



June 15, 2021

Dr. Melissa R. Bailey
Agriculture Marketing Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

RE: Docket No. AMS-TM-21-0034, Supply Chains for the Production of Agricultural Commodities and Food Products

Dear Dr. Bailey:

The American Sheep Industry Association (ASI) appreciates the opportunity to comment on the above referenced report to the President on the supply chains for the production of agricultural commodities and food products. Since 1865, ASI has been the national trade organization representing the interests of more than 100,000 sheep producers located throughout the country who produce America's lamb and wool. ASI supports the President's efforts to secure and strengthen America's supply chains and respectfully submits the following comments on the elements outlined in the *Federal Register* notice:

(iii) the manufacturing or other capabilities necessary to produce the materials identified in subsections (i) and (ii) of this section, including emerging capabilities.

The American sheep and lamb market remains highly concentrated and unfortunately heavily influenced by imported product, which makes up over 50% of lamb sales in the United States, sold at prices lower than the domestic cost of production, hindering our ability for domestic growth. This concentration was highlighted during the outset of the COVID-19 pandemic, when the sudden loss of restaurant and food services sales forced the bankruptcy proceedings of our second largest lamb packing facility, Mountain States Rosen, owned by the Mountain States Lamb Cooperative. The loss of this lamb packer at the height of what is traditionally the lamb industry's busiest marketing season, the Easter/Passover holiday, exposed serious deficiencies in the industry's supply chain, namely the lack of adequate packing and fabrication capacity in the event of a market disruption. Fortunately, at the time of this loss, a new packing facility was close to completion and in response to this loss a second packing facility was re-opened. Yet it was several months before the new packing facility came on-line and even more to complete the reopening of the second. During that lag time, lamb producers and lamb feeders struggled to find packing capacity and were forced to choose between selling at any price taking a significant loss on their investment, delaying processing incurring additional production costs and negatively impacting consumer product quality, or shipping lambs long distance to multiple small state and regional facilities to piecemeal the needed capacity. Even a year later, these new small to mid-sized packers lack adequate fabrication facilities to fully participate in the food supply chain. These families that have chosen to invest in the domestic lamb supply chain, lack

the ability to fully realize the potential of their investment. Many local and regional processing facilities utilized by small to mid-size sheep and lamb producers lack the resources to invest in infrastructure to meet the growing demand for processing lamb at a local level. This was further evidence during the COVID-19 pandemic and the lack of processing capacity at the local level. Utilizing resources authorized under the Consolidated Appropriations Act, 2021 (CAA), and the American Rescue Plan Act of 2021 (ARPA); grants and guaranteed loans to these small and mid-sized facilities to invest in fabrication facilities and encourage the entry of additional packing entities would be tremendously helpful in enhancing the geographic distribution of the industry's infrastructure.

(v)(A) The manufacturing or other needed capacities of the United States, including the ability to modernize to meet future needs, including food processing (such as meat, poultry, and seafood processing) and distribution;

As mentioned above, with two new lamb packing facilities opened or re-opened, and the growing demand for locally processed lamb, access to capital to make structural improvements and add new facilities like fabrication capacity remains tight. USDA grants and guaranteed loans as offered through USDA Rural Development could address those deficiencies and provide economic drivers for the sheep and lamb industry as well as the rural communities where these facilities are located.

(B) gaps in domestic manufacturing capabilities, including nonexistent, extinct, threatened, or single-point-of-failure capabilities;

Lamb fabrication and further processing capacity in the United States remains extremely tight and tenuous.

(C) supply chains with a single point of failure, single or dual suppliers, or limited resilience, especially for subcontractors, as defined by section 44.101 of title 48, Code of Federal Regulations (Federal Acquisition Regulation). USDA is particularly interested in comments related to the role of market concentration and consolidation in agricultural sectors and how it affects food system resilience, including potential system failures in the face of supply chain disruptions;

As previously stated, the domestic sheep and lamb market is highly concentrated and as such suffers from a lack of adequate price and market data reporting needed for producers to make informed marketing decisions. Mandatory price reports are frequently unavailable and limited due to current confidentiality rules, with reporting of imported lamb in cold storage elusive to non-existent making accurate forecasting and critical production decisions extremely difficult. Price reporting on the domestic wool market also lags under the voluntary reporting system, leaving wool sellers at the farm gate, and wool buyers in the dark on current market conditions.

