



Washington State Sheep Industry Update:

Market Impacts, Infrastructure Strains, Emergency Programs & State Sheep Events.

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Purpose of this Webinar?

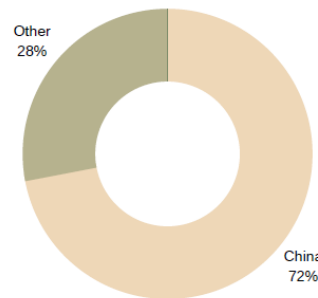
- Update on What is happening in the lamb and wool industry (12 months)
 - Market Impacts and Infrastructure Strains
- What is being done
 - Emergency/Assistance Programs
 - Sheep Events
- What you can do as a producer during these market shocks & uncertain times.
- Time for questions (please post in chat as you have them). Also, indicate any future program/information you would like.



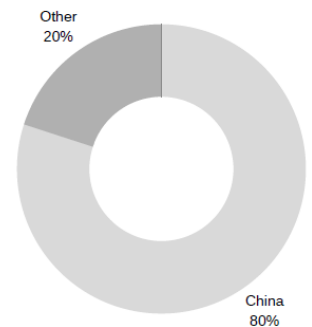
Look at the Industry Before Covid-19



- January at ASI Convention:
 - Wool & Sheep Skins—large concerns
 - Markets were very slow-trying to find new markets
 - Trade Tariffs started in Sept 2018 at 10%, increased to 25%
 - Significant amount of 2019 western wools not sold and in wool warehouse & farm storage
 - Wool Testing—need wool tested for international sales
 - Plan developed to build Wool Lab at Texas A&M, to be completed in 2021 to test wool.
 - Developed plan with New Zealand Wool Testing Authority to test 2020 clip



American Wool Exports
72 % to China



American Sheepskin Exports
80 % to China

Impact of Trade Tariff on Wool and Sheep Skins

Wool & Sheepskin Exports

American Wool

	Value (US\$)	Percent Change
Oct 17 - Jan 18 (pre-tariff)	\$4,359,000	
Oct 19- Jan 20 (post-tariff)	\$500,000	-88%

Source: USDA/FAS, GATS, ASI

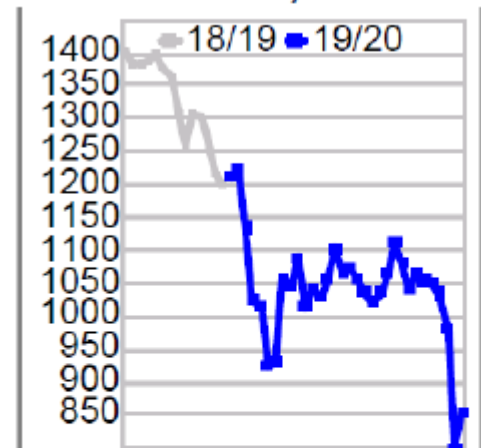
American Sheepskins

	Value (US\$)	Percent Change
Oct 17 - Jan 18 (pre-tariff)	\$4,564,000	
Oct 19 - Jan 20 (post-tariff)	\$1,084,000	-76%

Source: USDA/FAS, GATS, ASI

Wool Prices

March 26, 2020



Year on Year
28-Mar-19 1,382
26-Mar-20 854
-528 -38.2%

Source: AWEX Weekly Wool Market Report

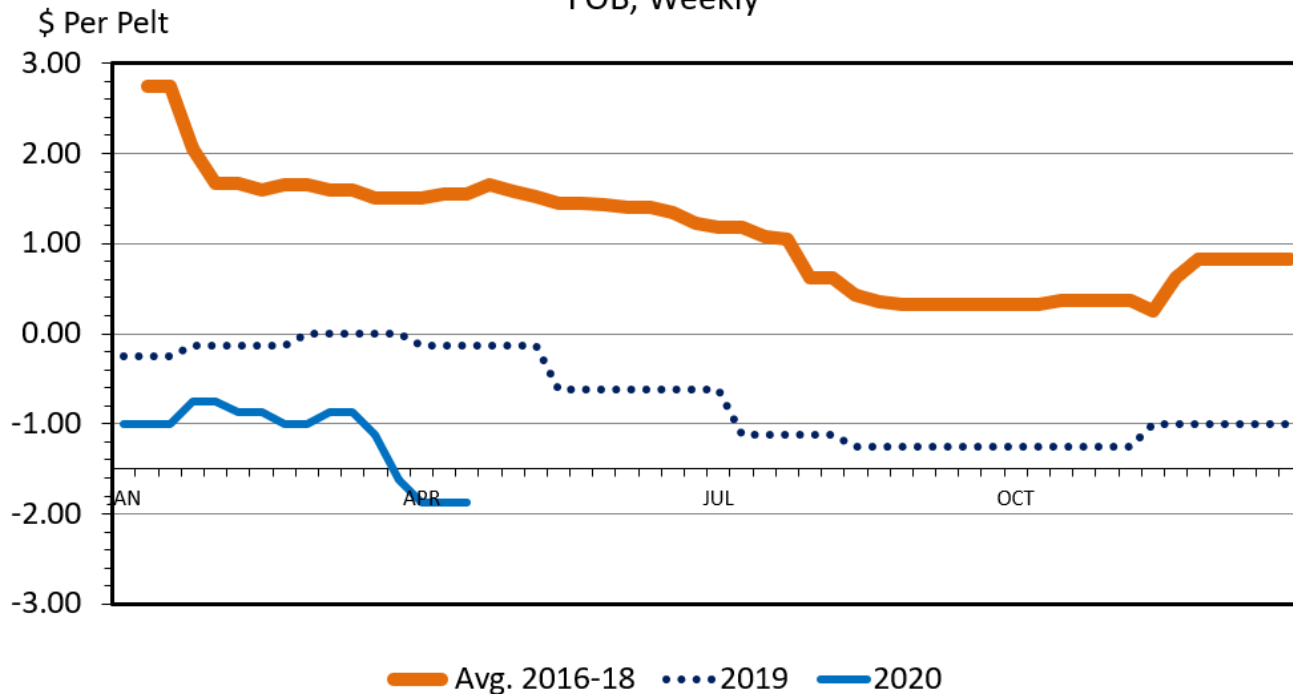
Source: ASI "Damage to the U.S. Sheep Industry"

