



Beef and Beyond: A Look at Local and National Animal Protein Markets

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FARM CREDIT EAST

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2020 Has Been an Emotional Rollercoaster for the U.S. Meat and Poultry Sector and it is only JUNE



U.S. Animal Protein in 2020

President Trump signs U.S./China Phase 1 Agreement

U.S. Consumers Stockpile Food at Historic Levels

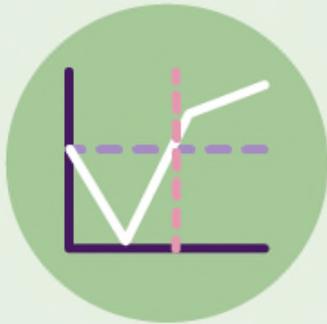
Meat Plants Reopen and Prices and Margins Rebound

COVID-19 Outbreak in China Draws Trade Concerns

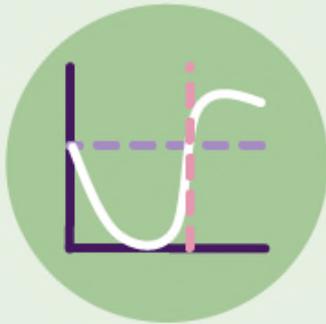
Two Dozen Meat Plants Shutdown Eroding 40%+ of Industry Capacity

Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20

The Many Shapes of Recovery



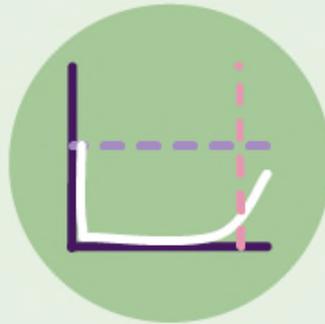
“V-shaped” rebound



“U-shaped” rebound



“W-shaped” rebound



“L-shaped” rebound



“Swoosh/tick/italicised V-shaped” rebound

Consumer Spending

Plant Capacity

Unemployment

Producer Profitability

Producer-to-Processor

Trade

China

Business Travel

Labor

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Foodservice

Feed Prices

“Winners” of COVID-19

Direct-to-Consumer

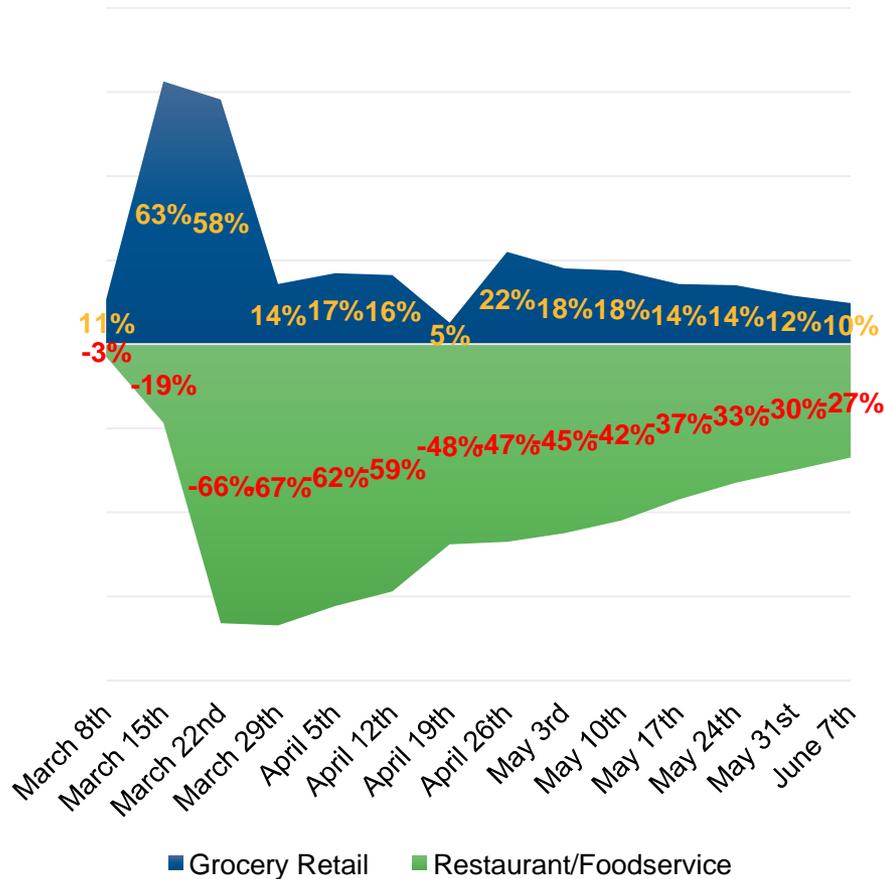
Processor Profitability

Retail Demand

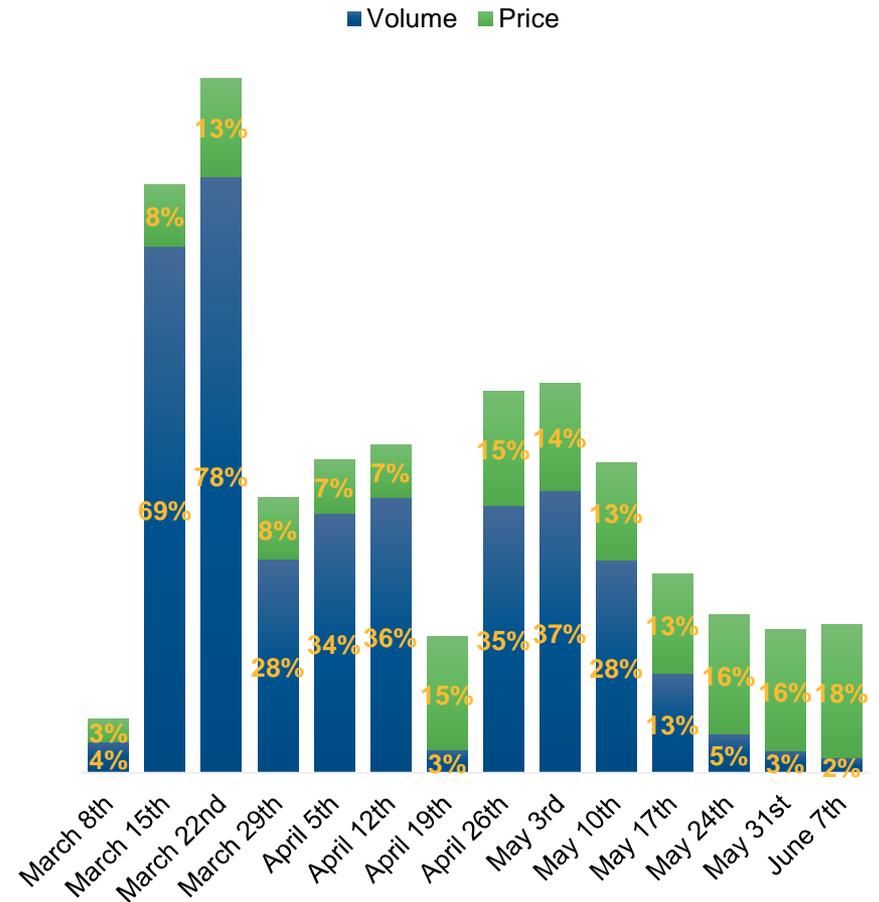
Government Benefits

Foodservice Sector Slowly Improving but Retail Meat Sales Reflecting Plant Shutdowns and Slowdowns

Food Sales Growth At-Home vs Away-from-Home



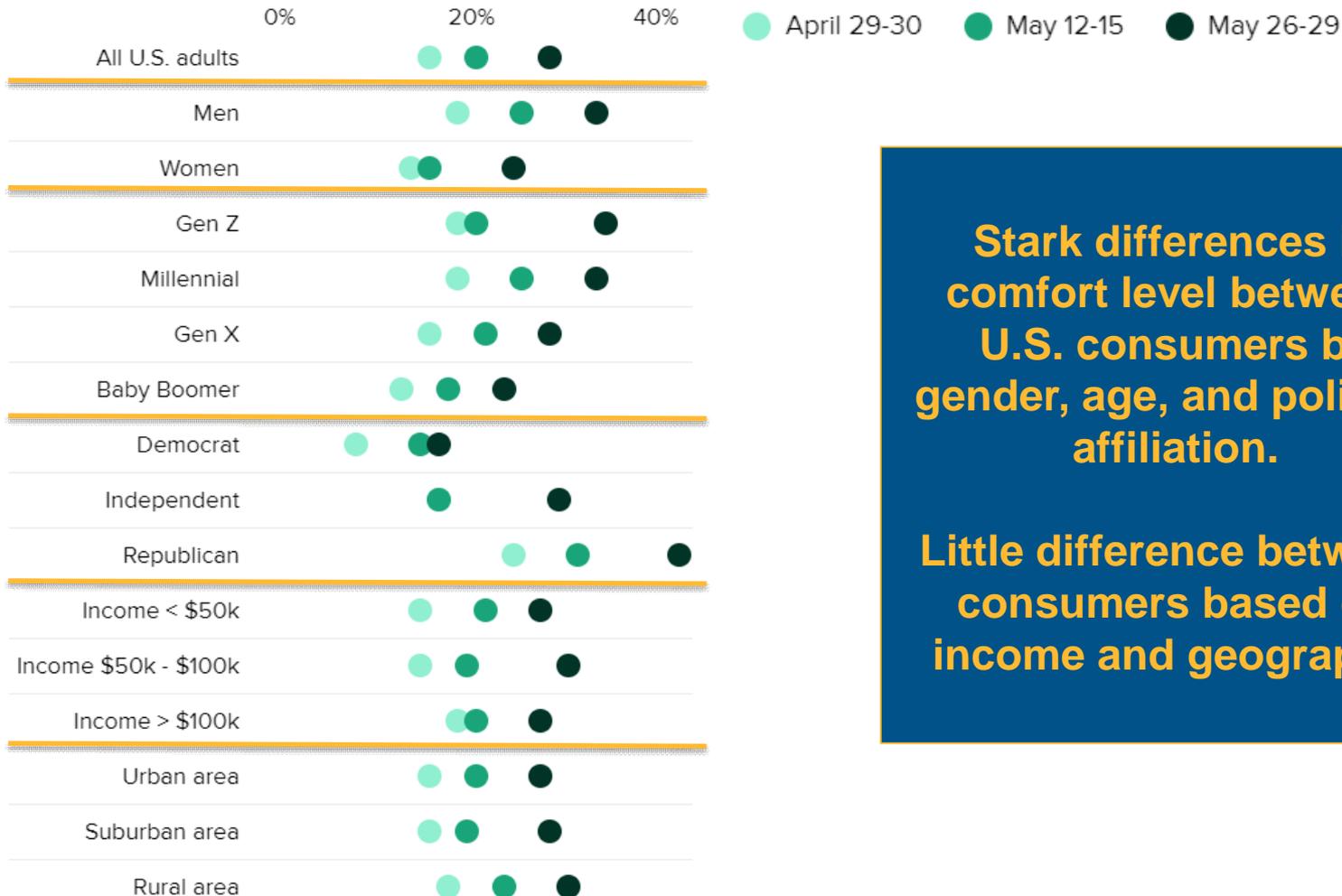
U.S. Retail Meat Sales Growth



The Most Important Questions of Our Time: What's for Dinner? & Who's Cooking It?



