



NEWS RELEASE

CoBank Report Predicts Easing Of U.S. Protein Glut In 2016

Leading Indicators Suggest Better Year for Beef, Pork and Poultry Producers

DENVER, Colo. (January 21, 2016) —The supply glut that plagued U.S. beef, pork and poultry markets last year and ratcheted down margins is expected to ease in 2016, according to a new research report from CoBank. The bank, a major agribusiness lender, says leading indicators point to animal protein supplies transitioning toward a better balance in the marketplace, with protein stocks more in line with overall levels of demand.

“It’s clear that in the coming year, the headwinds and adverse conditions created by excessive protein stocks are clearing,” said Trevor Amen, animal protein economist with CoBank. “Surprisingly strong U.S. consumer demand helped lay the groundwork for improving market conditions in the coming year, combined with the fact that the net trade balance is expected to shift toward growing exports and fewer imports. This is welcome news for U.S. beef, pork and poultry producers.”

On the Horizon

In the first half of 2016 protein exports are expected to remain somewhat of a challenge. “But conditions are predicted to improve over depressed 2015 levels due to improving price competitiveness of U.S. meat products,” added Amen.

Meanwhile, imports of lean beef should slow significantly and domestic consumer demand for beef, pork and poultry is anticipated to remain strong and supportive of prices. Supply imbalances have already begun the correction phase, with supply and demand expected drift closer to equilibrium by about mid-year. Just how far and how fast U.S. meat prices change in the coming months will depend critically on the resilience of protein demand.

Price outlooks for 2016 and beyond are mixed:

- Pork and chicken prices have upside potential compared to 2015’s fourth quarter lows, based on adjustments made for future production.
- Beef prices will likely remain under pressure for the next two years, however, as the industry is coming off cyclical highs of 2014.

Of course, optimism for 2016 should be tempered by the oversupply lessons of 2015.

“Total red meat and poultry production set an all-time high in 2015,” said Amen. “Combined with fewer exports and more imports, total domestic meat supplies surged by 4.4 percent, the highest year-over-year increase in 40 years.” That increase in supply translated to an additional 9 pounds of protein per person—historically, protein supplies rose an average of 0.8 pounds per person per year from 1960 to 2015.

As the market works through the recent protein oversupply hangover, the long-term outlook remains positive, especially with continued global middle class growth. “The increasing demand for a higher-quality diet likely provides domestic protein producers with significant opportunities in the next decade,” concludes Amen.

A synopsis of the 2016 Protein Demand Outlook Report is available at www.cobank.com. The full report is available to media upon request.

About CoBank

CoBank is a \$110 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 75,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at www.cobank.com.

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