



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

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FARM CREDIT EAST

## Will Sawyer

Lead Economist, Animal Protein, Knowledge Exchange Division

Email: [wsawyer@cobank.com](mailto:wsawyer@cobank.com)

Phone: (336) 416-4330

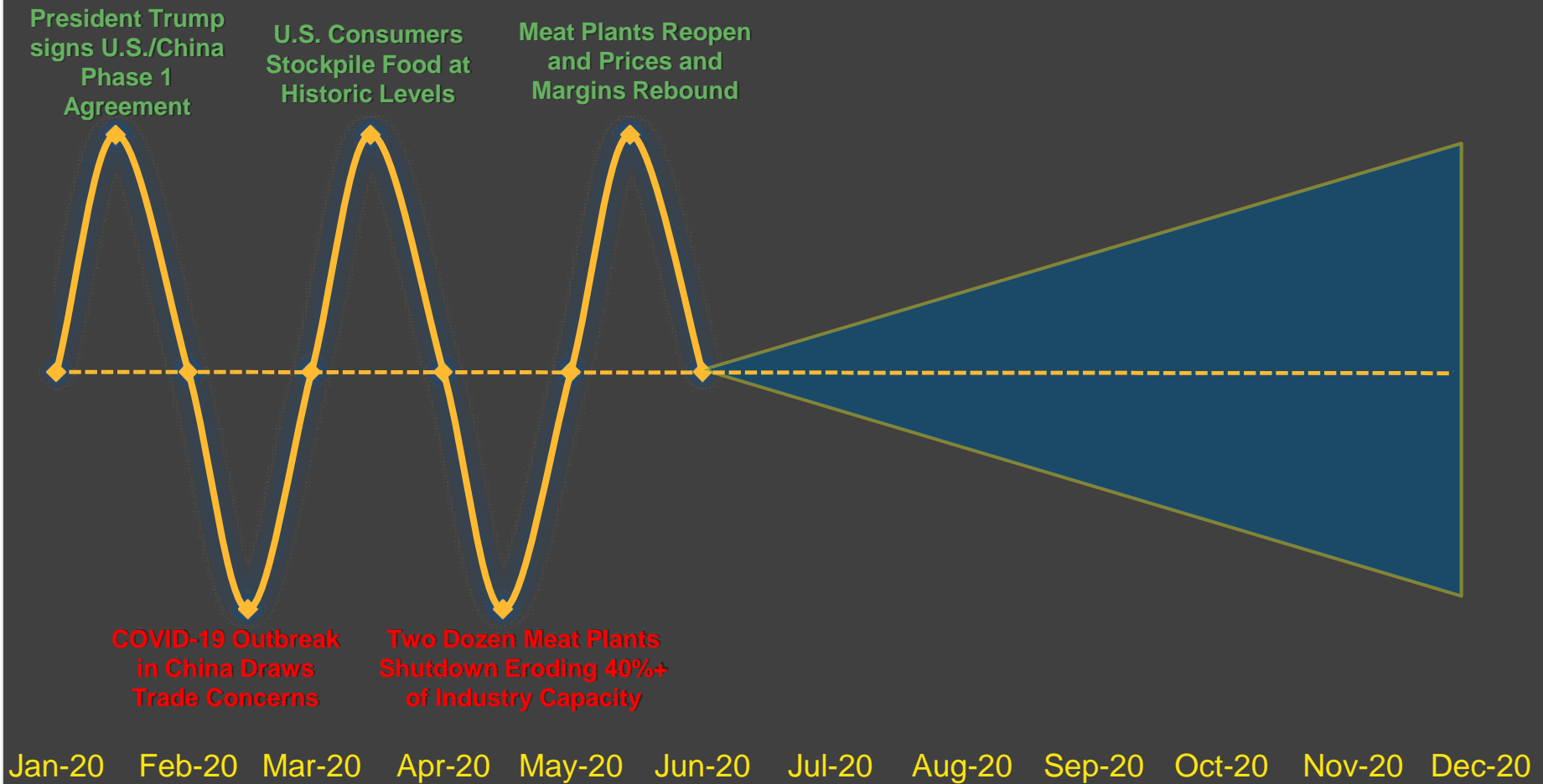


Proud Member of the Farm Credit System 

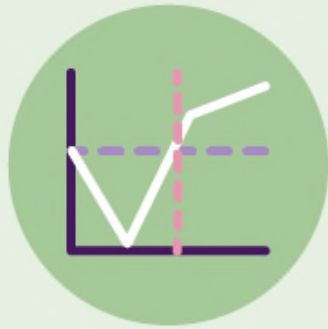
# 2020 Has Been an Emotional Rollercoaster for the U.S. Meat and Poultry Sector and it is only JUNE