Impact of Trade Tariff on Wool and Sheep Skins



PREMIUM UNSHORN LAMB PELT PRICES

FOB, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

S-P-10
04/20/20

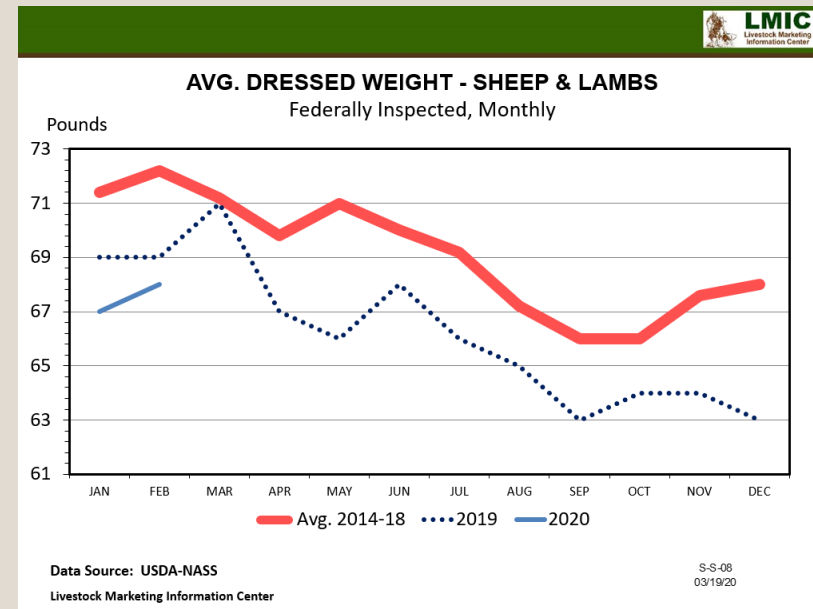
- Premium Unshorn Pelts
 - Rendered
 - Cost \$2.00/pelt
 - Producers receive discount on value of lambs

USDA Trade Mitigation Program-requested by ASI

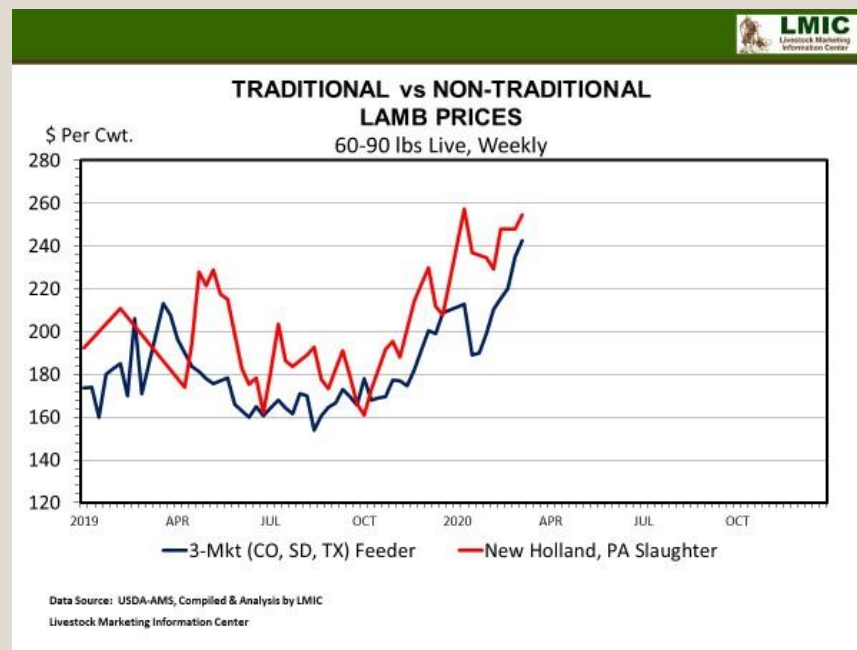
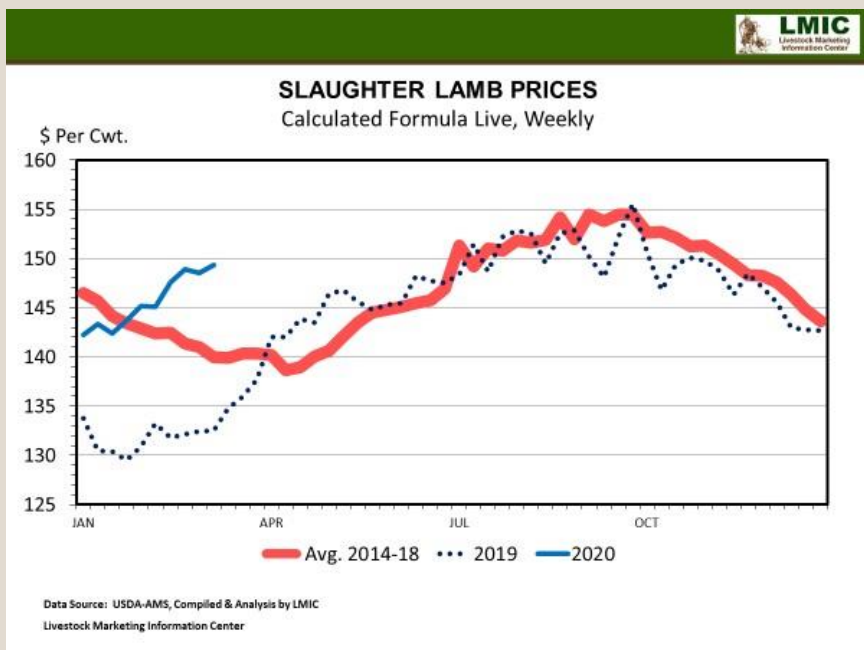
- USDA announced assistance in July 2019. (First Round)
 - **Market Facilitation Program (MFP)**-direct payment
 - None to the sheep producers
 - ASI made another request USDA in January as tariffs increased during late summer 2019 to 25%--requested January 2020
 - **Food Purchase & Distribution Program**-Lamb Meat Buy
 - \$17 million of American Lamb purchased—authorized, but purchase has not taken place yet.
 - Concern that this will not impact wool or sheep skin prices
 - **Agriculture Trade Promotion Program**-New Exports Mkt
 - ASI awarded \$1.5 million-work to develop Italy, Spain & India

