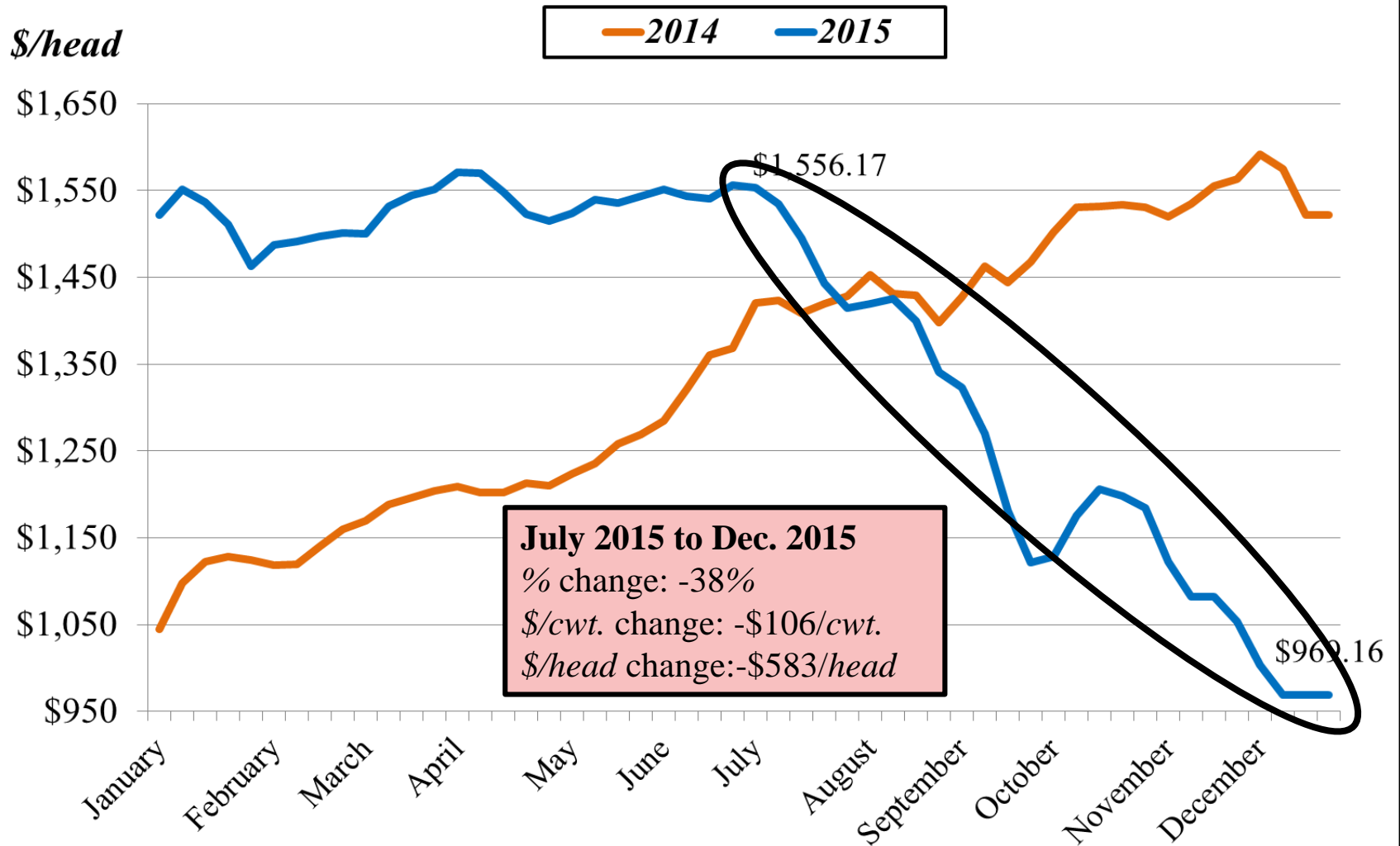
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U.S. Weekly Avg. Feeder Steer Prices, 550 lbs.



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U.S. Weekly Avg. Feeder Steer Prices, 550 lbs.



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January 2000 - January 2016

U.S. Weekly Avg. 550 lb. Feeder Steers

\$/cwt.

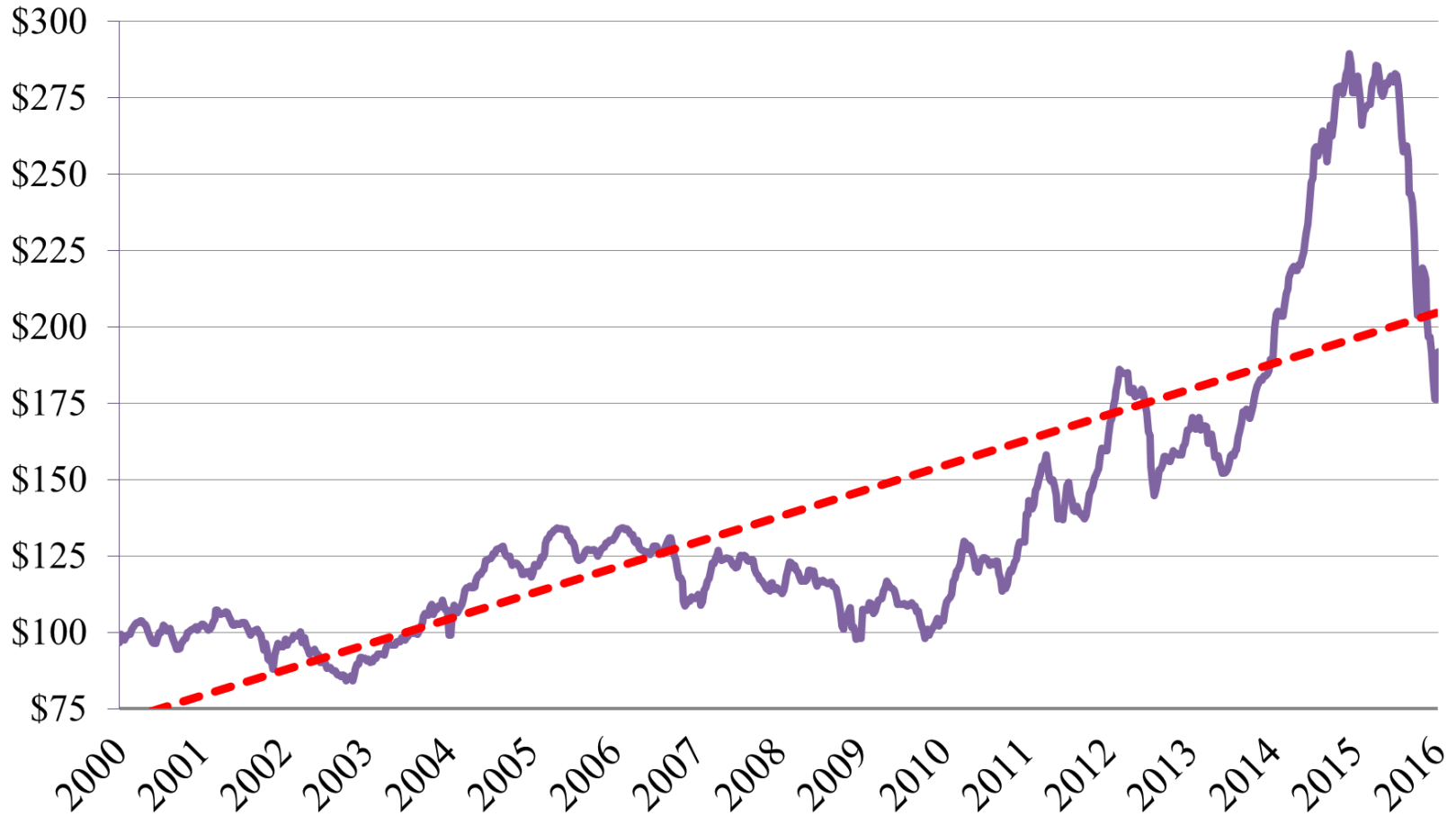


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January 2000 - January 2016

U.S. Weekly Avg. 550 lb. Feeder Steers

\$/cwt.