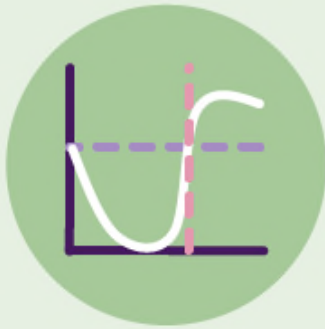
## U.S. Animal Protein in 2020



# The Many Shapes of Recovery



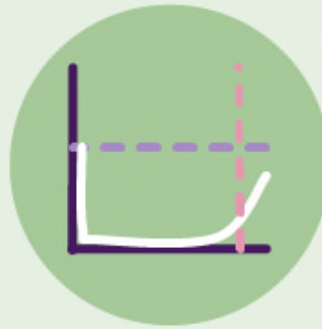
“V-shaped”  
rebound



“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

\$\$\$\$\$

Foodservice

Feed  
Prices

## “Winners” of COVID-19

Direct-to-  
Consumer

Processor  
Profitability

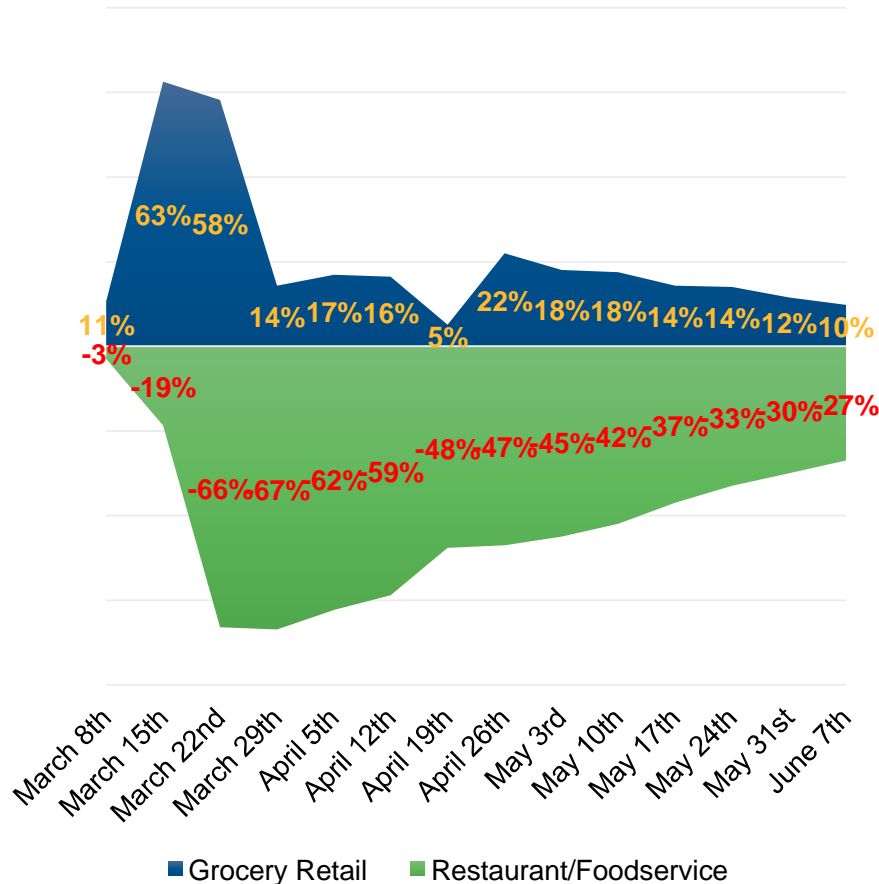
Retail  
Demand

Government  
Benefits

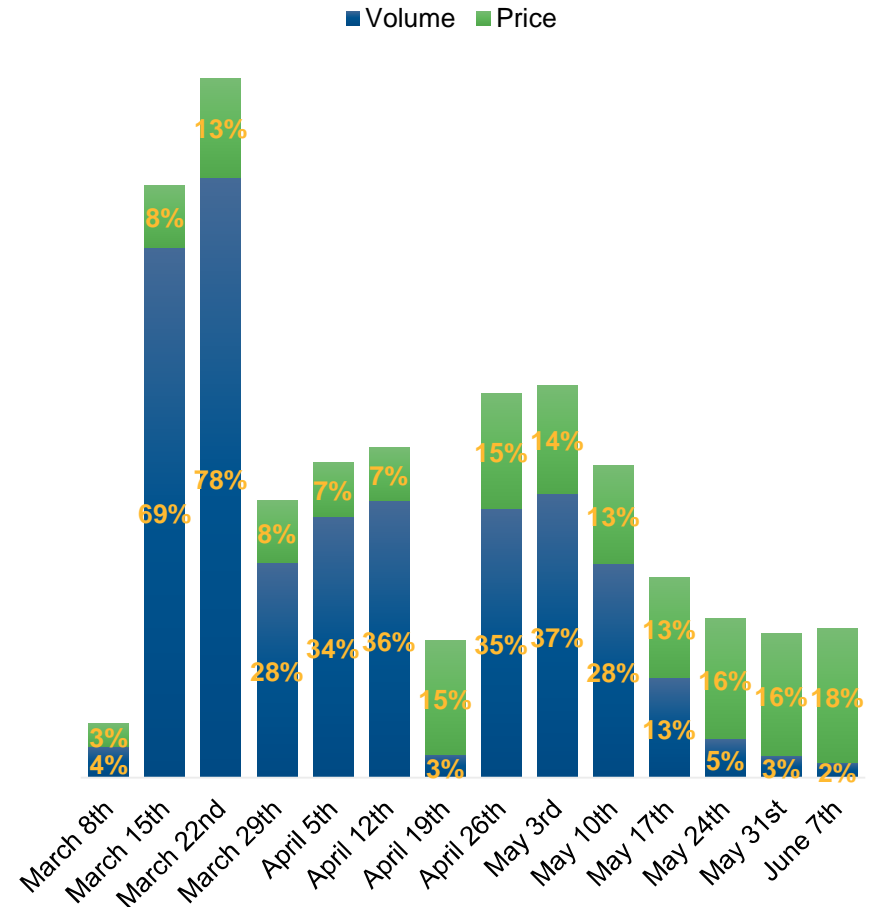
# Foodservice Sector Slowly Improving but Retail Meat Sales Reflecting Plant Shutdowns and Slowdowns



