



The Honorable Sonny Perdue
Secretary of Agriculture
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

January 9th, 2020

Dear Secretary Perdue and Ambassador Lighthizer,

The American Sheep Industry Association advocates for the nation's 100,000 farmers and ranchers that produce America's lamb and wool. We share the Administration's sentiment that our producers would prefer to compete on an open and level playing field rather than seek direct payments. However, as this disruption continues into a second marketing year, our situation has become increasingly untenable. Therefore, we are writing to request consideration of direct payments to sheep producers as part of any future Market Facilitation Program (MFP) or any revision to that program.

Our producers overwhelmingly support efforts aimed at strengthening the United States' position on free and fair trade and are appreciative of the Administration's efforts to rectify long standing disparities in the trading actions of China. To that end, we are optimistic given the recent positive steps taken to sign the first phase of an agreement. Yet, our understanding is that through this process China will maintain retaliatory tariffs, specifically tariffs on raw wool and sheepskins (pelts). That means that we are preparing to head into a second shearing and marketing season with the effective loss of our largest export market.

In the first round of the MFP, the USDA identified \$17 million in American Lamb purchases. That option has not impacted markets or provided any revenue to sheep producers for sheepskins and certainly not for wool. We ask that the program specific to our industry be reconsidered to focus on wool and sheepskins as the primary targeted products.

For over a decade, China has been the number one destination for U.S. sheepskins and raw wool exports. Prior to the current trade disruptions, 72 percent of U.S. raw wool exports and 80 percent of U.S. sheepskins were sent to China. Since the implementation of Chinese tariffs, our market has seen an 85 percent drop in wool exports by value and an 84 percent drop in exports by volume. The numbers are similar for sheepskins, where this once valuable commodity is now a loss with producers being charged a disposal cost. Our most recent surveys indicated that wool warehouses are sitting on 4 to 5 million pounds of wool in carryover storage, with more expected to come in over the next months as we enter shearing season.

Our wool market is effectively closed, with producers not receiving checks for unsold wool and warehouses sitting on product that cannot be absorbed into the domestic market. Textile capacity in the United States, similar to hide tanning, is a shadow of its former self.

Initially, we had hoped that we could help bridge this gap through the use of the existing Wool Marketing Loan Program administered by USDA/FSA. While we have been successful in working with USDA on updated price reporting, unsold wools do not generate a price report and it seems we may be at a standstill to see the repayment rates reflect this wreck in the wool and unshorn sheepskin market.

We are hearing clearly from producers across the nation on the impact this is having to their bottom line and profitability. Without the ability to sell their wool, they are completely reliant on the slaughter market where the loss incurred to sheepskins alone is eliminating their profitability. As we come up on our annual convention at the end of this month, I fully expect this to be a major topic and already our state affiliates have circulated policy directives urging ASI to continue to pursue a pathway to diminish the effect of this trade disruption on our wool and sheepskin market.

We again ask for your consideration of sheep producers as you develop the next round of the MFP, or any changes to the existing MFP structure.

Sincerely,

A handwritten signature in cursive script that reads "Benny Cox". The signature is written in black ink and is positioned below the word "Sincerely,".

Benny Cox, President
American Sheep Industry Association