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**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE: Wholesale meat prices**

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Beef and pork processing activity continued to slow this week, notwithstanding the president’s invocation of the Defense Production Act to declare processing plants to be critical infrastructure. In Friday afternoon’s [Estimated Daily Livestock Slaughter under Federal Inspection](https://www.ams.usda.gov/mnreports/sj_ls710.txt) report from USDA Agricultural Marketing Service, cattle slaughter is estimated to be down another 40,000 head (8.6%) from last week’s already low level. Hog slaughter is estimated to be down another 440,000 head (22%) from last week.

The effects of several consecutive weeks of sharp declines in slaughter are showing up in wholesale meat prices. Two weeks ago, wholesale beef prices surged to a new record level at $272.33/hundredweight (cwt). The previous record level on the Choice cutout was $263.19 in late-May 2015. Last week, the Choice cutout value pushed further into record territory, reaching $349.01/cwt – an increase of $76.68 (28%) from the prior week. Figure 1 shows the weekly average of the Choice boxed beef cutout value for the past three years.

Data Source: USDA Agricultural Marketing Service through Livestock Marketing Information Center.

**Figure 1.** Weekly Average Choice Boxed Beef Cutout Value

The pork cutout has posted similar gains over the past couple of weeks. For the week ending April 10, the wholesale price of pork bottomed out at a cutout value of $53.55/cwt. Last week, the pork cutout climbed to $94.05, an increase of just over 75 percent in a three-week span. Figure 2 shows the weekly average of the pork cutout value for 2018 through 2020, year-to-date.

Obviously, wholesale pork prices have risen dramatically in the past three weeks, but they are not yet that far out of line with recent history. A year ago, wholesale pork prices were in the high $80s. As a point of reference, the record level for the pork cutout value is $136.11, posted for the week ending July 18, 2014; so the pork market is still has pretty far to go to reach uncharted price territory. Given the magnitude of the disruptions roiling the market now, though, it’s hard to rule anything out.

Data Source: USDA Agricultural Marketing Service through Livestock Marketing Information Center.

**Figure 2.** Weekly Average Pork Cutout Value

To summarize the current situation, processing plant disruptions have created a severe bottleneck in the beef and pork supply chains. Downstream from that bottleneck, wholesale meat prices have soared as customers face smaller supplies of available product. On the other hand, upstream from that bottleneck, livestock prices have fallen as market-ready supplies of animals continue to come to a market which no longer has enough capacity to handle them.

Cattle prices remain under pressure due to the reduction in demand for fed cattle resulting from plant closings and slow-downs. Two weeks ago, the five-area weighted average fed steer negotiated live price fell to $96.69/cwt. Last week, the market improved a bit, with the five-area negotiated live price coming in at $98.18/cwt, its first increase in over a month. The volume of transactions was relatively light, with just over 46,000 head traded in negotiated transactions. Last year for the same week, negotiated transactions amounted to almost 129,000 head. Price behavior in the hog market has been similar to the cattle market. Two weeks ago, negotiated hog prices fell to $33.85/cwt (carcass basis). Last week, negotiated hog prices rebounded a bit to $36.62. Volume of sales are down some from a year ago, but not as much as for cattle. Negotiated hog sales are already a very small percentage of the total volume of sales in the hog market.

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