Share of U.S. Adults Who Said They're Currently Comfortable Going Out to Eat



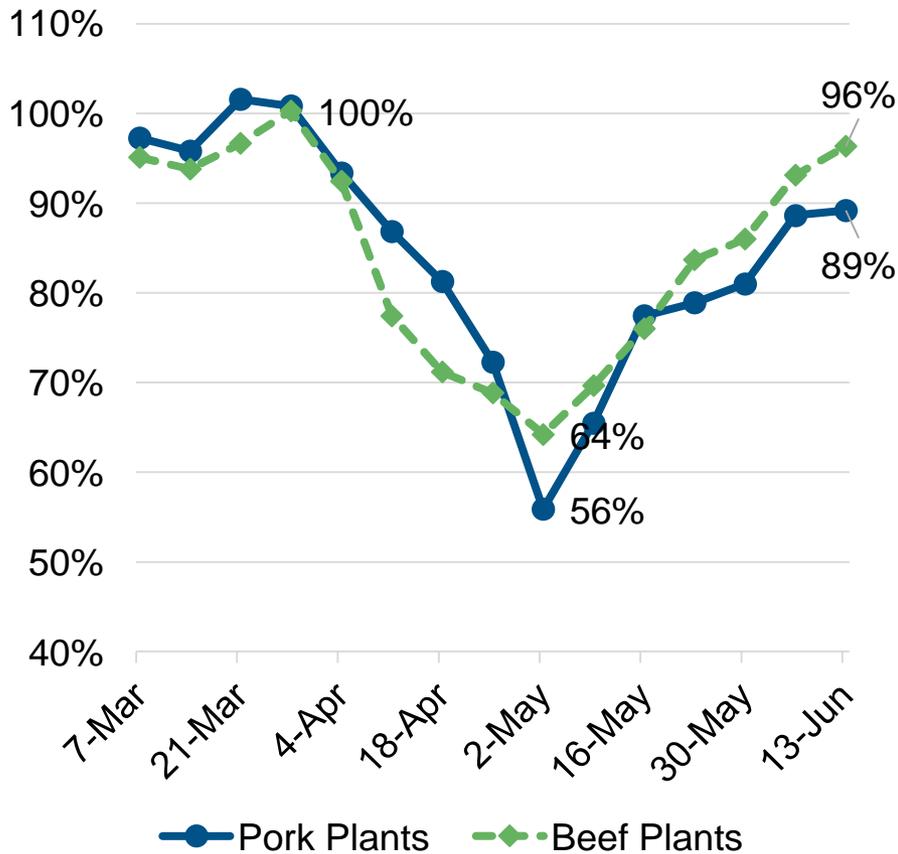
Stark differences in comfort level between U.S. consumers by gender, age, and political affiliation.

Little difference between consumers based on income and geography.

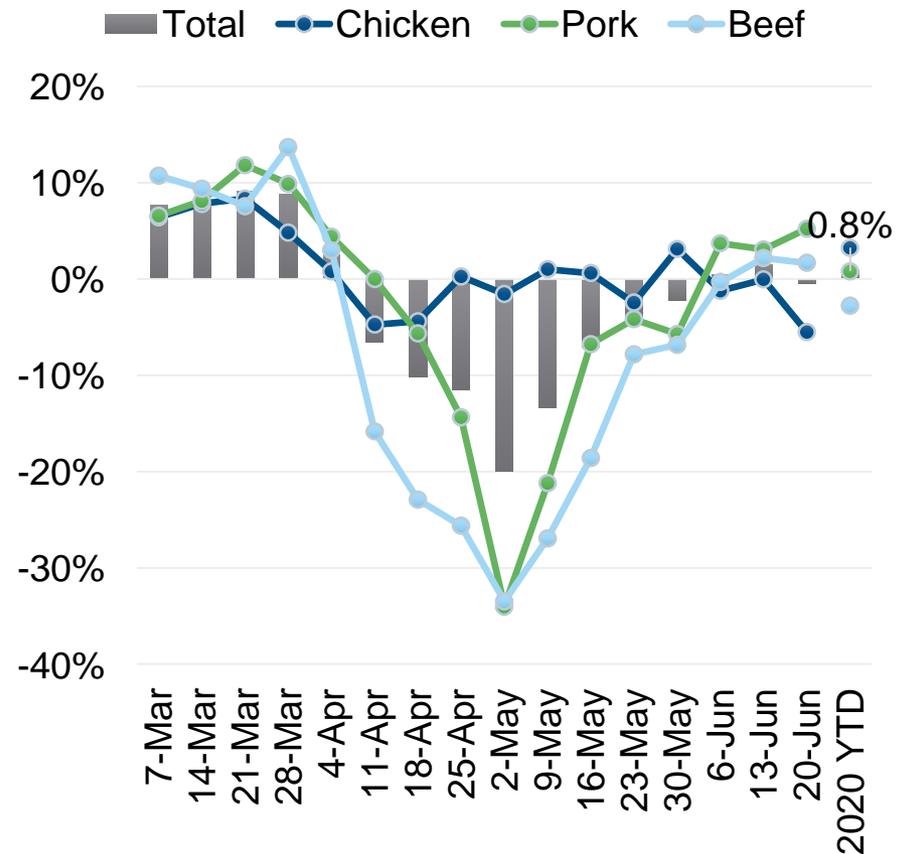
Beef and Pork Plant Capacity Has Improved to . . . ?



