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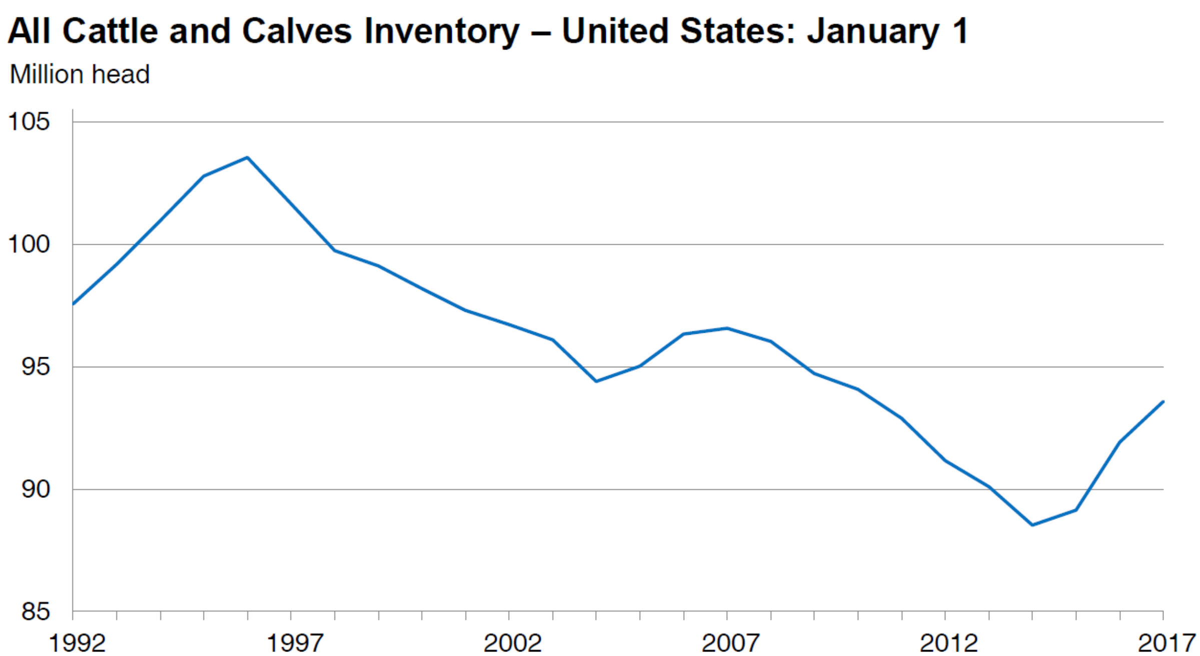
U.S. Hide and Skins Industry 2016 Year End Data; 2017 Projections



All cattle and calves in the United States, as of January 1, 2017, totaled 93.6 million head. This is 2 percent above the 91.9 million head on January 1, 2016.

All cows and heifers that have calved, at 40.6 million head, are 3 percent above the 39.5 million head on January 1, 2016. Beef cows, at 31.2 million head, are up 3 percent from a year ago. Milk cows, at 9.35 million head, are up slightly from the previous year.

All heifers 500 pounds and over, as of January 1, 2017, totaled 20.1 million head. This is 1 percent above the 19.9 million head on January 1, 2016. Beef replacement heifers, at 6.42 million head, are up 1 percent from a year ago. Milk replacement heifers, at 4.75 million head, are down 1 percent from the previous year. Other heifers, at 8.88 million head, are 1 percent above a year earlier.

Calves under 500 pounds in the United States, as of January 1, 2017, totaled 14.4 million head. This is 2 percent above the 14.1 million head on January 1, 2016. Steers weighing 500 pounds and over totaled 16.4 million head, up slightly from one year ago. Bulls weighing 500 pounds and over totaled 2.23 million head, up 4 percent from the previous year.
Calf Crop Up 3 Percent

The 2016 calf crop in the United States was estimated at 35.1 million head, up 3 percent from last year's calf crop. Calves born during the first half of 2016 were estimated at 25.6 million head. This is up 4 percent from the first half of 2015. Calves born during the second half of 2016 were estimated at 9.53 million head, 27 percent of the total 2016 calf crop.

