

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

**UPDATE: Retail Meat Prices in May**

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On June 10, the U.S. Department of Agriculture’s Economic Research Service (ERS) updated its monthly meat price spread data. This data reports monthly average retail prices for beef, pork, and chicken based on information collected by the Bureau of Labor Statistics for computation of the monthly Consumer Price Index, the most commonly used measure of inflation.

Not surprisingly, beef, pork, and chicken retail prices all continued to move higher in May. Processing plant disruptions related to COVID-19 continued to affect all three of the major meat species last month, resulting in reduced availability of meat at retail and, consequently, higher retail prices. By far, the largest month-to-month increase in average retail price was for beef. The average retail price for all fresh beef in May was 704.5 cents/pound – over 13 percent higher than in April. (See figure 1 for detail.) That is not only a record price; it is also the largest month-to-month price increase in this data series, which goes back to 1987. USDA also reports on the average retail price for Choice beef (i.e., excluding all other grades, which are included in the all fresh beef calculation). The average retail price of Choice beef increased by almost 18 percent in May, also the largest month-to-month increase in that data series which goes all the way back to 1970. Clearly, in historical context, last month’s retail meat price behavior was exceptional.

The average retail pork price in May was 404.8 cents/pound – an increase of about 4 percent from April. While not a record, this is a relatively large month-to-month increase in retail price for this product. It has been about three years since the retail pork price changed by more than 3 percent in a single month.

Retail chicken prices were also higher in May compared to April but just barely. The retail chicken price in May averaged 204.5 cents/pound, just 0.7 percent higher than April’s price. In April, retail chicken price gains outstripped all others, rising by over 5 percent from the prior month. Despite some continuing production problems in May, supply was sufficient to keep prices close to steady.

For most consumers, at some level, all of the major meat species are substitutes for one another. Changes in relative prices thus have significant implications for demand. All else equal, consumer demand shifts away from relatively more expensive products to relatively less expensive products. For now, beef has become quite a bit more expensive than usual compared to both chicken and pork. Percentage changes in chicken and pork retail prices have, so far, been fairly similar so that their relative price relationship is basically unchanged from its pre-COVID position. Of course, expectations are that the current situation is temporary: when processing facilities get back to normal, or close to it, prices ought to revert to something like their pre-COVID levels. For now, though, beef is almost certainly giving up market share to pork and chicken due to it sharply higher relative price.

Looking ahead, the argument for a relatively quick retreat in retail prices is supported by recent wholesale meat price behavior. At the wholesale level, prices for beef, pork, and chicken have all fallen sharply in the last couple of weeks. This data is reported much more frequently than retail data and so provides a more current reflection of market conditions. On June 10, the Choice boxed beef cutout value (a weighted average of the wholesale value of cuts from a typical beef carcass) worked out to $236.06/hundredweight. On May 12, the Choice beef cutout peaked at $475.39/hundredweight; so, the wholesale price of beef has essentially halved in just under a month’s time. (See figure 2 for detail.) The pork cutout has behaved similarly. On June 10, the pork cutout value was $68.84/hundredweight, down 43 percent from a peak of $121.66 on May 11. Daily chicken wholesale prices are reported a bit differently, so it’s probably best to look at prices for a single chicken part. On June 10, the wholesale price of boneless/skinless breasts was $117.25/hundredweight, down 30 percent from a recent high of $168.22/hundredweight on May 21. In short, while retail prices have reached record levels as a result of COVID-19-related processing disruptions in April and May, the spike in retail prices is likely to be short-lived. Wholesale prices for all three of the major species have retreated from recent highs and are now not much different from pre-COVID levels.

1. **Beef (all fresh)**

1. **Pork**
2. **Chicken**

Data Source: USDA Economic Research Service, Meat Price Spreads.

**Figure 1a-c.** Beef (a), Pork (b), and Chicken (c) Monthly Average Retail Prices

1. **Boneless/Skinless Chicken Breast**
2. **Pork Cutout Value**
3. **Boxed Beef Cutout Value (Choice)**

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

**Figure 2a-c.** Daily Beef, Pork, and Chicken Wholesale Prices: 2020 year-to-date

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