Estimated U.S. Pork and Beef 2020 Capacity Utilization



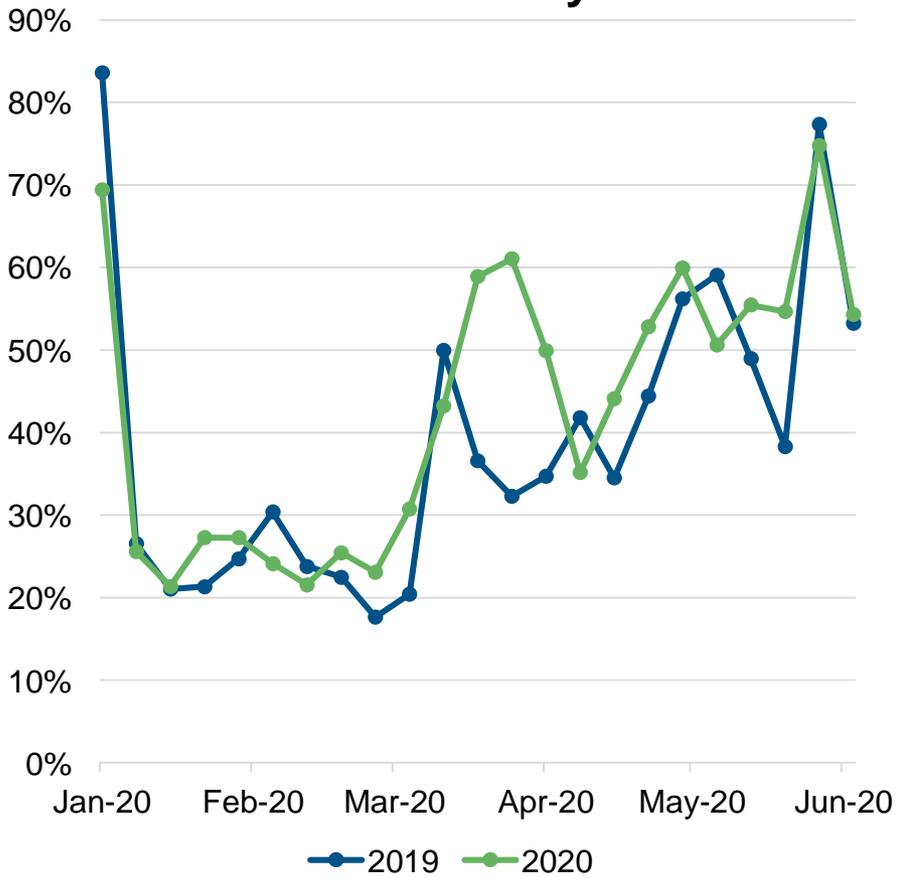
U.S. Animal Protein Production (versus year-ago)



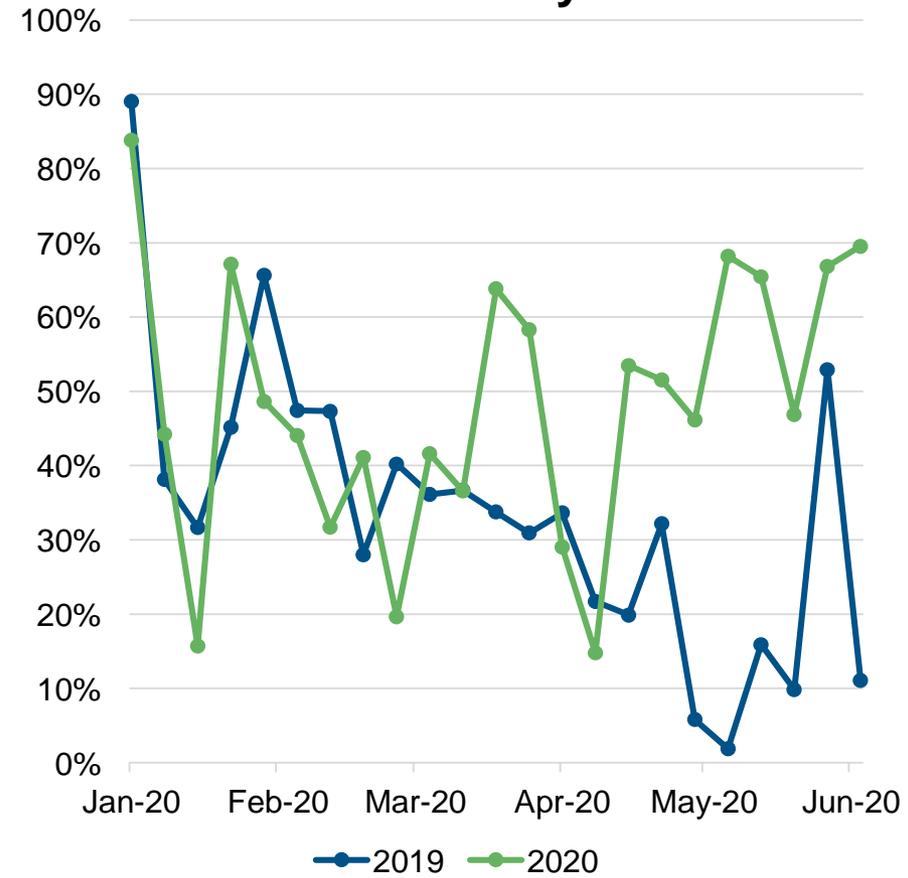
More Pork Processors Operating on Saturday to Help Reduce the Backlog of Under-Processed Hogs



