



American Sheep Industry Association

Testimony of

Mr. Brad Boner

On behalf of the

American Sheep Industry Association

On

A Hearing to Review the State of the Livestock Industry

Before the

**Committee on Agriculture
of the United States House**

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Introduction

Chairman Scott, Ranking Member Thompson, and members of the committee, thank you for the opportunity to speak with you today. I am Brad Boner, a sheep producer from Wyoming and the current Vice President of the American Sheep Industry Association (ASI). ASI is the national trade association for the United States sheep industry, representing the nation's 100,000 lamb and wool producers. America's sheep producers continue a strong tradition of supporting wildlife habitat, natural resources, and open space across the country – all enabled by careful resource management while grazing our flocks on private and federal lands.

The sheep industry is very broad and diverse, nationally accounting for an economic impact in excess of \$2.7 billion to the United States economy. I appreciate the opportunity to present our industry's perspective across a number of priorities:

Mandatory Price Reporting

Ensuring there is not a lapse in Livestock Mandatory Price Reporting (LMR) is critical to the United States sheep industry. Unfortunately for sheep producers, LMR has not adjusted to changes in the lamb industry. Of particular concern is the implementation of the current confidentiality guideline of the United States Department of Agriculture (USDA) which restricts the information available to sheep producers. In 2011, there were 13 reports under mandatory price reporting for lamb. Today, there are only five reports available, all of which are national reports released on a weekly basis. Of these five reports, the amount of information provided in the slaughter lamb report has been diminished over the years with the data on formula traded lambs not being reported in over a year. These lapses in price reporting led the industry last month to support USDA's withdrawal of Livestock Risk Protection – Lamb (LRP-Lamb) since the sporadic availability of the product unpinned by the lack of reported prices rendered the program of limited use. LRP-Lamb was a federal lamb price insurance product and the only risk protection product available to lamb producers and feeders to hedge their risk. Robust and transparent, third party, price reporting is paramount to producers' ability to secure necessary loans in order to finance operations, expansions and startups. Without robust and transparent price reporting, lenders will find it difficult, if not impossible, to assess the viability of loan requests presented to them. This may lead to loans being denied that otherwise would have been accepted if trustworthy price reporting were available. Increased consolidation in the packing industry across livestock will only continue to hinder producers' access to accurate price reports and issues of confidentiality will need to be resolved sooner rather than later to preserve the value of LMR for sheep producers and the other commodities that rely on these reports.

The American Sheep Industry Association has proposed a number of potential changes to LMR that we believe would enhance the program's effectiveness for lamb producers while protecting the interests of everyone in the supply chain. The first recommendation is to change or replace the 3/70/20 Confidentiality Guideline. This guideline is not required by statute and current market prices have a relatively short-term relevance. By the time prices are reported, they only reflect past transactions. Prices and market activity can be reported without sacrificing confidentiality and the current confidentiality guideline by USDA is stifling the information lamb producers need to make accurate marketing decisions. Additionally, ASI has recommended that USDA amend LMR, so it reflects the unique nature of the lamb industry, such as including a definition for Vertical Business Relationships that includes Custom-Processors and lowering the packer processing threshold again for reporting to 20,000 head to reflect current slaughter lamb numbers. ASI believes these changes would greatly enhance the program for all users.

Packer Capacity and Concentration

The lamb processing sector is highly concentrated with two to three firms influencing the majority of market sales and imported lamb influencing the other 50% of lamb meat sales in the United States. 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.

The American Sheep Industry appreciates the current efforts by Congress and the Administration to look at Investments and Opportunities for Meat and Poultry Processing Infrastructure and building resilient supply chains. The sheep industry continues to experience gaps in sufficient processing capacity across the country, particularly in the upper Midwest and Eastern regions of the nation where lamb producers have shown growth in flock size and demand for lamb has expanded for local and non-traditional consumer markets. Sheep producers in these regions frequently comment that they are only offered one date, usually a year in advance, to get their lambs processed. If they miss that date or find themselves short or long of their anticipated head count, they have few if any viable alternatives available. Relatively modest investments, especially through grants or federally backed loans, to increase processing in areas of the nation where we have both supply and consumer demand could have a huge impact on the future of this industry. This is not only an issue of packing capacity in these regions, but also the hurdle of interstate shipment due to the lack of federally inspected facilities. Additionally, as in all of agriculture, access to skilled labor remains a tremendous challenge for our packing infrastructure. ASI supports efforts to look at additional flexibilities that allow small and regional processing facilities to engage in interstate commerce, without negatively impacting our vital food safety system.

