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

**UPDATE:**

**Meat Production Forecasts**

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Last week, USDA World Agricultural Outlook Board released the latest *World Agricultural Supply and Demand Estimates* (*WASDE*) report. This report provides a current assessment of supply and demand data for all major crops and livestock products. Compared to the May report, meat production projections appear to be a bit more optimistic. Estimates of 2020 production for all three of the major meat species – beef, pork, and chicken – were raised from last month. The report notes that beef and pork processing volumes have recovered faster than was expected. For chicken, the report cites growth in egg sets as consistent with higher third and fourth quarter production.

Figure 1 shows quarterly production for beef, pork, and poultry reported by USDA-WAOB. To be sure, the impacts of COVID-19 on meat production for 2020 remain significant. The decline in production between the first and second quarters of this year was unprecedented for all thee species.

Notes: 2020 figures are projected. Data Source: USDA World Agricultural Outlook Board.

**Figure 1a-c.** Quarterly Beef, Pork, and Chicken Production

The recovery in production projected between second and third quarters would be equally dramatic. How likely is that recovery to materialize? That is a very difficult question to answer.

USDA appears to be putting a lot of stock into the recent weekly slaughter data. That data has demonstrated remarkable resilience over the past few weeks. In fact, a [press release](https://www.usda.gov/media/press-releases/2020/06/09/americas-meatpacking-facilities-operating-more-95-capacity-compared) from Secretary of Agriculture last week touted the fact that cattle, hog, and poultry processing facilities were operating at 98 percent, 95 percent, and 98 percent, respectively, of year-ago levels. (Presumably, based on the information in the release, these figures reference daily slaughter data for June 9.)

The relationship between the almost-recovered slaughter volume data and the most recent *WASDE* meat production projections is worth digging into a bit. Last week, weekly cattle slaughter was over 98 percent of the volume from the same week in 2019. Hog slaughter was essentially even with the year-ago level. Still, hitting the 2020 production figures in last week’s *WASDE* remains a pretty heavy lift. To reach the projection of 26.7 billion pounds of beef production (a 1.8 percent decline from 2019), weekly beef production for the rest of the year will have to essentially match 2019 levels. To reach the projection of 27.8 billion pounds of pork production (actually a slight increase from 2019), weekly pork production for the rest of the year will have to surpass 2019 levels by about 1.3 percent. Both of these things are certainly possible. However, to achieve these outcomes, plants will have to consistently match or beat last year’s weekly production levels while dealing with the social distancing and enhanced cleaning and sanitation requirements under which they are now operating. Moreover, it is certainly premature to conclude that the COVID-19 production disruption is over. Recent production data are encouraging, but COVID-19 continues to circulate in the population. The possibility of a recurrence of plant disruptions due to widespread illness and/or COVID-19-related absenteeism, as was common several weeks ago, cannot yet be completely discounted.

Interestingly, chicken slaughter – which never declined as sharply as either cattle or hog slaughter – is furthest below year-ago volumes of the three major species for the most recent full-week data available. Figure 2 shows weekly chicken slaughter reported by USDA Agricultural Marketing Service.

Data Source: USDA Agricultural Marketing Service; data through week ending June 6, 2020.

**Figure 2.** Weekly Federally Inspected Young Chicken Slaughter

Since about week 12, chicken slaughter has trended lower. Last year, chicken slaughter turned higher at about that time in the year. If chicken slaughter holds generally steady at about recent levels, the gap with year-ago slaughter volumes will still continue to increase modestly due to last year’s relatively strong Q2-Q4 slaughter volumes. Similar to the other two species, to reach the current *WASDE* projection for 2020 (which implies a small increase in annual production from 2019), weekly chicken production for the balance of the year will have to pretty much match year ago production levels for the rest of the year. Currently, the market is operating substantially below that level; and prospects for further production disruptions remain fairly high.

One other point about USDA’s press release is in order. The fact that weekly processing volumes have substantially recovered to close to year-ago levels is a good indication of how the processing sector is adapting to post-COVID reality. However, it is not necessarily a good guide to assessing losses for the sector as a whole. It is important to remember that prior to COVID-19, USDA was projecting increases in production of all three of the major species. In the January *WASDE,* beef, pork, and chicken production were projected to be up by 1.1 percent, 3.6 percent, and 3.6 percent, respectively. So even a full recovery to 2019 production levels – while it would be a remarkable accomplishment – would still represent a significant loss for the industry compared to pre-COVID expectations.

Finally, I would like to note that none of the foregoing is intended to dispute the projections in last week’s *WASDE* but rather to provide some additional context for interpreting those projections. USDA does an exceptional job each month of evaluating massive quantities of data and turning that data into point-in-time estimates of future supply and demand factors for a wide array of agricultural commodities. But the relevant data is continually shifting – that’s why projections are updated monthly. If the positive production trends of the past three or four weeks continue uninterrupted, it will be possible to approach (perhaps slightly exceed) 2019 production levels for the major meat species. With COVID-19 still a significant threat and with modifications to plant operations an ongoing challenge, this may be difficult to achieve. Future *WASDE* updates will, of course, provide more clarity on this issue.

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