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ASI WEEKLY

NEWS FOR SHEEP INDUSTRY LEADERS

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Johnson Meets With Secretary Schafer

President of the American Sheep Industry Association (ASI), Burdell Johnson, met with the newly confirmed secretary of agriculture, Ed Schafer, this week just prior to Schafer being sworn into office.

"The progress of the Farm Bill was a topic of discussion, and it is clear that he wants to do what is right for agriculture," said Johnson. "As a fellow North Dakotan, Schafer understands rural life and the opportunities as well as the challenges that come along with this lifestyle."

Johnson requested the assistance of the department in helping to resolve a serious competition issue within the sheep industry. The Sheep Genome Sequencing Consortium is an international effort to lay the foundation to map the sheep genome. Along with the United States, the United Kingdom, New Zealand, Australia, France and Kenya have been active in funding this project. It was announced in January that the sheep genome mapping has been completed, and it is now possible for the group to start identifying markers to identify valuable traits in sheep.

With the U.S. Department of Agriculture's competitive grants program at Cooperative State Research, Education and Extension Service, the industry asked that sheep genomics be a priority. It would be a serious set-back if American producers were locked out of the advancements in productivity and disease control, which are anticipated to be available through the continued funding of this international consortium.

Johnson expressed the appreciation for the support the sheep industry has received from the department in key priority areas from Wildlife Service's assistance with predator management and the eradication of scrapie at Veterinary Services to Agricultural Marketing Services' lamb and wool promotion programs.

A follow-up visit has been requested for the secretary to meet with sheep producers when they travel to Washington, D.C., in May.

Cal-Wool Works Agreement with Roswell Wool

After more than 50 years of service to California's sheep industry, Cal-Wool Marketing will be discontinuing its operations. As the board of directors looked to the future, it realized that the cooperative had to move more wool than it was collecting throughout the area to stay financially healthy.

An agreement was reached between Cal-Wool and Roswell Wool in Roswell, N.M., to collect and purchase the California wools. John Mackenzie, Cal-Wool manager, will continue through May 2008 to assist with the transition and to introduce Roswell Wool to members and producers in California.

"On behalf of the board of directors, and after 50 plus years in operation, it is hard to find the words to express our gratefulness towards the wool and sheep industry, and the American Sheep Industry Association, in particular," said Mackenzie. "By continuing to focus on the best interests of

the wool growers in California, we planned a transition for the future by developing drop-off points for their wools and I will be available until May to assist Roswell's warehouse and the producers with the shift."

Like the last two years, Roswell Wool will maintain the drop off points at Ukiah, Dunnigan, Firebaugh and Bakersfield as well as the pick up point at Rio Vista.

Cal-Wool has been testing its wool for quality, micron, yield, length and strength to target sales into the international markets. Because of Roswell Wool's reputation of reaching out to the international markets, the Cal-Wool board felt that an agreement with Roswell would be the best fit for its members.

"Roswell Wool is excited about this endeavor and we hope to make this as smooth of a transition as possible for the wool producers in California," commented Mike Corn, general manager for Roswell Wool. "We have had two successful years of marketing the wools for Cal-Wool and we feel that the system has worked well."

"We greatly appreciate John's willingness to stay on through May to help with the transition," continued Corn. "We encourage producers to call John as they have in the past. It is our plan to have a new field representative in place in the next few weeks who will be able to work side-by-side with John. This is a unique opportunity where John can introduce the new representative and help build relationships with each of the producers."

Senate Farm Bill Conferees Named

The Senate Ag Committee has announced the names of those lawmakers that will be a part of the House-Senate Conference Committee on the new Farm Bill. The announcement was made by Senate Ag Committee Chairman Tom Harkin (Iowa) and Ranking Member Saxby Chambliss (Ga.).

The list of democratic senators selected for the conference committee include Chairman of the Senate Finance Committee, Max Baucus (Mont.); Chairman of the Senate Budget Committee, Kent Conrad (N.D.); Chairman of the Senate Judiciary Committee, Patrick Leahy (Vt.); Senate Agriculture Committee Member Sen. Blanche Lincoln (Ark.) and Senate Agriculture Committee Member Sen. Debbie Stabenow (Mich.).

The list of the republican senators selected for the conference committee in addition to Chambliss are Former Senate Agriculture Committee Chairman Richard Lugar (Ind.); Ranking Member of the Senate Finance Committee, Charles Grassley (Iowa); Ranking Member Senate Appropriations Committee, Thad Cochran (Miss.); and Sen. Pat Roberts (Kan.).

So far, the House has not yet announced its conference members.