Cattle and calves on feed for the slaughter market in the United States for all feedlots totaled 13.1 million head on January 1, 2017. The inventory is down 1 percent from the January 1, 2016 total of 13.2 million head. Cattle on feed, in feedlots with capacity of 1,000 or more head, accounted for 81.2 percent of the total cattle on feed on January 1, 2017. This is up 1 percent from the previous year. The combined total of calves under 500 pounds and other heifers and steers over 500 pounds (outside of feedlots) is 26.6 million head. This is 2 percent above one year ago

The U.S. cattle herd expansion was likely buoyed in 2016 by a combination of strong cow-calf operator returns in 2014 and 2015 as well as improved pasture and range conditions in much of the Plains region.

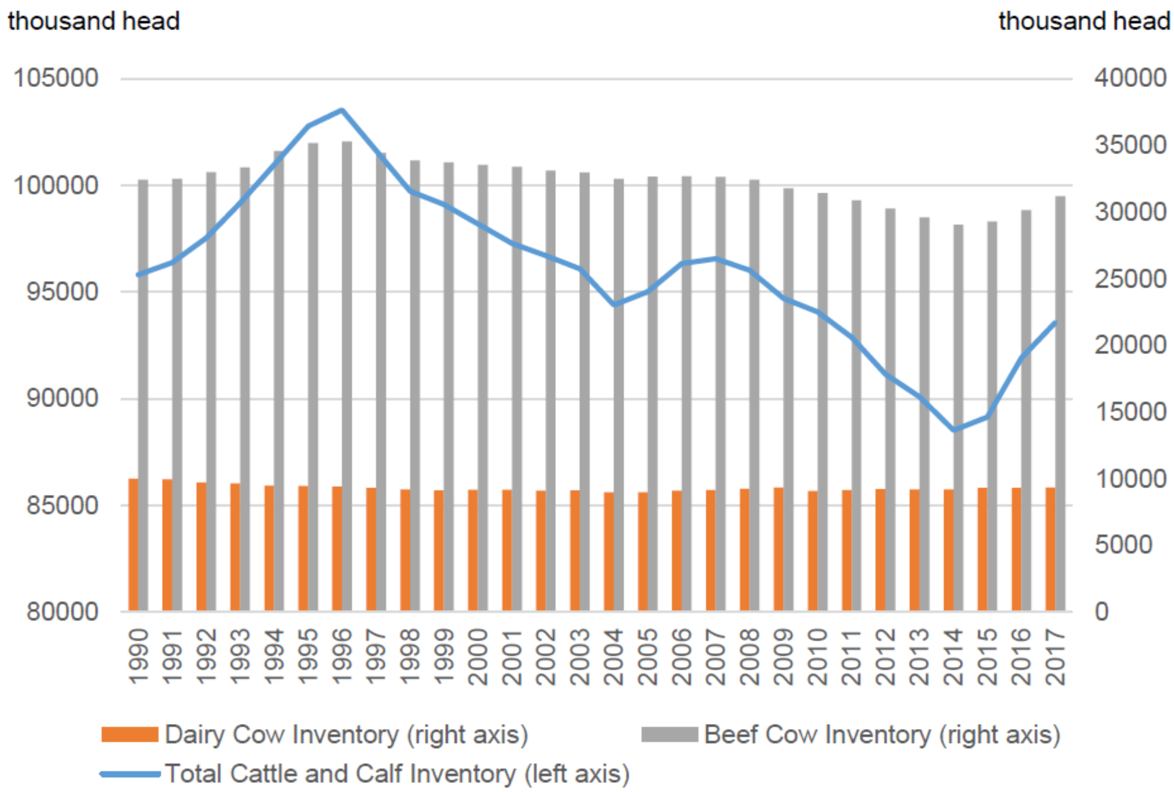
Total beef cows increased 3 percent in 2016, but a number of indicators suggest that although the expansion continues, the rate of expansion is slowing. Heifers for beef and milk cow replacement are often used as barometers of herd expansion or contraction rates. Heifers for beef cow replacement were 1 percent higher than last year but down from the 4 percent and 3 percent increases achieved in 2015 and 2016, the first 2 years of this expansion. Heifers for milk cow replacement show similar patterns, registering at 1 percent below 2016 levels, but were positive for the first 2 years of the expansion. Producers also indicated that they expect only 2 percent more beef heifers to calve during 2017, down from increases of 7 percent and 6 percent in 2015 and 2016.