U.S. Cattle Saturday Slaughter - % of Friday



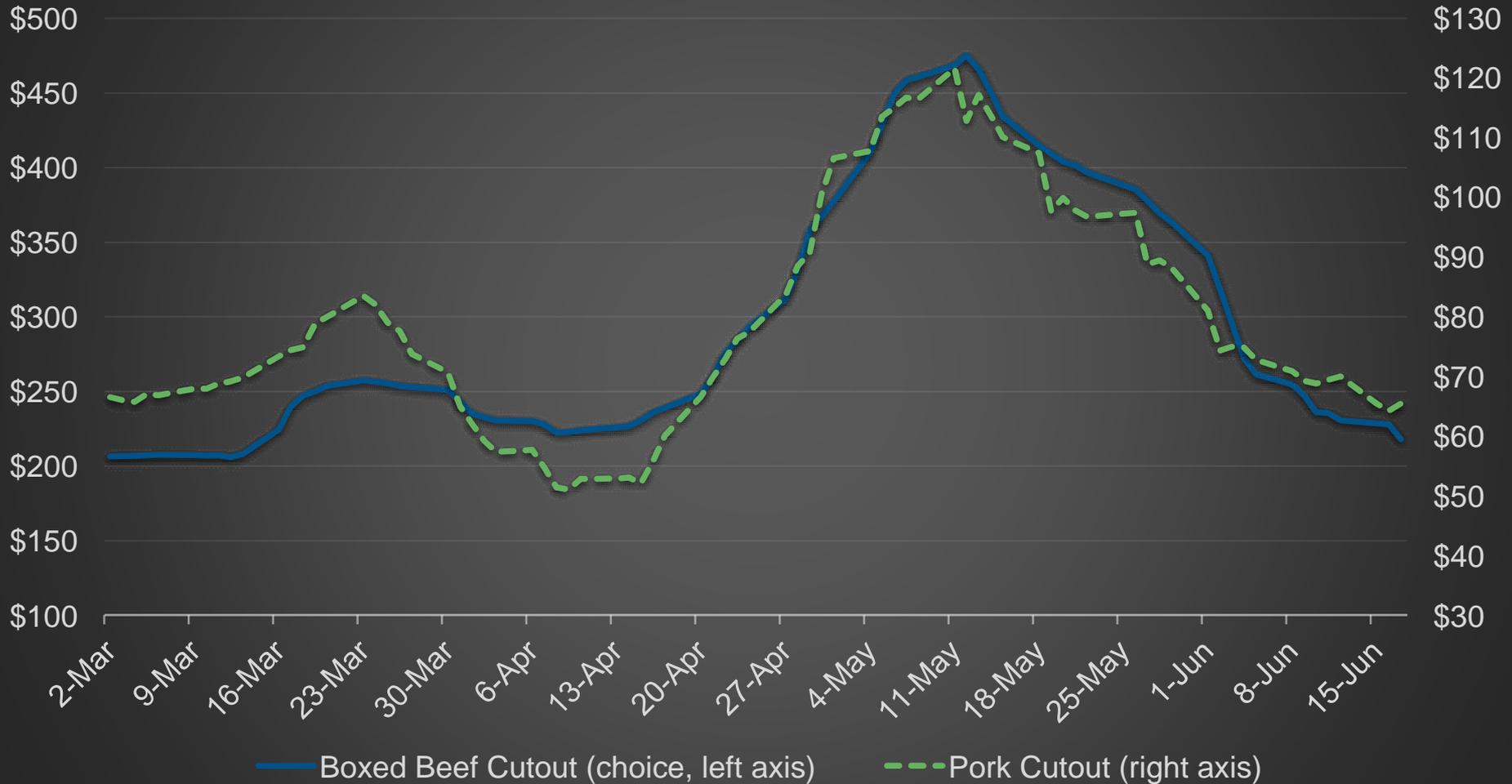
U.S. Hog Saturday Slaughter - % of Friday



Meat Cutout Values Returning to Pre-Plant Shutdown and Slowdown Levels

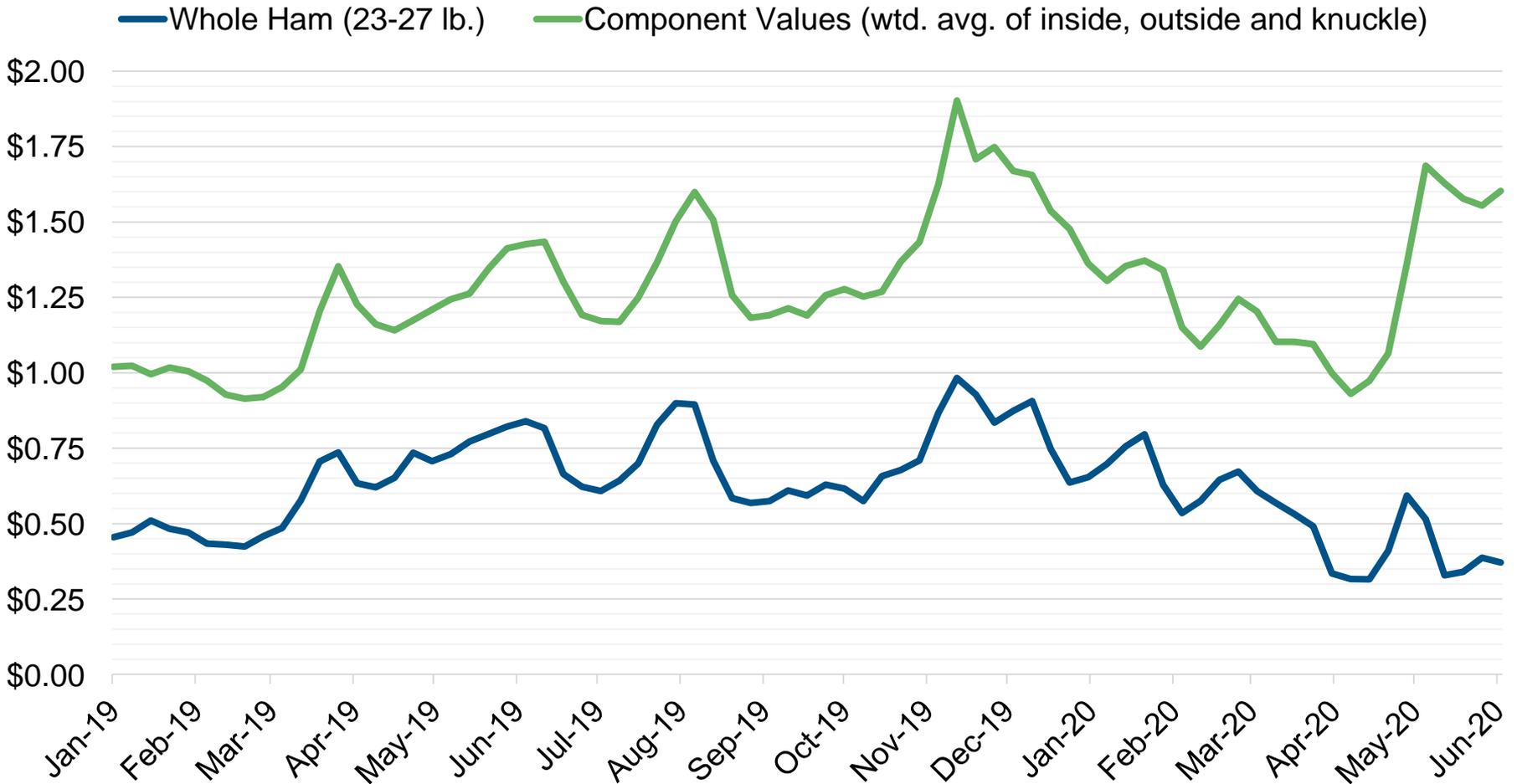


Red Meat Cutout Values (\$/cwt)