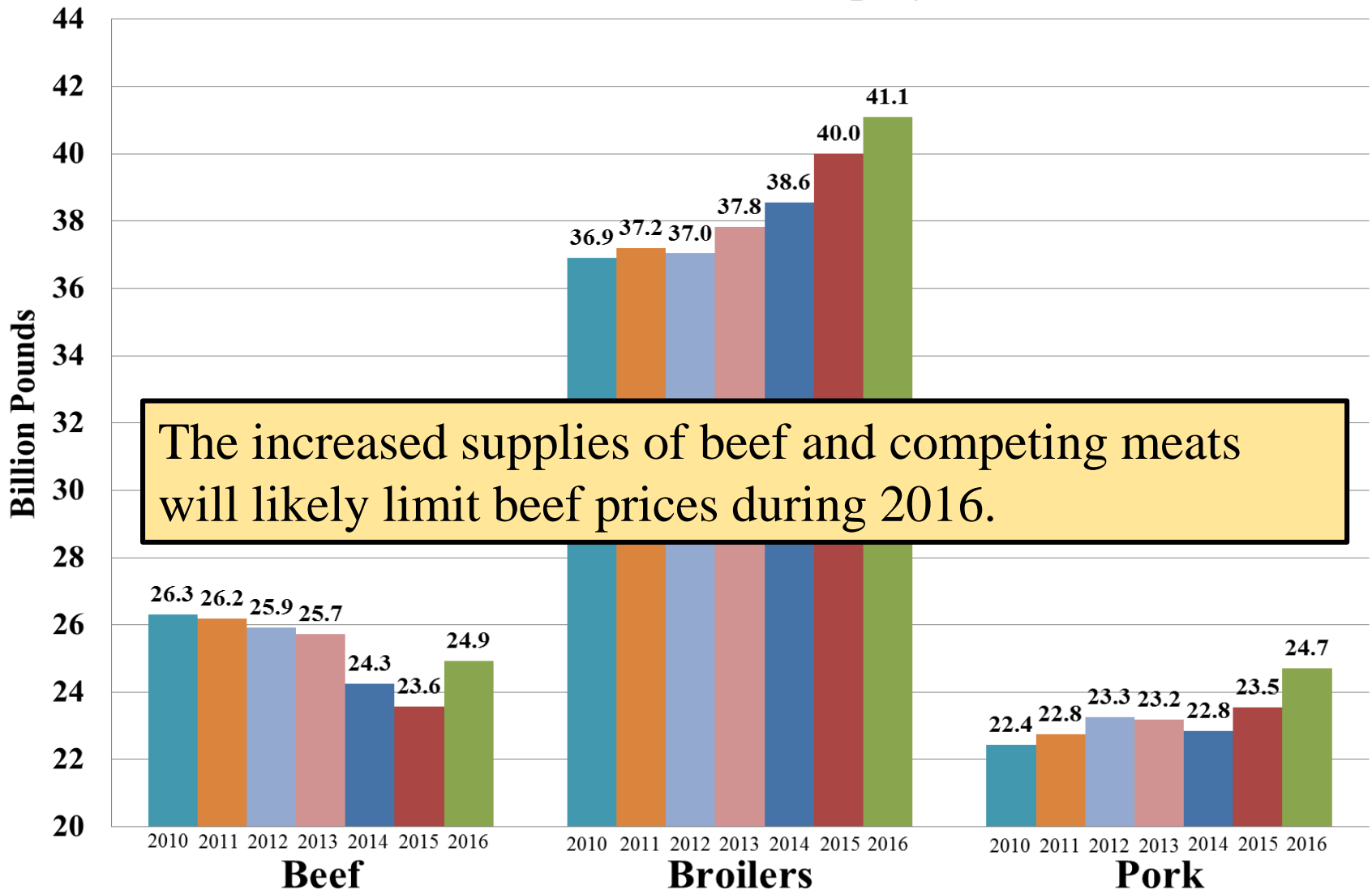


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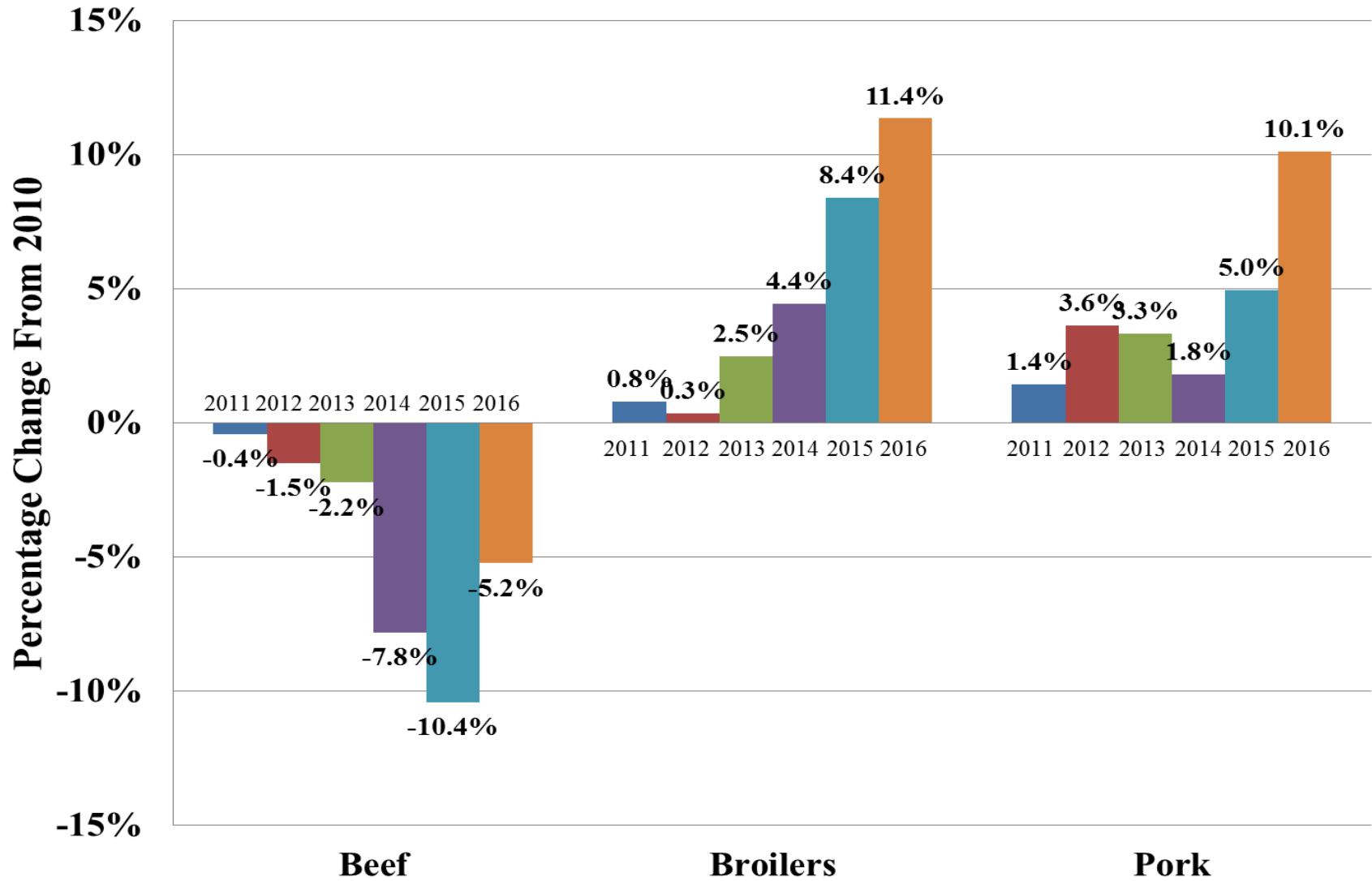
Some of the Factors Affecting Beef Cattle Prices in 2016

- **Feedstuff Prices**
- **Interest Rates, Energy Prices**
- **Adverse Weather (Forage Conditions)**
- **Strength/Weakness of the U.S. & Global Economies**
- **Expansion of the U.S. Cattle Herd**
- **Competing Supplies of Meat Proteins**
 - **U.S. Broiler and Pork Production**
- **Monetary Exchange Rates (Value of the U.S. Dollar)**

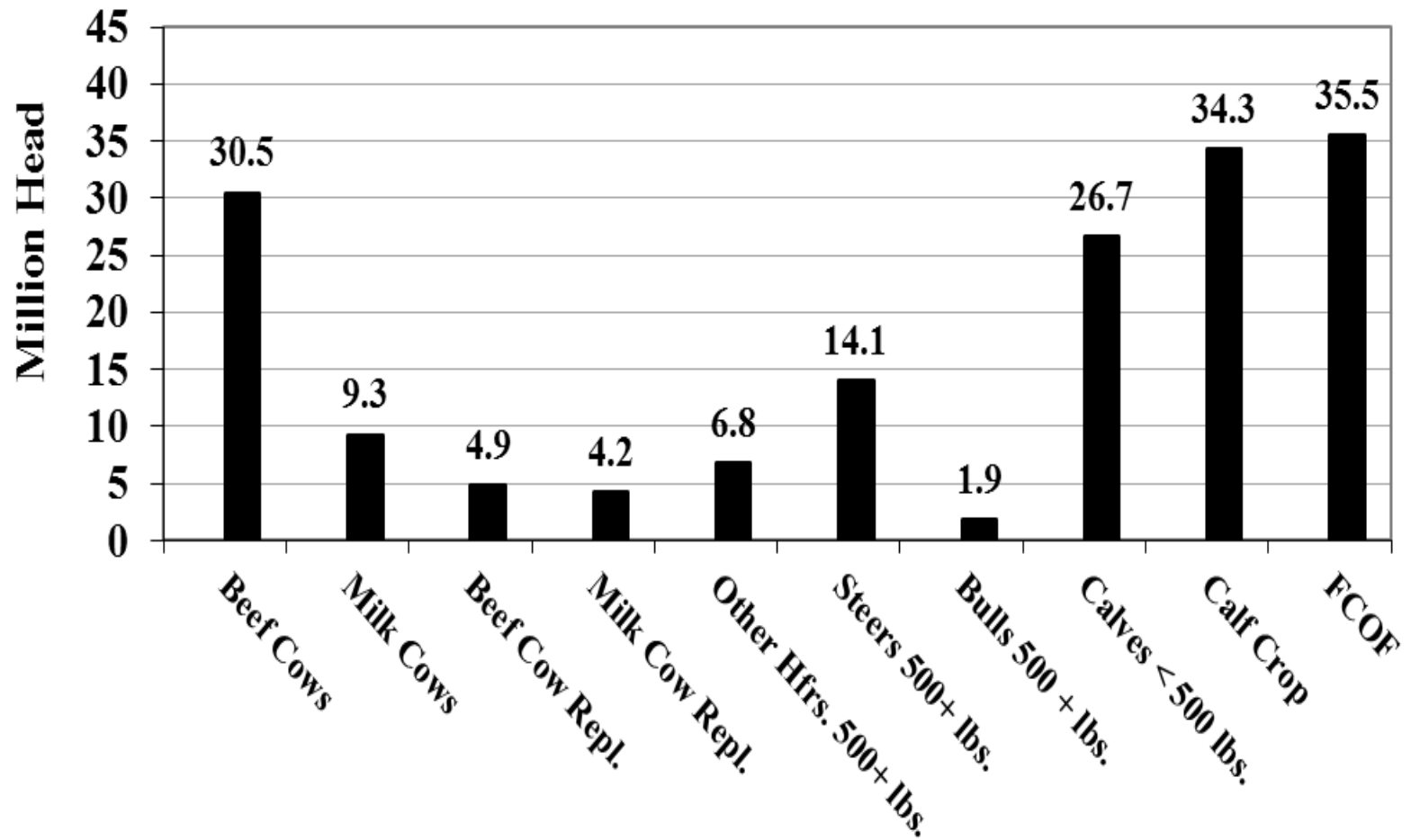
U.S. Beef, Broiler, and Pork Production, 2010-2016 (2015 and 2016 are USDA projections)