Look at the Industry Before Covid-19

- January at ASI Convention:
 - Lamb Meat—lots of optimism for a good 2020 market
 - Lambs # were tight
 - Large loss of lambs to Winter 2019 in Mountain States
 - Lamb weights were staying “current”
 - Carcass weights were current moving inventory in timely fashion to optimize carcass yield grades (not too fat)
 - Interest in middle states to build flocks
 - Good demand for replacement ewe lambs.

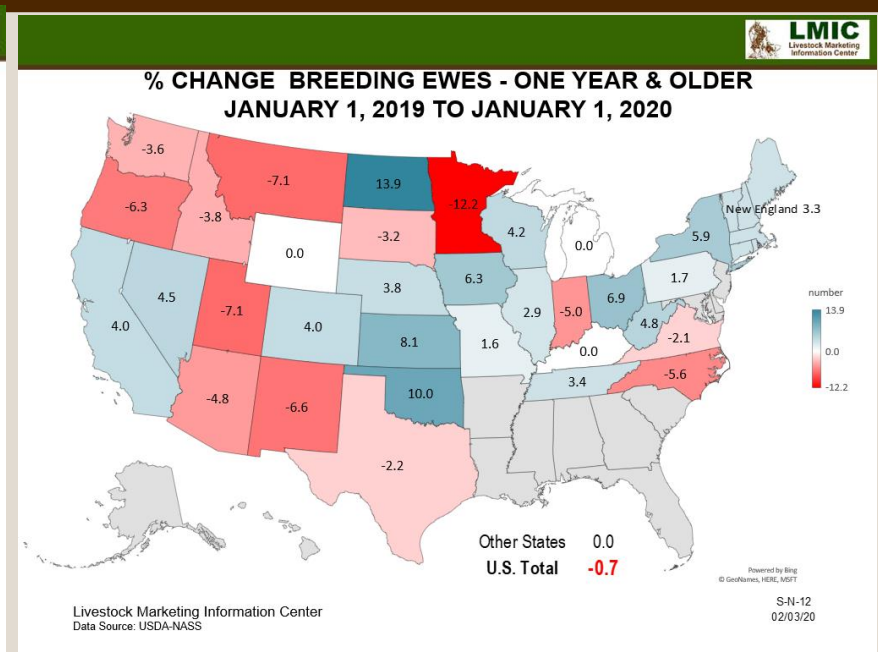
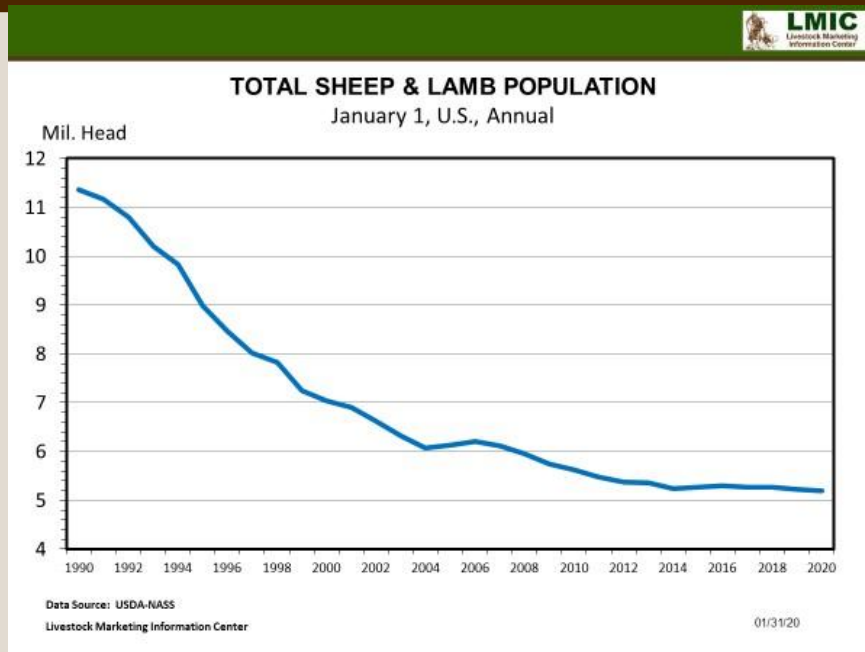


Slaughter and Feeder Prices prior to COVID 2019



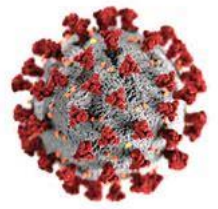
- First part of March: Producers reporting over \$2.00/lbs on feeder lambs from coast to coast.
- Slaughter lambs had steadily increased to about \$1.50 live weight the first part of March.

