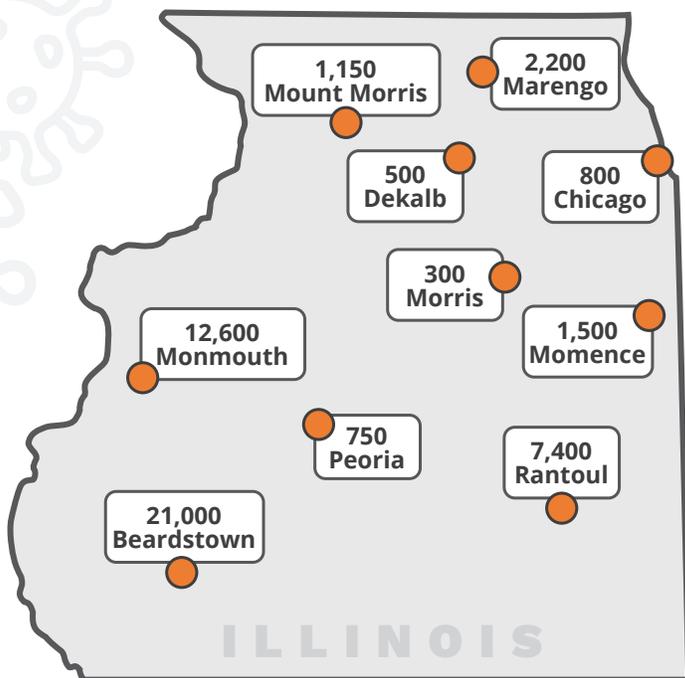


COVID-19 IMPACTS

ON ILLINOIS HOG PRODUCERS AND PORK PROCESSING INDUSTRY

ILLINOIS IS THE HOME OF 2,153 HOG FARMS, 3 LARGE PORK PACKERS, 7 SMALLER PACKERS, AND A NUMBER OF PORK PROCESSORS. Based on the December 2019 Hogs & Pigs Report, there were approximately 5.45 million hogs on Illinois farms at the beginning of 2020. This report uses as its foundation the 2019 Illinois Agricultural Economic Contribution Study prepared, in part, for the Illinois Pork Producers Association by Decision Innovation Solutions. The 2019 report was adjusted for changes in production as reported in the December 2019 and March 2020 Hogs & Pigs Report, which established the baseline for estimation of the impacts of COVID-19 on the Illinois hog production and pork processing industry.

COVID-19 impacts began affecting the Illinois hog industry in early January 2020 with the first impacts being purely a price impact on live hogs and wholesale pork prices as COVID-19 affected exports of U.S. pork products into several Asian markets including China and South Korea. Compared to expected prices on Jan 2, 2020, live hog prices in Illinois averaged 15.6% lower in the first quarter of 2020. Although pork cutout values declined modestly in the first quarter of 2020, U.S. retail pork prices rose during the first quarter of 2020 reflecting an overall expansion of the farm-retail marketing margins.



ILLINOIS PORK PACKERS		
COMPANY	CITY	DAILY PLANT CAPACITY
JBS	Beardstown	21,000
Smithfield	Monmouth	12,600
Rantoul Foods	Rantoul	7,400
Pork King Packing	Marenco	2,200
Johnsonville Sausage	Mornence	1,500
Spectrum Meats	Mount Morris	1,150
Peoria Packing	Chicago	800
Calihan Packing Company	Peoria	750
Dekalb County Packing Co	Dekalb	500
Morris Meat Packing	Morris	300

IN THE SECOND QUARTER OF 2020, COVID-19 impacts began being felt at slaughter facilities in Illinois and other states that process hogs raised in Illinois. While the JBS plant at Beardstown did not experience a shutdown, activities at the plant were significantly curtailed in late April and are still running about 80% of normal daily capacity as of late May. Smithfield at Monmouth experienced a temporary plant shutdown on April 24th with operations restarted over May 2-4, 2020. Rantoul Foods experienced a temporary plant shutdown on April 28 with operations restarted over the April 29-May 1, 2020 period. Both the Smithfield plant and the Rantoul Foods plants are still operating at roughly 80% of normal daily capacity. It is expected that the three big pork slaughter plants in Illinois will continue to operate at reduced capacity for the balance of 2020 as measures were taken to add more physical separation on the processing lines which reduce daily capacity. In addition to the pork processing plant closures in Illinois, plants in Iowa, South Dakota, Indiana and other states experienced shutdowns lasting as long as 2 weeks and now are operating at reduced capacity.