Plant Capacity Has Rebounded, but Labor Challenges Remain

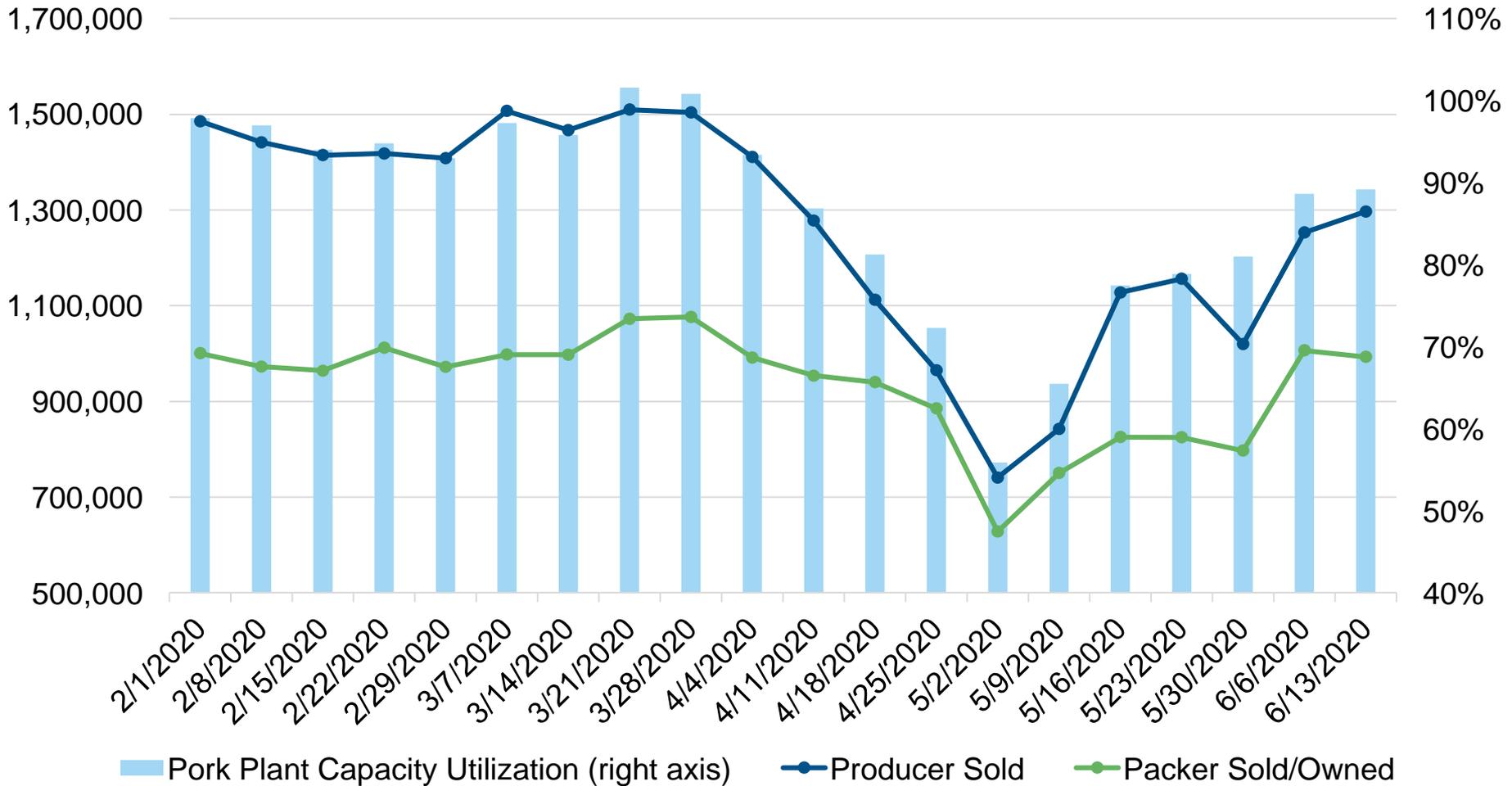
Ham Values - Whole vs Component



April and May Were Very Long Months for the Independent Hog Producer



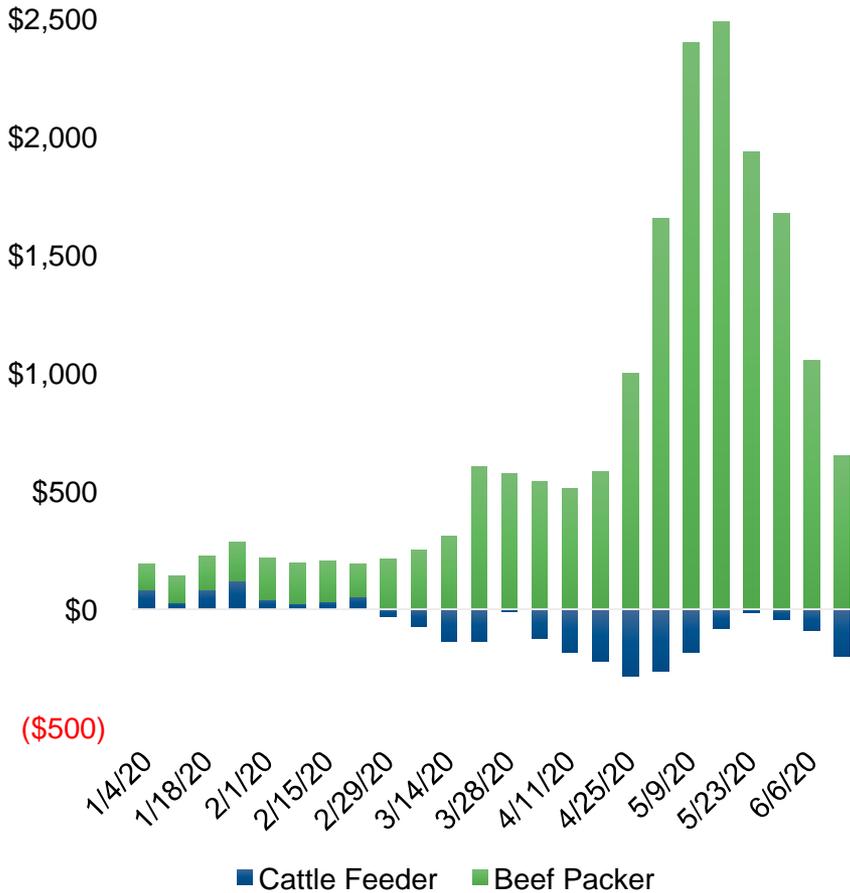
National Barrow & Gilt Sales and Industry Utilization



