March 27th, 2020

The Honorable Sonny Perdue  
Secretary of Agriculture  
U.S. Department of Agriculture  
1400 Independence Avenue, SW  
Washington, D.C. 20250

Dear Secretary Perdue,

On behalf of the American Sheep Industry Association (ASI) we write to request that the USDA consider damages to our industry as a result of the current COVID-19 pandemic and the ongoing market collapse due to trade disruptions with China in any future relief effort. ASI represents the nation’s 100,000 sheep producers in all fifty states, and an industry that has an annual economic impact of over $5.8 billion to the U.S. economy. Unfortunately, our economic impact has been severely blunted due to unforeseen circumstances beyond our ability to prepare.

- Current estimates show a projected direct farm level loss of $125 million in consumer demand and decline in slaughter lamb prices.
- Total economic impact to the American lamb industry may be in excess of $300 million.
- U.S. wool exports to China (our number one export market for wool and sheepskins) are down 88% in value and 89% in volume between October to January 2017/18 and 2019/20.
  - U.S. sheepskins exports to China are down 76% in value and 50% in volume during the same period.
- Globally the wool price is 26% lower than it was a year ago.
- The lamb market is in a perilous situation with the loss of half of the entire market for American lamb due to closure of foodservice.
- Last week’s bankruptcy of the second largest lamb company further risks market impacts, price discovery and market transparency.

These facts only tell part of the story unfortunately. U.S. wool sales have ground to a halt leaving market reporters with limited information to work with. U.S. wool handling facilities are storing millions of pounds of last year’s wool clip and rapidly adding this year’s wool harvest. U.S. sheep producers are going into a second year of receiving a deduction of $2 to $5 per sheepskin for the cost of rendering this once valuable commodity. U.S. food service, which makes up 50% of American Lamb sales, is crippled and it is unknown when this segment will return to business as usual. Lambs not timely processed will create further backups in supply, which will damage quality and in turn value to the producer and feeder.

As a net importer, with many markets still closed following the BSE concerns of the early 2000’s, the sheep industry cannot rely on export markets to absorb future production. This uncertainty hits at a time when there would otherwise be tremendous optimism in the lamb industry. Traditionally, the Easter/Passover season is the single largest sales period of the entire year for American lamb.

Additionally, the loss of the aforementioned food service markets due to COVID-19 forced our industry’s second largest lamb processing company into Chapter 11 bankruptcy on March 19. This bankruptcy jeopardizes the ability of Mountain States Rosen to report market price data under Livestock Mandatory
Price Reporting; shutting down price reports and foreclosing the only meaningful price protection sheep producers have available under the USDA Livestock Risk Protection Insurance Plan for lambs.

Our current estimate is that this crisis will have a direct loss at the farm level of $125 million due to the projected loss in consumer demand and decline in slaughter lamb prices, with many more losses expected. It is estimated the total economic impact to the American lamb industry may be in excess of $300 million. We also realize many segments of our industry will suffer unique losses and we share many of the same concerns of others in the livestock sector as we continue to provide food and fiber.

Again, we are asking that the Department work with the industry to develop a mechanism that would help offset actual and demonstrated losses realized by America’s sheep producers to help us bridge this gap.

America’s sheep producers work every day to embody your USDA motto to “do right, and feed everybody.” We thank you for the continued opportunity to communicate on these issues and your most recent correspondence. We also appreciate the added flexibility USDA Forest Service has given on grazing permits, and your sister agencies have provided on transportation, H-2A herders, and many other issues ensuring continuity of operation. We look forward to working with you through these challenging times in our economy to provide relief to sheep producers for the losses they have incurred.

Sincerely,

Benny Cox, President
American Sheep Industry Association