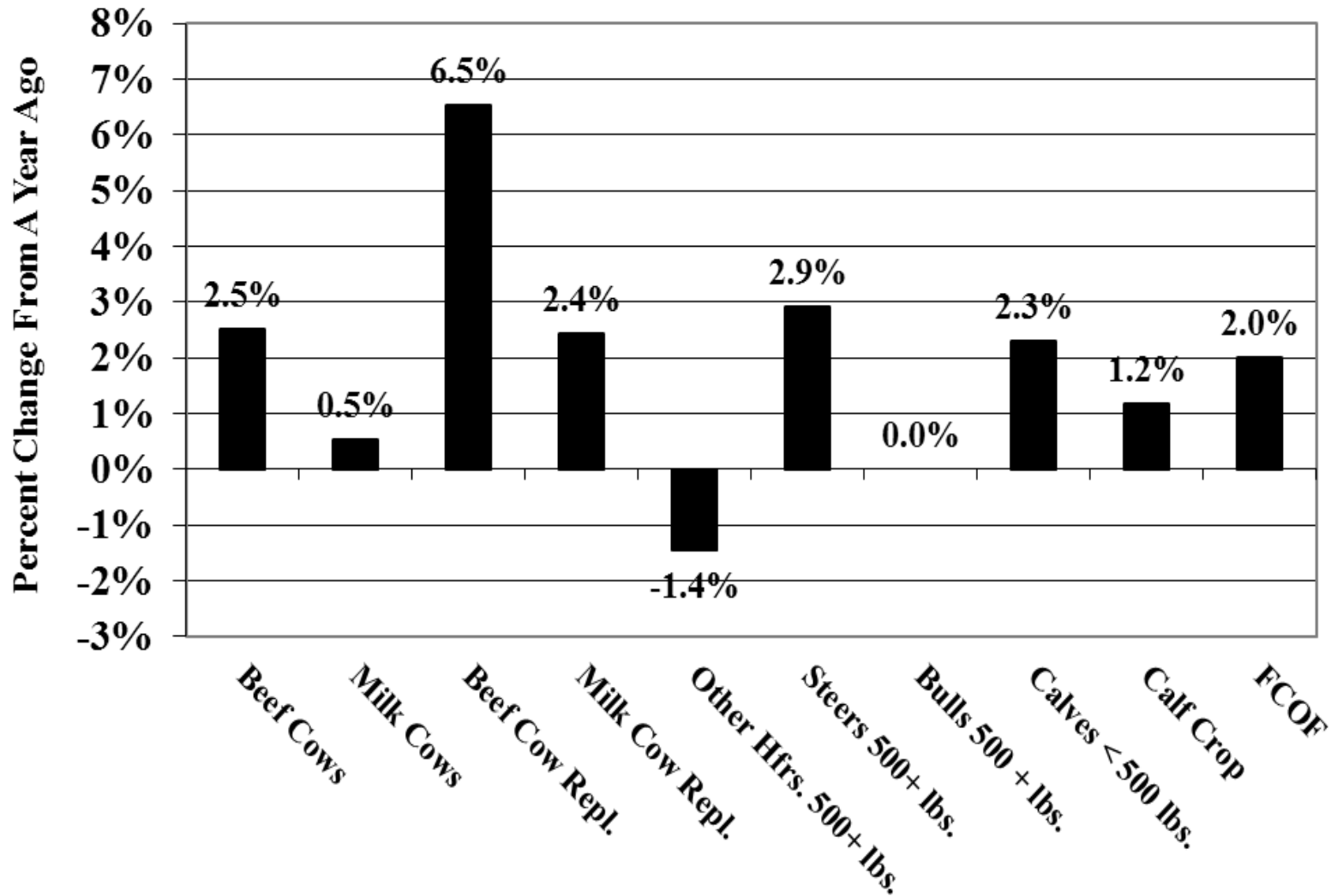
U.S. Beef, Broiler, and Pork Production Percentage Change From 2010 For 2011-2016 (2015 and 2016 are USDA projections)