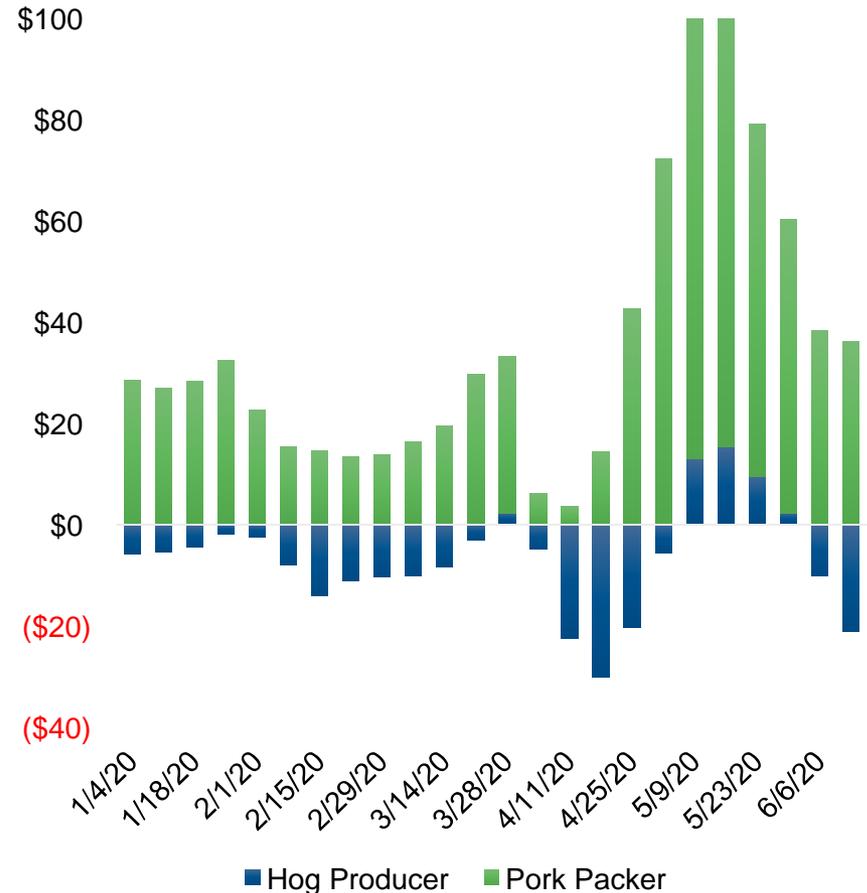
“Cash” Margins in the Red Meat Supply Chain



U.S. Beef Supply Chain Profitability (\$/head)



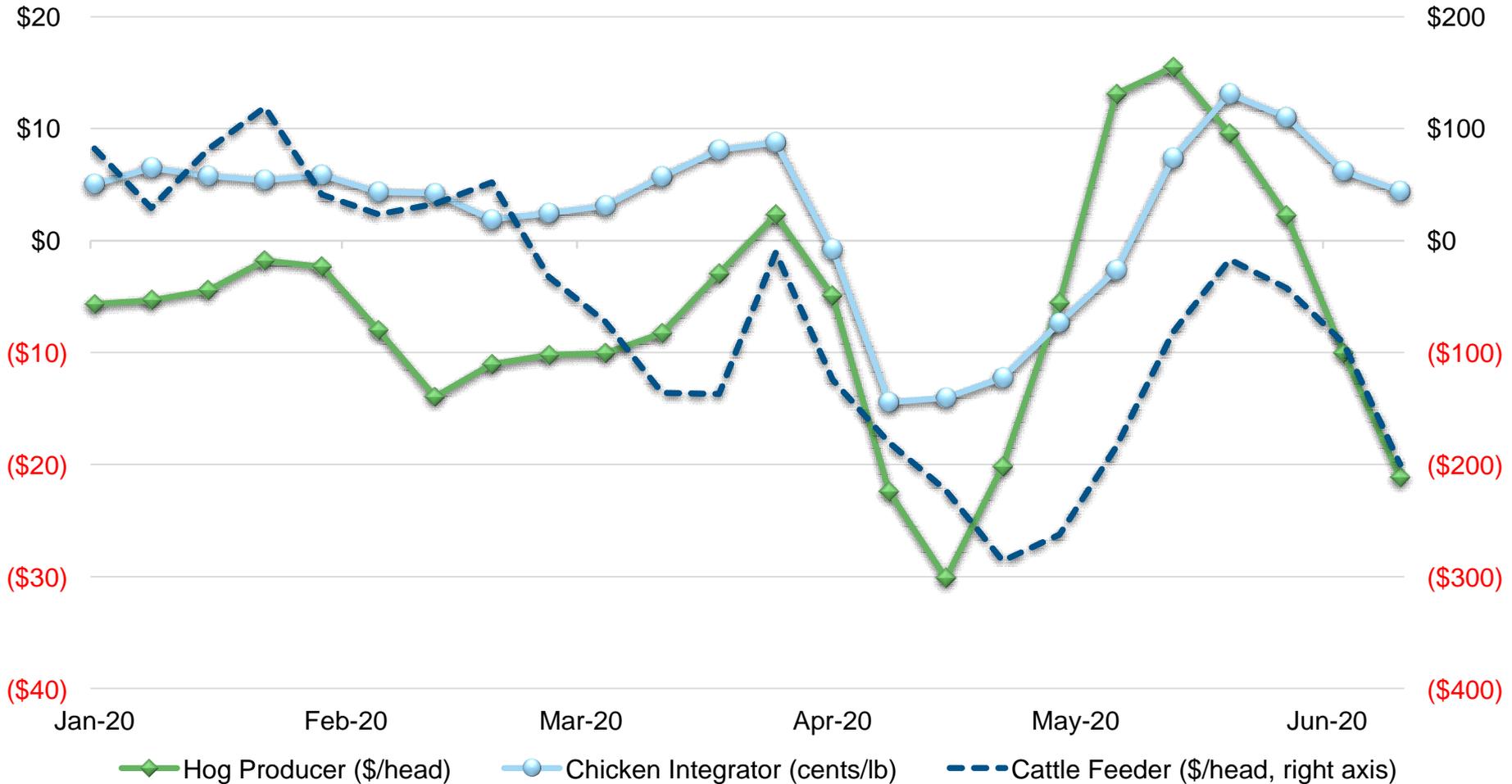
U.S. Pork Supply Chain Profitability (\$/head)



