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ASI WEEKLY

NEWS FOR SHEEP INDUSTRY LEADERS

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2007 Sheep Industry Convention Reflects Growing Business

Nearly 400 sheep producers and industry supporters gathered in the Lone Star State the last full week of January to attend the 2007 American Sheep Industry Association (ASI)/National Lamb Feeders Association (NLFA) Annual Convention. Energy was high as participants took part in the many activities planned during the four-day event.

"There continues to be great optimism and unity in the sheep industry as was evident by the increased number of participants in San Antonio as well as the presence of six sheep organizations," states Paul Frischknecht, ASI president. "The theme of the convention, 'Building Upon a Legacy Looking to the Future' reminds the industry of our vast history but keeps us focused on what we can do to continue to be successful."

Once again, the sheep industry demonstrated a unified front with participation from seven national associations including ASI, NLFA, the American Lamb Board, the American Sheep and Goat Center, the Western Range Association and the National Livestock Producers Association along with ASI Women and the national Make It With Wool contestants.

A full-day industry tour kicked off the events with stops at Nugget International, Hillingdon Ranch and Fredericksburg. Mike Wheeler, chief executive officer, and the Nugget staff welcomed the more than 80 visitors by walking them through the pelt tannery process from washing, stretching and drying to the finished product. Nugget has a long history in the sheep and lamb business and continues to provide quality products and consistent value.

Robin and Carol Giles, owners and operators of Hillingdon Ranch located in the Texas Hill Country, greeted the group by providing a brief history of their operation. Robin, a third-generation rancher, runs sheep, goats and cattle. He discussed the value of the rangeland and believes it can be more productive if it is managed properly. The inclusion of the trade show once again gave attendees an opportunity to learn about new programs and products available to them. Displays ranged from milk products and pharmaceuticals to identification tagging options and grazing land programs. Sheep breed associations were also present to provide breed-specific information.

The convention schedule was filled with workshops and presentations covering multiple aspects relevant to the industry. A session devoted to parasites in sheep and how to manage them provided valuable information. Another workshop informed producers of a new product that will be available to them in 2007, Livestock Risk Protection for Lamb (LRP-Lamb). This product holds potential for sheep producers to manage price risk within their operation in the event of a serious market decline.

J. Burton Eller, Jr., deputy under secretary for Marketing and Regulatory Programs, addressed the assembled board of directors and indicated that 2007 is gearing up to be a good year for the sheep industry. He mentioned the industry's continued progress toward the eradication of scrapie in this country and the development of a new test to detect scrapie in live animals. The U.S. Department of Agriculture (USDA) is committed to being able to trace all scrapie animals back to

their flock-of-origin and to enhance compliance and enforcement of the scrapie regulations.

The USDA understands the request of the sheep industry to avoid the need of separate numbering systems between the scrapie eradication program and the National Animal Identification System (NAIS). Eller agreed that identification should be kept simple and practical. The department is also working expeditiously to re-implement mandatory price reporting but is required to do new rulemaking. No time estimate is available for the completion of this process.

There was good news for wool producers as Chris Wilcox, chief economist with The Woolmark Co., explained that the wool textile industry is experiencing the best conditions it has seen in the last five years. Wilcox sees opportunities for U.S. wools as the supply from Australia declines and the demand for all wools and especially medium-micron wools increases. With increased casualization and consumers' price sensitivity, he sees a need to educate the general public on the advantages of wool in order to maintain and grow the market share. The largest wool-apparel retail sales markets in the world are in China, the United States and Japan, respectively.

As for the outlook, Wilcox said that while high wool prices are likely to continue into 2007, ranging at or near long-term highs, economic indicators for wool are weakening a little, and wool's price competitiveness against synthetics is declining.

The board adopted new policies, which include:

- ASI supports the use of both U.S. citizens and properly documented, legal foreign labor for shearing in the United States.
- ASI supports and encourages increased USDA funding and resources to support international sheep genomics research and education efforts.
- ASI vigorously supports and encourages research efforts to develop the necessary scientific information that will better direct management of animals relative to food safety as well as provide research-based, peer-reviewed science for developing policy for both public and private land.
- ASI supports the promotion of a campaign to decrease recreation conflicts on federal lands.
- ASI urges strengthening the role of prescribed grazing in the Conservation Title of the Farm Bill.
- ASI encourages the Agricultural Marketing Service to conduct the necessary research and develop the appropriate testing protocols and requirements in conjunction with all interested parties to allow for instrument technologies to be utilized in evaluations of lamb carcasses for the classification of those carcasses based on published criteria that reflect attribute differentiation that can be utilized for value determinations.

