COVID Impacts on the U.S. Beef Industry

Ashley Lyon McDonald, JD
Sr. Director, Sustainability
March: The pandemic starts to be in full swing with closures of businesses and schools

1. March
2. 4/12 Ground beef was up 35.8% yoy.
3. 4/15 JBS Greeley stopped for two weeks
4. 5/1 Cattle slaughter dropped to 438K compared to 672K in 2019
5. 5/5 Wendy's announces 1 in 5 franchises out of beef
6. 5/6 Trump asks for DOJ investigation into packers
7. 5/26 USDA opens CFAP applications for producers
Figure 1. Live Cattle futures at the start of the economic downturn
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Retail - 4/12

Sixth week of shopping trends impacted by COVID, following enormous panic purchasing in March followed by shelter-in-place surges

- Sales in meat department were up 43%
- Beef up 42% with beef selling an additional $188 million.
Markets

- With live cattle prices tanking, some packers paid producers more money on previously sold cattle to make up for the huge disparity between cattle prices and boxed beef.
- For example, around mid-March Tyson added $5 per cwt to the cash price.
Restaurants have suffered greatly due to the virus, with impact greater and recovery slower for FSR’s than QSR’s
Demand – Food Service

- Foodservice - 4/5
  - U.S. restaurant transactions declined by 41% following a 42% decline the week prior.
  - Quick service – down 38%
  - Full service – down 79%
Timeline of Key Events

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Packing Plants

- JBS Greeley shut down for two weeks - 4/15
- JBS Cactus slowed capacity significantly
- Tyson Amarillo slowed capacity significantly
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CATTLE SLAUGHTER
Federally Inspected, Weekly

Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center
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Supply and Demand

• Wendy’s (18%)
• Costco (3 packages)
• United (beef, eggs, flour)
  • Shortages were regional and temporary, not national.
Direct beef company sees demand surge amid pandemic

As meat processing and supply chains strain because of COVID-19, new customers seek ranch-direct sources.

MARKETING MEAT
Direct to Consumers

A WEBINAR SERIES FOR PRODUCERS INTERESTED IN MARKETING THEIR FARM-FRESH MEATS

FREE WEBINAR SERIES
In response to growing demand for local meat products, the Alabama Cattlemen’s Association and the Alabama Beef Checkoff Program have partnered with the Alabama Cooperative Extension System and Sweet Grown Alabama to host a three-part webinar series. The goal is to educate Alabama farmers on the steps required to raise, harvest and market their products in a way that complies with state and national regulations, ensuring a safe and wholesome product for consumers to enjoy.

June 1, 2020 | 12:00 P.M.
Creating the Product Consumers Expect
- Carcass Gains
- Nutritional Management of Cattle, Pigs & Small Ruminants
- Other Management Considerations

June 3, 2020 | 12:00 P.M.
The Processing Process
- Choosing a Processor
- Dry-Aging vs Wet-Aging
- The Math: Dressing Percentages and Carcass Yields

June 5, 2020 | 12:00 P.M.
Getting Your Product to Market...and Getting Paid for It
- Where to Sell Your Product
- How to Price Your Product
- How to Advertise
- The Ins-and-Outs of Farmers’ Markets
- Intro to Sweet Grown Alabama

PRE-REGISTER ONLINE
www.BamaBeef.org/BamaBeef

IOWA LOCAL BEEF DIRECTORY
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Where Are We Now?

- 95% of packing plants capacity up and running.
- Daily Livestock Reporter: In the last six weeks, beef production have averaged 1.7% higher than a year ago and 6.9% higher than the five year average. Retailers have responded to the recovery in supply by slowly increasing the number of beef features they run in their weekly printed or web circulars and also by lowering the average price of product featured. This is critical in order to keep the flow of product moving this fall.
- Longterm beef demand affects are still uncertain. Government benefits helped millions through tough times, but unemployment is still high and many benefits just ended. Beef production will be higher for the rest of the year, but demand will likely be lower.
- Lessons Learned: nimbleness; direct to consumers; employee safety; packer capacity; risk management
Consumer and economy concern peaked in April, though the recent increase in cases is starting to push sentiment back up.
Concerns about beef’s future

Many consumers do not express a concern about beef, those who do, focus on out of stocks and prices.

No concerns: 39%
Beef being out of stock: 13%
Beef prices going up: 11%
Food handling/contamination: 8%
Packing plant closure/exposure: 3%
Beef supply/animals getting it: 2%

Source: Beef Behaviors and COVID Report, April-July 2020; Average of results
Trending Willingness to Pay

Willingness to pay for protein has increased

Source: Consumer Beef Tracker Jan – Jun 2020