



May 16, 2019

The Honorable Robert E. Lighthizer
United State Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Dear Ambassador Lighthizer,

As a proud representative of the 100,000 farm and ranch families that produce lamb and wool, the American Sheep Industry Association (ASI) would like to bring the administration’s attention to the collapse of American wool and sheepskin exports to China.

Wool Exports to China

In September of 2018, China imposed a 10 percent retaliatory duty on exports of American wool and sheepskin pelts. China is a significant market for both U.S. raw wool and sheepskins exports. Over the past 15 years, China has also become the number one destination for U.S. grease wool 87% of the time. A similar case can be seen in sheepskins as well.

Over the past two years, 72 percent of U.S. raw wool exports were shipped to China and 80 percent of U.S. sheepskins.

OR...

In the 2017 marketing year, raw wool exports to China were 66 percent of total exports, and 78 percent in the 2018 marketing year. In 2017, 85 percent of sheepskins were exported to China and 74 percent in 2018.

To demonstrate the direct impact of these duties, we have compared exports from October 2017 to March 2018 to October 2018 to March 2019. Below is a look at what has happened since the duty was applied:

- Total pounds U.S. wool exported from Oct. 2017 to Mar. 2018 was 2,206,827 pounds.
- Total pounds U.S. wool exported from Oct. 2018 to Mar. 2019 was 357,149 pounds.
 - Exports decrease 84 percent over the same 6-month period from 2017 - 2018 to 2018 - 2019, after 10 percent duty on U.S. wool is imposed.
- The total value of raw wool exports to China fell 85 percent to U.S. \$877,000 in 2017 - 2018 to 2018 – 2019.

U.S. Raw Wool Exports to China

	US\$ 1,000	% Change	Lbs.	% Change
Oct 2017 - Mar 2018	5,711		2,206,827	
Oct 2018 - Mar 2019	877	-85%	357,149	-84%

Clean equivalent lbs., 50% Commerce value.

Source: USDA/FAS, GATS, ASI

- Total pieces of U.S. pelts exported from Oct. 2017 to Mar. 2018 was 472,080 pieces.
- Total pieces of U.S. pelts exported from Oct.2018 to Mar. 2019 was 281,421 pieces.
 - Exports decreased 40 percent over the same 6-month period from 2017 - 2018 to 2018 - 2019, after 10 percent duty on U.S. pelts is imposed.
- The total value of U.S. sheepskin exports to China fell 67 percent year-to-year in 2018-19 to \$2.4 million.

U.S. Pelt Exports to China

	US\$ 1,000	% Change	Pieces	% Change
Oct 2017 - Mar 2018	7,259		472,080	
Oct 2018 - Mar 2019	2,425	-67%	281,421	-40%

Source: USDA/FAS, GATS, ASI

The simple average price across four grades of sheepskins in the critical nine months from August of 2018 to May of 2019 show a decrease in the price as follows:

- Supreme quality grade decreased from \$2.95 to \$2.08 per piece (-29%).
- Premium grade has dropped from \$0.68 to negative \$0.08 per piece (-112%),
- Standard grade fell from an \$0.25 average to a negative \$1.00 per piece (-500%).
- Fair grade average of \$0.05 is now a negative \$0.75 per piece (-1600%).

The bottom line is sheepskins have largely become an expense rather than a value to producers. The negative value reflects disposal costs incurred by the lamb processor.

With the imposed tariffs, the U.S. has lost key export markets in China. American producers have experienced a dramatic decrease in the income directly associated with sheepskin exports.

We ask for your consideration of sheep producers when developing a trade assistance package following the latest round of trade retaliation. American wool and sheepskin producers have experienced significant losses as a result of the ongoing trade war with China. Without additional support, increasing the tariff from 10 percent to 25 percent will likely lead to the elimination of key export markets entirely and further losses in the wool and sheepskin markets.

Sincerely,



Benny Cox
American Sheep Industry Association President