U.S. Cattle Inventory, July 1, 2015

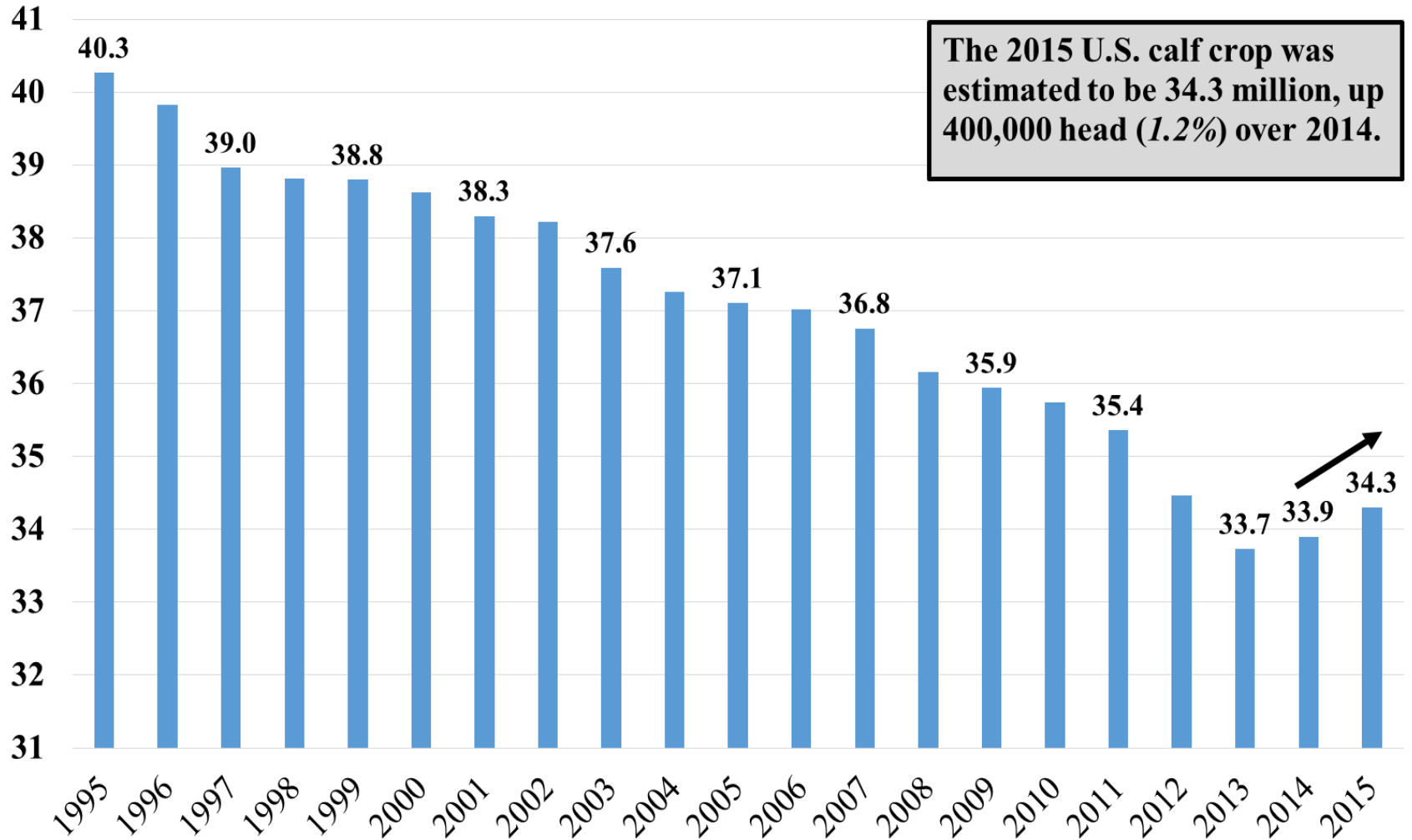


Percent Change In U.S. Cattle Inventory, July 1, 2015

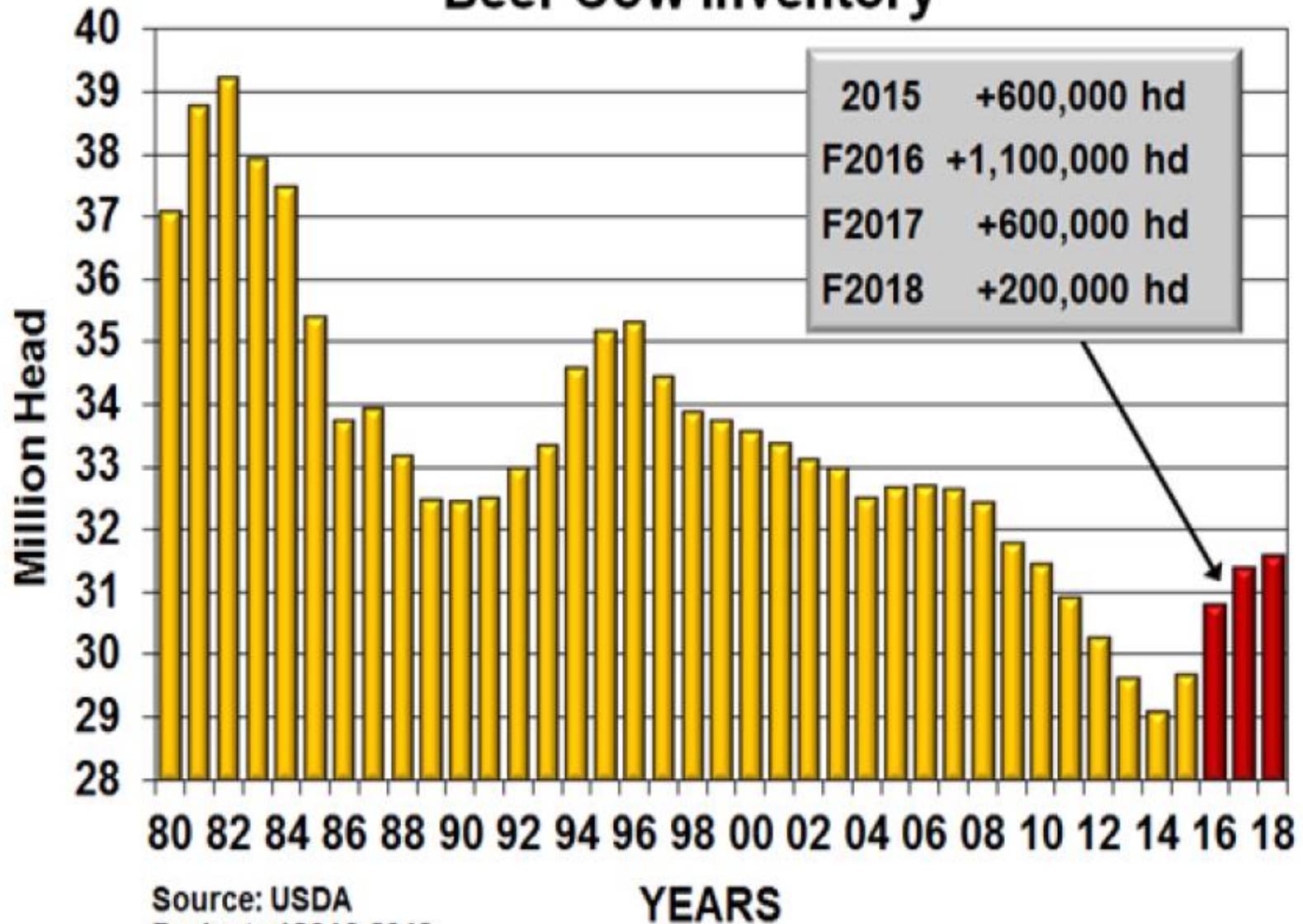


U.S. Calf Crop, 1995-2015

million head

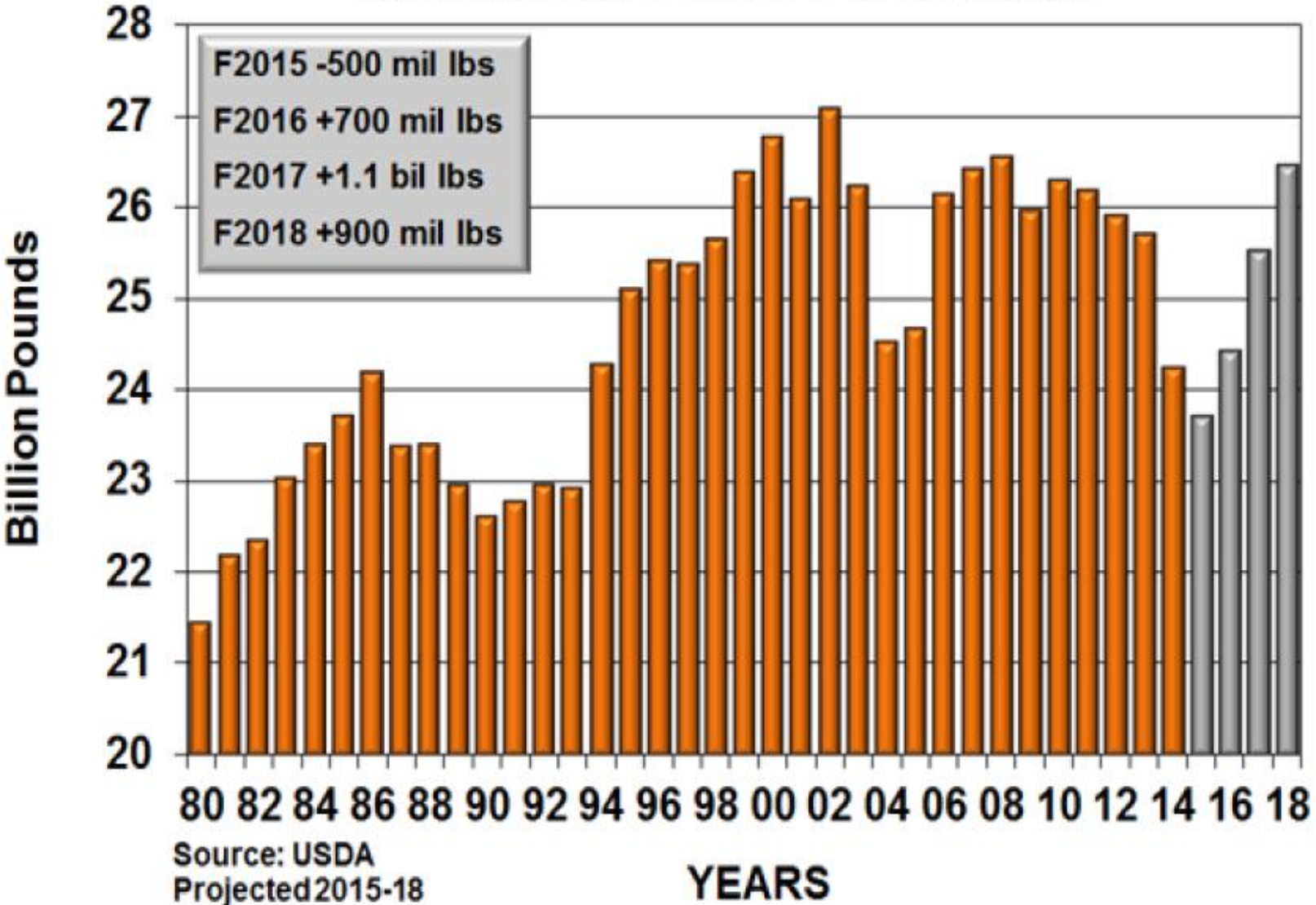


Beef Cow Inventory



Source: USDA
Projected 2016-2018

Commercial Beef Production



Source: USDA
Projected 2015-18

Table 1. U.S. Net Beef Supply (Billion Pounds), 2014-2016.

Item	2014	2015	2016
	(Billion Pounds)		
U.S. Domestic Beef Production	24.252	23.565	24.930
U.S. Beef & Veal Imports	2.974	3.437	3.045
U.S. Beef & Veal Exports	2.573	2.307	2.485
U.S. Net Beef Supply ¹	24.653	24.695	25.490

¹Columns may not sum exactly due to rounding.

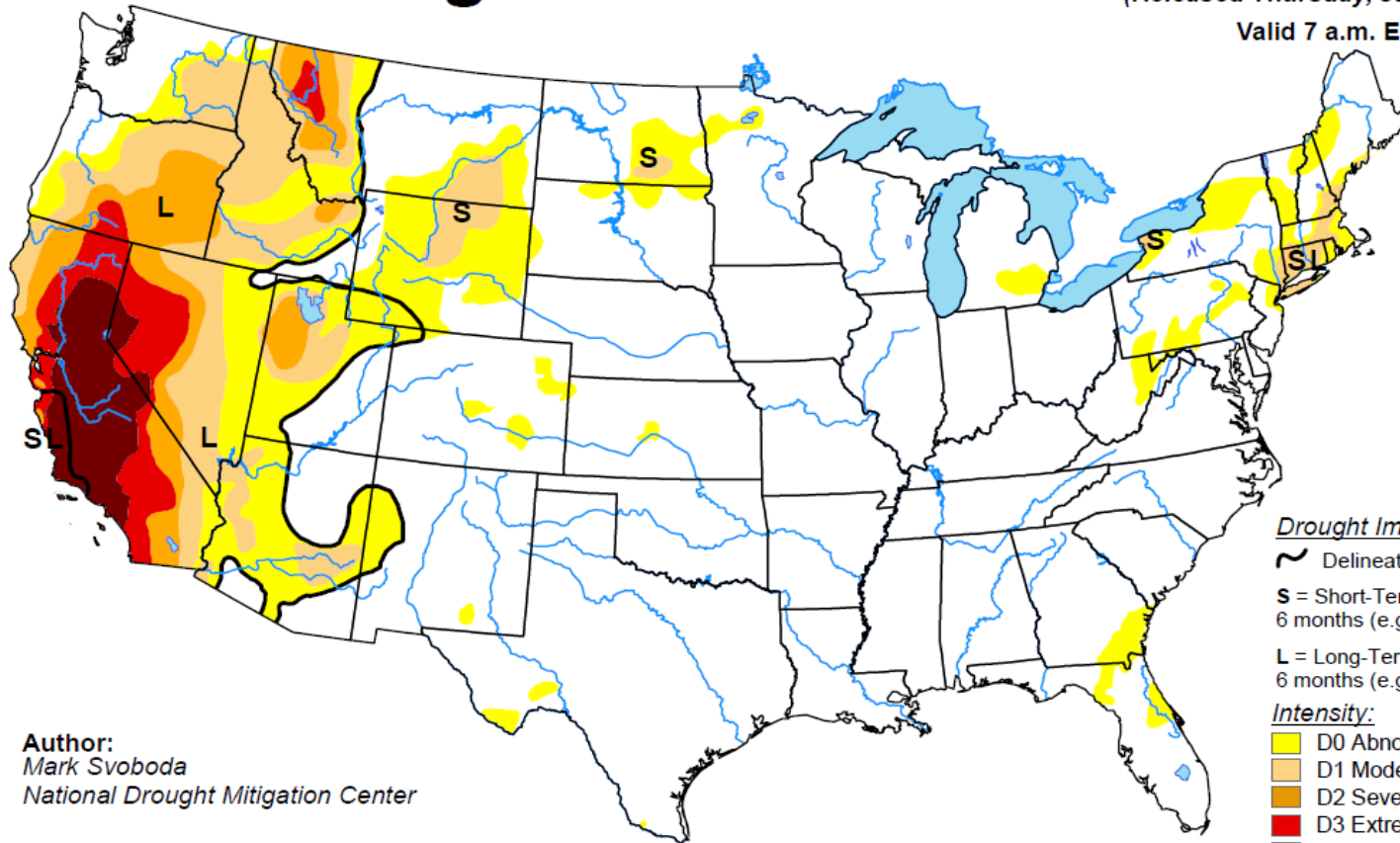
U.S. Net Beef Supply = U.S. Domestic Beef Production + U.S. Beef Imports - U.S. Beef Exports

U.S. Net Beef Supply is the amount of beef that is consumed in U.S. markets.