Summary Prior to Covid-19

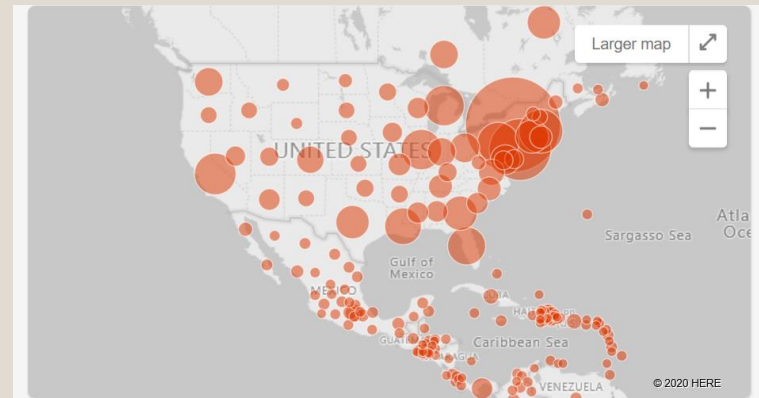


- Sheep numbers had held steady last few years.
- Tight early lamb supplies in feedlots—good demand.
- Accelerated sheep production in Midwest increasing.
- Wool & Skins prices did not look promising for 2020
- Lots of optimism for good prices in 2020

Impact of COVID-19 on Sheep Industry



- Spring Washington D.C. ASI meeting-March 8-11
 - Covid-19 breaking—Washington State with highest infection.
 - Access to Washington DC building and personnel
 - Discussions around COVID-19, but unsure impact.
- Weekend March 13-16 everything changes rapidly around virus—state stay home, announce restaurant, business, school closures, increased infections across US—



Washington cases

Updated Apr 22 at 9:05 AM local

Confirmed
12,282 +348

Deaths
682 +30

Recovered
-

Impact of COVID-19 on Wool and Sheep Skins

GL_LS850
Greeley, CO Fri Apr 17, 2020 USDA- CO Dept of Ag Market News

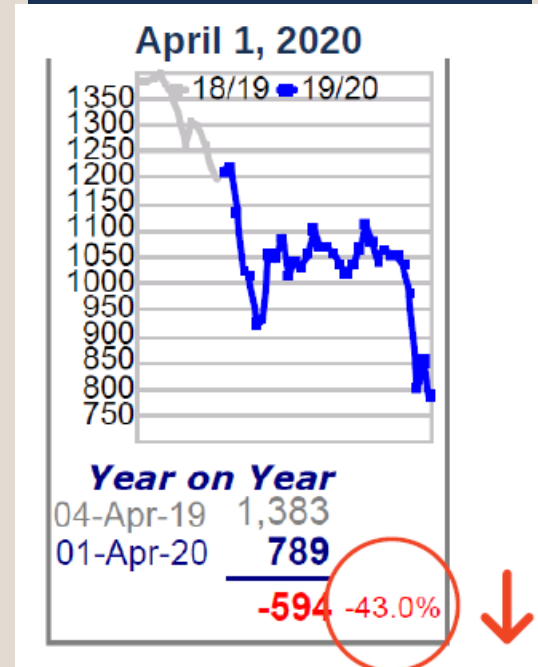
National Wool Review

Domestic wool trading on a clean basis was inactive this week. There were no confirmed trades reported. Prices reflect trades FOB warehouse in original bag or square pack, bellies out, some graded, and 76 mm or longer. No allowance made for coring, freight or handling fees at the warehouse level to reflect net grower prices (*) indicates new prices this week. (NA) represents microns not normally available in this region. Wools shorter than 75 mm typically discounted .10-.20 clean. Classed and skirted wools usually trade at a .10-.20 premium to original bag prices.

Micron	US Grades	Fleece States	Territory States	Texas and New Mexico
18	80s	None	None	None
19	70-80s	None	None	None
20	64-70s	None	None	None
21	64s	None	None	None
22	62s	None	None	None
23	60-62s	None	None	None
24	60s	None	None	None
25	58s	None	None	None
26	56-58s	None	None	None
27	54-56s	None	None	None
28	54s	None	None	NA
29	50-54s	None	None	NA
30-34	44-50s	None	None	NA

Domestic wool trading on a greasy basis was inactive this week. There were no confirmed trades reported. All trades reported on a weighted average.

