



## Impact of processing plant closures

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### What we know as of 3/30/2020.

JBS in Souderton, PA closed due to confirmation of two COVID-19 cases. About 75% of their daily harvest was devoted to finished cattle and 25% to cull cows and bulls. Recently Cargill in Wyalusing, PA made the decision to only process cull cows and bulls. As of the date of this writing they are still in operation. Therefore the only significant buyer of finished cattle is not operating. They hope is to reassess in two weeks, but the decision to re-open depends on having an adequate workforce. Cargill is the major buyer of cull cows and bulls. Nicholas Meats in Loganton, PA is a mid-size plant and predominantly processes cull cows and bulls. The ramifications to producers is that prices will decline. Dr. Derell Peel, Oklahoma State Marketing Specials wrote in the recent article *Cow-Calf Corner*, "Economists often say that market prices are determined by supply and demand. What they really mean is more correctly stated as "market prices are determined by expectations of demand and supply". We are currently in a position where supply cannot be confidently characterized. For now demand for beef can be more confidently measured, and consumer demand is good, though reduced as restaurants are open for carry out only.

There are some larger processing plants in Michigan, Wisconsin and Georgia. Whether these plants will send buyers to purchase cattle is unknown at this time. If they do, the cost of freight and predicted shrink will increase. Also cows that might have made the ride to PA will either may not receive a bid or be greatly reduced due to risk of becoming non-ambulatory on the truck.

### What does this mean for you as a farmer?

In New York Boner/Lean cows brought \$51-\$60/cwt the week of March 20-26, 2020. Prices this week are expected to be \$5-\$10 lower, and potentially going lower moving forward. Last week Choice and Prime 3-4 steers brought \$112-\$116/cwt. With a major buyer out of the picture, there is essentially no market for finished beef. (You can track NYS prices at <https://www.ams.usda.gov/market-news/feeder-and-replacement-cattle-auctions#NewYork>.)

It is important to understand that this is due to labor constraints. Employees with young children that must be schooled at home, are now having to provide childcare and therefore may not be able to come to work.

The best advice I have based on talking with buyers and livestock auction market managers is that unless you have cull cows or bulls that must be marketed, leave them on the farm. A

Cornell study showed that if space is available on the dairy, dry cows can maintain and in some cases increase weight economically on weigh backs and supplemental energy <http://blogs.cornell.edu/beefcattle/covid-19/>. Depending on how long this situation lasts, these cows can bring more money because they will be heavier and of higher quality. Also, remember that weak cows which may have made the ride to Wyalusing Pa, may not make the ride to plants further west. A discussion with your veterinarian about euthanasia will assist in making the right decision. For additional information go to <http://blogs.cornell.edu/beefcattle/covid-19/>.

Market ready finished cattle should remain of feed, though I do grant this will cost more feed, and increase the risk of Yield Grade 4's, which brings a significant discount. One can hope that these discounts may be relaxed once the plants start buying finished again. Though this is purely conjecture, because processing YG 4 cattle increases the cost to the plant. I wish I had better advice. This is a rapidly moving and ever changing environment, nothing like we have ever experienced before. Stay away from as many people as you can, and when you can't, practice social distancing.

Other resources can be found at <http://blogs.cornell.edu/beefcattle/>.

Stay well.