The board of directors welcomed back into membership sheep producers from Kansas.

A new slate of officers was elected during the board of directors meeting with Burdell Johnson (N.D.) serving as president, Glen Fisher (Texas) as vice president and Margaret Soulen Hinson (Idaho) as secretary/treasurer. New regional representatives on the executive board include Burton Pfliger (N.D.) and Clint Krebs (Ore.).

"Industry leaders have committed huge resources to incentives and national programs to grow the U.S. sheep business. Cooperation among the various sheep organizations and commitments to continue joint efforts will keep the industry moving in a positive direction," concludes Frischknecht.

Sheep Numbers Slightly Less as a Result of Drought

The sheep and lamb inventory in the United States as of Jan. 1, 2007, totaled 6.19 million head, down 1 percent from 2006, but still 1 percent above 2005. After two consecutive year to year increases in numbers, inventory growth was hampered by extremely dry weather in the Southwestern part of the United States.

This information was received today in the U.S. Department of Agriculture's National Agricultural Statistics Service Sheep and Goats report.

The most noticeable decrease in inventory was reported in New Mexico and Texas where sheep numbers dropped from 2006 to 2007 by 25,000 and 20,000, respectively. However, over the same period of time, other states had substantial increases in the breeding flock area; California and Utah reported increases of 15,000 and 10,000, respectively.

"The findings in this report were expected due to severe weather problems," commented Burdell Johnson, American Sheep Industry Association president. "There is plenty of optimism in the industry, and growth will return with better feed conditions."

The complete report can be viewed at <http://usda.mannlib.cornell.edu/usda/current/SheeGoat/SheeGoat-02-02-2007.txt>.

2007 Farm Bill Proposal

Agriculture Secretary Mike Johanns unveiled the U.S. Department of Agriculture's 2007 Farm Bill proposals on Wednesday.

According to the Administration, its Farm Bill proposals represent a reform-minded and fiscally responsible approach to supporting America's farmers and ranchers. While the current law has served its purpose, the time has come to move forward with a farm program that is market-oriented and considers more than commodity prices alone when determining the appropriate level of government support. The proposals continue this administration's commitment to increase conservation programs that protect our natural resources and focus support on renewable energy.

USDA's proposals reform commodity payment programs by converting the current price-based countercyclical program to a revenue-based program that is responsive to actual conditions and provides a strong safety net; reforming and modernizing the marketing assistance loan program for program commodities; and tightening payment limits and working to close payment loopholes.

The proposal includes an additional \$7.8 billion to protect our natural resources through conservation programs, \$1.6 billion in new renewable energy funding and increases trade program by nearly \$400 million to continue the creation, expansion and maintenance of agricultural exports, to name a few.

The 2007 Farm Bill proposals spend approximately \$10 billion less than the cost of the 2002 Farm Bill over the past five years (excluding ad-hoc disaster aid) and uphold the President's plan to eliminate the deficit in five years. These proposals authorize approximately \$5 billion more than the projected spending if the 2002 Farm Bill were extended.

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Wolves Moving Off Endangered List

Early this week, Deputy Secretary of the Interior Lynn Scarlett announced that the U.S. Fish and Wildlife Service (FWS) is removing the western Great Lakes population of gray wolves from the federal list of threatened and endangered species and proposing to remove the northern Rocky Mountain population of gray wolves from the list. The two separate actions are being taken in recognition of the success of gray wolf recovery efforts under the Endangered Species Act (ESA).

The service's removal of the gray wolf from the endangered and threatened species list applies only to the Western Great Lakes Distinct Population Segment (DPS). The area includes all of Minnesota, Wisconsin and Michigan as well as parts of North Dakota, South Dakota, Iowa, Illinois, Indiana and Ohio. The agency says about 4,000 wolves live in the three states. The recovery plan identified 1,250 to 1,400 as a population goal for Minnesota. The state's wolf population has been at or above that level since the late 1970s. The Wisconsin/Michigan wolf population has been above 100 since the winter of 1993-94, achieving that numerical goal in the recovery plan.