Wool Prices



Source:AWEX Weekly Wool Market Report

- Global Wool Market declines with global shut downs.
- Can't send wool to NZ to test — NO MARKET, NO TRADES
 - Wool going into storage—no cash flow, cost

Assistance program:

WOOL Loan Deficiency Payment

- LDP had been zero for many years because of good prices (fine white).
- All wool market struggling with tariff impact and Covid-19
 - Market assistance loan or load deficiency payment available for both fine & coarse wool
 - Payment rates change weekly.
- Contact County FSA for information/sign-up
- More info about rates/repayment at:
<https://sheepusa.org/issues-governmentprograms-woolldp>
- Need Cash flow this is an option



Now to the MEAT of the presentation



- Impact on lamb prices—
 - Washington State & U.S. sheep industry main commodity from sheep is Meat
 - Especially farm flocks—blackface wool/coarse wool has traditionally had little management or selection emphasis because of lack of value, especially compared to managing for extra pounds of lambs.
 - Western Coastal wool are typical coarse and have low commercial value
 - Wool prices were already depressed with limited enthusiasm —lots of optimism around lamb meet market going into 2020

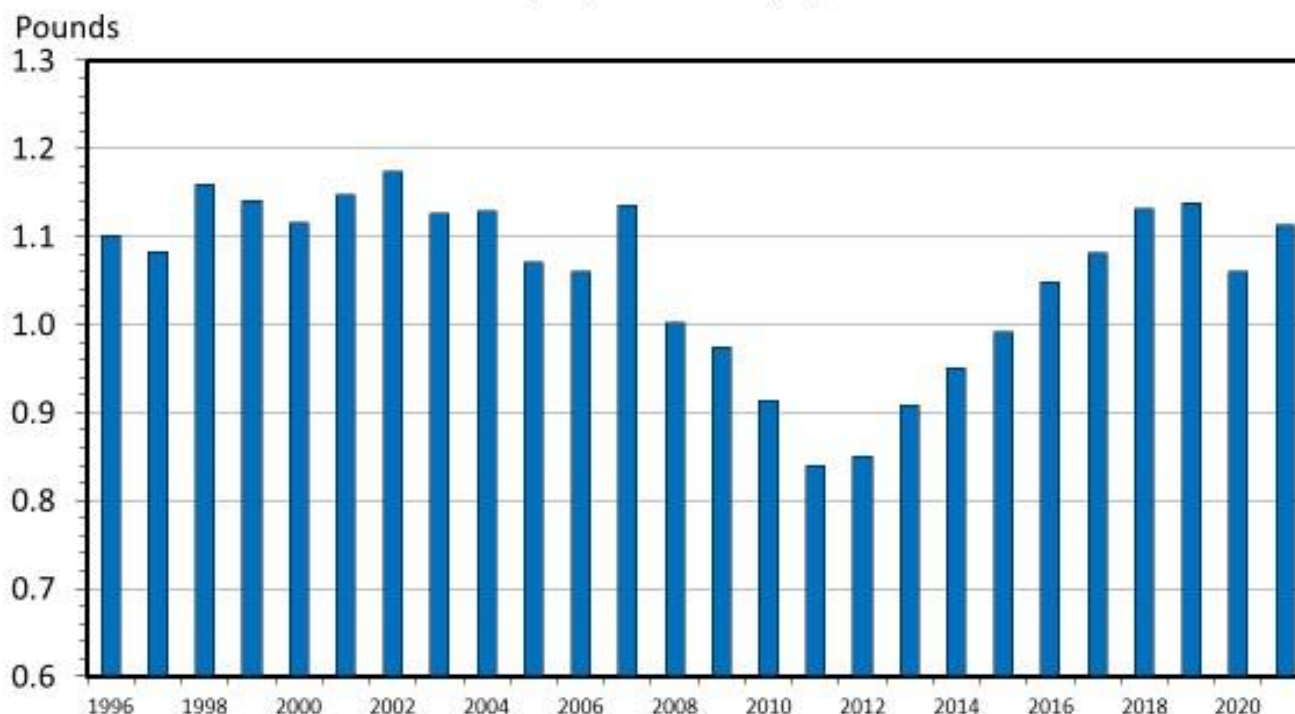
Lamb Market Trends & Facts

- Lamb meat = high-end consumer meat=high price protein: most consumed at restaurants and on cruise ships
 - 50% of American Lamb Value to Food Service Dine-in
 - Food Service Market has come to screeching halt
- Food Service vs. Retail
 - Fabrication and packaging (size and labeling) different
 - Not easy to shift product from food service-especially if in cold storage-requires labor and cost differences
- Easter/Passover is single largest lamb consumption period of the year.
 - Expenditures rise drastically during Easter—average \$6.5 million weekly to \$23.9 million for Easter.

Expecting Decreased Lamb Consumption



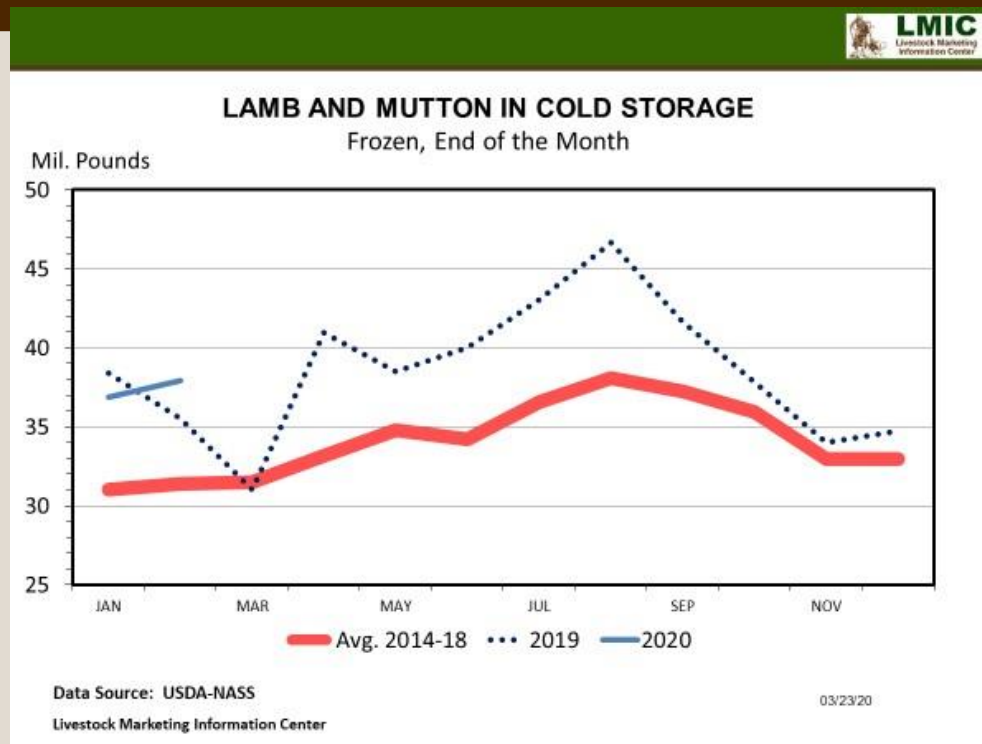
US LAMB & MUTTON CONSUMPTION Per Capita, Retail Weight, Annual



