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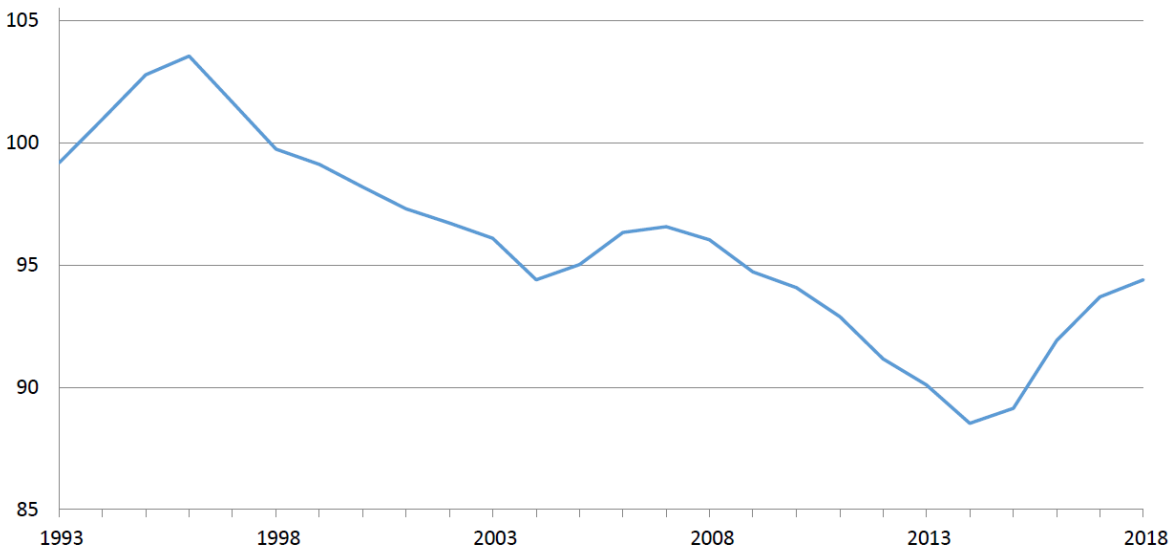
U.S. Hide and Skin Industry 2017 Year End Data; 2018 Projections

The U.S. hides and skins market muddled through 2017 without too much difference from the previous year. Prices were generally flat or lower for various selections, though the overall availability of supply was higher than in recent years due to a larger cattle herd. Exports of salted hides were higher as a result of the increase in supply, and with the exception of Italy and a few other markets, most tanners preferred to purchase salted hides instead of U.S. wet blue. The expansion of the U.S. herd is expected to continue in 2018, albeit at a slower pace.

Cattle Inventory

All Cattle and Calves Inventory – United States: January 1

Million head



All cattle and calves in the United States, as of January 1, 2018, totaled 94.4 million head, 1 percent above the 93.7 million head on January 1, 2017.

All cows and heifers that have calved, at 41.1 million head, were 1 percent above the 40.6 million head on January 1, 2017. Beef cows, at 31.7 million head, were up 2 percent from a year ago. Milk cows, at 9.40 million head, were up 1 percent from the previous year.

All heifers 500 pounds and over, as of January 1, 2018, totaled 20.2 million head, 1 percent above the 20.1 million head on January 1, 2017. Beef replacement heifers, at 6.13 million head, were down 4 percent from a year ago. Milk replacement heifers, at 4.78 million head, were up 1 percent from the previous year. Other heifers, at 9.33 million head, were 4 percent above a year earlier.

Steers weighing 500 pounds and over, as of January 1, 2018, totaled 16.4 million head, down slightly from January 1, 2017. Bulls weighing 500 pounds and over, as of January 1, 2018, totaled 2.25 million head, up slightly from January 1, 2017.

Calves under 500 pounds, as of January 1, 2018, totaled 14.4 million head, up slightly from January 1, 2017.

Cattle and calves on feed for the slaughter market in the United States for all feedlots totaled 14.0 million head on January 1, 2018. The inventory is up 7 percent from the January 1, 2017 total of 13.1 million head. Cattle on feed, in feedlots with capacity of 1,000 or more head, accounted for 82.0 percent of the total cattle on feed on January 1, 2018, 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 26.1 million head, 2 percent below one year ago.

