



American Lamb Council



American Sheep Industry Association, Inc.
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Statement of

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Before the

**Subcommittee on Livestock, Rural Development and Credit
Committee on Agriculture**

U.S. House of Representatives

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State of the Livestock Industry

On behalf of the 80,000 family farms and ranches that produce American lamb and wool, I greatly appreciate this opportunity to discuss the sheep industry with the agricultural leadership of the U.S. House of Representatives.

I am Clint Krebs, a 4th generation sheep rancher from Ione, Oregon and I currently serve as president of the American Sheep Industry Association (ASI), the national trade organization of the nation's sheep industry. Mr. Chairman and members, I also relay that our association celebrates its 150th anniversary during our national convention in January of 2015. ASI and our predecessor, the National Wool Growers Association, have continuously advocated for sheep ranchers since 1865, meaning we are among the oldest national livestock and agriculture organizations in the United States.

The sheep industry of the United States produces lamb and wool in every part of the country. The industry provides nearly a billion dollars in farm and ranch gate sales to the American economy, and is a mainstay of the many rural communities in which sheep ranchers and farmers are foundational members.

We provide snapshots of our lamb and wool markets over the past five to ten years showing revenue to sheep farms and ranches. Over the five years to 2013, U.S. lamb market experienced significant volatility, gaining 80 percent to record-highs in 2011, only to slump by 35 percent the following two years. By mid-2013, lamb prices began a rebound and gained through the first quarter of 2014, back to 70 to 80 percent of their 2011 highs.

The lamb industry has hopefully entered a lasting higher-demand era, largely supported by continued tight supplies and steady lamb prices. In early 2014 it is evident that the slow recovery in U.S. incomes, high-priced protein substitutes, and recovering lamb demand are supporting current slaughter rates and excellent quality.

The Livestock Market Information Center sees “cautious optimism” for sheep producers in 2014. While we can obviously do better, we are headed in the right direction.

U.S. wool market prices saw a trend similar to the lamb market. Prices hit record-highs in 2011 only to decline steadily through the following 18 months. In the three years prior to 2011, average U.S. clean wool prices gained over 200 percent from \$1.50 per lb. to \$4.50 per lb. In 2011, wool prices began a steady downturn with prices falling 22 percent by the end of 2013.

Volatility of prices has been the key issue for sheep producers, lamb feeders and meat companies. I would add that the dramatic run up in feed and input costs, particularly in 2012, has led to an intense struggle for producers to cover expenses.

This hearing provides a key opportunity to relay what our industry is doing to strengthen production and steady markets, as well as several topics in which congressional support is critical.

Our association petitioned the U.S. Department of Agriculture with a proposed checkoff order which was successfully implemented in 2002 as the American Lamb Board (ALB), a lamb industry-wide research, information and promotion program. In 2013, the department fulfilled our industry’s request for an increase in the assessment rate of 40 percent! We believe this critical funding, provided by lamb producers, feeders, processors, and export companies, will lead to improvements in the lamb business.

The immediate use of the additional funds is centered on a Lamb Industry Roadmap plan as announced by the Lamb Board this January in coordination with sheep industry associations and lamb feeding and processing sectors. This three-year initiative is focused on improving lamb quality and demand, sheep production and efficiency, and industry communication.

We wish to recognize USDA’s Agricultural Marketing Service (AMS) for several areas of cooperation focused on addressing lamb market volatility and production. In addition to oversight of the lamb checkoff, AMS also oversees the National Sheep Industry Improvement Center. Amongst other collaborative initiatives, the Center provided grant funds matched by industry contributions for development of the Lamb Industry Roadmap. AMS is also in the process of addressing a requested update to the Mandatory Price Reporting system for lamb, which includes consideration of reporting requirements and thresholds for domestic lamb companies and lamb importers.

ASI supports several changes that have been incorporated in the past year and regulatory changes yet to be published in 2014. AMS will be able to finalize a standard for instrument grading of lamb carcasses and we anticipate a tenderness standard in the near future.

We were concerned with the lack of AMS market reports for live animal and meat during the shutdown last October, it served as a reminder of how much our industry relies on AMS market news. AMS market reports should be classified as an essential service in case of a repeat of last October, and we fully encourage funding the voluntary and mandatory reports that our industry depends on. Finally, we offer our full support for reauthorization of the Mandatory Reporting for Livestock due in the fall of 2015.

Mr. Chairman and members, the following market access issues would be critical to accomplish for the future viability of sheep farmers and ranchers:

Access to foreign markets for American lamb. Japan was a significant export market for American lamb until the BSE issue closed that market for our lamb at the same time it was closed for American beef. Unfortunately, we are still locked out of the Japanese market. In fact, access to Japan for American lamb is the lone benefit of the entire proposed Trans Pacific Partnership (TPP). Mexico and Canada are already our largest lamb export destinations and we have no intentions of trying to sell lamb into Australia and New Zealand.

We point out that the United States is one of the most open and highly sought after lamb markets in the world. There are no economically important barriers to these four proposed TPP countries trading their lamb in America. In fact, half of our lamb consumption is now imported compared to just 11% in 1991.