Data Source: USDA-NASS and USDA-ERS, Compiled & Analysis by LMIC
Livestock Marketing Information Center

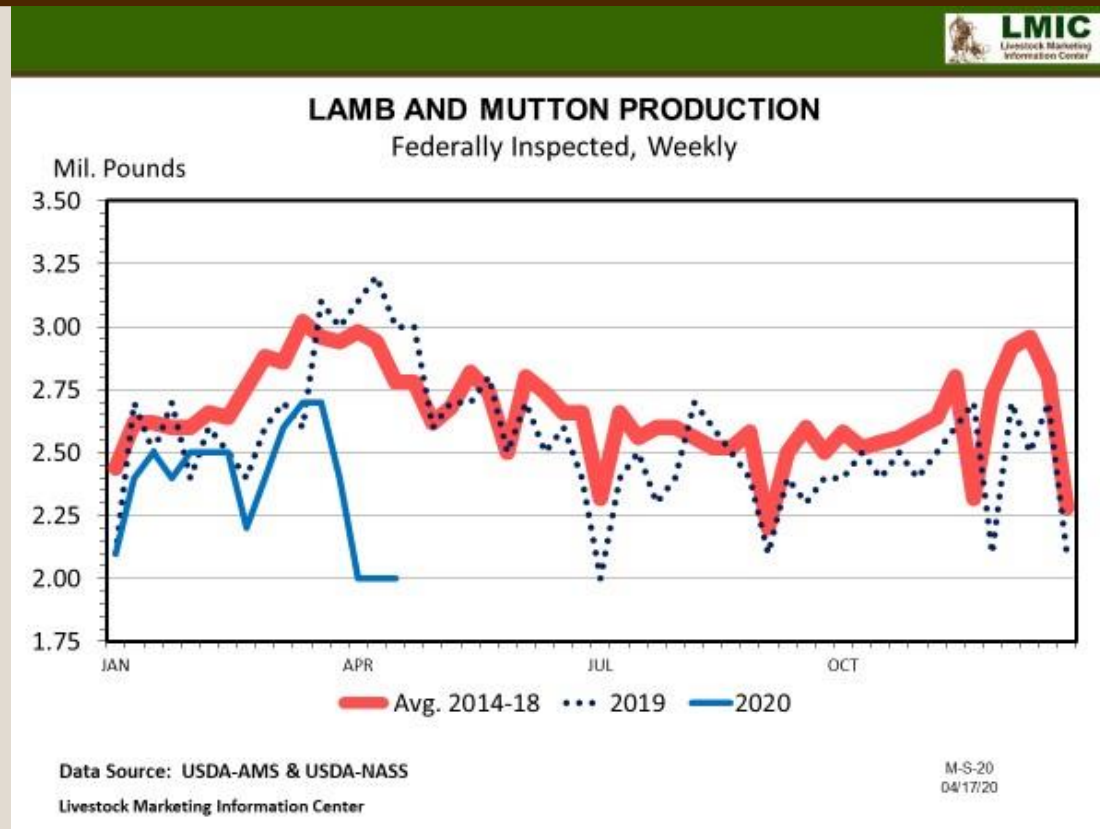
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Lamb in Cold Storage