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



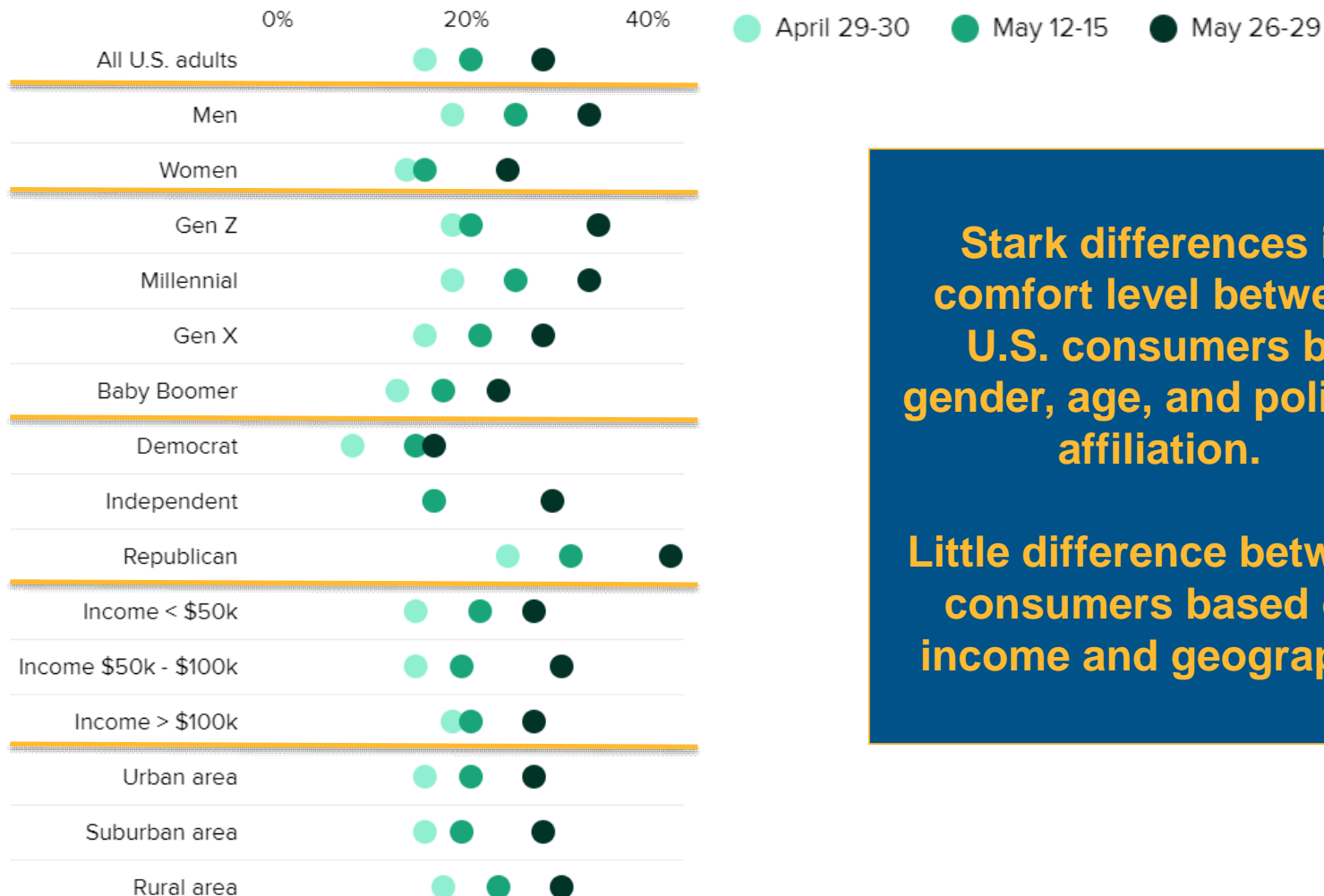
## U.S. Retail Meat Sales Growth



# 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



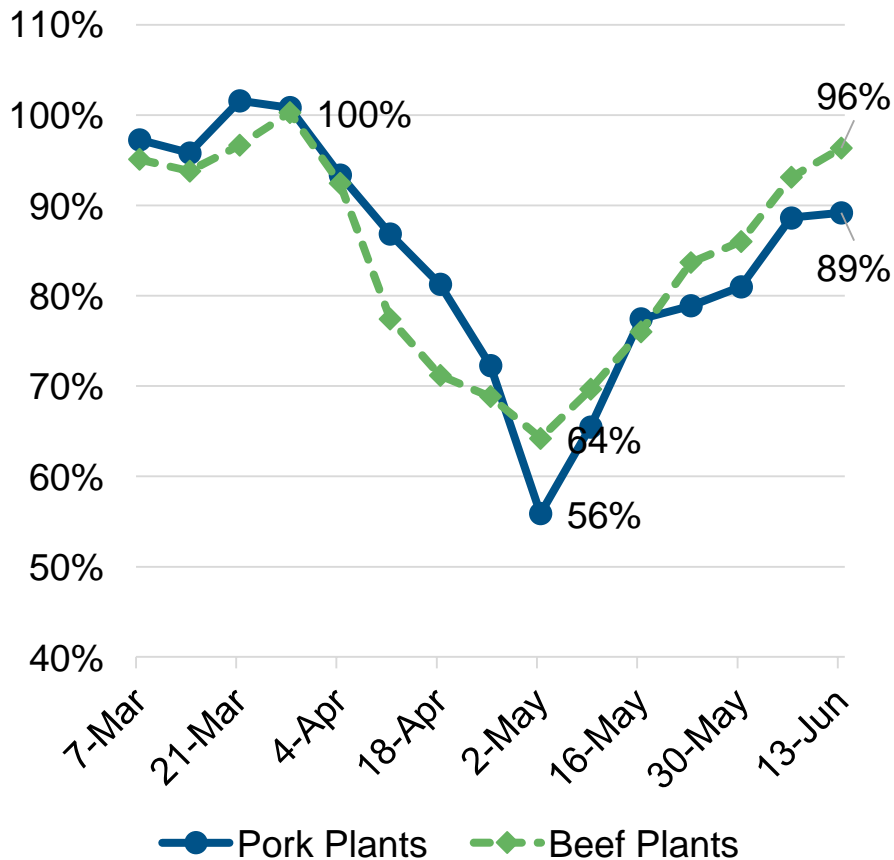
**Stark differences in comfort level between U.S. consumers by gender, age, and political affiliation.**

