

Federal Reserve: Long-Term Pressures and Prospects for the U.S. Cattle Industry

Cattle prices in 2021 have been recovering slowly from several disruptions—including a pandemic, two ice storms, and a cybersecurity attack—which have already had significant effects on profit margins for cattle producers. Although prices for all major agricultural commodities fell dramatically in the first half of 2020 due to COVID-19-related disruptions, most commodities rebounded sharply in the fourth quarter of 2020 and remained strong through most of 2021.

However, despite a similarly sized fall, prices producers receive for cattle have only recently surpassed pre-pandemic levels. The sluggish recovery in cattle prices was reinforced by major winter storms in early 2021, which resulted in significant losses to affected producers, and a May 2021 cyberattack on meatpacker JBS S.A., which caused significant production delays.

Together, these disruptions have limited the industry's ability to recover from the pandemic and, alongside changing weather and consumer preferences, could have longer-term effects on the economic outlook for cattle producers moving forward.

In this article, I examine long-term pressures and prospects for the U.S. cattle sector. Going forward, U.S. cattle production faces three key pressures that may affect profitability: vulnerabilities along the supply chain; extreme weather conditions, particularly drought; and shifting demand from U.S. consumers.

*Cortney Cowley is a senior economist
at the Federal Reserve Bank of Kansas City.*

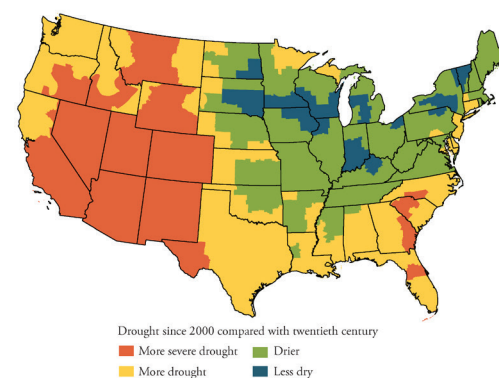
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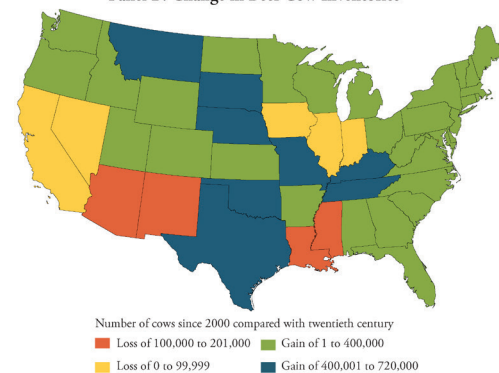


Drought Intensity and Herd Migration in the United States

Panel A: Drought Intensity



Panel B: Change in Beef Cow Inventories



Sources: National Oceanic and Atmospheric Administration, USDA, and author's calculations.