Proposed Revisions to H-2A Program

On Wednesday, the Bush Administration announced the details of an administrative effort to bring about significant reform of the H-2A agricultural worker program. The Agriculture Coalition for Immigration Reform (ACIR) appreciates the administration's acknowledgement of the serious labor crisis facing American agriculture and that the administration seeks to use the tools and authorities available to it to improve the situation. ACIR believes that significant H-2A reform is an essential element of a broad-based solution to the labor crisis. While the administration proposes to address some needed changes in the H-2A program that can be made within the existing legislative framework, it cannot remedy the problems created by existing law.

There is a need for major capacity-building to enable significantly wider reliance on a reformed H-2A program. At present, only 2 percent of U.S. agricultural labor needs are provided through the H-2A program. Yet, users often experience serious delays between their dates of need and the arrival of H-2A workers. While proposed streamlining may help, capacity-building, such as at U.S. consulates abroad, is essential and will take time.

The American Sheep Industry Association (ASI) participated in a conference call on Wednesday with the Department of Homeland Security and the Department of Labor to review the multi-page proposal.

"Currently, sheepherders have a provision within the H-2A program that exempts them from the requirement to be out of the country six months between contracts," stated Peter Orwick, executive

director for ASI. "The proposed rule awaiting publication will require H-2A workers in all programs to be out of the country three months between contracts."

Sheep producers who may be affected by this change should contact their labor organization for more details on the benefits and impacts of this proposal. It is anticipated that the proposed rule will be published in the Federal Register soon with a likely 60-day comment period.

Schafer Outlines President's Ag Budget

Agriculture Secretary Ed Schafer on Monday released details of President Bush's FY2009 U.S. Department of Agriculture (USDA) budget.

"The President's agriculture budget supports his commitment to increase the competitiveness of agriculture, ensure the safety of the food supply and provide nutrition and housing assistance to those most in need," said Schafer. "This budget aims to enhance those programs with a proven track record for achieving results and reflects the President's goal to keep spending under control to reduce the deficit."

Total USDA expenditures are estimated at \$95 billion in FY2009, which is approximately the same level as FY2008. Roughly 76 percent of expenditures, or \$72 billion in 2009, will be for mandatory programs that provide services required by law, which include many of the nutrition assistance, commodity, export promotion and conservation programs.

USDA's discretionary programs account for the remaining 24 percent of expenditures, or \$23 billion in 2009. Discretionary programs include the Women, Infants and Children (WIC) Program; rural development loans and grants; research and education; soil and water conservation technical assistance; management of national forests; and domestic marketing assistance.

The President's 2009 budget is based on the provisions of the 2002 Farm Bill and reflects the administration's proposals for changes. Enactment of a Farm Bill will affect some of the estimates in the 2009 budget.

Wool Market Correction Occurs

The Wool Exchange's Australian Market Indicator (EMI) has fallen for a second week, down 10 cents (1 percent) to close on 997 Australian cents/kg clean. In U.S. currency, the market saw a fall of 5 cents (0.6 percent) with the Australian dollar rising slightly to 89.25 U.S. cents. The EMI has dipped below the 1,000 cent mark for the first time since December 6.

Analysts say the decrease is partly due to changes in the exchange rate over the last few days. At one point, the Australian dollar reached 90.69 U.S. cents - almost 2 cents up on last week.

The recent decision by the Reserve Bank of Australia to increase interest rates by 0.25 percent to 7 percent may also have had a negative impact on the market. The EMI fell 10 cents/kg on Tuesday and a further 7 cents/kg on Wednesday before rallying with a 7 cents/kg rise on Thursday. Experts say the sharp fall is a reflection of the continuing correction that has been affecting the Eastern markets.

The national offering of 61,324 bales - which brought a clearance of 83 percent - was almost a third larger than last week's total. After prices fell over the first two days, demand increased. China was again dominant, while Europe was more active, particularly Modiano and G Schneider. At Thursday's sale in Sydney, Korean and Italian buyers reportedly targeted the finer microns, paying higher premiums than the Chinese. Despite a weaker market, the average price indicator for 17.5 microns still rose by 20 cents for the week.

Reprinted in part from The Wool Market Exchange

NLPA Lowers Interest Rate on Loans

The National Livestock Producers Association's (NLPA) Sheep and Goat Fund Committee reduced the interest rate offered to applicants to 5 percent at their most recent meeting in Las Vegas on Jan. 24, 2008.

"We hope that the lowered rate will attract more applicants. The NLPA Sheep and Goat Fund focuses solely on the sheep and goat industries and is strictly directed by people who understand that industry," Richard Drake, chairman of the NLPA Sheep and Goat Fund Committee said. "The

fund has given sheep and goat businesses from across the United States a much needed financial boost at a time when agricultural financing can be difficult to secure."

Currently, the fund has \$9.85 million in loan commitments with 55 loans to 38 entities in 22 states. The fund committee continuously reviews applications that serve the goals of this program.

Drake said he would like to see a continued variety of applicants in the coming year.