**Little difference between consumers based on income and geography.**

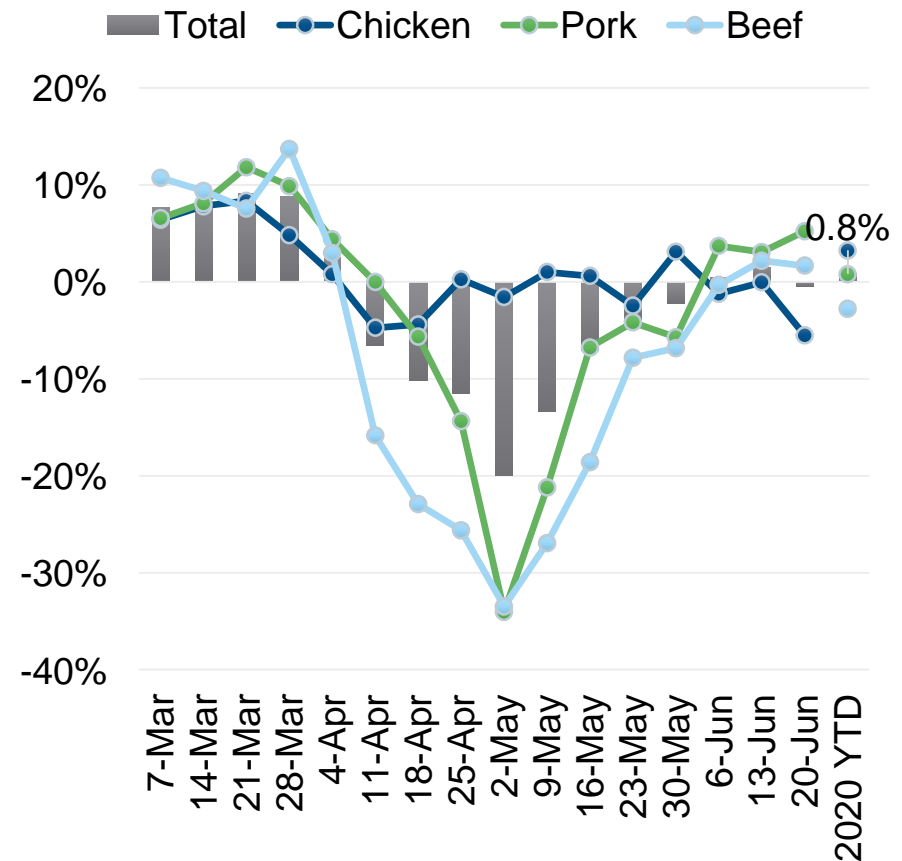


# Beef and Pork Plant Capacity Has Improved to . . ?

## Estimated U.S. Pork and Beef 2020 Capacity Utilization



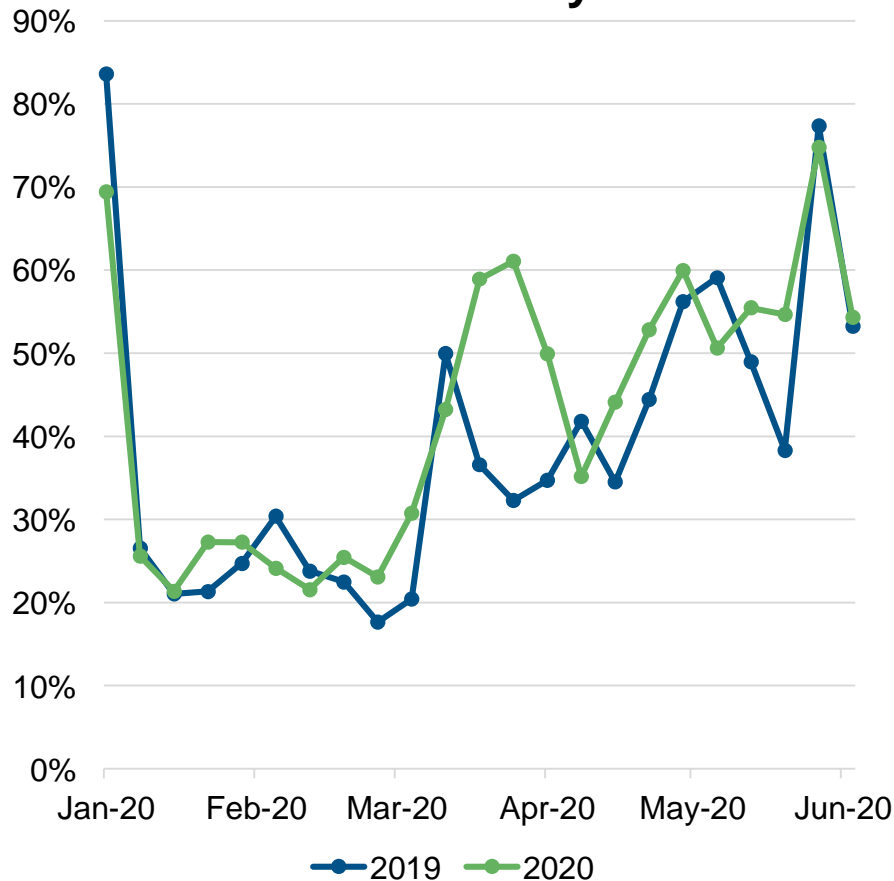
## U.S. Animal Protein Production (versus year-ago)



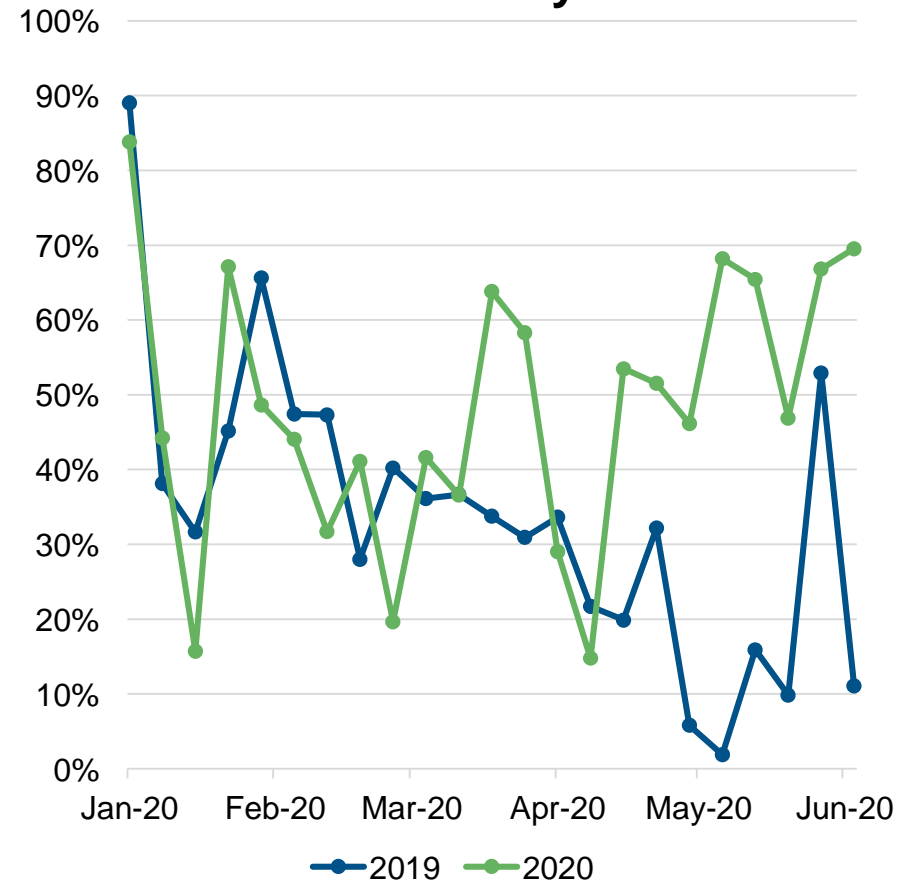
# More Pork Processors Operating on Saturday to Help Reduce the Backlog of Under-Processed Hogs



