

COVID-19 RESPONSE

ECONOMIC IMPACT OF COVID-19 ON OKLAHOMA LIVESTOCK AND BROILER INDUSTRIES

Learn about impacts to livestock and broiler industries due to the COVID-19 virus.

The primary meat industries of cattle/calves, swine and broilers rank as the top three agricultural industries in Oklahoma based on value of production (Table 1). In 2018, the Oklahoma value of production for cattle and calves was \$2.79 billion; hogs and pigs, \$921 million; and broilers, \$737 million (NASS, 2019). COVID-19 has had particularly significant impacts on the beef cattle and pork industries.

The dramatic reduction of the food service sector in March affected all protein industries, as COVID-19 shifted consumer spending on food away from home from 54% of their food budget to approximately 15%. The bottlenecks and rigidities of the specialized supply chains for food service and retail grocery, combined with a surge of grocery demand, resulted in supply disruptions and sporadic shortages in grocery stores. To further complicate the situation, in April and into May, COVID-19 also affected the workforces of most livestock packing and processing facilities resulting in sharply reduced livestock slaughter and meat production. Cattle slaughter temporarily fell by 32% and at one point was 27% lower than the same week in 2019 (Figure 1). Similarly, pork slaughter fell drastically and at one point weekly slaughter was 35% lower relative to the same week in 2019 (Figure 2). By mid-May, it appears that the worst of the plant disruptions is past and meat supply is recovering.

BEEF CATTLE INDUSTRY IMPACTS

A study released April 8 by Oklahoma State University estimated total COVID-19 related losses to the beef cattle industry as \$13.6 billion, including \$9.2 billion in 2020 losses (Table 2). Additionally, the cow-calf sector will incur another \$4.4 billion in long-term losses if the 2020 damages are not compensated. Additional long-term

damage to the Oklahoma cow-calf sector would total another \$298.1 million in addition to the estimated losses in Table 2. Applying the damage estimates by sector to the Oklahoma beef cattle industry implies total damages of \$575 million (Table 2). For more information about the national study, see links to the executive summary or the full report.

When feeder cattle prices dropped in March, many feeder cattle producers delayed marketing cattle, some no doubt incurring additional costs. In April, packing plant capacity was reduced as COVID-19 affected the workforce at plants around the country. Consequently, feedlots have seen significant backlogs of market-ready fed cattle that are being held for delayed slaughter at

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Table 1. Oklahoma Livestock and Broiler Industries.

| Livestock | Quantity | Oklahoma Rank (Value of Production) | U.S. Rank (Production) |
|----------------|---------------------|--|---------------------------|
| Beef Cows | 2.10 million head | 1* | 2 |
| Feeder Supply | 2.16 million head | 1* | 2 |
| Cattle on Feed | 340,000 head | 1* | 9 |
| Swine | 2.26 million head | 2 | 9 |
| Broilers | 196.8 million birds | 3 | 13 |

*Value of cattle and calves production.

Source: Oklahoma Agricultural Statistics 2019; Cattle, 2020; Quarterly Hogs and Pigs, 2020

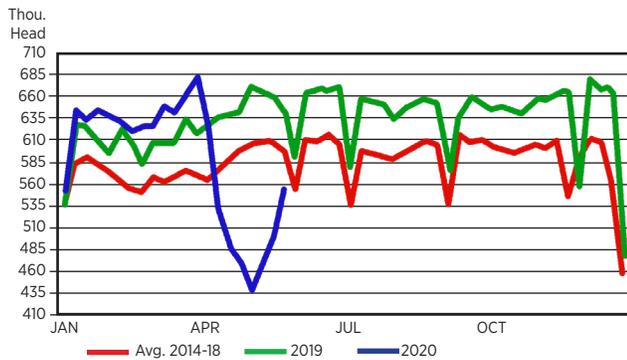


Figure 1. Cattle slaughter, federally inspected weekly. (USDA-AMS & USDA-NASS).

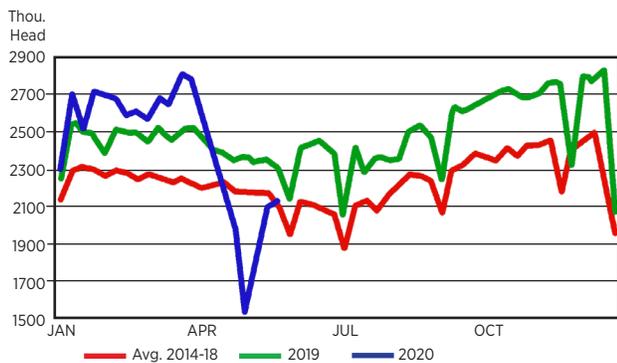


Figure 2. Hog slaughter, federally inspected weekly. (USDA-AMS & USDA-NASS).

significant additional costs. Cattle producers will likely spend much of the remainder of 2020 holding cattle at all levels until the packing industry can catch up on the backlog of fed cattle.