The final rule will be published in the Federal Register. The rule becomes effective 30 days after publication; until that date, gray wolves remain under the protection of the ESA in the western Great Lakes DPS. The rule and other information about the gray wolf may be found at

www.fws.gov/midwest/wolf.

The wolf population in the northern Rocky Mountains (NRM) has exceeded its recovery goals every year since 2002. Therefore, the FWS is proposing to establish and delist the NRM wolf DPS that will include all of Montana, Idaho and Wyoming as well as the eastern third of Washington and Oregon and a small corner of north-central Utah. The proposal will call for the management of 1,200 wolves in the three states.

Push for COOL

Legislation that would expedite the implementation of country-of-origin labeling (COOL) was introduced in the U.S. Senate this week by co-sponsors Sens. Craig Thomas (R-Wyo.) and Jeff Bingaman (D-N.M.). The bill would implement mandatory COOL by Sept. 30, 2007, instead of the September 2008 deadline set in a fiscal year 2006 spending bill.

"Global trade is not going away, and with more trade comes an increase in the importance of country of origin labeling," Thomas said. "Many nations already label food and other products - including the United States, and like I've said before, if it is good enough for T-shirts, it is good enough for T-bones."

"Consumers should have the right to know where their beef, lamb and pork comes from," Bingaman said. "Moving up the date for mandatory labeling is a good idea."

Most U.S. trade partners, including the European Union, require country of origin labeling for food. Virtually every other item a consumer buys in the U.S. indicates a country of origin.

"Producers and consumers have waited long enough for country-of-origin labeling," Thomas concluded. "It is high time we make it happen."

Additional co-sponsors of this bipartisan bill include Sens. Max Baucus (D-Mont.), John Thune (R-S.D.), Chuck Grassley (R-Iowa), Jon Tester (D-Mont.), Byron Dorgan (D-N.D.), Mike Enzi (R-Wyo.) and Kent Conrad (D-N.D.).

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Additional Funding in Farm Bill

The American Sheep Industry Association (ASI) joined with more than 90 other agricultural organizations in urging the U.S. Senate and the U.S. House of Representatives budget committees to adopt a budget resolution that provides an adequate level of resources to address the challenges that confront agriculture's diverse stakeholders and fully take advantage of the new opportunities that are available to this important sector of our economy and society.

The current Farm Bill represents a delicate balance among many priorities by effectively addressing the stability of our agricultural production base, protecting our important natural resources and enhancing nutrition and food assistance programs for our nation. As Congress begins crafting new farm legislation this year there are both increased challenges and new opportunities that must be considered and addressed.

Given the cuts agricultural programs have already sustained over the last several years and the substantial savings as a result of farm bill programs, the coalition asked that the committees adopt mandatory and discretionary spending levels that provide for additional funding and resist efforts to force further budget reductions on agricultural, food assistance, conservation and other critical programs.

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Offer to Purchase Lamb Roast Announced

The U.S. Department of Agriculture (USDA) invites offers to sell frozen lamb products for use in federal food and nutrition programs. Offers must be received by 1:30 p.m., central time, on Friday, Feb. 9, 2007. Acceptances will be announced by midnight, Friday, Feb. 16, 2007.

This is part of a continuing lamb purchase program requested by the American Sheep Industry Association and approved by Secretary of Agriculture Mike Johanns in April 2006.

Additional program information can be accessed at:

www.ams.usda.gov/lscp/otherredmeat/orm_purchaseinfo.htm.

Draft ID Documents Available

The U.S. Department of Agriculture's Animal and Plant Health Inspection Service has released three documents relating to the National Animal Identification System for review and comment by the public.

Released on Thursday were a Draft User Guide, a Program Standards and Technical Reference document and a technical specification document for the animal tracking databases.

All three documents are available at <http://animalid.aphis.usda.gov/nais>.

Horse Slaughter Bill Introduced

Legislators from both the U.S. House of Representatives and the U.S. Senate introduced horse slaughter prevention bills. The American Horse Slaughter Prevention Act is a bill that would eliminate the transport and processing of horses for human consumption in the United States.

An estimated 90,000 horses are processed in this country each year which represents 1 percent of the domestic horse population. Most of these horses are livestock that can no longer be considered reliable saddle horses, are too old or infirm to be of service, are behaviorally unmanageable or cannot be properly cared for by their owners.