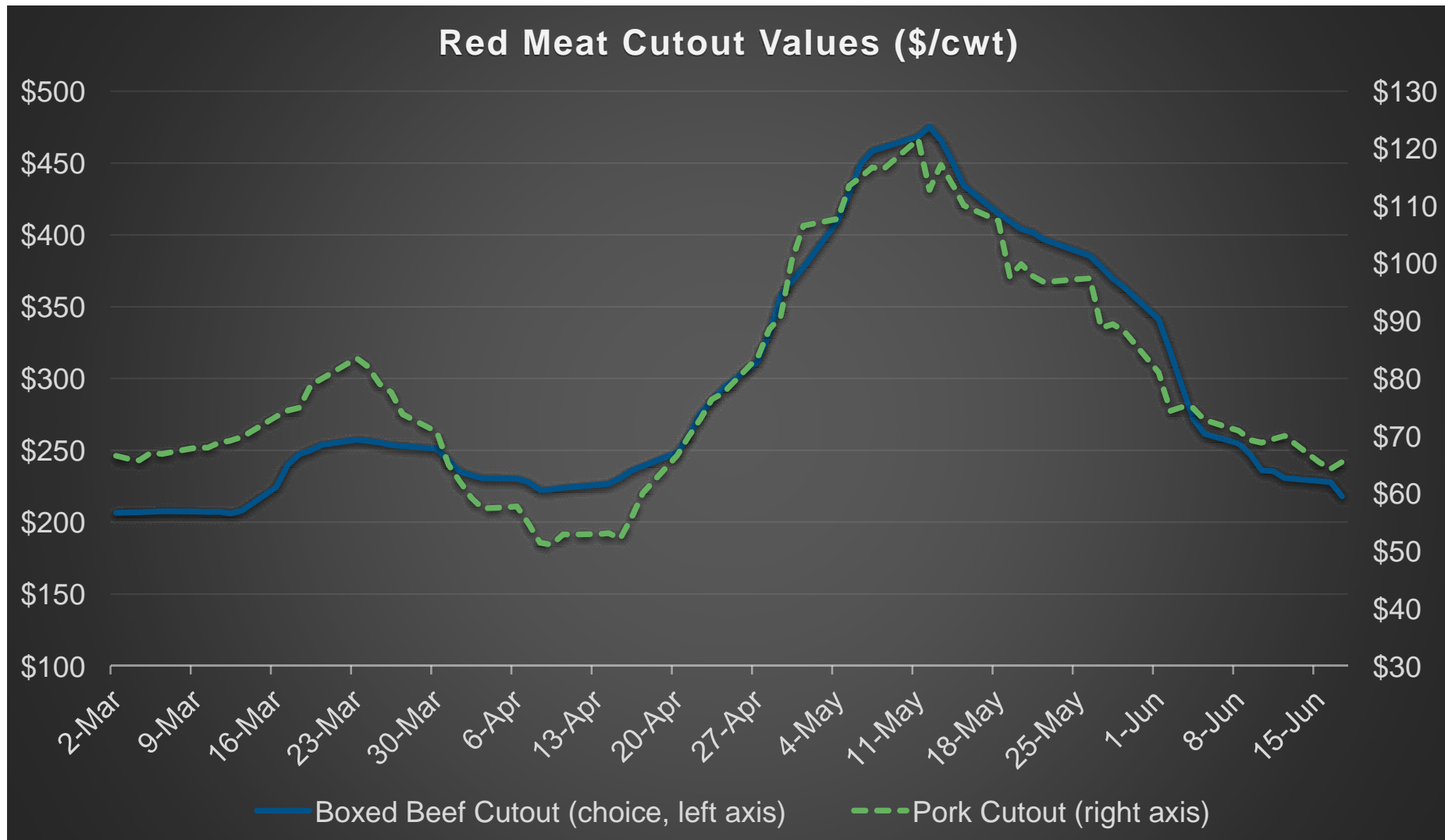
## U.S. Cattle Saturday Slaughter - % of Friday