The 2017 calf crop in the United States was estimated at 35.8 million head, up 2 percent from last year's calf crop. Calves born during the first half of 2017 were estimated at 26.0 million head, up 2 percent from the first half of 2016. Calves born during the second half of 2017 were estimated at 9.81 million head, 27 percent of the total 2017 calf crop.

Cattle and calves on feed for slaughter market in the United States for feedlots with capacity of 1,000 or more head represented 82.0 percent of all cattle and calves on feed in the United States on January 1, 2018. This is comparable to the 81.2 percent on January 1, 2017.

Marketings of fed cattle for feedlots with capacity of 1,000 or more head during 2017 represented 87.2 percent of total cattle marketed from all feedlots in the United States, up slightly from 87.1 percent during 2016.

2017 Exports

The United States hide, skin and leather industry exported more than \$2.08 billion in combined cattle hides, pig skins and semi-processed leather products in 2017, representing a \$40 million increase compared to 2016.

According to U.S. Department of Agriculture data, U.S. exports of wet salted cattle hides reached nearly \$1.48 billion in value, a six percent increase from 2016 levels. Exports of wet blue cattle hides fell seven percent from 2016, totaling \$656 million in value.

Lower market prices for U.S. hides and wet blues in 2017 were offset by a five percent increase in cattle slaughter for the year, making more hides available at a lower price per piece.

China was the largest buyer salted cattle hides, with imports valued at more than \$871 million, while Italy was the single largest destination for wet blue cattle hides, with imports valued at

more than \$216 million in 2017. Other large export markets included South Korea, Mexico, Taiwan and Vietnam.

U.S. pigskin exports showed significant gains, rising 48 percent in value to \$48.6 million for the year. Mexico and was the largest market for U.S. pigskins in 2017, with Thailand and Taiwan rounding out the top three destinations. Together, Mexico, Thailand and Taiwan accounted for the vast majority of all U.S. pigskin exports. Significant gains were also seen in exports to China, which increased to \$1.4 million in value. The U.S. regained full market access for pigskin exports to China in 2015.

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

	Number of Pieces			Value Thousand \$		
	Jan - Dec 2016	Jan - Dec 2017	% Chg	Jan - Dec 2016	Jan - Dec 2017	% Chng
World	21,543,664	24,822,887	15%	1,396,001	1,475,480	6%
China/HK	12,770,640	13,931,813	9%	860,365	871,374	1%
Korea	3,442,327	3,787,043	10%	237,231	251,643	6%
Mexico	2,215,604	3,439,535	55%	122,624	122,642	0%
Thailand	666,116	1,353,738	103%	48,131	100,078	108%
Taiwan	523,428	595,645	14%	37,295	40,269	8%
EU-28	1,023,810	566,873	-45%	41,374	27,364	-34%
Japan	183,214	219,639	20%	15,541	17,511	13%
(Italy Only)	769,869	371,977	-52%	28,979	16,636	-43%
Indonesia	55,293	230,866	318%	3,059	11,999	292%
Brazil	47,408	93,196	97%	4,348	7,259	67%
Vietnam	145,236	92,144	-37%	9,286	5,428	-42%
Turkey	91,763	127,818	39%	3,148	4,566	45%
Bosnia	45,595	83,510	83%	2,804	4,296	53%
Canada	85,329	47,778	-44%	4,300	4,197	-2%
India	109,584	82,043	-25%	3,313	2,318	-30%
Israel	53,134	64,528	21%	1,147	1,880	64%
Costa Rica	65,066	73,001	12%	1,130	1,390	23%
Pakistan	1,776	17,543	888%	38	348	816%
Chile	565	5,490	872%	45	269	498%
Dom. Rep.	1,972	2,750	39%	177	196	11%
Colombia	2,735	2,557	-7%	140	156	11%
Nigeria	0	1,392	-	0	104	-
Haiti	0	732	-	0	72	-
Sri Lanka	4,000	2,096	-48%	46	56	22%
Neth. Ant.	0	340	-	0	31	-
Australia	60	300	400%	5	10	100%
Philippines	0	145	-	0	8	-
N. Zealand	560	332	-41%	34	8	-76%

Export Statistics for U.S. Wet Blue Hides
Number of Pieces/Thousand \$U.S.