The Public Lands Council (PLC), an organization that works with the American Sheep Industry Association, the National Cattlemen's Beef Association and the National Association of Grasslands, opposes the legislation because it interferes with ranchers' economic decisions about managing their livestock.

PLC contends that the current horse-processing system includes safeguards that are not included in this new legislation. Horses have a great deal of protection from abuse and mistreatment under current law. There is a fear that with the passage of this legislation, unwanted horses will be abandoned to the elements and will suffer a series of unintended consequences that negatively impact the health and welfare of the horse and the environment.

Horses are an integral part of America's farms and ranches. Eliminating this option of horse management poses a risk to both horses and public health. The processing of horses under the current legal structure by closely regulated and monitored processing companies is both ethical to the animals and safe for the public.

Foot and Mouth Survey

The Center for Animal Disease Modeling and Surveillance (CADMS) at the UC Davis School of Veterinary Medicine is developing a simulation model to predict the spread of foot-and-mouth disease (FMD) in the event of an outbreak in the United States, and they are asking for assistance from the sheep industry.

The goal of the project is to be able to identify the best strategies that would minimize the impact and the cost to the livestock industry of a FMD epidemic through use of computer models. They are gathering data in two areas: animal movement and premise location.

Producers who are willing to assist can go to <http://survey.euro.confirmit.com/wix/p34177541.aspx>. All information will be kept confidential and will only be used for modeling purposes.

Weekly National Market Prices for Wool

The U.S. Department of Agriculture's prices for wool the week beginning Jan. 31 can be accessed at www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=fta-wm.

Posted prices for ungraded wool (per lb./greasy basis) for the week are: Region 1, \$0.19; Region 2, \$0.17; and Region 3, \$0.15.

The LDP rate for ungraded wool, therefore, is \$0.23 per lb. greasy this week.

These rates are used to determine the loan repayment rates for marketing assistance loans and to calculate loan deficiency payment.

Market Summary, Week Ending January 26, 2007

The updated Market Summary can be accessed at www.sheepusa.org each Monday.

Feeder Prices, San Angelo, no test, Intermountain area, 60-70 lbs. 104-106 \$/cwt., 70-80 lbs. 104-105 \$/cwt., 80-90 lbs. for 101-105.75 \$/cwt.

Slaughter Prices - Negotiated, Live, woolled and shorn 115-155 lbs. for 86.80-95 \$/cwt., dressed, no sales reported.

Slaughter Prices - Formula, 4,691 head⁽¹⁾ at 176-198.26 \$/cwt. for 71.4 ave. lbs., 15,696 head at 165-192.72 \$/cwt. for 79 ave. lbs.

Equity Electronic Auction, shorn and woolled 130 lbs. for \$90.50/cwt.

Cutout Value/Net Carcass Value⁽²⁾ \$210.02/cwt.

Carcass Price, Choice and Prime, YG 1-4, weighted averages, 1,543 head at 55-65 lbs. for \$206.21/cwt., 2,931 head at 65-75 lbs. for \$191.65/cwt., 3,023 head at 75-85 lbs. for \$188.09/cwt., 1,861 head at 85 lbs. and up for \$176.98/cwt.

Boxed Lamb, weighted average prices (\$/cwt.), Trimmed 4" Loins 421.13, Hotel rack⁽³⁾ 592.94, Leg (trotter off) 235.18, Ground lamb 270.91.

Wool, Price (\$/lb.) Clean, Delivered, 18 micron (Grade 80s) 2.82, 19 micron (Grade 80s) 2.55, 20 micron (Grade 70s) 2.03, 21 micron (Grade 64-70s) no prices reported, 22 micron (Grade 64s) 1.86, 23 micron (Grade 62s) no prices reported, 24 micron (Grade 60-62s) no prices reported, 25 micron (Grade 58s) 1.25, 26 micron (Grade 56-58s) No prices reported, 27 micron (Grade 56s) no prices reported.

⁽¹⁾Prices reported for the two weight categories of the largest volume traded. ⁽²⁾The cutout value is the same as a net carcass value. It is a composite value that sums the value of the respective lamb cuts multiplied by their weights. It is also the gross carcass value less processing and packaging costs. ⁽³⁾Average of light, medium and heavy 8-Rib Rack.

(Source: USDA/Agricultural Marketing Service)