U.S. Drought Monitor


January 19, 2016
(Released Thursday, Jan. 21, 2016)

Valid 7 a.m. EST








Author:
Mark Svoboda
National Drought Mitigation Center

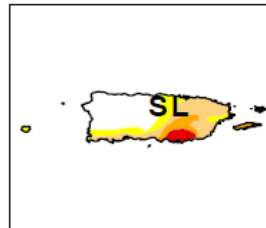
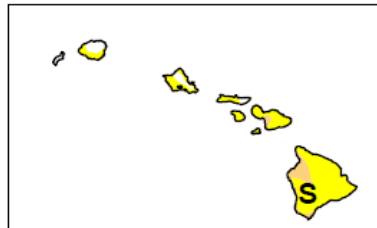
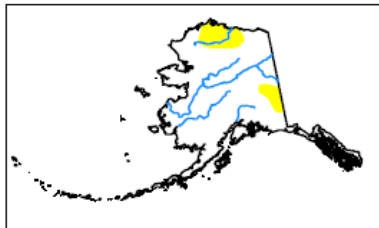
Drought Impact Types:

-  Delineates dominant impacts
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

-  D0 Abnormally Dry
-  D1 Moderate Drought
-  D2 Severe Drought
-  D3 Extreme Drought
-  D4 Exceptional Drought

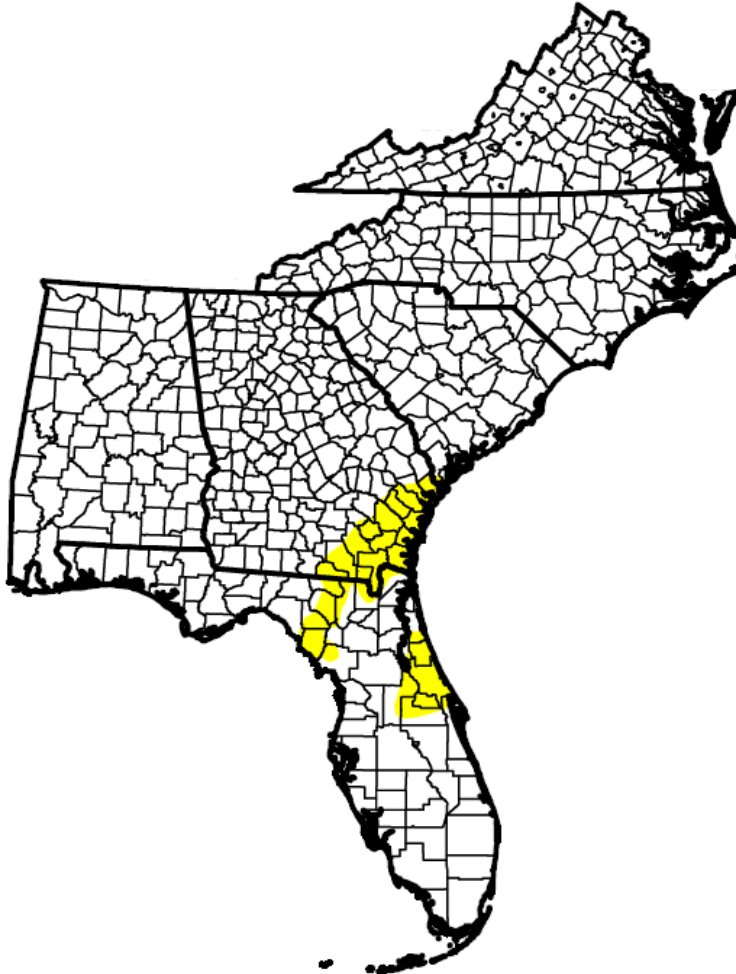
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<http://droughtmonitor.unl.edu/>

U.S. Drought Monitor Southeast

January 19, 2016
(Released Thursday, Jan. 21, 2016)
Valid 7 a.m. EST



Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	95.01	4.99	0.00	0.00	0.00	0.00
Last Week <i>1/12/2016</i>	94.04	5.96	0.00	0.00	0.00	0.00
3 Months Ago <i>10/20/2015</i>	76.85	23.15	8.29	0.29	0.00	0.00
Start of Calendar Year <i>12/29/2015</i>	95.00	5.00	0.00	0.00	0.00	0.00
Start of Water Year <i>9/29/2015</i>	53.44	46.56	11.73	1.74	0.00	0.00
One Year Ago <i>1/20/2015</i>	84.71	15.29	0.67	0.00	0.00	0.00

Intensity:

- D0 Abnormally Dry
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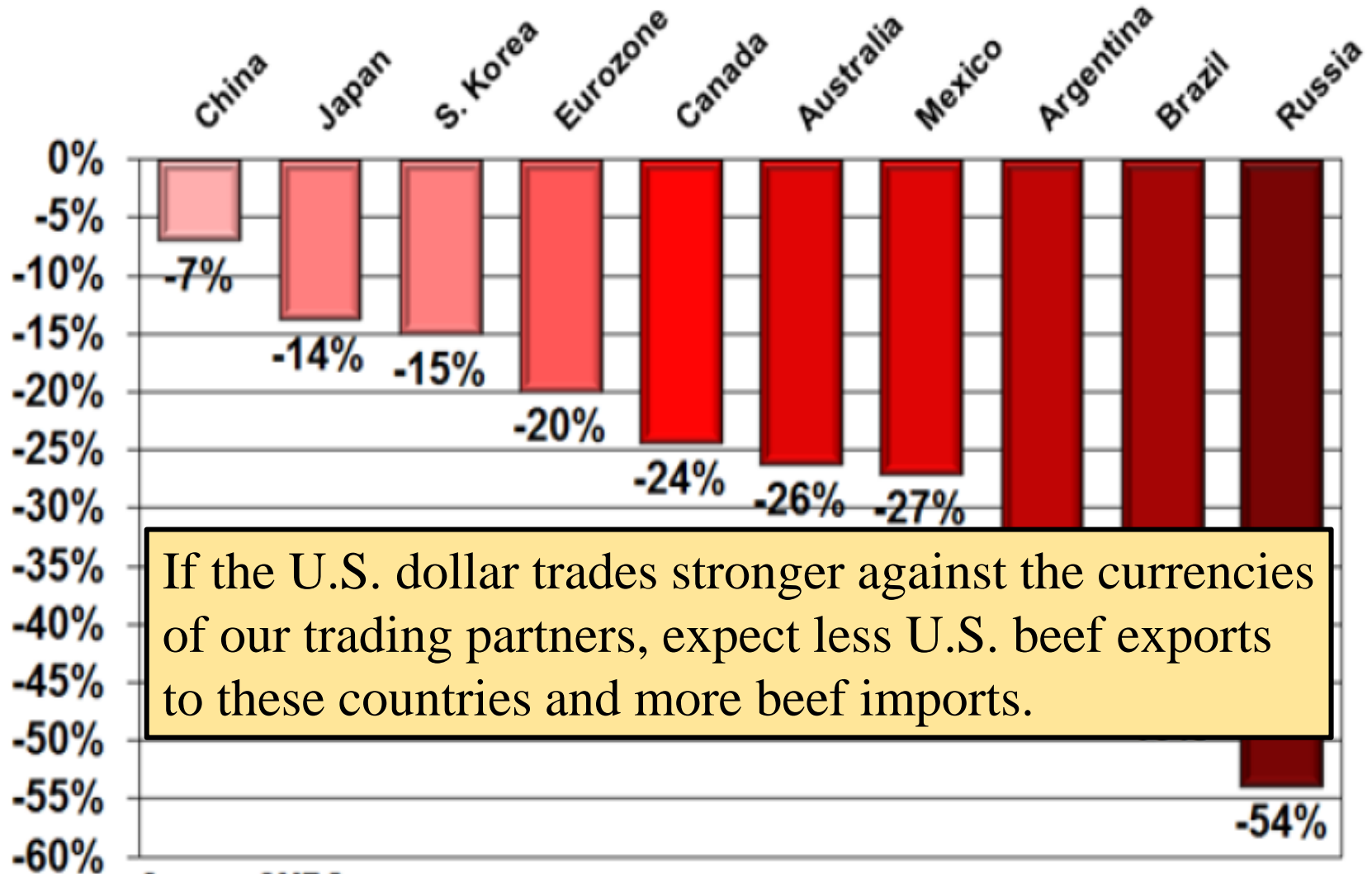
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Mark Svoboda
National Drought Mitigation Center



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Currencies vs. the U.S. Dollar (by country since July 1, 2014)



If the U.S. dollar trades stronger against the currencies of our trading partners, expect less U.S. beef exports to these countries and more beef imports.

Source: CME Group

The Change in the 2015 Feeder Calf Market

- Why did feeder prices decline so abruptly?

- 1) U.S. Fed Cattle Prices Declined due to:

- A) Weaker Export Demand Due to Weaker Foreign Economies

- B) A Stronger U.S. Dollar which decreases the buying power of other currencies

- C) Heavier beef carcasses which led to more beef supplies

- 2) A substantial increase in competing U.S. meat supplies which lowered pork, poultry, and beef prices

The Change in the 2015 Feeder Calf Market

- Are we going to get the ~ \$600/*head* back?
 - **Probably not anytime soon unless there is a significant increase in beef demand and/or decrease in beef supplies.**