Despite relatively cheap feed, returns to feeder cattle operations were negative, with losses widening during 2016. Despite expected improvements in cattle feeding returns, feeder cattle supplies outside feedlots are above last year and prices will remain under pressure through much of 2017. Feeder cattle prices for 2017 are forecast to average $131-139 per cwt, down about $7 from 2016.

Total U.S. cattle imports for 2016 were reported at 1.71 million head, down nearly 14 percent year over year. Since 2014 highs, cattle imports from Canada and Mexico are projected to decrease for a third straight year in 2017 to 1.68 million head. During 2016, higher U.S. cattle supplies and a decline in feeder cattle prices contributed to the decline in imports of feeder animals from both Canada and Mexico. Mexico continues to finish more animals in feedlots and sell increasing amounts of beef to the United States and the rest of the world.

For cattle exports, 2016 totals were down 4 percent from 2015 to 69,411 head. However, December 2016 exports followed November’s record of the highest monthly total of live cattle exports since 2013. Exports for 2017 are expected to increase to 85,000 head.

Cattle report shows that expansion continues



Source: USDA, National Agricultural Statistics Service, Complied by the Economic Research Service.

Commercial beef production in 2016 came in at 6 percent above that of 2015. This is due to a combination of increased slaughter and slightly higher dressed weights. Weights were higher in the first half but fell below year-earlier as producers became more current with their marketings. Slaughter in 2017 is forecast higher as cattle placed in the later part of 2016 and first half of 2017 are marketed. Producers are expected to remain relatively current in their marketings during the year, which will limit increases in carcass weights. Beef production for 2017 is forecast at 3 percent above previous-year levels.

Fed cattle prices are expected to remain under pressure in 2017. Packers' margins are seasonally weak, which is will likely impact their willingness to bid up cattle prices over the next weeks. As increased supplies of fed cattle are marketed in the spring quarter, fed steer prices are likely to remain under pressure, averaging $106-$110 per cwt during the quarter. Large supplies of fed cattle will likely continue to pressure prices during the second half of the year. Fed steer prices are forecast to average $109-$116 per cwt for the year, down from $120.86 in 2016.

Increased slaughter rates are expected to continue into 2017 as the placement of cattle on feed is expected to remain above year-earlier numbers through most of 2017. The timing of the placement during the first part of 2017 will likely be conditioned by the availability of winter forage and the degree to which backgrounders utilize winter wheat pasture for graze-out. Average federally inspected cattle dressed weights have increased every year for the last 5 years, and since 2011, have been up more than 9 percent (see chart below). However, the rate of increase slowed in 2016, with all cattle dressed weights through December 2016 averaging about the same as year-earlier weights for the same period. Heifer weights increased during this period, but steer weights and cow weights were lower.

Cattle dressed weights have increased more than 9 percent since 2011

Source: U.S. Dept. of Agriculture, Agricultural Marketing Service.

Total beef exports for December reached 254 million pounds, 30 percent higher year over year. Following weak 2015 beef exports, sales to a number of Asian trading partners (Japan, South Korea, and Taiwan) helped U.S. beef exports recover to 2.55 billion pounds in 2016. Preliminary data suggests higher near-term exports, and with expected higher U.S. beef supplies and more competitive prices, robust demand will likely support an export expansion during 2017 to 2.72 billion pounds.

According to U.S. Department of Agriculture statistics, U.S. exports of wet salted cattle hides dropped to $1.39 billion in value, a 5% decrease from 2015 levels. Exports of wet blue cattle hides likewise fell 19% to $606 million in value. Pig skins likewise saw a drop of 16% to $32.7 million in value. Export data for all international markets is included in the tables below.