Trade

The lamb market in the United States is heavily influenced by imported lamb, particularly from Australia and New Zealand, which make up over 50% of total lamb sales. The American Sheep Industry Association in response has asked successive administrations to prioritize lamb export opportunities for United States producers before allowing additional imports. Our industry still cannot access potentially lucrative markets like China, the European Union and the United Kingdom; this despite an announcement last month that the United States would begin allowing imported lamb from the United Kingdom. The domestic industry's ability to withstand additional import pressure at this challenging time, and the United Kingdom's tremendous potential for significant lamb exports in the wake of their departure from the European Union are a looming concern for United States lamb producers. A cautious and deliberative approach is necessary to ensure that while trade may be free, it is fair.

Wool trade too remains a challenge. While we have seen an increase in wool shipments to China, numbers are still significantly lower than they were prior to the tariff retaliation. Additionally, shipping challenges continue to mount. The same holds true for the export of pelts. Prior to the implementation of tariffs, 72 percent of U.S. raw wool exports and 80 percent of U.S. sheep skins were sent to China. Continuing to build strength in the international marketing of lamb and wool requires a commitment to the promotion and export of United States wool to export markets through strong USDA Foreign Agricultural Service (FAS) Program funding. ASI is the cooperator with the FAS for American wool and sheepskins and finds success every year in securing customers through

the Market Access Program, the Foreign Market Development Program, and the Quality Samples Program. In 2001, ASI relaunched an export program for wool and significantly improved the competitiveness for American wool.

Barriers to Expansion

There is tremendous reason for optimism in the American Sheep Industry. Lamb demand domestically is on the rise, wool is being recognized as a natural regenerative fiber for performance wear, and the vast environmental benefits of targeted grazing are being recognized by our private and public land managers across the country. With that optimism, there are barriers to our industry reaching its full potential, including:

State Wage Regulations

The sheep industry has relied on sheep herders to care for, protect, and tend to their flocks since time immemorial. For large and mid-sized western range operators, these sheep herders are an integral and necessary part of their operation, especially those that graze public lands. This work necessarily requires living in a camp with the sheep seasonally and moving the flock nearly daily to achieve range management goals in the most rugged and isolated lands in the United States. However, state wage and overtime regulations, particularly in California and Colorado, threaten to devastate our industry, mandating wages for this work that are untenable. If a solution is not found to bring these wages into line, there will not be a commercial sheep industry in these states, which represent our second and third largest sheep inventories and the sites of our largest lamb processing facilities.

H2-A Temporary Agricultural Workers

The American Sheep Industry has a decades long history of a reliable, consistent, and legal workforce. Sheep ranchers depend on the H-2A shepherd program to help care for more than one-third of the ewes and lambs in the United States. To meet those needs, the industry has participated in temporary visa programs (in various forms) since the 1950s. As a result, sheep producers employ a legal labor force with an estimated eight American jobs created/supported by each foreign worker employed. A workable temporary foreign labor program is essential for the sheep industry including the special procedures for herding in future legislation involving immigration workers.

Access to Animal Drugs

With approximately 5.2 million head of the sheep, animal drug industries often find that securing Federal Drug Administration (FDA) approval for new, innovative, and even older products is not cost effective for this market. The lack of access to these key technologies used by our competitors in other countries, places the United States sheep producers at a disadvantage, not to mention limiting their ability to protect and prevent disease to ensure the welfare of their animals. While imported lamb may be treated with a product that has a USDA/Food Safety Inspection Service accepted residue level, that same product often is not approved for use in the United States by the FDA.

Predation

Coyotes, mountain lions, wolves, and bears kill tens of thousands of lambs each year. Livestock losses attributed to these predators cost producers more than \$232 million annually. American sheep producers rely on USDA/Wildlife Services, state and county programs to effectively control and manage predation by state managed and federally protected predatory species. The Livestock protection program is majority funded by industry and local cooperators. Sheep producers have adopted many techniques to reduce predation, including the wide-spread use of livestock protection dogs, but access to lethal and non-lethal predator control methods must be maintained.

Conclusion

The American Sheep Industry has faced challenges these past years, related and unrelated to the COVID pandemic. Like all industries, the pandemic highlighted flaws and created failures in our supply chains, but we have emerged as a stronger industry. We did lose our second largest packing facility, but also saw two new packing facilities come on-line, both either entirely or majority producer-owned, showing the optimism in our industry. I'll reiterate the growth in demand for lamb and fine wool, and the environmental benefits of sheep production for range health, control of invasive weeds and reduction of hazardous fuel loads. With minor policy adjustments, the American Sheep Industry is poised for exponential growth.

Thank you for your support of the livestock industry and for allowing me to visit with you about our priorities.

Sincerely,

Brad Boner, Vice President
American Sheep Industry Association