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## **In The Cattle Markets**

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### **Beef Production, Exports Projected to be Higher at USDA Outlook Forum**

The United States Department of Agriculture's Office of the Chief Economist held its annual Outlook Forum last week. Mr. Shayle D. Shagam, a Livestock Analyst for the World Agricultural Outlook Board presented his projections for 2016. Not surprisingly, beef production is projected to be 3.8% higher in 2016 with 24.58 billion pounds. Production for competing proteins are also projected to be higher, with pork expected to be 2.2% higher while broiler production is expected to be 2.5% higher in 2016. All indications point toward 2016 having the first year-over year increase in beef production since 2008-2009. Among the largest drivers of the increase in beef production is the beef herd expansion that has been discussed for several years, but has only materialized within the last year. January 2015 beef cow numbers saw their first increase in over 10 years. The calf crop in 2015 also marked the first year-over year increase in more than 10 years. Many of those calves are either already on feed or will be entering the feedlots soon and will likely be included in the year's beef supply numbers.

Lower feed costs are expected to be a major driver of continued herd expansion as well as increased beef production. Increased corn production is expected to outpace demand for corn, further building upon already large ending stocks. The increased supply of corn will likely bring corn prices down even more in 2016 to a projected \$3.45/bu, down \$0.15/bu from last year's price. Soybean production is projected to be 3% lower than a year ago, but despite lower production, prices are still projected to be about \$0.30/bu lower than a year ago. Lower soybean prices should translate into lower soybean meal prices for cattle feeders. The lower feed prices provide feedlots with an incentive to feed cattle for a longer period of time. When combined with the continued placement of heavier cattle, carcass weights are also expected to increase in 2016.

Cattle prices are expected to be lower in 2016. Feeder steer prices are projected to range from \$176 to \$185/cwt, down from \$203 average in 2015 but more in line with current prices; which suggests an expectation of a sideways market in 2016. The 5-area fed steer price is forecast to fall between \$133 and \$142/cwt, also lower than a year ago but slightly higher than what prices were a week ago. The lower cattle prices are expected to contribute to increased beef exports in 2016. Mr. Shagam also points out that Australia will likely have sharply lower exports as a result of their herd-rebuilding efforts. That should open additional doors for U.S. beef exports, however exports could also be held back some by a strong dollar

## The Markets

The five-area fed steer price ended the week averaging \$136.02 for live sales, and \$213.21 for dressed; respectively, up \$2.39 and \$3.39. Nebraska feeder cattle were trading around \$4.00 higher on the week with 500-600 pound steers averaging \$204.12 and 700-800 pound steers averaging \$165.21. Corn was \$0.13 lower on the week trading at \$3.43/bu in Omaha on Thursday.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 2/26/16</b>	<b>Week of 2/19/16</b>	<b>Week of 2/27/15</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$136.02	\$133.63	\$158.44
	all grades, dressed weight, \$/cwt	\$213.21	\$209.82	\$253.56
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$216.51	\$213.84	\$245.28
	Choice-Select Spread, \$/cwt	\$4.16	\$4.47	\$1.80
<b>700-800 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$158.41	\$157.68	\$209.52
	Nebraska 7-market, \$/cwt	\$165.21	\$161.75	\$215.32
	Oklahoma 8-market, \$/cwt	\$158.99	\$155.20	\$208.63
<b>500-600 lb. Feeder Steer</b>	Montana 3-market, \$/cwt	\$198.25	\$194.21	\$264.59
	Nebraska 7-market, \$/cwt	\$204.12	\$200.65	\$282.93
	Oklahoma 8-market, \$/cwt	\$188.68	\$187.20	\$273.75
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.43	\$3.56	\$3.77
	DDGS, Nebraska, \$/ton	\$131.50	\$131.50	\$177.50