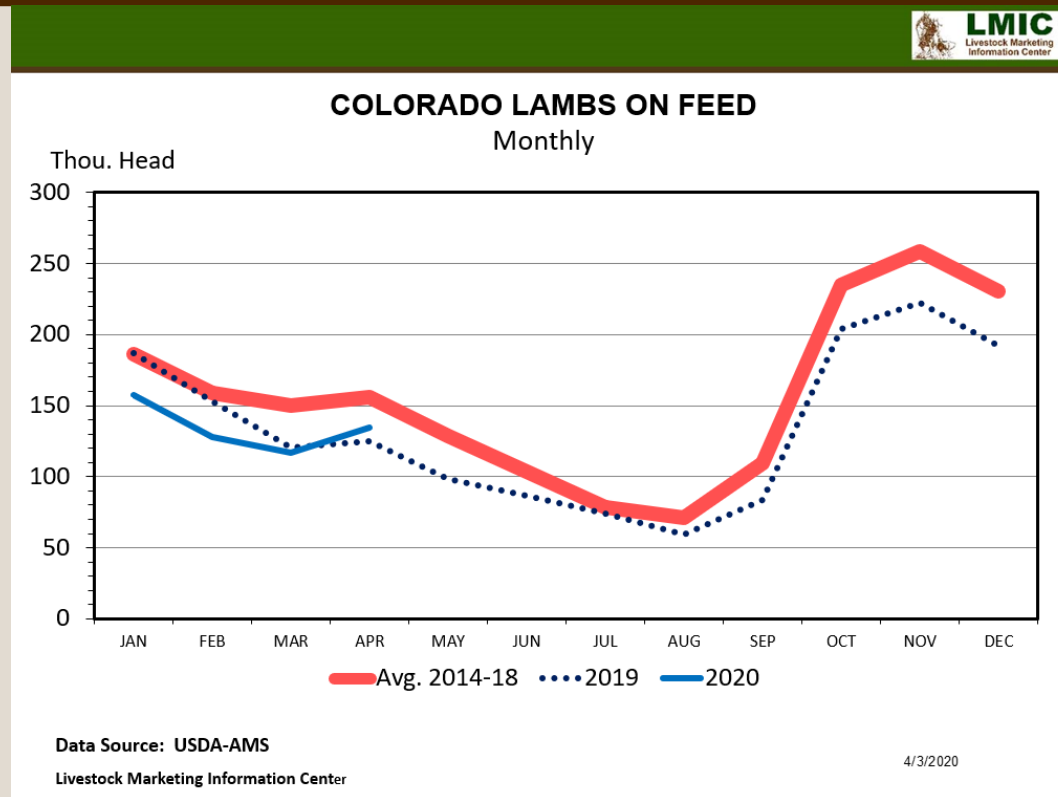
- Lamb in cold storage was on par first of January
- Usually decreases in high-demand spring month
- Currently: Cold storage continued to increase—storage hard to come by—need to free up space to put harvested lam—USDA purchase of trade mitigation lamb would help

Lamb Harvest



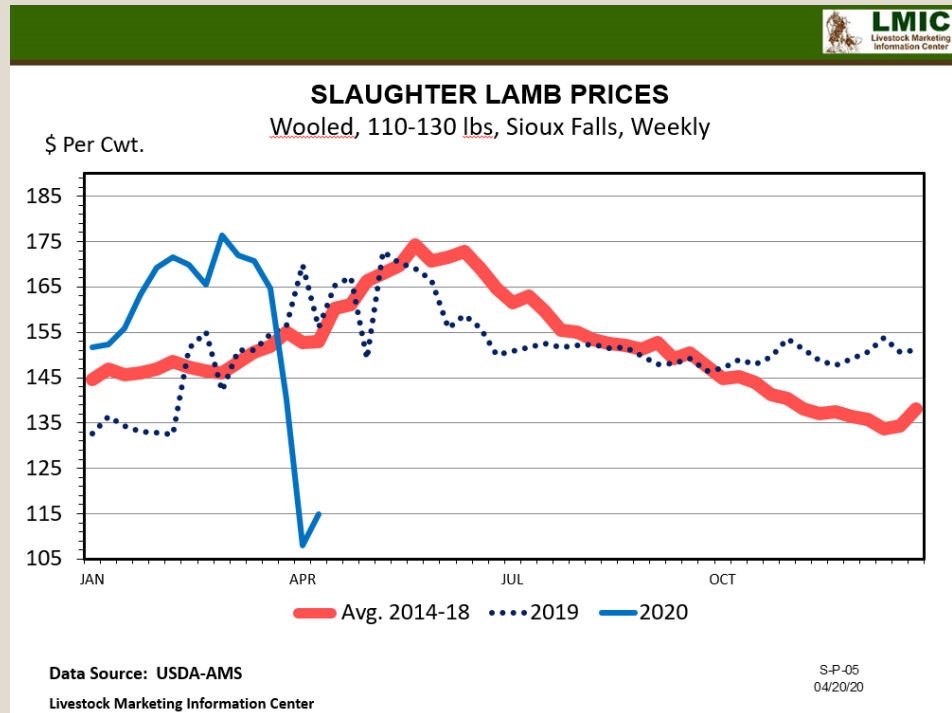
- Lamb harvest is usually highest March -May
- Harvest down 35% because of plant closures, bankruptcy, and slow downs; and food service orders cancels
---also worry about lamb breakers –further fabrication

Lack of Harvest = Lambs Backing UP



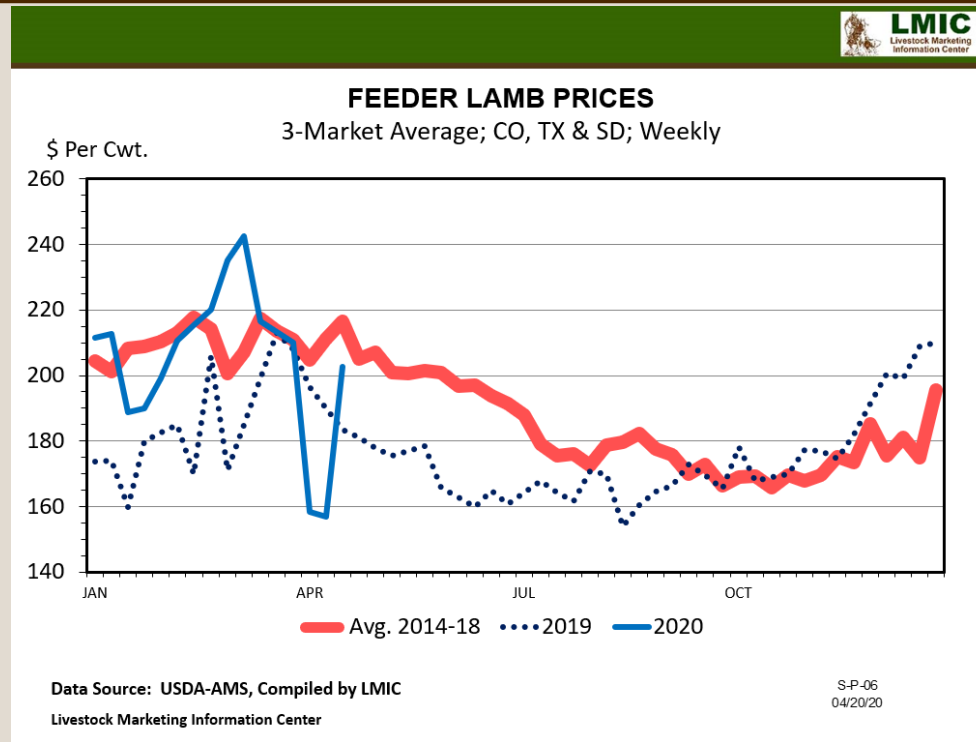
- Concern: we will not be able to harvest lambs at optimal end point
 - Heavy carcass and too fat—those lambs will cost the entire industry through out the year.

