



NEWS RELEASE

Live Cattle Prices Expected to Rally in Closing Months of 2015

New CoBank Report Explains Rollercoaster Price Swings

DENVER (October 14, 2015) – Live cattle prices are poised for a strong year-end rebound following the steepest 30-day decline since the 2003 discovery of mad cow disease in the U.S., according to a new report produced by CoBank’s Knowledge Exchange Division.

The report, titled “What’s Behind the Cattle Market Price Collapse?,” cites three factors for the sudden price decline in August and September: feedyards with an overabundance of unusually heavy fed cattle; exceptionally wide price disparities between beef prices and those of chicken and pork, which increased consumer purchases of chicken and pork at the expense of beef; and the market’s psychological overreaction to the abrupt price drop, which accelerated the decline.

“The price drop was very sudden – dropping \$26 per hundredweight in 30 days – and clearly caught the market off-guard,” said Trevor Amen, animal protein economist with CoBank. “But we believe the causes of the drop were temporary, which sets the stage for a price rally. In fact, most cattle future contracts have posted near limit up moves over the past several days, perhaps indicating that the rally has already begun.”

The near-term outlook for beef demand calls for continued growth during the next four to six months, both domestically and overseas. According to Amen, the expected rally in cattle prices will be triggered by the normalization of price disparities between beef and chicken and pork, which will bolster consumers’ purchases of beef. As demand grows, wholesale/box-beef prices are expected to head higher, leading the way for a near-term rally across the entire beef complex.

However, the longer-term outlook for 2016 and 2017 still calls for cattle prices to trend downward, pressured by an anticipated increase in supply. Herd rebuilding efforts are expected to boost beef production starting in late 2016 and accelerating in 2017 and beyond. After rallying during the closing months of this year, cattle prices are expected to trend downward from late 2016 and through 2017, off their cyclical peak in late 2014.

CoBank’s Knowledge Exchange Division is a knowledge-sharing practice that provides strategic insights regarding the key industries served by CoBank. Knowledge Exchange draws upon the internal expertise of CoBank, deep knowledge within the Farm Credit System and boots-on-the-ground intelligence from customers and other stakeholders to enhance the collective understanding of emerging business opportunities and risks.

The full copy of the report is available to the media upon request.

About CoBank

CoBank is a \$107 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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