Export Statistics for U.S. Bovine Fresh/Wet Salted Hides

	Number of Pieces*			Value Thousand $		
	Jan - Dec 2015	Jan - Dec 2016	% Chg	Jan - Dec 2015	Jan - Dec 2016	% Chng
World	19,128,754	21,566,035	13%	1,475,839	1,397,575	-5%
China/HK	11,917,615	12,787,146	7%	952,585	861,545	-10%
Korea	3,055,548	3,445,552	13%	253,926	237,372	-7%
Mexico	1,456,908	2,215,604	52%	83,749	122,624	46%
Thailand	352,597	666,116	89%	27,593	48,131	74%
EU-28	820,765	1,027,157	25%	45,640	41,630	-9%
Taiwan	718,040	521,878	-27%	61,007	37,219	-39%
Japan	171,934	183,214	7%	16,904	15,541	-8%
Vietnam	219,598	145,236	-34%	16,434	9,286	-43%
Brazil	1,880	47,408	2422%	124	4,348	3406%
Canada	60,294	85,329	42%	3,141	4,300	37%
India	55,539	109,584	97%	1,456	3,313	128%
Turkey	107,274	91,763	-14%	3,795	3,148	-17%
Indonesia	60,799	56,813	-7%	3,884	3,144	-19%
Bosnia	16,610	45,595	175%	1,264	2,804	122%
Israel	36,745	53,134	45%	870	1,147	32%
Costa Rica	29,603	64,389	118%	847	1,118	32%
Uruguay	946	5,403	471%	28	343	1125%
Dom. Rep.	7,823	1,972	-75%	580	177	-69%
Colombia	170	2,735	1509%	12	140	1067%
Russia	0	2,276	-	0	58	-
Haiti	776	4,000	415%	14	46	229%
Chile	2,720	565	-79%	178	45	-75%
Pakistan	23,916	1,776	-93%	830	38	-95%
Philippines	179	560	213%	12	34	183%
UAE	0	770	-	0	20	-

Export Statistics for U.S. Wet Blue Hides

Number of Pieces/Thousand $U.S.

	Number of Pieces*			Value Thousand $		
	Jan - Dec 2015	Jan - Dec 2016	% Chg	Jan - Dec 2015	Jan - Dec 2016	% Chng
World Total	7,512,972	6,580,929	-12%	753,040	606,601	-19%
China/HK	2,748,218	2,471,345	-10%	267,832	217,885	-19%
EU-28	1,764,810	1,675,976	-5%	182,231	162,242	-11%
Vietnam	927,805	1,045,199	13%	96,259	97,864	2%
Dom. Rep.	256,640	268,083	4%	28,147	25,859	-8%
Korea	367,617	294,551	-20%	36,446	23,948	-34%
Thailand	259,799	225,747	-13%	29,560	23,285	-21%
Mexico	523,616	201,512	-62%	46,270	19,825	-57%
Taiwan	517,337	212,118	-59%	52,108	18,458	-65%
Japan	90,694	100,689	11%	8,712	9,380	8%
India	54,189	43,723	-19%	5,235	3,693	-29%
Brazil	0	25,801	-	0	2,564	-
Argentina	1,547	11,653	653%	180	1,156	542%
Uruguay	675	2,070	207%	57	241	323%
Bangladesh	0	1,599	-	0	118	-
El Salvador	0	800	-	0	79	-

Export Statistics for U.S. Pig Skins

Number of Pieces/Thousand $U.S.

	Number of Pieces			Value Thousand $		
	Jan - Dec 2015	Jan - Dec 2016	% Chg	Jan - Dec 2015	Jan - Dec 2016	% Chng
World Total	5,860,889	4,455,618	-24%	39,249	32,777	-16%
Mexico	2,293,190	1,924,492	-16%	19,457	17,199	-12%
Taiwan	3,056,088	2,019,552	-34%	15,262	10,844	-29%
Thailand	306,333	340,637	11%	2,303	2,420	5%
EU-28	86,550	94,625	9%	954	1,356	42%
China/HK	75,533	56,024	-26%	693	666	-4%
Japan	3,936	9,015	129%	62	134	116%
Vietnam	10,279	6,910	-33%	162	88	-46%
Korea	17,544	4,363	-75%	176	69	-61%