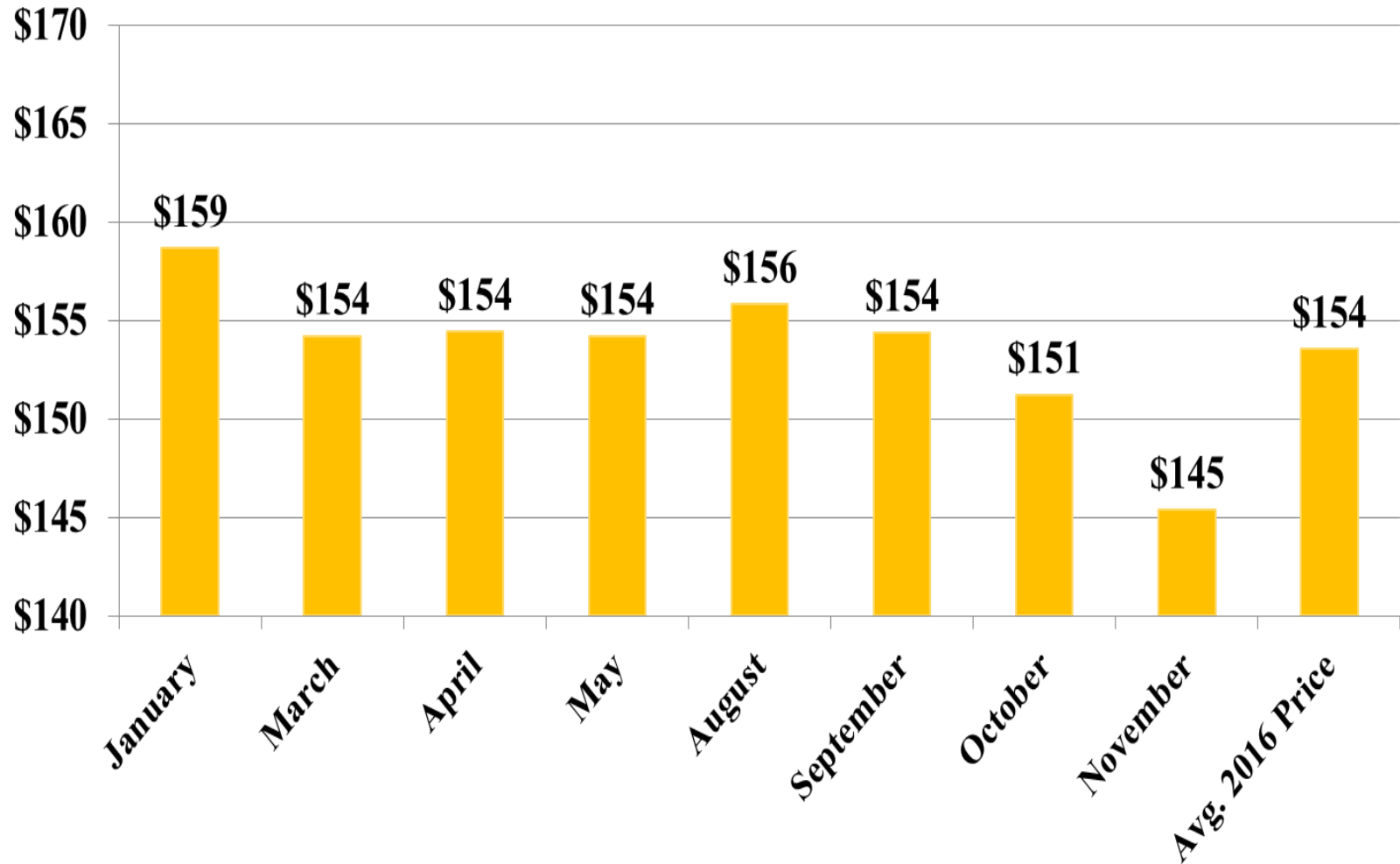
2016 Cattle Price Expectations

What are our Feeder Calf Price Expectations for 2016?

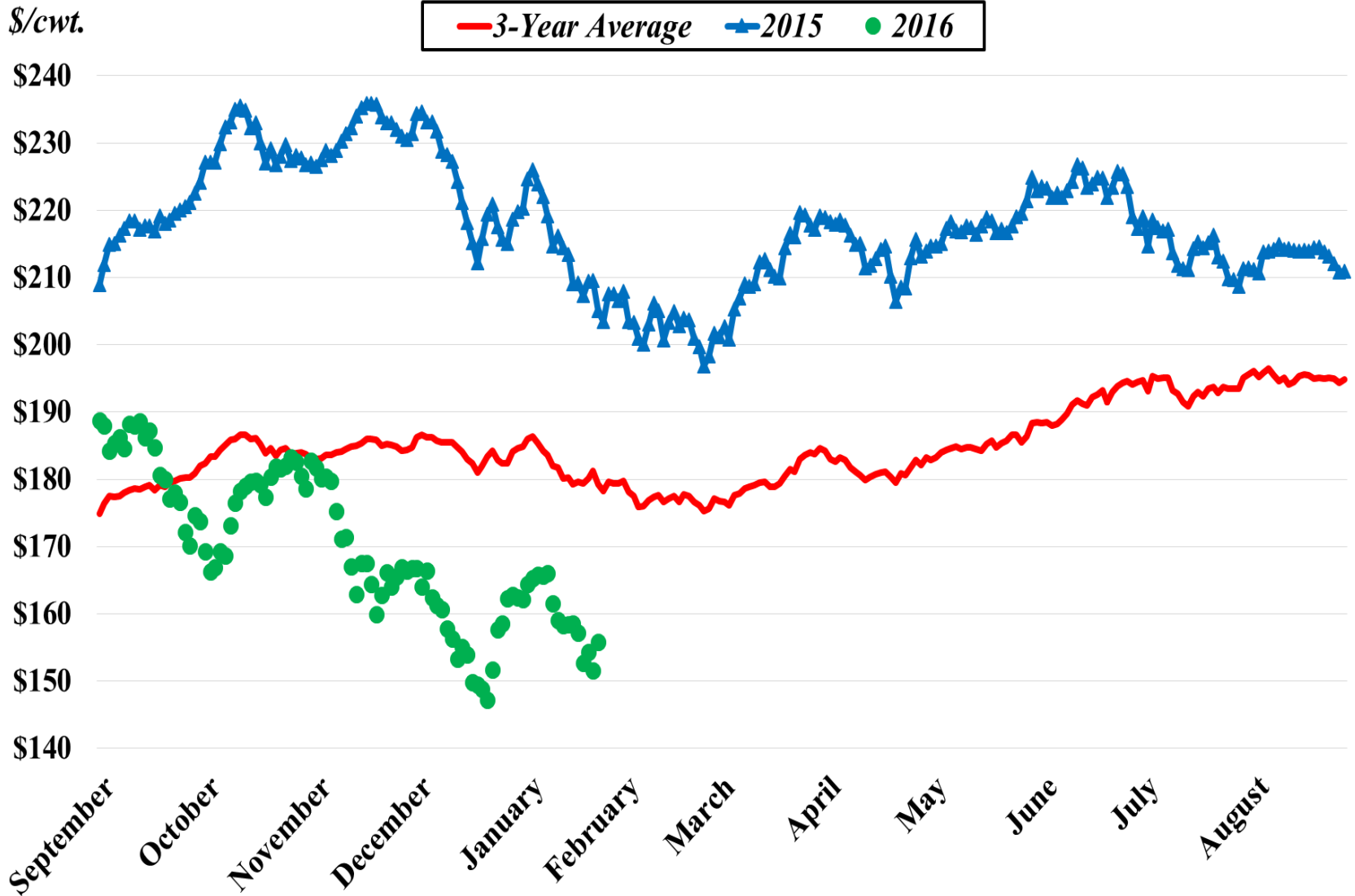
- CME Feeder Cattle Futures Contracts
- Seasonal Price Trends

2016 CME Feeder Cattle Futures Prices

\$/cwt.



August 2016 Feeder Cattle Futures Prices (CME)



August 2016 Feeder Cattle Futures Prices (CME)

\$/cwt.

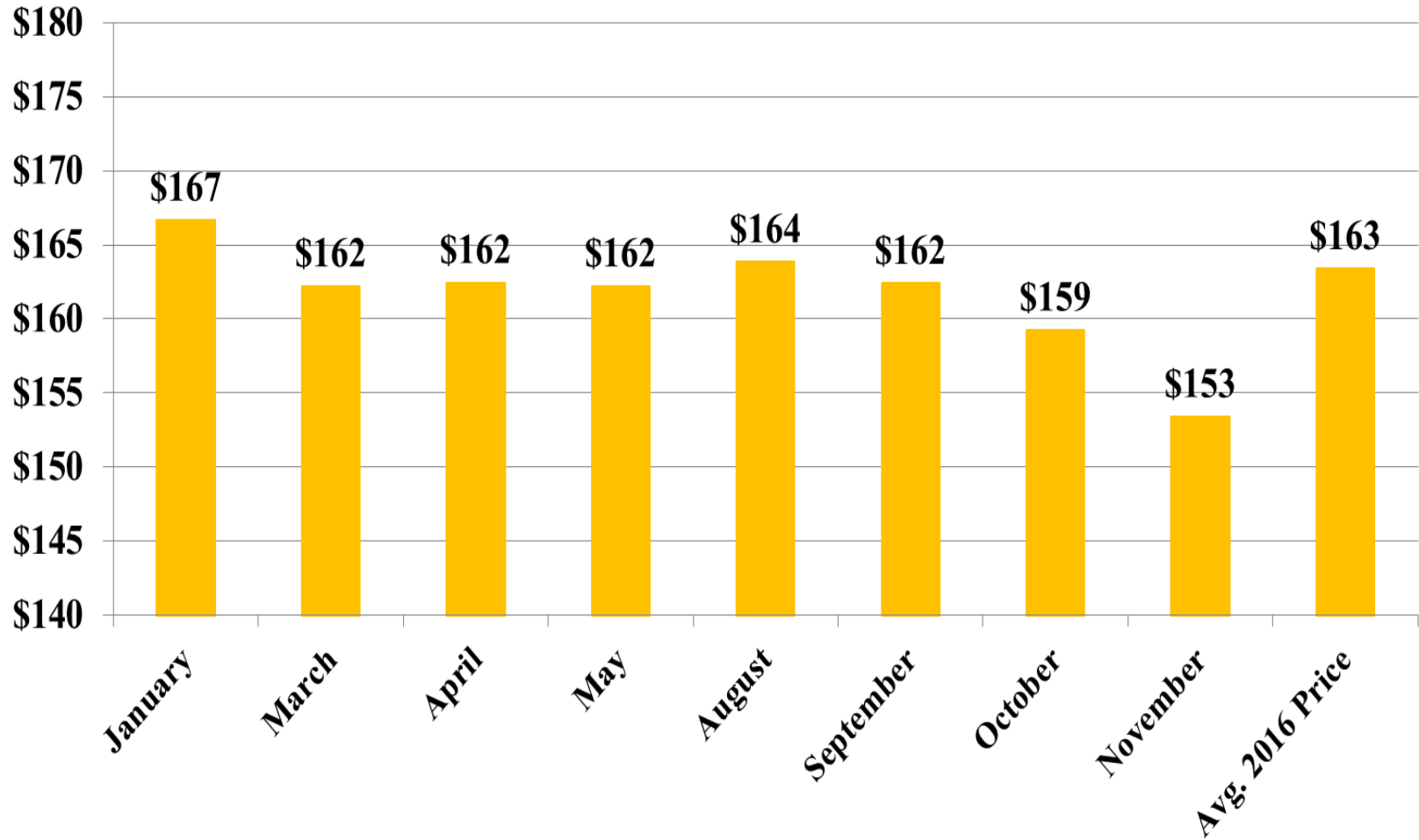
\$195
\$190
\$185
\$180
\$175
\$170
\$165
\$160
\$155
\$150
\$145

8/28/2015 9/4/2015 9/11/2015 9/18/2015 9/25/2015 10/2/2015 10/9/2015 10/16/2015 10/23/2015 10/30/2015 11/6/2015 11/13/2015 11/20/2015 11/27/2015 12/4/2015 12/11/2015 12/18/2015 12/25/2015 1/1/2016 1/8/2016 1/15/2016