Unlike the European market, which is highly restricted with tariff rate quotas up to 100% advalorem, the American market is essentially wide open for lamb. Additionally, this winter Uruguay was approved for export of lamb to our market. We have asked for lamb market access to Taiwan, Korea, China, the European Union, and Japan. As an American sheep producer facing unrestricted global competition in my home market, I would ask that every effort be made by the United States government to fight for American lamb access to the markets of our trading “partners”, and I encourage Congress to support that request. To borrow a phrase from my “fowl” friends, what is good for the goose is good for the gander.

ASI works with the wool industry to export 50 percent or more of our wool clip every year to China, India and the European Union, further proof that we can compete if given a chance. However, one wool trade issue of concern is the position of the Vietnamese and Australian governments in the Trans Pacific Partnership regarding a single transformation rule on wool textiles. The bottom line for sheep producers and our American wool mills is that allowing such a position would essentially allow Chinese wool yarns and fabrics to flow into Vietnam for assembly and receive TPP trade benefits as if of Vietnamese origin. We sell half of the American wool clip to domestic mills, including the companies that produce the uniforms and socks for all American service men and women, therefore the textile trade is important to our industry and to America.

We commend the Agriculture Committee for the leadership and commitment to secure the farm bill this year. We welcome the authorization of the Livestock Indemnity and Livestock Forage programs. California drought and the killer blizzard in South Dakota last fall has sheep producers in those two states, and others, already meeting with county Farm Service Agency officials. Our organization has met with the Department staff sharing our commitment to the proper implementation of new provisions, particularly

livestock indemnity including federal reintroduced or regulated predators, including avian predators. A sheep producer in Idaho last year had over 150 animals killed in one night by wolves despite two herders and several livestock protection dogs present. This is just one example of why we supported the new provision in the indemnity program. I can also relay that producers have no resource whatsoever when eagles, vultures and ravens start killing young lambs. All too often federally protected birds stalk the sheep when producers move the flock to avoid the kills.

The Livestock Risk Protection program for lamb (an industry owned product) is the sole price-risk management option for the nation's lamb producers and feeders. The pilot program was launched in 2007 to provide price-risk protection in the event of an unexpected price decline in the lamb market. Hundreds of thousands of lambs were insured during the pilot period. The Federal Crop Insurance Corporation (FCIC) board plans to receive a presentation from the sheep industry next week on a recommended revision of the product, we hope the board will be able to approve the recommendations and that sales can begin again soon.

Sheep and lamb losses to predators and predator management costs are the second largest expense to sheep operations; second only to cost of feed. We thank the committee for its longstanding support of USDA Wildlife Services. Wildlife Services provides an invaluable tool to livestock producers attempting to deal with wildlife damage. Our industries provide many millions of privately owned acres of habitat for public wildlife, and a professional resource to assist or advise farmers and ranchers is absolutely critical. I am pleased to share that national livestock organizations are once again united in defending Wildlife Services from misguided attacks and are joined by a coalition of pilots, county and state governments, agriculture organizations, and sportsmen, just to name a few. A joint letter signed by 169 organizations was delivered to Congress this March representing perhaps the broadest coalition of support for any USDA program.

Another challenge in the wildlife arena poses perhaps the largest threat to American sheep production, and that is the U.S. Forest Service and Bureau of Land Management's consideration of further constraints on federal grazing allotments for sheep.

In 2010, the U.S. Forest Service prohibited 13,000 sheep from grazing on their historic grazing allotments within the Payette National Forest in Idaho. This action drove one ranch out of business entirely and drastically reduced the operations of three others. The reason for this reduction was an obscure regulation of the National Forest Management Act requiring each national forest to maintain "minimum viable" populations of all vertebrate species found there. Environmental activists argued that by allowing domestic grazing to continue, the Forest Service violated this regulation and bighorn sheep might contract a pneumonia-like disease from domestic sheep, threatening their "viability".

Region 4 of the US Forest Service announced this month that by February 2015, analysis and management decisions regarding sheep grazing allotments would be made in the states of Utah, Wyoming, Nevada, and Idaho. Over forty percent of the sheep industry is reliant on federal grazing for a portion of the grazing season, meaning the impact of west wide decisions to eliminate grazing would be catastrophic to ranches, not to mention the loss of lamb and wool handling operations. USDA's Agriculture Research Service is

heavily involved in research to identify the causes of bighorn diseases and their transmission factors. Sheep producers strongly support this research and have provided additional funding of nearly \$100,000 over the past 18 months.

This wildlife issue joins the concerning trend of managing federal lands by single species rather than multiple use (Sage Grouse, wild horses and bighorns as examples). Much like the Wildlife Services funding debate in the U.S. House of Representatives, we share this grazing and habitat controversy in anticipation of seeking the support of agriculture leaders in Congress on behalf of American ranch families.

I would be remiss not to mention that fully one-third of our animals are shepherded by immigrant sheep herders. Our industry has benefited from the H2a guest-worker program since the 1950's and utilized several procedures to make the program work. The sheep industry likely has the most documented and truly legal workforce of any in agriculture, achieved annually at great expense and with much paperwork. We ask that any legislation on immigration reform codify the procedures we have long used.

Again, thank you for securing approval of a farm bill containing key provisions for America's sheep ranchers and farmers, disaster assistance, the sheep production and marketing grant program, and country of origin labeling for lamb.

We appreciate the opportunity to share the current status of the nation's sheep producers, the market outlook, and the numerous challenges these families face in providing food and fiber to the world.