Covid -19 Impact on Live Lamb Prices



- Since March, auction prices for slaughter and feeder prices have decreased at least 40%--reports of greater decreases.
 - \$2.00/lb vs. \$.85/lb on 100 pound feeder lambs in SD last week

Use Caution When Reading Market Reports



- Feeder lambs showed a significant jump last week—
 - **TX ethnic market swung it and very small volume.**
 - *Washington seeing low demand for older lamb in ethnic market but cull ewes have held up fairly well considering*

Auctions, Ethnic Markets, Direct Market

- Across US: Lots of variation prices. Some numbers down considerably—seems many producers holding.
- Auction—depends who shows up to buy—not many contract buyers to purchase for packers.
- Washington State buyer for direct sales
 - Cull ewe market decent—hearing \$0.45-.65/lb
 - Very little demand for older lambs
- Show Lamb: Most kids able to arrange buyer for Jr. show lambs not shown
- Typically not many lambs for sale January-May in Washington—so difficult to see state impact.

Other Concerns Around Harvest and Demand

- Harvest Plant impacts: Slowdowns (for all proteins)
 - Closures, Increase Social distancing, inefficiencies, animal past optimal, cold storage
 - How do we handle animal backup—can't stackup & wait or plow—increase feeding and fabrication cost, consumer eating quality & maintain animal welfare
- If feeders loose significant money in first quarter what will their buying power be later in year?
- Covid-19 Recession concerns:
 - Lamb higher priced protein--Will consumers be more price-sensitive??
 - Restaurants closures, reopens, go out of business???

Corona Virus Food Assistance Program

- Announced by USDA last Friday.
 - \$3 billion to purchase food commodities for food banks and \$16 million for direct payment to producers.
 - ASI received confirmation sheep and wool producers will be eligible for direct payment. Sign-up details have not been announced.
 - Sign-Up Expected in May
 - Be sure to have your records in order
 - Sign-up will be through local Farm Service Agency (FSA)
 - ASI and WSU Extension will forward more information as it becomes available.

Washington State Sheep Events

- Jr. Youth Shows
 - All cancelled, many were able to help youth arrange for buyers for their animals.
 - Spokane is going to have a virtual show
- Northwest Jr. Sheep Expo (NWJSE)
 - We are still optimistic, making contingency plan to promote youth life skills and showcase sheep electronically if necessary
- Washington State Ram & Ewe Sale
 - Proceeding as normal at this time.
 - WSSP sending out information to potential consignors

Washington State Sheep Events--Fairs

- Asotin County Fair—End of April
 - Cancelled—Mark Heitstuman with logistics of 4-H/FFA market animal management and sales.
 - Made arrangements for turned buyer; potential for extra support from boosters
- Summer Shows— No one has a Crystal Ball
 - Decision Makers: Waiting to see state requirements—most start end of July and go into August & September.
 - Lots of rumors, but many counties and show management optimistic—scheduling judges, etc.
 - Most kids don't have to have ownership until mid-May to mid-June—have not heard of any kids pulling out

Managing the Impacts—Managing the Flock

- For most time is on your side
 - Most Washington producers are spring lambers and lambs won't be ready to market until summer/fall.
 - No need to try to push lambs to get into early markets
 - If have pasture, use time to let things settle in market
 - But uncertainty and depressed prices could be for a while—calculate cost to feed out or sell-may be benefits from selling light lambs—feed cost, drought, competition of other protein
 - Economic Evaluation Tools—cost of production,
 - Even in uncertain times its worth culling low performing/problem animals.
 - Take too much time and resources to wait with uncertain prices, especially if we have drought or limited feed.

Managing the Impacts



- Direct marketing-Niche market
 - Lots of enthusiasm for “local”, may be possible to market a few.
 - CAUTION:
 - Can you get a slaughter date, --labor shortage and freezer space will still apply to small niche marketers.
 - Custom slaughter and federal inspection slaughter difficult to access in Washington prior to COVID-19
 - Added cost-can you cover with price
 - Put your pencil to paper—what do you need to get to justify feeding, slaughter cost, time, risk, etc.—Sometimes it better to cut losses early
 - Supply & demand—Do you have buyers, can you find buyers...are they good for the money 2-4 months from now.

Managing the Impacts

- Stay Optimistic but be realistic
 - Sheep industry and producers have successfully come through many tough times
 - Don't count on government assistance to cover all losses
 - Manage sheep for production efficiency and health
 - Dead sheep are still worth zero and sick sheep are discounted
 - Think outside the box—look for market opportunities that may not have existed before.—Wool neck gaiters as “mask”



Questions?

- Thank You

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Upcoming Events/Information:

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