	Number of Pieces			Value Thousand \$		
	Jan - Dec 2016	Jan - Dec 2017	% Chg	Jan - Dec 2016	Jan - Dec 2017	% Chng
World Total	6,579,139	5,903,179	-10%	606,440	565,632	-7%
EU-28	1,675,842	2,264,953	35%	162,226	218,437	35%
(Italy Only)	1,669,318	2,247,226	35%	161,635	216,632	34%
China/HK	2,460,539	1,910,554	-22%	217,613	178,464	-18%
Vietnam	1,054,774	912,895	-13%	97,985	88,057	-10%
Taiwan	212,252	278,693	31%	18,474	27,668	50%
Thailand	225,747	183,257	-19%	23,285	18,830	-19%
Dom. Rep.	268,083	127,720	-52%	25,859	12,846	-50%
Brazil	25,801	52,349	103%	2,564	5,252	105%
Mexico	201,512	60,856	-70%	19,825	5,227	-74%
Korea	294,551	38,019	-87%	23,948	3,640	-85%
India	43,723	34,301	-22%	3,693	3,190	-14%
Japan	100,130	20,593	-79%	9,370	2,206	-76%
Bangladesh	1,599	10,858	579%	118	999	747%
Indonesia	0	3,468	-	0	374	-
Uruguay	2,070	2,487	20%	241	270	12%
Argentina	11,653	1,769	-85%	1,156	121	-90%
Turkey	0	270	-	0	31	-
Australia	0	137	-	0	19	-

Export Statistics for U.S. Pig Skins
Number of Pieces/Thousand \$U.S.

	Number of Pieces			Value Thousand \$		
	Jan - Dec 2016	Jan - Dec 2017	% Chg	Jan - Dec 2016	Jan - Dec 2017	% Chng
World Total	4,455,618	5,104,347	15%	32,777	48,664	48%
Thailand	340,637	1,434,179	321%	2,420	19,900	722%
Mexico	1,924,492	1,814,236	-6%	17,199	15,640	-9%
Taiwan	2,019,552	1,345,099	-33%	10,844	7,850	-28%
China/HK	56,024	142,393	154%	666	1,426	114%
EU-28	94,625	104,176	10%	1,356	1,418	5%
Vietnam	6,910	151,796	2097%	88	1,322	1402%
Cambodia	0	83,899	-	0	784	-
Japan	9,015	26,439	193%	134	292	118%
Korea	4,363	1,746	-60%	69	27	-61%
Singapore	0	384	-	0	6	-

2018 Outlook

In 2018, the number of cattle hides available for export in the U.S. is expected to be plentiful. For several years the U.S. cattle herd has been experiencing an expansion, with total levels reaching around 94.4 million head at the beginning of 2018. Slaughter levels have likewise increased as the herd has grown, up between 5 – 6% for most of 2017, which is also expected to continue into 2018. With inventory of U.S. hides high for the foreseeable future, and the prices generally low compared to recent years, now is a very good time for tanners to experiment with importing hides and skins from the U.S. for the first time.

More important in the eyes of many U.S. hides and skins suppliers, though, is the global leather demand situation. While automobile leather usage continued to expand in 2017, utilization of leather in the global footwear and accessory brands continues to be sluggish. Cheaper oil prices are also reducing the cost of synthetic materials, increasing competition for leather and driving prices lower. Much of the outlook for 2018 will therefore depend on the rate of recovery in global demand for leather.

In 2017, total U.S. cattle slaughter was up approximately 5.4% to 31 million head compared to 2016. This increase in slaughter is expected to continue in the new year. However, this trend is expected to slow sometime in mid to late 2018 as the U.S. herd growth may also start to slow down due to cyclical business factors.

The herd rebuilding effort in 2018 will depend on Nature's cooperation. Good weather promotes herd growth by providing adequate rain in key sections of the US (such as the Midwest and Great Plains) which produce ideal grazing conditions for increased calf production. However, should drought develop in these regions, grazing conditions may deteriorate and ranchers will be forced to send their cows to slaughter before calving. Drought also wreaks havoc on feed crops such as maize and soybeans, significantly increasing the price of feeding the animals and forcing them into early slaughter.

Beef prices have also been very high by historical standards recently, which gives further incentive to continue herd growth and increased slaughter levels. The average U.S. consumer is expected to consume a record amount of meat in 2018, a record that has not been matched since 2014. This is good news for the industry and from an economic perspective, generally meat consumption goes down during recessionary periods, but high consumption generally indicates a strong economy.