Competition Workshop
U.S. Department of Agriculture and U.S. Department of Justice

Ft. Collins, Colorado
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The Honorable Tom Vilsack – Secretary of Agriculture and
The Honorable Eric Holder, Attorney General of the United States

Statement of Mike Harper of Harper Feedlot – Eaton, Colorado

The lamb industry in the United States comprises 82,000 farms and ranches in all 50 states with an inventory of 5.7 million sheep and lambs as reported in the USDA NASS Sheep Inventory Report of January 2010. The sheep industry contributes $1.4 billion annually to the U.S. economy with $768 million of this contributed to the sale of lambs and lamb products. Our industry provides 18 jobs in America for every 1,000 sheep.

Colorado is an appropriate setting for this hearing in terms of the sheep industry. We have two major lamb slaughter/processing plants within 70 miles and my state is home to the largest concentration of lamb feeding in the nation.

Our feedlot consists of confinement space for a one-time capacity of 65,000 lambs and 3,600 cattle. We purchase lambs from all around the western United States - Colorado, California, Montana, Nevada, Idaho, Wyoming and Texas. These are areas that we feel have the largest supply of quality range lambs. Colorado is a perfect fit for our operation because of the aforementioned proximity to packers but, also, the climate along the front range of Colorado allows for a plentiful supply of quality feedstuffs, with corn for grain or silage as well as distillers grain and hay for roughage. My father and I are lamb buyers and feeders and participate in the market every day, year round. We have supply agreements with two of the closest packers and market from seven to 15 loads of live lambs per week, depending on the time of year. This, we hope, allows those packers to supply stores and restaurants with a year round supply of quality product. In addition to supplying a quality product to consumers, we employ and help to provide a living for 16 employees and their families, as well as those people who indirectly benefit from our involvement in the day to day markets, such as feed suppliers, livestock haulers, fuel companies, mechanics, etc. I am currently serving as the president of the Colorado Wool Growers Assn. and I am a member of the American Sheep Industry Lamb Council. I am pleased to have their support in my participation here today.

I hope to convey the general condition of the U.S. sheep industry, the health of the lamb market, the status of sheep production and even offer suggestions of areas that can be addressed at the national level that would benefit our business.

Colorado is the only state to have two major processors. Since most producers are not located near one of the six major lamb-processing plants, they incur higher transportation costs to move their lambs to slaughter or they rely on the smaller federal and state processing facilities. Grain-fed lamb is popular in America and provides the rapid gain for large, young lambs that offer a mild-flavored meat. Typically lambs are 6 to 10 months old at slaughter with an average live-weight of 140 pounds. Much of the lamb consumed is primarily in the Northeast, Florida and on the West coast with retail making up most of the tonnage sold and foodservice accounting for most of the revenue.

Sheep are a grass based livestock system with the breeding herd on open pasture or rangeland year round or with supplemental feeding in pastures during the winter. Therefore, lamb production in America is seasonal, to a degree, as farmers and ranchers match their lambing season to the availability of green grass in the pastures and on the rangelands or to the grazing of available crop and alfalfa residue. The lamb-feeding industry mitigates seasonal grass-based production making quality, consistent slaughter lamb numbers available week to week throughout the year.

Seventy percent of lamb production is in the West where I buy lambs from producers. The ranches I am familiar with raise lambs with the ewes on grass until weaning, which is often an 80 pound to over 100 pound average at five months of age. The lambs are then moved to pasture for additional grazing to build up lamb muscling or into the feedlot, which typically means several weeks of grain and roughage to reach market weight. Nearly all lambs in this country are USDA graded. Over 90 percent are graded choice quality with a yield-grade average of 3 based on a scale of 1–5 that primarily takes into account fat cover.

In 2010, we are having the highest live-lamb and lamb-meat prices in history. Prices paid for slaughter this summer have reached $1.40 per pound. Feeder lamb sales have settled at $1.20 per pound live range for much of the summer. For comparison purposes, last year at this time slaughter lambs were running between $.98 to $1.05 and feeder lambs were bringing between $1.00 to $1.05. I mention the comparison to last year not only to show the strength in prices paid to sheep farmers and ranchers this year but also to add that the lamb market survived the wreck experienced in the American meat complex of late 2008 through 2009 better than any other sector of livestock or poultry. Sheep producers escaped much of the price decline that was seen in other areas last year. However, as a lamb feeder, I can attest to the fact that the record high grain and forage prices combined with the record high fuel costs along with the softening of lamb meat prices was very difficult for my operation.

Direct to the question of competition in the lamb business, I can relay that we have had higher prices since the Easter and Passover holidays than prior to. This is historically the single largest lamb consumption period of the year. The number one concern in the sheep business is the lack of supply. **We have to grow this industry or we risk losing at least one of the lamb processors in the near future. This would surely lessen competition**. Companies and buyers are fighting over every load of lambs in an attempt to meet their sales needs. Whether today's prices for live lamb are profitable for the meat processors is a question. However, if you fail to supply a lamb customer, we know it will mean a lost lamb customer.

