



USDA Wool Marketing Loan Program

ROBERT F. PADULA
PM RANCH

USDA Wool Marketing Loan Program

- ▶ Safety net when wool market prices are low
- ▶ Think **LOAN** – Wool used as collateral
- ▶ Not all wool is equal in price \$
- ▶ 20+ years old - Economic analysis used to develop program and set rates
- ▶ When wool prices are strong, program is not used much (2012-2019)
- ▶ Changes have been made to the program over the years
 - ▶ Simplify Program (3 regions changed to a national rate)
 - ▶ Help growers participate (633-EZ – “Intent to participate”)
 - ▶ Repayment rates - Weekly and 30 day weighted average to help growers
 - ▶ Graded loan rates were slightly increased and modified to reflect international prices

USDA Wool Marketing Loan Program Challenges or Issues

- ▶ “Locked In” or statutory rates - part of the “2018 Farm Bill”
 - Can’t just “pull prices out of thin air”
- ▶ 40 cents ungraded
- ▶ \$1.15 graded (average)
- ▶ US Wool Market reporting
 - ▶ Some Program calculations were based on AMS reports
 - ▶ When no prices reported, program used the last reported price
 - ▶ Wool Market reporting has changed in the past 20 years

When prices were good – program was available, but kind of “stagnated” and program maintained as “status quo”

ASI has always been involved and kept an eye on this important program

USDA Wool Marketing Loan Program

2012 - 2019

Little activity or change

Wool prices holding

Coarser wool prices declining
(Meat breed sheep > 28 μ)

**Lack of Market Reporting –
Ungraded wool last reported
prices use for repayment rate**

**Repayment rates (Ungraded)
not changing to reflect prices**

Some not getting “40-cents”

Not recovering shearing cost

Trade Disruption - US / China

2020

Year started with Optimism

January – China reports Co-Vid

March – World-wide Co-Vid

Trade Disruption - US / China

**Market reporting – Last
reported price (Ungraded)**

Graded Wool – International
prices?

Domestic & Export sales “non-
existent”

**ASI and USDA worked on
making changes**

2021-2022

Wool Loan Rates

Graded - Adjusted to reflect
current international prices

Ungraded – Using AWEX
coarser wool prices to
determine repayment rates

“Marketing Costs” – being
deducted – similar to “basis”
for other commodities

Better reflect wool prices “at
the farm gate”

Wool Loan & Weekly Repayment Rates April 7, 2020

Category	2020 Loan Rate	Effective Repayment Rate	LDP Rate
Graded Wool	CLEAN PRICES in \$ per Pound		
<18.6 Micron	3.88	3.53	\$.35 LDP Available
18.6 – 19.5	3.38	3.38	Not Available
19.6 – 20.5	2.94	3.31	Not Available
20.6 – 22.0	2.72	3.75	Not Available
22.1 – 23.5	2.56	4.48	Not Available
23.6 – 25.9	2.33	4.01	Not Available
26.0 – 28.9	1.78	1.55	\$.23 LDP Available
> 29 Micron	1.38	1.14	\$.24 LDP Available
	GREASE PRICES in \$ per Pound		
Ungraded Wool	40 cents	38 cents	\$.02 LDP Available
Unshorn PELT	6.865 lbs X Ungraded Wool LDP		\$.1373 LDP Available

LDPs are not available when the repayment rate is above loan rate

Wool Loan & Weekly Repayment Rates January 10, 2023

Category	2022 Loan Rate	Effective Repayment Rate 01/10/2023	LDP Rate
Graded Wool	CLEAN PRICES in \$ per Pound		
<18.6 Micron	3.87	4.74	Not Available
18.6 – 19.5	3.56	4.11	Not Available
19.6 – 20.5	3.44	3.77	Not Available
20.6 – 22.0	3.40	3.25	\$.15 LDP Available
22.1 – 23.5	3.06	3.35	Not Available
23.6 – 25.9	2.96	2.40	\$.57 LDP Available
26.0 – 28.9	.98	.99	Not Available
> 29 Micron	.40	.61	Not Available
	GREASE PRICES in \$ per Pound		
Ungraded Wool	40 cents	0 cents	\$.40 LDP Available
Unshorn PELT	6.865 lbs X Ungraded Wool LDP		\$2.746 LDP Available

USDA Wool Marketing Loan Program

	2019	2020	2021	2022	2023*
Graded (requests)		19	4	0	0
Lbs.	0	42,975	12,018	0	0
\$	0	\$10,872	\$4,823	0	0
Non Graded (requests)		1704	4322	3838	37
Lbs.	4,416	8,546,082	13,619,500	12,269,015	77,323
\$	85	\$2,391,417	\$5,220,992	\$4,900,986	\$30,841
Pelts (requests)		161	386	670	15
hd	49	43,623	142,215	227,448	3,123
\$	7	\$67,886	\$316,214	\$615,223	\$8,374
Total \$	\$92	\$2,470,175	\$5,542,028	\$5,516,209	\$39,215

USDA Wool Marketing Loan Program

- ▶ Challenge to Growers – How do you more effectively use the program
 - ▶ Sometimes the graded wool LDP is better than the ungraded – need a core test
 - ▶ “Hidden potential” built into the program
 - ▶ Lack of understanding/knowledge of the program
- ▶ What's Next?
 - ▶ Inclusion in the Next Farm Bill
 - ▶ Re-Authorization if delayed
 - ▶ New economic analysis to better reflect current conditions / prices
 - ▶ New / Increased Loan Rates

Questions