FEED AND FORAGE SITUATION

All hay stocks in Oklahoma on May 1 were estimated at 1.35 million tons, up 82.4% year over year and 35.4% above the 2010 - 2019 average. U.S. total May 1 hay stocks

Table 2. Estimated 2020 Damages to the Beef Cattle Industry.

| Sector | \$ Per head | Oklahoma Total | U.S. Total |
|----------|-------------|------------------|----------------|
| Cow-Calf | \$111.91* | \$246.65 million | \$3.68 billion |
| Stocker | \$159.98 | \$261.89 million | \$2.48 billion |
| Feedlot | \$205.96 | \$65.91 million | \$3.01 billion |
| Total | | \$574.50 million | \$9.17 billion |

*Value per mature beef breeding animal

were up 37% above the previous year. All hay production in 2019 for Oklahoma was 5.94 million tons and consisted of 10.4% alfalfa hay and 89.6% other (non-alfalfa) hay. The season average price of other hay for the current (2019-2020) and coming (2020-2021) hay marketing years are projected to decrease from previous year levels. Record corn production is projected for 2020 and is expected to keep ration and supplemental feed costs low this year.

Drought conditions are growing in the western U.S., including the northwest and panhandle regions of Oklahoma. Emerging drought is a threat at this critical point in the pasture and hay growing season. In Oklahoma, drought is most severe in the northwest and panhandle regions, with the remainder of the state maintaining good moisture conditions.

SWINE INDUSTRY

The swine industry has been heavily affected by COVID-19. The National Pork Producers Council (NPPC) released a study in mid-April with loss estimates of nearly \$37 per head for hogs marketed in the remainder of the year (NPPC, 2019). The total estimated impact was roughly \$5 billion across the industry. These loss estimates would suggest a total impact of roughly \$240 million to the Oklahoma swine industry.

The Seaboard pork processing plant in Guymon is the only major meat packing facility in the state. Like most other meat packing facilities, COVID-19 caused significant disruption to operations.

BROILER INDUSTRY

The broiler industry experienced limited processing disruptions, which resulted in some birds euthanized. However, it does not appear major disruptions affected the Oklahoma broiler industry. Broiler production can adjust more quickly than pork and beef. The broiler industry sharply reduced chick placements in April, which will reduce broiler production in the coming weeks. Broiler product values dropped in March and April with the loss of food service demand with values for breast meat, legs and wings all lower. Some broiler product prices have recovered significantly very recently. Although no formal analysis has been completed, the observed impacts on broiler product prices suggests that the impact of COVID-19 on the Oklahoma broiler industry is in the range of \$35 to \$50 million.

CORONAVIRUS FOOD ASSISTANCE PROGRAM (CFAP)

Livestock producers have limited access to federally subsidized safety net programs. The Coronavirus Food Assistance Program (CFAP) is anticipated to help offset some of the negative market impacts of COVID-19 in 2020. Across all crops and livestock, \$16 billion will be distributed in direct payments and \$3 billion in direct food purchases. A commodity's eligibility was based on observed losses due to COVID-19. Specifically, commodities eligible for CFAP must have had an observed loss in futures prices (or cash prices where futures are unavailable) when comparing the weekly average of January 13 to 17 to the weekly average of April 6 to 9. Eligible livestock producers could receive payments on sales from January 15 to April 15, and a lower-per-head payment is available for the highest inventory levels from April 16 to May 14, 2020. The inventory based payment will include

offspring born in the spring as well as the breeding herd. Eligible livestock includes cattle, hogs, and sheep (under 2 years of age). More information is available at <https://www.farmers.gov/cfap>.

SUMMARY

The tremendous impacts of COVID-19 have affected the major livestock industries in Oklahoma. Total 2020 impacts to the beef cattle, swine, and broiler industries is estimated at a minimum of \$850 to \$900 million dollars with ongoing impacts likely raising that total. Much uncertainty remains about the continuing public health impacts and the economic recovery yet to come.

References

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