

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

**UPDATE:**

**Chicken Production and Wholesale Prices**

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Data on broiler processing volumes suggest that, while the sector has recovered from the worst of the massive shock from COVID-19, the effects of the pandemic are still being felt. Figure 1 shows weekly broiler slaughter for 2019 through the week ending July 18, 2020 (most recent available).

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

**Figure 1.** Weekly Federally Inspected Young Chicken Slaughter

Processing volumes have bounced back from the sharp declines posted at the end of April; but those volumes remain consistently below 2019 levels – despite the fact that the industry was on pace for a substantial year-over-year increase in production at the beginning of 2020. Since the beginning of April, young chicken slaughter has averaged about 3.5% below the prior year level. For much of that time, as integrators worked through significant processing plant disruptions, bird weights were quite a bit higher than normal. For example, for the five weeks from the middle of May through the middle of June, the federally-inspected young chicken live weight averaged 6.42 pounds. This was nearly 5% higher than the average weight for this five-week period over the previous five years. This increase in bird weights kept broiler production close to or above year-ago levels for most of May and the first part of June despite reduced slaughter volumes. For about the past month, though, bird weights have returned to more normal levels while, as noted, slaughter volumes continue to lag. Thus, total broiler production in recent weeks has been significantly below the prior year. Since mid-June, broiler production is averaging almost 4% below 2019. Given the magnitude of the supply and demand side shocks that the industry has received so far in 2020, this is a remarkable performance. Still, it represents a significant loss for an industry that started the year expected growth of greater than 3%.

In fact, the continuing lag in broiler production most likely understates the negative effects of COVID on the industry, capturing primarily the supply-side effects of processing plant disruptions. Despite the reduced availability of product, broiler prices are mostly lower than year-ago levels. Figure 2 shows the national average broiler composite price (a weighted average of whole bird prices).

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

**Figure 2.** Weekly Average National Broiler Composite Price

Most individual cut prices are also significantly lower over the past month or so. For example, boneless/skinless breast and leg quarter prices are down 6% and 13%, respectively, since mid-June.

With steady demand, a down shift in supply would result in an increase in prices. The current lower prices accompanying a lower supply suggest a decline in demand – not too surprising given the negative impact of COVID on the general economy and particularly on the food service sector. Lower prices and production ultimately mean lower value in the sector. As noted, this is a relatively dramatic swing for an industry that was anticipating robust growth before the pandemic hit.

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