## U.S. Hog Saturday Slaughter - % of Friday



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

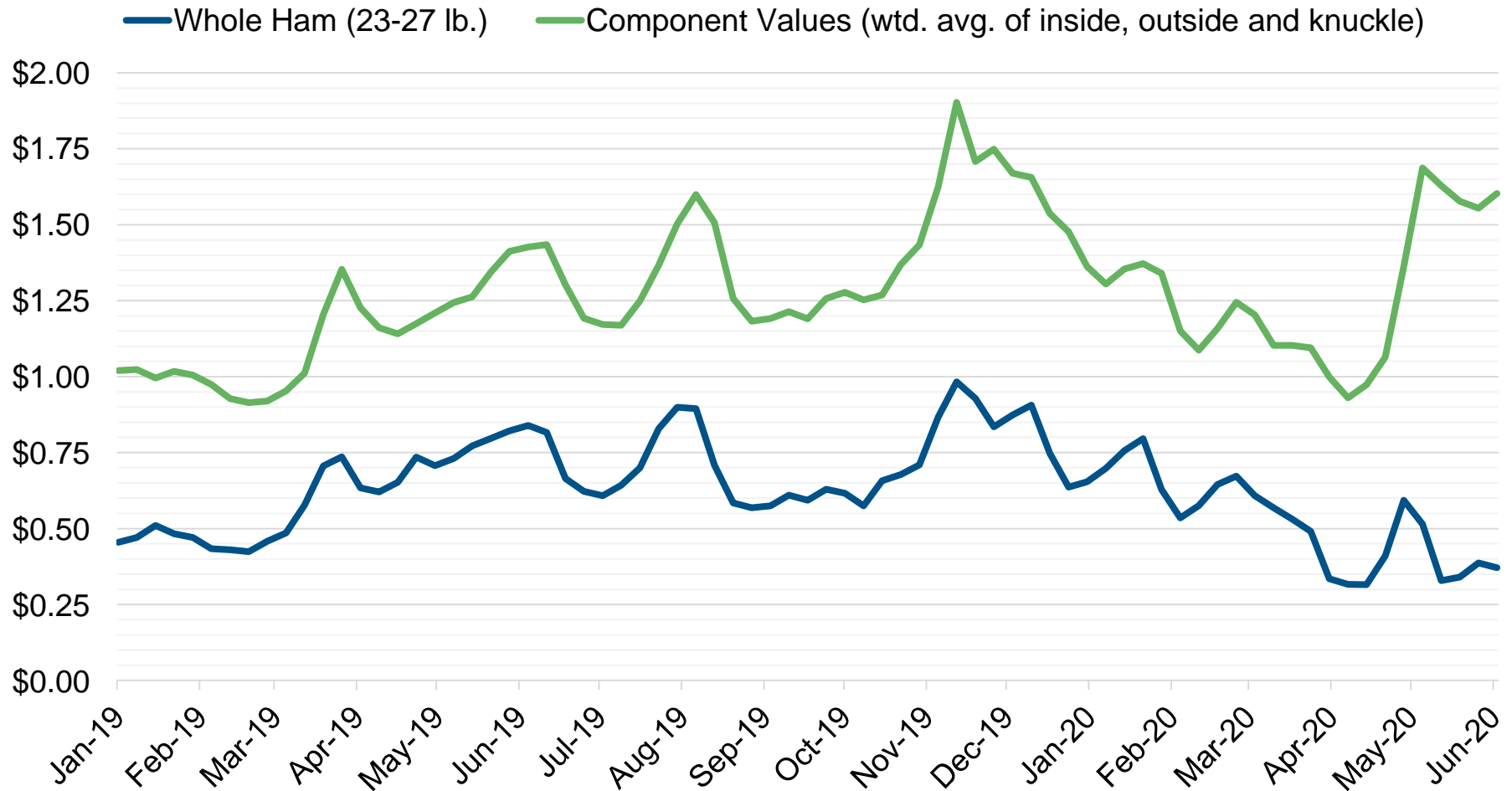




# Plant Capacity Has Rebounded, but Labor Challenges Remain



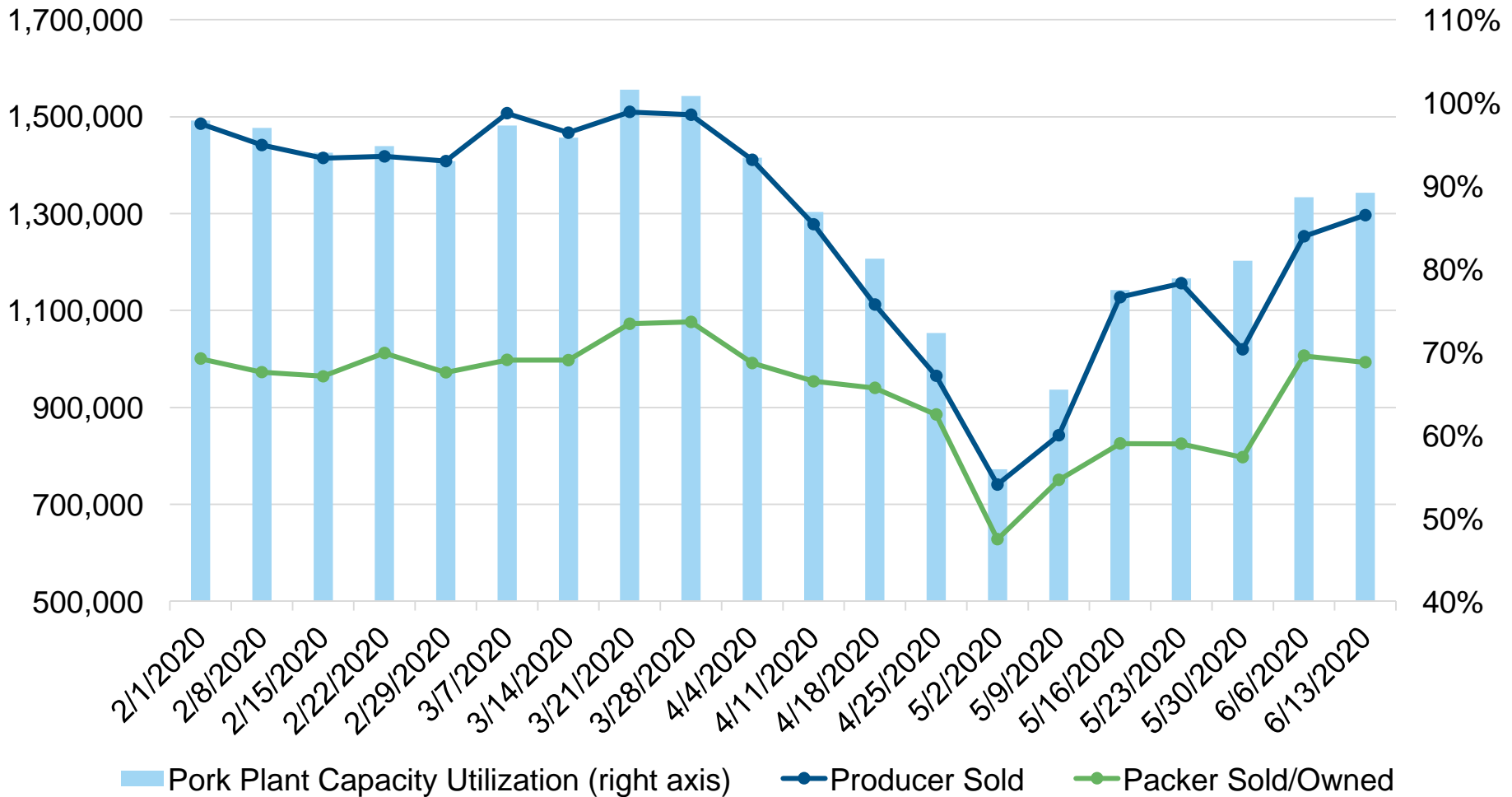