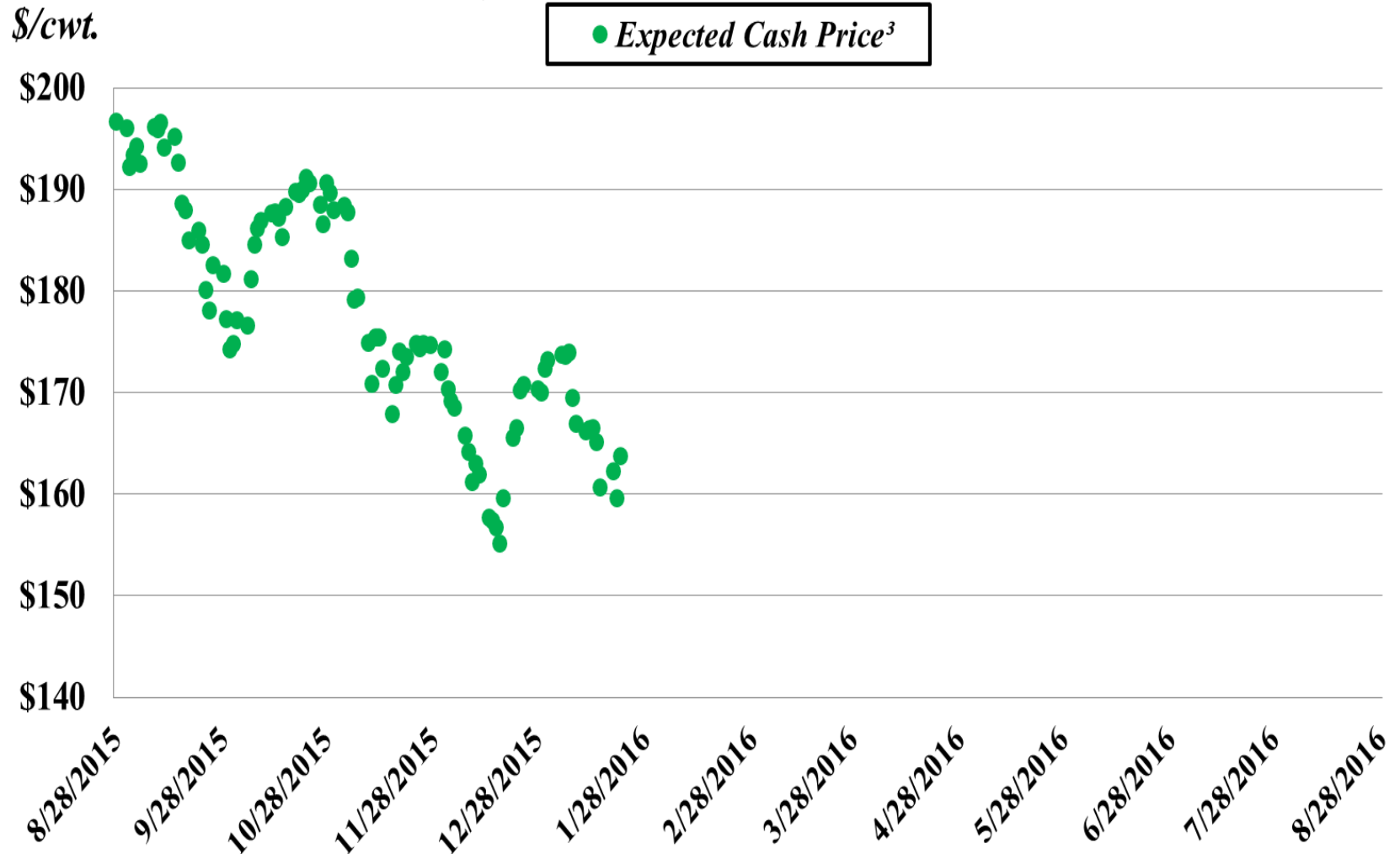


Projected 2016 Florida Feeder Steer Cash Prices, 550 lbs.

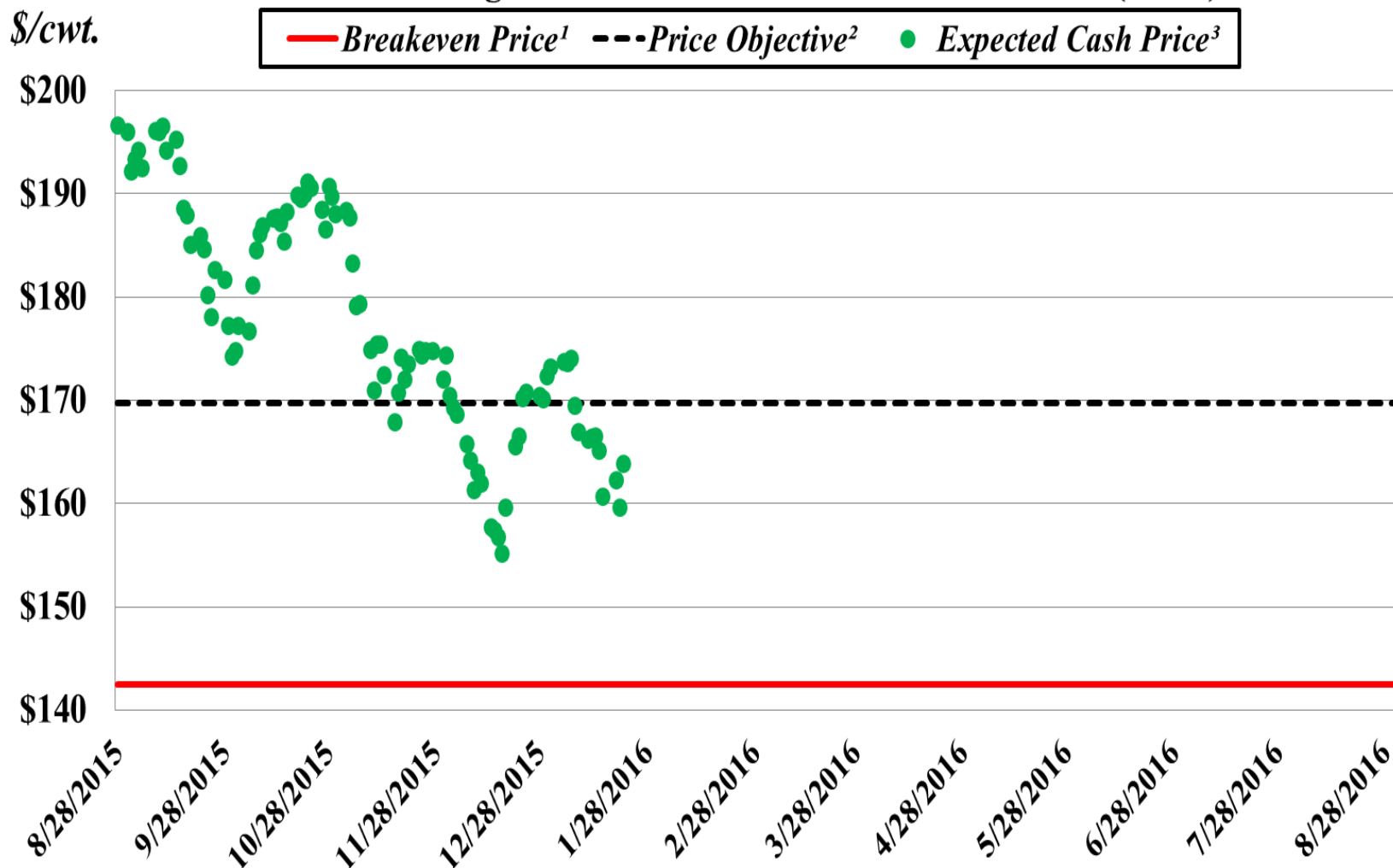
\$/cwt.



**Figure 3. Expected Cash Price for August 2016,
550 lb. Feeder Calves, Med. & Lg., #1 & #2, Florida,
Based on August 2016 Feeder Cattle Futures Prices (CME)**