U.S. Animal Protein Producer Margins Returning to Pre-COVID-19 Levels



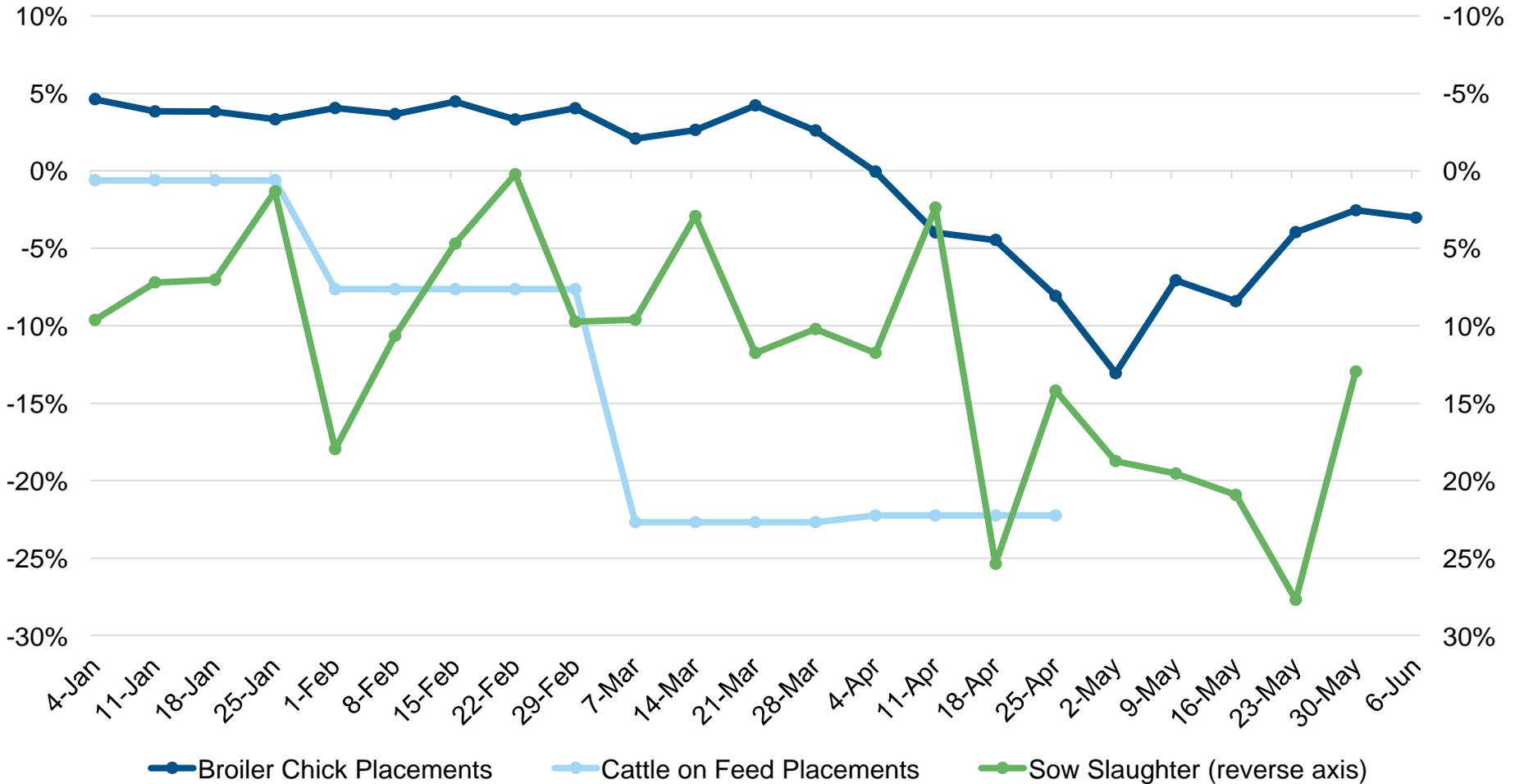
U.S. Meat and Poultry Producer Cash Margin in 2020



Indications of Lower U.S. Animal Protein Production on the Horizon



U.S. Animal Protein Future Supply Indicators



Consumer

- Many U.S. consumers tried online and curbside grocery service for the first time, some will continue to shop this way
- The public has a new found appreciation for the “essential” people and companies in the food supply chain
- Consumers will eat out again but will foodservice continue to take share of stomach from grocery retail as it has for decades?
- Does the full-service-restaurant sector have a capacity problem of their own with current social distancing requirements?

Processor

- COVID-19 guidelines from OSHA and CDC, how many will stay long-term?
- Size brings scale but also increased labor requirements, do smaller plants have a future?
- Automation and mechanization technologies make more sense today and going forward
- Does the U.S. beef complex need a new processing plant long-term or just today and who should build it?

Producer

- COVID-19 exposed the weak relationship between livestock cash prices and futures
- The lack of vertical integration in red meat production meant producer and processor margins diverged
- Will the scars of COVID-19 on U.S. pork producers and beef to a lesser degree, cause red meat supplies to plateau at 2019 levels?



Thank You

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