## Ham Values - Whole vs Component



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



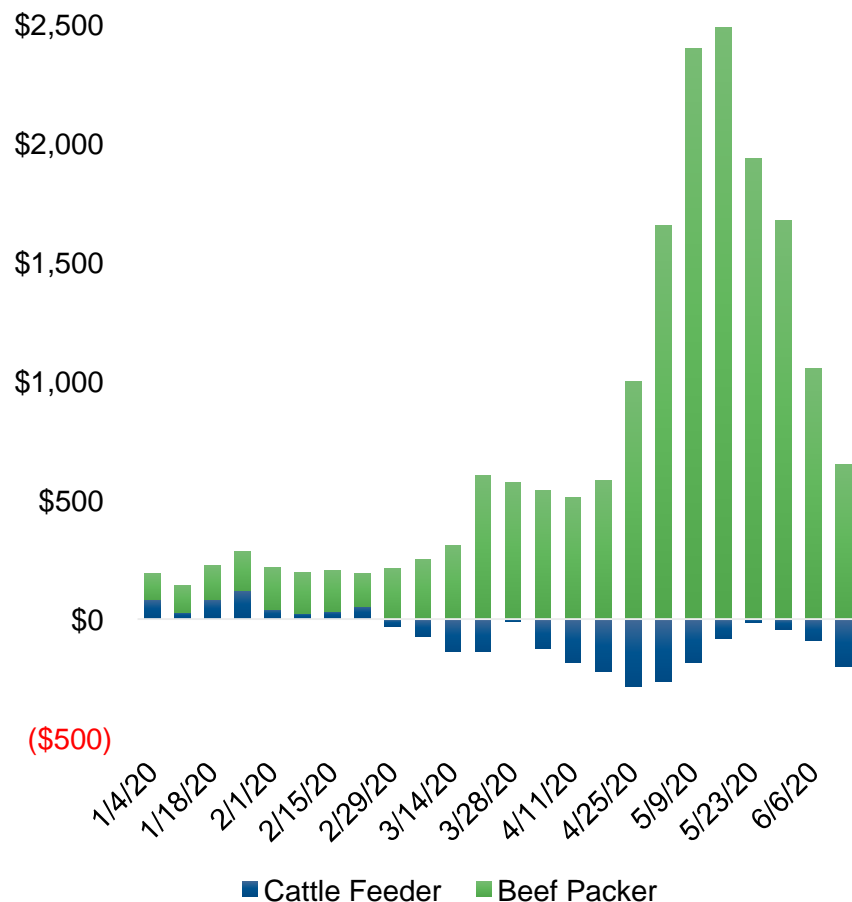
## National Barrow & Gilt Sales and Industry Utilization



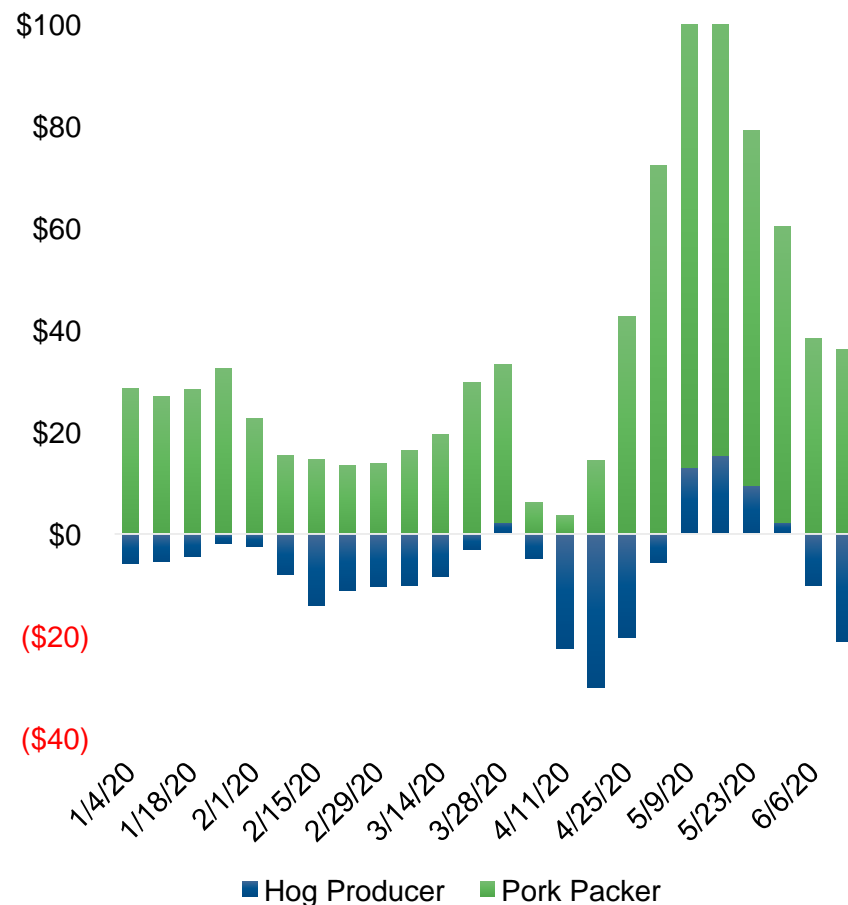
# “Cash” Margins in the Red Meat Supply Chain



