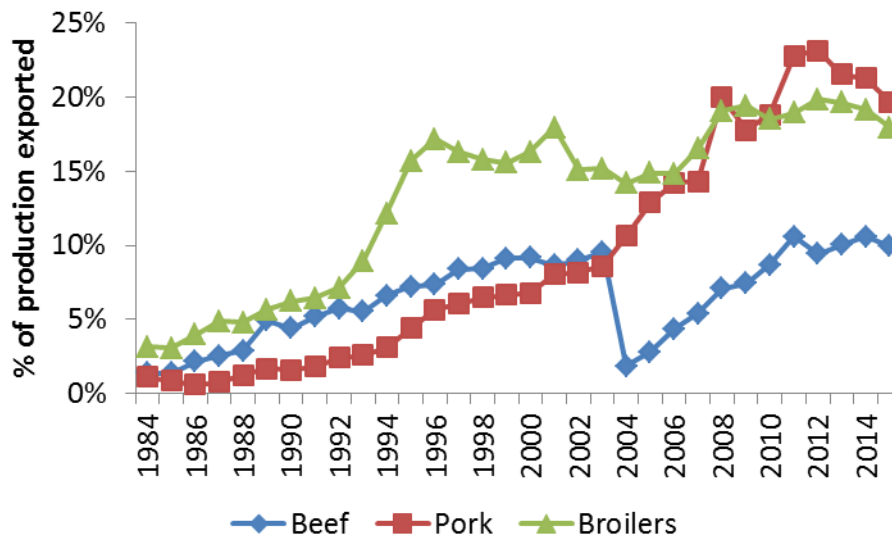


In The Cattle Markets

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Meat Export Expectations for 2015

Exports are an important component of demand for all three of the major meat species. According to the most recent data, exports of beef, pork, and chicken amounted to 21 percent, 19 percent, and 11 percent of production, respectively, in 2014. All of these figures are high by historic standards, but none is a record for the share of production exported. Figure 1 shows exports as a share of total production for beef, pork, and chicken from 1984 through 2015 (forecast).



Data Source: USDA Foreign Agricultural Service.

Figure 1. Percent of Beef, Pork, and Chicken Production Exported: Annual, 1984 through 2015F

Clearly, exports have become an important part of the market for all of these products. For chicken, exports became a really significant factor in the market with the fall of the Iron Curtain, which resulted in improved market access in eastern Europe and Russia. For pork, exports really took off in the early 2000s, with a major boost from China as purchasing power in that country began to grow. And, of course, beef exports grew more-or-less steadily through the 1990s before being severely set back at the end of 2003 with the discovery of the first U.S. case of BSE.

But what is as noticeable as the periods of growth in exports is the fact that exports (again, as a share of production) have not grown for the last few years. In fact, for 2015, USDA's most recent forecast has exports declining for beef, pork, and chicken as a share of production as well as in total pounds. In fact, if that forecast holds, it will be the second straight year in which exports of beef, pork, and chicken have all declined together. That has really never happened – at least not since exports became a meaningful component of these markets.

Combined, beef, pork, and chicken exports in 2015 are currently forecast to decline by 485 million pounds (beef down 173 million pounds, pork down 108 million pounds, and chicken down 204 million pounds). There have been larger annual declines in combined exports before. In 2004, beef exports alone declined by over 2 billion pounds. In 2009, following the Olympic-fueled boom in pork exports to China in 2008, pork exports fell by 572 million pounds. In 2002, chicken exports fell by 748 million pounds due to Russia's first really serious export ban. But it is unusual to see all three species decline together, and the combined 485 million pound drop in red meat/chicken exports will be, if realized, among the bigger year-over-year declines in the last twenty years.

Why the weakness in exports this year? There are several factors at work. For one thing, beef, pork, and poultry are historically quite expensive. Relatively tight production, particularly when considered on a per capita basis, and strong domestic demand have helped push prices to record levels. This alone would tend to reduce exports (*ceteris paribus*, of course). Adding to the impact of higher prices for foreign consumers is a very strong dollar. While it doesn't seem to be attracting as much attention this time around, the dollar is actually stronger on a trade-weighted basis than it was during the financial crisis in 2009. This makes U.S. meat (and, in fact, all U.S. products) more expensive for foreign consumers in terms of their home currency. Finally, the West Coast port disruptions got exports off to a very slow start this year. Some of that ground may be made up as the year progresses, but it will not necessarily be easy to do.

The Markets

Last week, cash fed cattle prices were just about flat. The 5-Area weighted average fed steer price worked out to \$161.26 – an improvement of 19 cents over the prior week. The volume of negotiated sales was light at well under 50,000 head. Wholesale beef prices slipped lower throughout the week last week, but the decline was not dramatic. After starting the week at \$247.59, the Choice cutout ended the week on Friday at \$244.12. Incidentally, the Select cutout was only 5 cents below that. According to the *National Feeder and Stocker Cattle Summary* report, feeder and stocker cattle prices were sharply higher last week in comparison with the prior week. Instances of \$10 to \$15 higher were noted on calves along with instances of \$6 to \$10 on yearlings. With futures prices coming under pressure late in the week last week, it will be interesting to see how much of that strength carries through to this week.

<i>Data Source: USDA-AMS Market News</i>		Week of 3/13/15	Week of 3/6/15	Week of 3/14/14
5-Area Fed Steer	all grades, live weight, \$/cwt	\$161.26	\$161.07	\$149.95
	all grades, dressed weight, \$/cwt	\$257.17	\$257.17	\$240.22
Boxed Beef	Choice Price, 600-900 lb., \$/cwt	\$246.59	\$248.91	\$240.72
	Choice-Select Spread, \$/cwt	\$1.47	\$3.12	\$3.96
700-800 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$224.02	\$222.59	\$183.22
	Oklahoma 8-market average, \$/cwt	\$212.69	\$208.79	\$173.56
500-600 lb. Feeder Steer	Nebraska 7-market average, \$/cwt	\$294.40	\$285.29	\$230.68
	Oklahoma 8-market average, \$/cwt	\$281.07	\$255.88	\$212.09
Feed Grains	Corn, Omaha, NE, \$/bu (Thursday)	\$3.83	\$3.84	\$4.58
	DDGS Price, Nebraska, \$/ton	\$171.00	\$175.50	\$235.80