(D) the location and geographic distribution of key manufacturing and production assets, with any significant risks identified in subsection (iv) of this section posed by the assets' physical location or the distribution of these facilities. USDA is interested in comments on

the risks associated with the current geographic distribution and diversification of where U.S. crops and livestock are grown/raised, processed, and marketed;

While the COVID-19 pandemic did result in greater geographic distribution through the opening of two additional lamb processing plants; one in Brush, Colorado and the other in San Angelo, Texas, access to packing capacity for many smaller lamb producers remains a challenge for the industry. Particularly for small and minority sheep producers in the Northeast and Pacific Northwest where packing capacity lags behind lamb production and growers often schedule capacity as far as a year in advance based on their best prediction and then struggle if actual production does not exactly meet their prediction. Growth in the domestic and local sheep and lamb market heavily depends on the cost-effective access to packing capacity and current federal food safety inspection rules and statute make the barrier to entry for small local and regional packing facilities too great to meet the demand present.

(F) the availability of substitutes or alternative sources for critical goods and materials and other essential goods and materials, as identified in subsections (i) and (ii) of this section. For example, USDA encourages commenters to consider agricultural products that could be domestically grown but are not practically available today for various reasons, and to describe whether and how such products (or their alternatives) could be made available through supply chain resilience efforts;

The domestic wool trade relies on the availability of wool sacks, standardized nylon bags that are solely manufactured in China. These wool sacks are not available in the United States, the cost to produce an effective alternative is prohibitive and they have frequently been the subject of tariffs and supply shortages, creating a barrier to participation in the domestic and international wool market for growers.

(H) the need for research and development capacity to sustain leadership in the development of critical goods and materials and other essential goods and materials, as identified in subsections (i) and (ii) of this section. USDA is particularly interested in comments related to education, technical assistance, capacity building, organizational development, and support necessary for success in U.S. agriculture and food production, processing, distribution, and marketing, including how to best target support for socially disadvantaged producers and processors, tribal communities, small businesses, beginning farmers and ranchers, and other key stakeholder groups;

With lower startup costs, and the need for access to less land than many other traditional commodities, the sheep industry remains an attractive option for new, beginning, and socially disadvantaged producers. The utilization of sheep in agrivoltaic systems which mutually benefit solar energy and sheep production is becoming increasingly popular across the United States. Additionally, many tribal communities, particularly in the Southwest have a strong historical connection to sheep and wool production. Additional outreach and education to these stakeholders holds tremendous potential to grow and strengthen local supply chains and rural economic stability. The benefits of sheep production through targeted grazing for wildfire prevention, noxious weed reduction, wildlife habitat development; wholistic range health is well

known. Access for these stakeholders to public lands grazing and education on opportunities holds tremendous potential to achieve the President's goals under this Executive Order.

(ix) specific policy recommendations important to transforming the food system and increasing reliance in the supply chain for the sector.

The domestic sheep, lamb and wool industry lack needed redundancy in supply chains as was clearly recognized during the COVID-19 pandemic. Sheep and lamb packing capacity and geographic distribution remain a hurdle, and fabrication capacity is still lacking. The sheep and lamb industry also rely heavily on a skilled year-round workforce to care for fully one-third of the nation's ewes. This need has traditionally been met by H-2A guest workers, especially in western states like California. However, increased minimum wage requirements are quickly raising the cost of production beyond that of our international competition and out of reach of consumers. As most sheep production is centered in the western United States, the information and education conducted at the United States Department of Agriculture Agricultural Research Service's Sheep Experiment Station in Dubois, Idaho is critical to understanding and addressing grazing practices across many rangeland environments in response to the risks posed by climate change. Utilizing CAA and ARPA resources allocated to incentivize additional packing and fabrication capacity, develop workforce capabilities, and support climate change research within the USDA/ARS portfolio would greatly strengthen the commodity and food supply chains.

ASI appreciates the opportunity to comment on America's Supply Chains as they relate to the production and agricultural commodities and food production.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Adams', with a stylized flourish at the end.

Chase Adams, Senior Director
American Sheep Industry Association