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



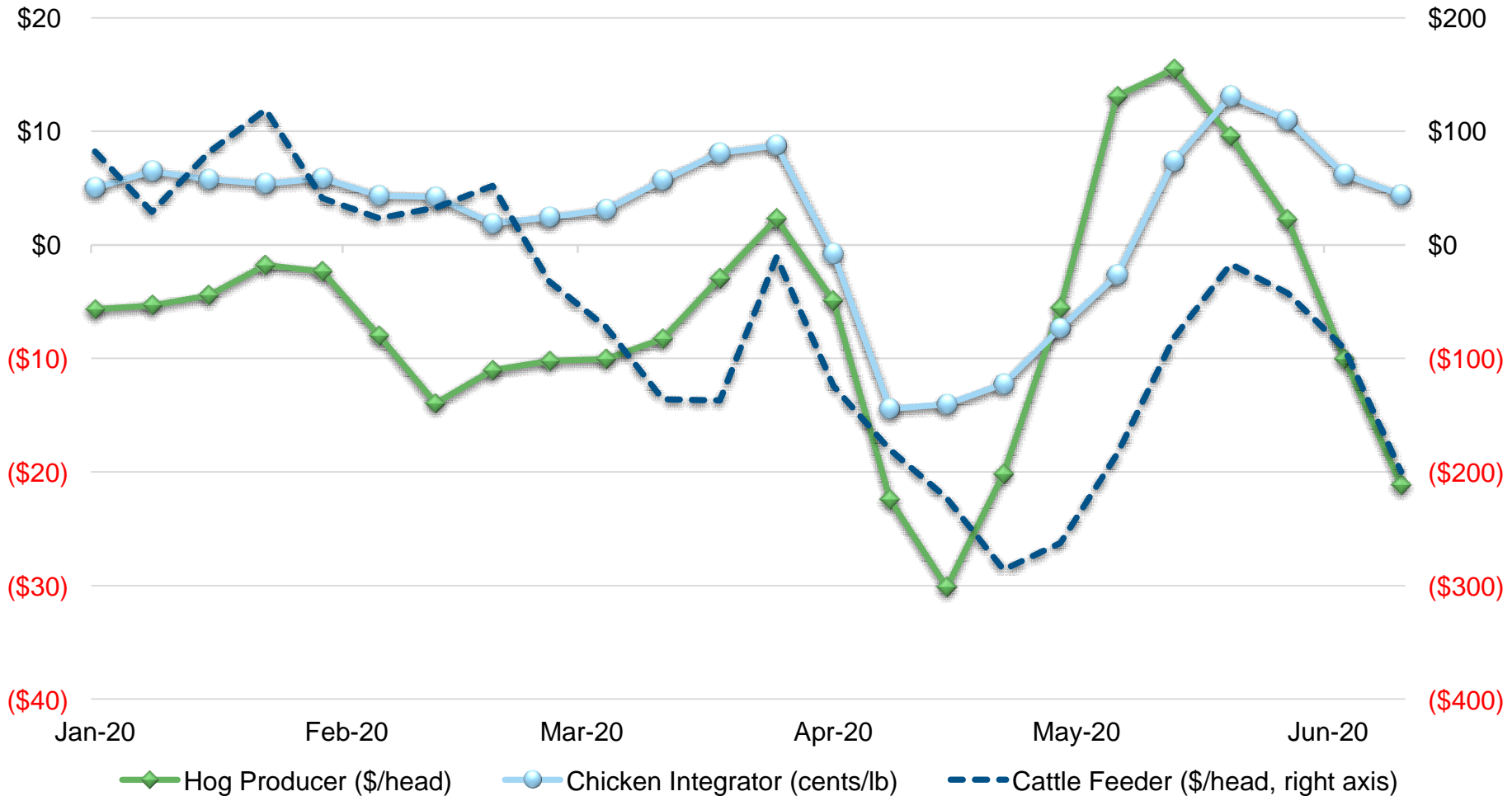
## U.S. Pork Supply Chain Profitability (\$/head)



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



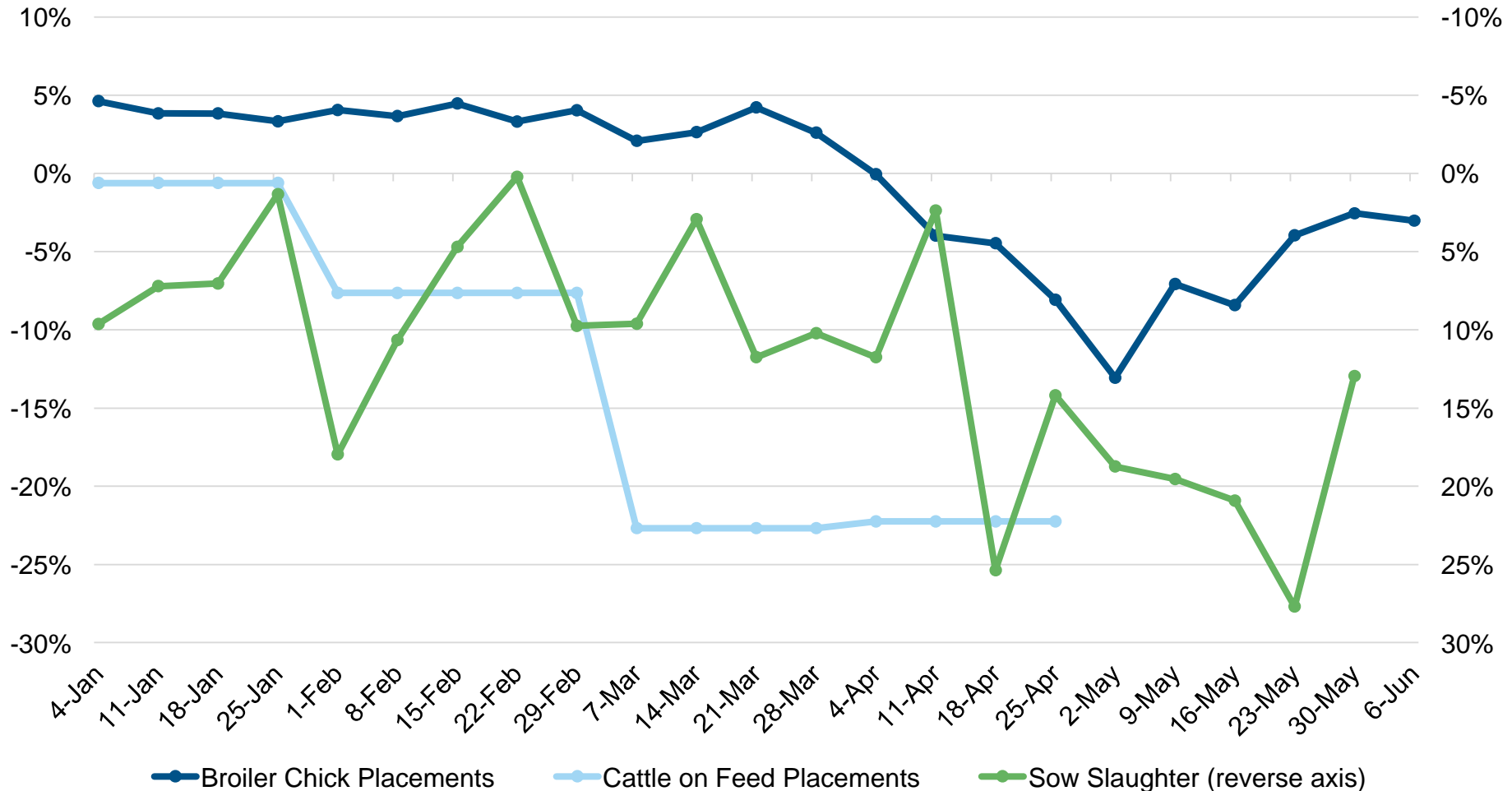
## U.S. Meat and Poultry Producer Cash Margin in 2020



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



## U.S. Animal Protein Future Supply Indicators



# Medium and Long-term Implications for U.S. Animal Protein



## Consumer

- Many U.S. consumers tried online and curb-side 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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