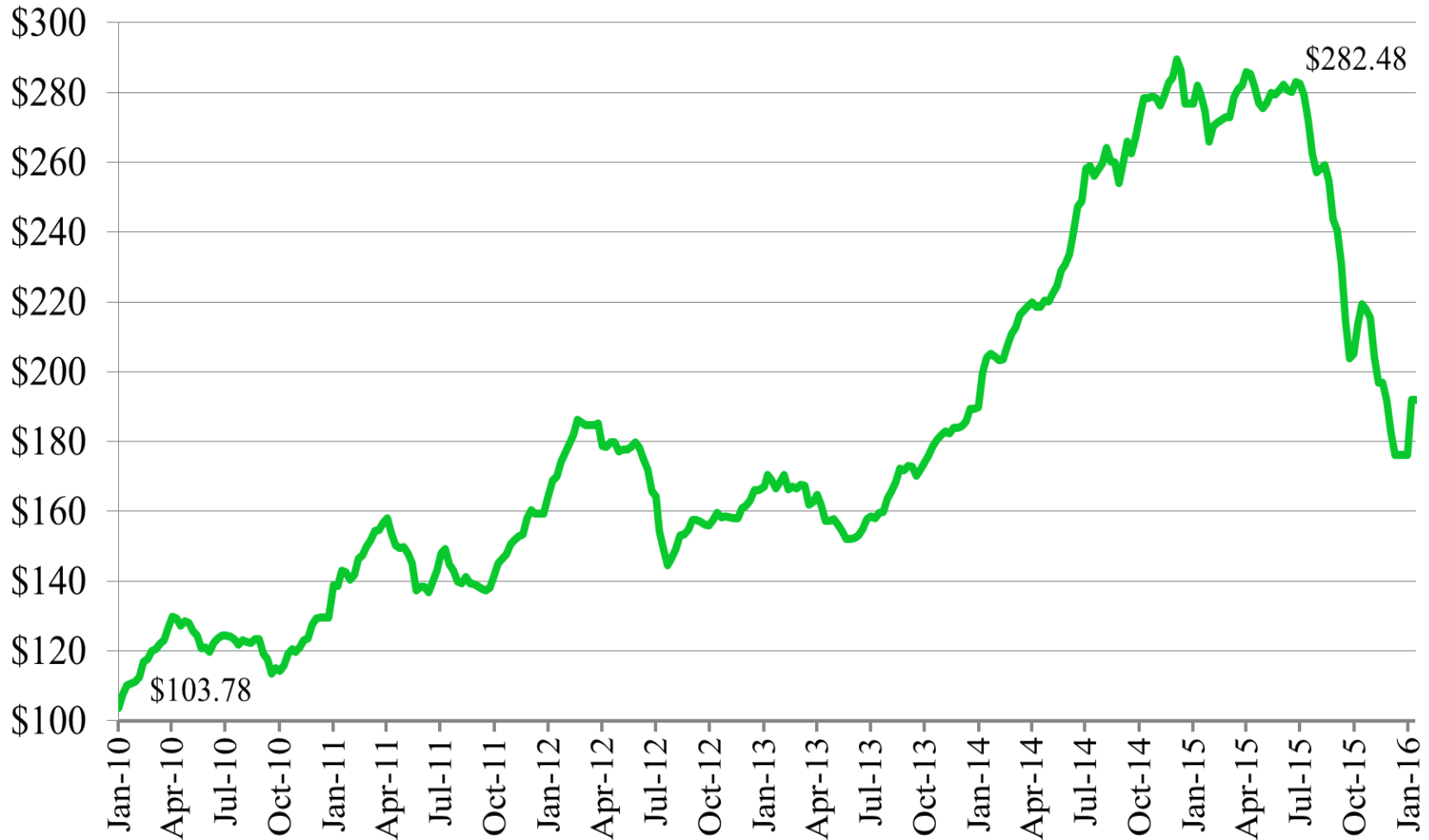


**Figure 4. Expected Cash Price for August 2016,
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Based on August 2016 Feeder Cattle Futures Prices (CME)**



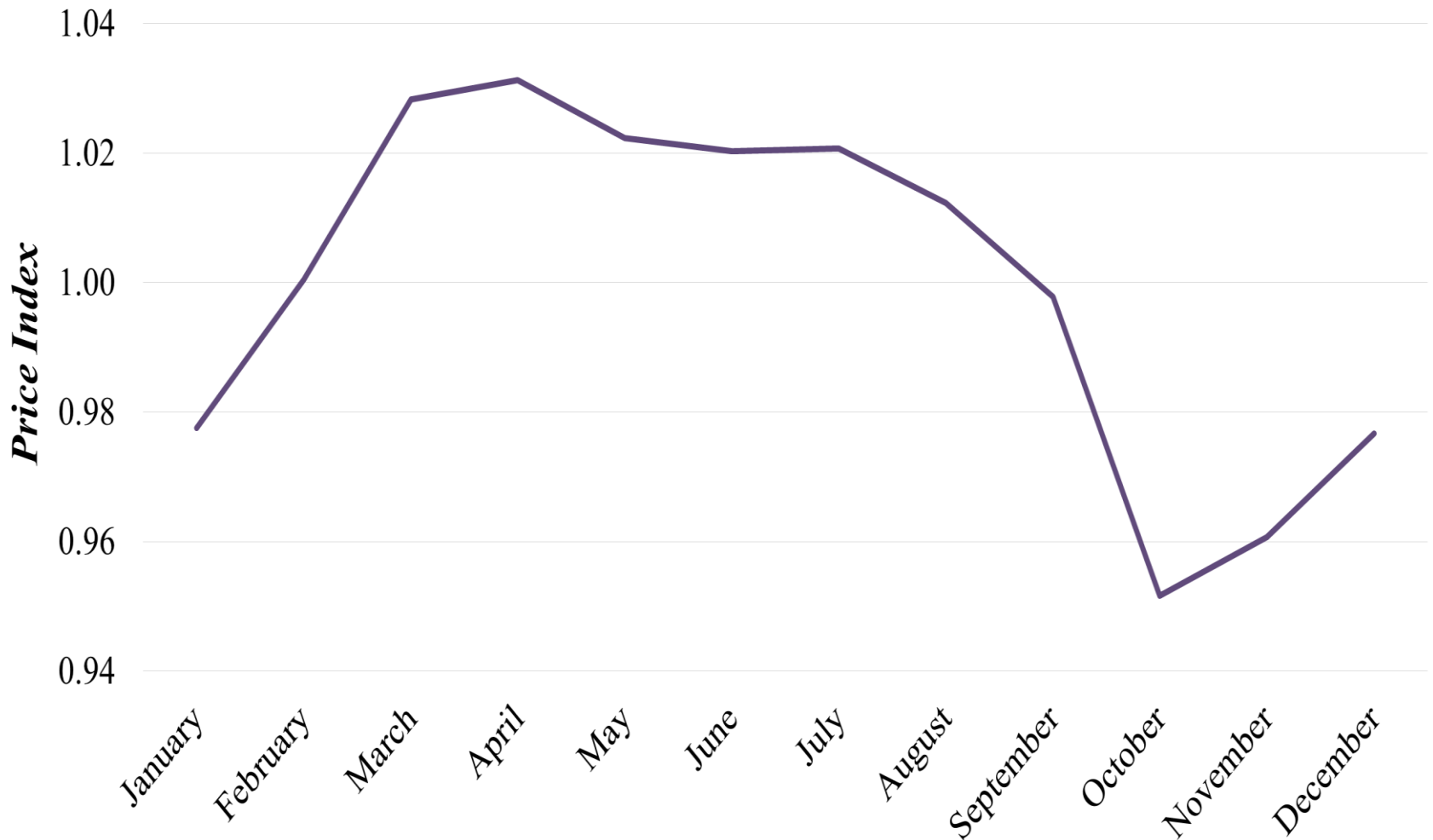
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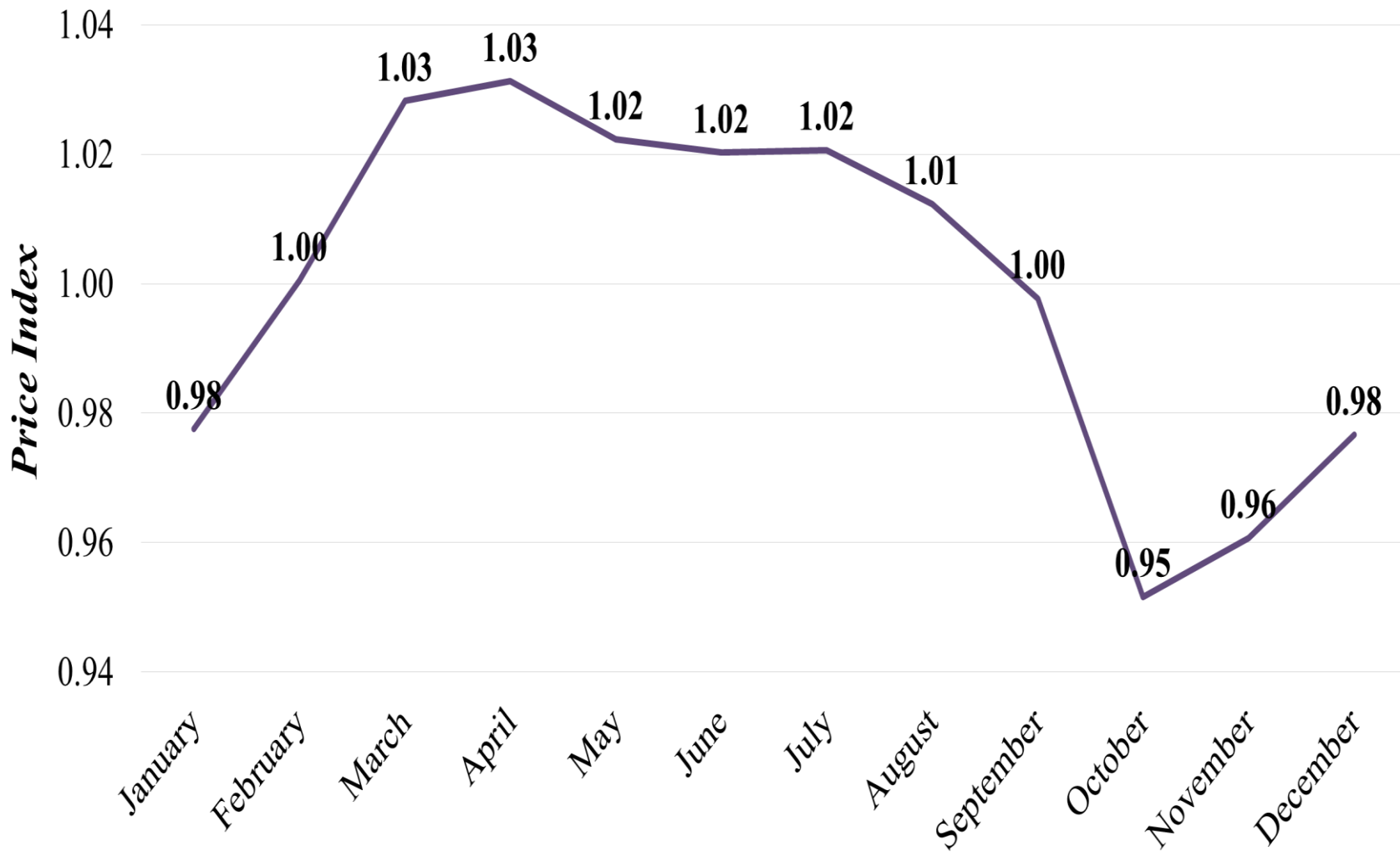


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1999-2009 U.S. Avg. 550 lb. Feeder Steer Seasonal Price Index



1999-2009 U.S. Avg. 550 lb. Feeder Steer Seasonal Price Index



Summary

- Herd expansion will likely continue as long as beef producers are profitable and have the land, labor, capital, feed, and forages resources to expand.
- As herd expansion continues the transition to cyclically lower cattle prices will likely continue until prices approach the cost of production.

Summary

- As changes occur in the U.S. and foreign economies, the 2016 U.S. Beef Cattle Market has the potential for some big price swings.
- Lower U.S. cattle prices for feeder calves, feeder cattle, and fed cattle are expected during 2016 due to expected increases in beef production and competing meat production.

Summary

U.S. cattle producers will need to search for ways to lower their unit cost of production (what it costs to produce a pound of beef) and ways to enhance market prices received in order to achieve higher levels of profits in 2016.



Southeast Cattle Advisor

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- Marketing
- Production information





Thank you
Have a profitable 2016!

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