"In 2007, the fund has helped a company making lamb feed, enhanced a meat pie company's ability to increase its national market share and has been used to help establish a goat processing plant in the state of Kentucky," Drake said.

Also during the January meeting, NLPA appointed Clark Willis of Logan, Utah, to its executive committee.

For more information or an application, contact NLPA at 800-237-7193 or go to the Web site at www.nlpa.org.

2008 Grazing Fees Announced

The federal grazing fee for Western public lands managed by the U.S. Department of Agriculture's Forest Service (FS) and the Bureau of Land Management (BLM) will be \$1.35 per animal unit month (AUM) in 2008, the same level as it was in 2007. The fee, determined by a congressional formula and effective on March 1, applies to nearly 18,000 grazing permits and leases administered by the BLM and more than 8,000 permits administered by the FS.

Under a presidential executive order, the grazing fee cannot fall below \$1.35 per AUM, and any increase or decrease cannot exceed 25 percent of the previous year's level. An AUM is the amount of forage needed to sustain one cow and her calf, one horse or five sheep or goats for a month.

The \$1.35 per AUM grazing fee applies to 16 Western states on public lands administered by the BLM and the FS. The states are Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington and Wyoming.

The FS applies different grazing fees to national grasslands and to lands under its management in the Eastern and Midwestern states and parts of Texas. The national grassland fee will be \$1.35 per AUM, down from \$1.37 in 2007, and will also take effect March 1. The fee for the Eastern and Midwestern states and parts of Texas will be announced later this month.

Two Animal Rights Groups Join

According to a press release issued this week, Forest Guardians and Sinapu, two Western regional conservation groups, have joined forces to create a stronger organization to, as they say, "protect and restore the wild places, wildlife and wild rivers in the American West."

The new organization called WildEarth Guardians creates a wildlife advocacy group who says it will pressure policy-makers and government agencies to protect and restore the lands, wildlife and waters from the Great Plains and Desert Southwest across the Rockies and through the Intermountain West.

A few of WildEarth Guardians priorities include restoring wolves to the American West, including protecting Mexican wolves in the Gila bioregion and reintroducing wolves to the southern Rockies; restoring keystone species such as prairie dogs across the American West; restoring wildfire as a natural and restorative process in healthy western forest ecosystems; and abolishing the USDA's Wildlife Services program.

Forest Guardians and Sinapu were two of the primary petitioners requesting that the Environmental Protection Agency (EPA) cancel the uses of M-44s and Compound 1080.

"This organization, with its stated purpose of shutting down predator control, is further proof that the EPA petition is not about the safety of the M-44 but rather another of its attacks on predator control and tools," stated Peter Orwick, executive director of the American Sheep Industry Association. "The wild allegations about safety and homeland security of the U.S. are no more than a smokescreen to address the lethal control of coyotes."

Weekly National Market Prices for Wool

The U.S. Department of Agriculture's prices for wool the week beginning Feb. 6, 2008, 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, \$0.27; Region 2, \$0.25; and Region 3, \$0.23.

The LDP rate for ungraded wool is \$0.15 per lb. greasy.

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

Market Summary, Week ending February 1, 2008

Feeder Prices, San Angelo, 50-60 lbs. for 110-115 \$/cwt., 60-80 \$/cwt. for 105-112.50 \$/cwt., 80-90 lbs. for 109-110 \$/cwt.

Slaughter Prices - Negotiated, Live, woolled and shorn 130-160 lbs. for 88.84-105 \$/cwt.; dressed, no sales reported.

Slaughter Prices - Formula, Carcass Basis, 10,262 head⁽¹⁾ at 186.89-208.30 \$/cwt. for 72.5 ave. lbs., 8,590 head at 176.39-207.31 \$/cwt. for 79.6 ave. lbs.; **Live Basis**, \$97.25/cwt. for 148.1 lbs.

Equity Electronic Auction, no sales.

Cutout Value/Net Carcass Value⁽²⁾, \$226.64/cwt.

Carcass Price, Choice and Prime, YG 1-4, weighted averages, 1,514 head at 55-65 lbs. for \$215.05/cwt., 3,472 head at 65-75 lbs. for \$204.72/cwt., 3,783 head at 75-85 lbs. for \$203.08/cwt., 1,757 head at 85 lbs. and up for \$198.10/cwt.

Boxed Lamb, weighted average prices (\$/cwt.), Trimmed 4" Loins 395, Hotel rack⁽³⁾ 598.31, Leg (trotter off) 278.41, Ground lamb 328.23.

Wool, Price (\$/pound) Clean, Delivered, No new prices reported this week. Prices from 4 weeks ago: 20 micron (Grade 70's) 3.30, 22 micron (Grade 64's) 2.90, 24 micron (Grade 60-62's) 2.29, 25 micron (Grade 58's) 2.22, 26 micron (Grade 56-58's) 2.04, no prices reported for other micron.

⁽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)