THE CLOSURE OF PORK HARVESTING FACILITIES has resulted in a growing backlog of hogs that, while they have reached slaughter-ready weight, are being held on farms awaiting openings in slaughter processing. As of May 24, 2020, it is estimated that approximately 310,000 hogs are backlogged on Illinois farms and that nationally there are 2,833,000 hogs backlogged awaiting slaughter.

IMPACTS OF COVID-19 ON ILLINOIS HOGS & PORK PROCESSING INDUSTRY							
	Pre-COVID 2020 Annual Baseline Estimate	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Full Year 2020	Post-COVID Annual Estimate
Hog Production Output (million)	\$1,307.5	(\$39.4)	(\$139.2)	(\$132.0)	(\$119.3)	(\$429.8)	\$877.8
Hog Production Value-Added (million)	\$793.3	(\$23.9)	(\$84.4)	(\$80.1)	(\$72.4)	(\$260.8)	\$532.6

Notes: 1) No estimates were made of changes in jobs as farms are still taking care of hogs (10,631) and most pork processing jobs (47,705) have remained intact or were covered by the federal Paycheck Protection Program

2) Totals in "Full Year 2020" and "Post-COVID Annual Estimate" may differ from quarterly totals due to rounding.

ILLINOIS PORK SLAUGHTER PROCESSING & RENDERING JOBS	
Slaughter	15,075
Processing	32,105
Rendering	572
Total	47,705

Using the same underlying data as the above table, the jobs in the slaughter, processing and rendering sectors are shown in this table.

TWO MEASURES OF ECONOMIC ACTIVITY IN THE ABOVE TABLE (Output (sales) and Value-Added) have been used to show the impact of COVID-19 on the Illinois pork industry. Output, the broadest measure of economic activity, shows the impact at the "sales" level. Value-added, on the other hand, shows the impact at the "pocketbook" level. Value-added is a measure of the difference between what it costs to produce a product and its sales value. This value is attributed to wage earners, proprietors, investment and royalty income, among others. In the case of hog production, the vast majority of impact is likely felt by individual farmers (contract growers or otherwise); in the case of slaughter, processing and rendering, the value-added impact is more disbursed amongst wage earners, proprietors and investors. It is estimated that COVID-19 will reduce output on Illinois hog farms by \$429.8 million in 2020. Value-added for Illinois hog farms is expected to be reduced from the baseline by \$260.8 million. Additionally, we found that output of hog slaughter, processing and rendering is expected to be reduced by \$310.2 million in the second quarter of 2020. Value-added of the pork slaughter, processing and rendering industry is expected to decline by \$100.3 million in the second quarter of 2020.

Abbreviated Methodology and Impact Notes:

- Hog jobs adjusted by percent change in IL hog inventory from 2017 to 2020.
- Slaughter, Processing and rendering jobs adjusted by percent change in IL Packing Capacity from 2017 to 2020.
- Hog output and value-added baseline adjusted by percent change in quantity processed between 2017 and 2020 of market hog inventory and the percent change in season average price as contained in the USDA Long-term Baseline.
- Slaughter, processing and rendering output and value-added adjusted by percent change in IL slaughter capacity and percent change in total farm-retail pork marketing spread 2017 to 2019.
- COVID-19 impacts calculated on actual change in percent change in price and quantity of hog slaughter and total pork farm-retail marketing spread in Quarter 1 2020 and actual and projected changes in quarters 2, 3 and 4 of 2020. Total pork marketing margin for quarters 3 and 4 is projected to be the same as in quarter 2.