Testimony of

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On behalf of the

American Sheep Industry Association

On

A Hearing on A Review of Animal Agriculture Stakeholder Priorities

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Introduction

Chairman Thompson, Ranking Member Scott, and members of the committee, thank you for the opportunity to speak with you today. I am Laurie Hubbard, a sheep producer from Pennsylvania and a director on the 13-member Executive Board 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. I appreciate the opportunity to present the state of the sheep industry and our industry’s perspective across several priorities.

State of the American Lamb and Wool Industries

Price inflation, labor challenges, lamb imports and ongoing economic uncertainty are pressuring the American lamb and wool businesses. These are in turn impacting the sustainability of the sheep industry. There is some optimism as consumer interest in sustainability has become more mainstream and is providing opportunities for our industry as wool is being recognized as a natural regenerative fiber for performance wear, and the vast environmental benefits of targeted grazing with sheep, are being recognized by private and public land managers and solar developers across the country.

We are fortunate to have an American Lamb checkoff program which proved invaluable during the disruptions of the recent years. According to the American Lamb Board, the Covid pandemic caused huge losses within lamb’s fundamental fine dining market but created opportunities for retail sales and at-home consumption. While consumers are buying lamb, elevated price levels have made it difficult for lamb to compete with other proteins. More product is coming from imports, usually with a significant price advantage over American lamb. The non-traditional or ethnic market, with demand for smaller carcasses, has grown and cultural preferences are creating new opportunities for our industry. The pandemic led to the loss of a major lamb processor in 2020, yet smaller processors are emerging and being embraced by a society seeking a more local supply structure. High production costs have made it more costly to get lamb to the consumer and the inflationary environment has impacted consumer’s willingness to purchase American lamb. Producer and lamb feeder profit margins have been pressured as lamb prices have not kept pace with higher input costs and feed prices.

I would note that commercial lamb feeders have been unprofitable for 13 consecutive months.

The American wool industry continues to endure several challenges which are adversely impacting American wool producers. The American wool market is heavily dependent on the export market. Over the last decade, approximately 67% of American wool is exported, with 72% of those exports destined for China. The ensuing global pandemic resulted in the closure of key international markets and drastically altered consumer demand for apparel products. The Chinese trade tariffs and the lost markets for American wool, drove wool prices down and large supplies of wool into storage. We have classes of wool today that bring only pennies per pound to producers and the impending closure of the Mid-States Wool Cooperative headquartered in Ohio is a major concern for Midwest and Eastern sheep producers.

Farm Bill Priorities

The American Sheep Industry strongly supports reauthorization of the Agricultural Improvement Act of 2018 (Farm Bill). The Farm Bill should provide producers with a reasonable safety net for market risk, encourage rural growth, and support the production of food and fiber.
Risk Management

The 2018 Farm Bill authorized nonrecourse marketing assistance loans (MALs) and loan deficiency payments (LDPs) for wool to eligible producers who grow and shear wool. This safety net needs to be drastically improved to address current market conditions including inflation and supply chain disruptions. Illustrative of how little support the wool commodity program provides, our records indicate over the life of the 2018 Farm Bill, specifically the 2019-2022 crop years, the commodity program supporting wool has only expended approximately $12.5 million. The national loan rates for graded and ungraded wool were established in 2002 and have not been adjusted since to keep pace with the market and producer costs. The outdated rates creating an ineffective support program, coupled with the recent low levels of producer income, is why ASI is supporting a re-examination of the wool loan rate and an adjustment so that sheep producers have one effective risk management tool.

The American lamb industry is currently without a market-based risk management program. As the lamb industry continues to face market challenges due to pandemic related market disturbances, lamb producers and feeders do not have the tools to address higher feed and input prices, price instability and increased market risk. The increase in interest rates is also going to impact sheep producers and lamb feeders needing to secure capital to sustain their operations. The data gaps in Livestock Mandatory Price Reporting resulting in the corresponding lack of published prices led the industry to support USDA’s withdrawal of Livestock Risk Protection – Lamb (LRP-Lamb) in 2021. 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.

Animal Disease Prevention and Management

An outbreak of Foot-and-Mouth Disease (FMD) in the United States would have a devastating impact on the sheep and wool industry. That is why the American Sheep Industry is supporting several efforts aimed at safeguarding sheep production and promoting business continuity in the face of a foreign animal disease outbreak. ASI strongly supports continued funding of the animal disease prevention and management programs established in the 2018 Farm Bill. These programs include the National Annual Vaccine and Veterinary Countermeasures Bank (NAVVCB) which is the only vaccine bank that allows USDA to stockpile animal vaccines and related products to use in the event of an outbreak of FMD or other high-impact foreign animal diseases, the National Animal Disease Preparedness and Response Program (NADPRP), the National Animal Health Laboratory Network (NAHLN), and the National Veterinary Stockpile (NVS). All these programs are vital to protecting the United States livestock industry against a foreign animal disease outbreak.

Minor Use Minor Species Animal Drug Program

America’s sheep producers have limited means to protect and prevent disease in their animals as animal health and welfare are critical aspects for ensuring a sustainable sheep industry. The cost to bring a new animal drug to market is rising and many pharmaceutical companies are not investing in developing products for sheep. USDA established the Minor Use Animal Drug Program to address the shortage of animal drugs for minor species and uses by funding and overseeing the efficacy, animal safety, and human food safety research and environmental assessment required for Food and Drug Administration (FDA) drug approval. Funding for this program ceased in 2016, and a result the program lacks the staff and expertise to meet its mission of increasing the number of therapeutic drugs
approved for minor animal species. To remedy this, ASI supports an annual allocation to USDA’s National Institute of Food and Agriculture (NIFA) Minor Use Animal Drug Program (MUADP) of $5 million to fund research and development to support the approval of new drug products for sheep.

**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 LMR confidentiality guideline which restricts market 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 increasingly diminished over the years with the data on formula traded lambs not being reported since 2020.

The American Sheep Industry Association has proposed several 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 today’s lamb industry and is in discussions on developing a lamb contracts library pilot program based on the recent program for cattle. ASI believes these changes would greatly enhance the program for all users.

**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 the opening of our market in 2021 to 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 is a 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 American raw wool exports and 80 percent of 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 supports increased funding for FAS programs including the Market Access Program, the Foreign Market Development Program, and the Quality
Samples Program. These programs are vital for providing value to America’s wool producers through expanding export markets for American wool and sheepskins.

**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 shepherder program to help care for and protect 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 reform.

**Access to Animal Drugs**

With 5 million head of sheep, animal drug manufacturers often find that securing FDA approval for new, innovative, and even older products is not cost effective for this market. While the Minor Use and Minor Species Animal Health Act of 2004 (MUMS Act) is intended to make more products legally available for minor animal species, the current FDA animal drug-approval process is unworkable for the sheep industry. It is prohibitively expensive, which is discouraging the development of products for the prevention and treatment of sheep diseases in the United States. The lack of access to these products which are used by our competitors in other countries, places the United States sheep producers at a disadvantage, not to mention limiting their ability to ensure the welfare of their animals and the safety of the national food supply. 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. ASI is requesting a study by the General Accountability Office (GAO) on the MUMS Act to evaluate if the objectives set forth are being met with respect to sheep, the effectiveness of the incentives to address the high development costs, the cost and duration to bring a new animal drug product to market versus other countries, and to review the number of products for sheep in the United States relative to the those available in our competing markets.

**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. We add our support for Congressional action to provide us more options to address avian predators primarily the black vulture which is expanding its range and increasingly the primary predator in areas of the U.S.

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