



April 13, 2020

The Honorable Mark Gordon
Governor of Wyoming
State Capitol
200 West 24th Street
Cheyenne, WY 82002

Dear Governor Gordon:

I want to take a moment to describe the damages that have occurred to our sheep industry as a result of the current COVID-19 pandemic. Over the last three weeks we have seen the lamb and wool markets completely collapse. While we recognize we are not alone and that many industries are in similar crisis, it is important for you to understand what is happening in our industry.

The situation is complex and takes time to explain but some key points to know are:

- **20 percent** of American lamb consumption occurs during the spring, with sales more than doubling during the Easter and Passover seasons.
- Food service dine-in sales account for more than **50 percent** of the value of American lamb.
- **The loss in consumer demand is expected to result in a 40% decline in slaughter and feeder lamb prices this year** compared to 2019, according to the Livestock Marketing Information Center (LMIC).
- U.S. lamb and wool sales have ground to a halt. The USDA National Wool Review, published yesterday, looks at the wool market for the past week. It showed **no price reports for any class of wool sold in America.** Furthermore, the lamb market is virtually the same way.
- Expected **direct losses at the farm level** is estimated to be **\$125 million, at a minimum**, with a **total economic impact** to the American sheep and lamb industry **in excess of \$350 million.**

Since the onset of the COVID-19 pandemic, auction prices for feeder and slaughter lambs have declined significantly and the number of slaughter lambs being processed this time of year has been reduced drastically due to lost food service sales. An illustrative example is the current situation at Mountain States Rosen (MSR), which is owned by the Mountain States Lamb Cooperative in Douglas, WY. During the weeks leading up to Easter, MSR normally processes 30,000 lambs. This year, they only processed 13,000. MSR is not alone. Lamb processing facilities nationwide are seeing substantially reduced numbers and many are reducing or suspending operations as a result.

Wyoming lamb producers are feeling the impact. In less than a month, live lamb prices have dropped from \$1.55/ lb to \$1.00/ lb, with a full 25¢ drop in just the last week. Furthermore, the decreased demand and backlog of lambs remaining in feedlots further deteriorates the quality of product being produced. Since the shutdown of the food service industry on March 16, there is a growing backup of lambs waiting to be processed. Because of the rapidly changing situation, MSR has been forced into Chapter 11 bankruptcy. If the plant closes before we get through this marketing cycle the entire industry will be in jeopardy, but particularly Wyoming's industry as the Mountain States Lamb Cooperative consists predominately of Wyoming producers. The situation is compounded as other lamb processing operations in Illinois and Pennsylvania have limited or suspended operations.

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The increasingly concentrated nature of the lamb industry at all levels of the production chain, and the loss of consumer demand is now **preventing USDA-AMS from reporting market price data** under Mandatory Livestock Market Reporting Act (LMR). The loss of this data has **eliminated price discovery**. Sheep and lamb producers, feeders, and packer-processors are now without a vital tool that is needed more than ever. The absence of information and decrease in market transparency available to sheep and lamb producers may lead to potential market manipulation.

Furthermore, the elimination of price discovery has impacted other important programs for sheep producers. The USDA Livestock Risk Protection Insurance Plan for Lamb Program (LRP-Lamb) is dependent on LMR market price data. The loss of price discovery means the LRP-Lamb program cannot be offered to sheep and lamb producers. The lamb industry does not have any other means to offset production risk during this heightened time of uncertainty. The loss of LRP-Lamb further compounds the negative economic impact and threatens the sustainability of the American lamb industry.

Compounding the matter is the complete collapse of the wool market, which was already in a state of heightened uncertainty and economic pain due to the loss of exports to China prior to the COVID-19 pandemic. As of April 1, 2020, **wool prices are 43% lower** (in USD) than the previous year and prices continue to drop. U.S. wool handling facilities are storing millions of pounds of last year's wool clip and rapidly adding this year's wool harvest.

U.S. wool exports to China (the wool industry's number one export market for wool and sheepskins) are **down 88% in value** and **89% in volume** between October to January 2017/18 and 2019/20. **U.S. sheepskins exports** to China are **down 76% in value** and **50% in volume** during the same period. Furthermore, our sheep producers are going into a second year of receiving a deduction of \$2 to \$5 per sheepskin for the cost of rendering this once valuable commodity (in 2016, producers received on average \$16 for a pelt, now they pay a disposal fee).

Impact on Wyoming's Wool industry

Wyoming produces some of the finest quality wool in the nation and the world. Wyoming consistently ranks within the top 5 of wool producing states both in quantity and quality (value).

- In 2019, the National Agriculture Statistics Service (NASS), reported that Wyoming was **third** in the nation in **pounds of wool produced**.
- However, Wyoming ranked **second in value** of that wool (\$5.940 million), despite a 1% decrease the amount of wool produced from the prior year.

According to Larry Prager, CEO of Center of the Nation Wool, Wyoming's 2020 wool clip is appearing to be even better in quality than last year; a feat Mr. Prager "did not think possible". But due to the current economic environment, those WY producers who had received \$6/lb for their wool in 2019 will be lucky if they can get more than \$2/lb for their wool this year. Because Wyoming's wool is mostly sold to the military for uniforms, there is usually some protection from economic downturns in wool. Unfortunately, this does not hold true with the current economy because there is already a year's worth of wool in the warehouses. In addition, many vital downstream companies are either closed or limited in their ability to operate due to COVID-19 shutdowns. In the end, there is simply no demand for wool. Further, as mentioned previously, no American wool has sold in the past week.

As a rancher yourself, you know that the production cycle on the ranch does not stop. Despite all the current circumstances, our sheep still need shearing, our ewes are still lambing, and soon our sheep will be moving to their summer pastures. **Transportation is, and will remain, an issue**, with approximately 50% of truckers no longer working because of low demand and difficulties in finding places to stay overnight, to shower, or even to eat due to closure orders of restaurants, hotels and the like. Travel restrictions have also **prevented arrival of seasonal labor** that many of our producers rely on. Though approved to come, these employees find there are no flights available making travel impossible.

We are an industry in dire straits. We recognize we are not alone in this crisis and that many industries are hurting but we also don't want to be forgotten. We know that as Governor, you and the State Legislature have a herculean task ahead to address the needs of Wyoming. We ask only that in the process you keep our ailing industry in mind and help us when the opportunity arises.

The WWGA, through the American Sheep Industry Association, has requested that USDA to provide at least \$350 million in direct financial assistance to American sheep producers through livestock relief funding provided under the CARES Act. This would provide some needed relief to Wyoming sheep ranchers. We would be very grateful if you would reach out to USDA in support of this request.

We thank you for your time and attention to this matter. Enclosed you'll find some additional information that may be useful. Please don't hesitate to reach out if there is additional information we can provide.

Sincerely,



Vance S. Broadbent
President

cc:

Speaker of the House Steve Harshman, Chairman, Management Council
President of the Senate Drew Perkins, Vice Chairman, Management Council
Senator Brian Boner, Chairman, Senate Agriculture Committee
Representative Hans Hunt, Chairman, House Agriculture Committee
Director Doug Miyamoto, Wyoming Department of Agriculture
Jill Tregemba, Wyoming Business Council

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