The largest lamb processor in the United States has publicly stated that it distributes 65 percent of the American lamb. The company second in size is a division of the largest meat company in the world. The next three major lamb processors in size are based in the Midwest and the lamb is supplied locally or from the Western ranches. It should also be noted that one of the top lamb firms is a cooperative of approximately 150 sheep ranchers and lamb feeders who purchased a large lamb processor/distributor in Colorado and New York.

A key point and more recent factor for the sheep industry in America is that of lamb sales through non-traditional marketing channels. More than one of every four lambs marketed in America is done so outside of the major lamb processing firms. This non-traditional market has a huge and growing impact on overall lamb pricing and availability. Lambs moving through these non-traditional channels include direct from farm to consumer live sales and the sale of meat by producers through farmer's markets, specialty or niche meat shops and some retail and restaurants. This is primarily an ethnic or ethnic-influenced market. I encourage USDA to review the publication titled "Nontraditional Lamb Market in the United States," authored by Dr. Julie Shiflett and found on the ASI Website, which is at www.sheepusa.org.

Over a million lambs are now sold into the non-traditional market. Immigration into the United States is increasing from countries with a strong culture of lamb preferences so we expect this segment to continue growing. Frequently lambs in this market are of a lighter weight so our national lamb meat production totals show a larger decrease in recent years due to lighter slaughter weights not fewer lambs.

The lamb market has benefitted greatly from Mandatory Price Reporting, which has all but eliminated the severe price swings that our market experienced in the 1990's. Our industry has been a leader in working with the U.S. Congress and the Department of Agriculture to establish and reauthorize this important legislation. We strongly support reauthorization prior to the September 30, 2010, expiration date. Voluntary price reporting of the wholesale lamb meat market has proven not to work as the importers of Australian and New Zealand lamb products refuse to cooperate unless mandated. Since imported product accounts for approximately half of the lamb consumed in this country, this is a serious omission in the market picture. Due to the small number of processors reporting prices, we find weeks that if a domestic lamb processor does not have prices to report then certain categories are absent from reports or the entire report is not published due to the legal requirements.

I believe the Department of Agriculture will be particularly intrigued with the lamb market as it is a great fit for the "know your farmer" program as more than a million lambs from tens of thousands of our producers are already involved in small scale marketing. Lamb production lends itself to local food production more readily than any other meat product. Sheep production ought to be emphasized in the USDA initiative for sustainable food production.

Our industry has a committee at work this year to rebuild and strengthen sheep production. Committee membership includes lamb processors, wool processors and sheep producers. These industry leaders are constructing a plan to expand production for the traditional and non-traditional lamb markets. Processors and industry organizations are working together and jointly funding initiatives to encourage new production, whether it's the expansion of existing operations or of new producers adding a sheep enterprise to their farm or ranch. The Department of Agriculture can assist in this goal.

48 percent of all sheep in America involve federal land grazing for some period during the year.

This July, the Department of Agriculture's U.S. Forest Service ruled that nearly 12,000 ewes will not be permitted to graze on the Payette Forest in Idaho. Four sheep ranching families are now at risk of serious flock size reductions or forced out of the sheep business entirely since their private land grazing is integrated with surrounding federal lands. I mention this as my father and I have purchased lambs from those ranches for many years and the loss of these sheep impacts the whole industry from our feeding operation to the lamb processors. This situation involving domestic sheep and wild sheep on federal lands can be addressed, Secretary Vilsack, without sacrificing the sheep industry and I urge every consideration, including updating the 1982 Forest Planning rule.

The single largest cause of death of sheep and lambs is due to predation, primarily coyotes. Over a quarter of a million lambs are killed annually by predators. In the western United States, private, county and state funds provide two thirds of the funding for livestock protection with USDA APHIS Wildlife Service's supporting the balance. Mr. Secretary, our primary competition issue in the sheep industry may well be farmer versus coyote and unfortunately the coyote wins all too often. This represents hundreds of thousands of lambs that don't make it to market--that don't return revenue to the ranch family or the rural economy. We have identified $8.3 million that USDA should provide for livestock protection in the APHIS Wildlife Services annual budget that would allow sheep production to strengthen and expand.

The response from lamb companies to the proposed rules of USDA GIPSA regarding livestock market regulation has yielded no issues.

The lamb market since mid 2002 has been the longest period of stable and strong lamb market prices to producers in decades. The future holds great promise for the lamb industry, for research has shown that the ethnic population in this country eats far more lamb than the average American and these minority groups are only expected to grow.

In summary:

- Our industry is in a supply deficit and competition for lambs among processors is fierce.
- The non-traditional market, which is largely ethnic-based, has recently been measured at 25 percent of lambs consumed and growing.
- Accurate price reporting is critical to our industry and the Livestock Mandatory Price Reporting Act is key.
- The U.S. sheep industry is important to our agricultural economy plus the grazing/foraging behavior of sheep enhances pastures and rangelands. There are better and more science-based solutions to conflicts with wildlife on public lands than to simply restrict sheep grazing.
- Losses to predators in our industry are enormous and further assistance from the professionals at USDA-APHIS Wildlife Services to compliment the private and state efforts is badly needed.
- Finally, lamb supplies are our problem. If we as an industry can partner with USDA to provide a better business environment for sheep production in America, we will prevent the loss of infrastructure and the erosion of market competition.

Thank you for the opportunity to discuss the sheep industry at this hearing.