

MARKET ADVISOR

by Tim Petry, North Dakota State University Extension Service

Record Meat Production Implications

The United States is a major meat producer in the world. We are the leading producer of beef and chicken, second only behind China in pork. So, since meat cannot be stored for an extended period of time, what is not exported needs to be sold to domestic consumers at a price that will clear the market.

Typically, and depending on current trade issues, the United States is the world's leading exporter of beef on a value basis and for high-quality beef. However, the United States is third in exports of all beef, since usually Australia and Brazil export larger quantities of low-quality beef. The United States is also the leading exporter of pork and second behind Brazil in chicken exports. So, the United States is a major player in world meat production, exports, and prices.

A good way to monitor changing levels of meat production, exports and corresponding livestock prices is the USDA World Agricultural Supply and Demand Estimates (WASDE) report. Updated WASDE reports are released monthly around the 9th to the 12th and are available at www.usda.gov/oce/commodity/wasde. The February 2020 release date is Feb. 11.

The United States has produced record amounts of total meat, including record pork and chicken,

every year from 2015 through 2019. The cyclical build-up in beef cow numbers, that has been discussed in previous columns, since the previous low in 2014 led to record beef

production in 2019. The previous record high was in 2002.

United States beef, pork, chicken and total meat production are all forecast to be record high again in 2020. Total meat production is

expected to increase 2.7%, with beef production up 1%, pork production surging 3.5%, and chicken production

ratcheting 3% higher. Increasing supplies of meat are a headwind for prices, unless demand increases.

USDA is predicting fed cattle prices to average about \$117 per hundredweight (cwt.) in 2020, which is about the same average annual price that occurred in 2019 and 2018. But keep in mind that fed cattle prices exhibit a definite seasonal pattern. In 2019, the seasonal high of \$129 in late March was very close to prices the previous two years, but the seasonal low at \$100 in September was lower than the previous two years due to lingering impacts of the Tyson packing plant fire.

Similar annual fed cattle prices with increasing and record beef

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production resulted from strong beef demand. Domestic beef and total meat demand were bolstered by a strong economy with low unemployment levels and a record-high stock market.

On the beef export side, record U.S. beef exports occurred in 2017 and 2018. In 2019, exports were originally expected to continue at record levels, but faltered particularly in the second half of the year. The United States started 2019 in trade agreement negotiations with the top four importers: Japan, South Korea, Mexico and Canada. It took the entire year to resolve those trade agreements. USDA is projecting record exports again for 2020.

U.S. pork exports were record high in 2017 through 2019 and are expected to set another record in 2020. African Swine Fever (ASF) that is spreading not only in China but other parts of Asia, Africa and Eastern Europe may decrease world pork production up to 25%. Record-high U.S. pork production along with new trade agreements will enhance pork exports and price potential. USDA is projecting hog prices to increase 15% in 2020.

U.S. chicken exports have struggled below record levels set prior to 2015 when high-pathogenic avian influenza (HPAI) surfaced in the U.S. China had been a major U.S. customer, but banned U.S. poultry

products until very late in 2019. Exports in 2020 are expected to increase, especially to China, but not likely to reach record levels. Chicken prices are projected to increase slightly in 2020.

Of course, projections change as actual supply and demand fundamentals change. Sometimes changes occur rather rapidly due to unexpected factors like the Tyson beef packing plant fire last year. **AJ**

Editor's note: Tim Petry is a livestock marketing economist with the North Dakota State University Extension Service.

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