October 17, 2012

The Honorable Tom Vilsack, Secretary
U.S. Department of Agriculture
200 Admin Bldg, 1400 Independence Ave., S.E.
Washington, D.C. 20250

Dear Secretary Vilsack:

The lamb market for farmers and ranchers rose substantially in recent years and has collapsed to well under half of last year's prices; and combined with severe drought and the corresponding cost of feedstuffs, the economic situation for sheep producers is very serious.

For example, a September 20, 2012, auction market report shows a sale of 269 lambs at 104 pounds at $86.00 per hundredweight. On September 22, 2011, a sale of 106 lambs weighing 105 pounds sold for $201.00 per hundredweight at the same sale barn. This most recent sales price is 43 percent of last year's price. This dramatic drop in current prices compared to last year's prices is replicated across sheep producing states. Although it is not unusual for commodity and livestock prices to fluctuate, the recent dramatic price drop in the lamb market appears to be an anomaly when considering normal market fluctuations.

Also of great concern is the cutout to live price spread for slaughter lambs which was at less than $20.00 per hundredweight in July 2011, compared to more than $90.00 per hundredweight in July 2012.

We respectfully request that the Grain, Inspection and Packers and Stockyards Administration (GIPSA) fully investigate this drastic change in price spread to ensure that no packers or meat processors are violating the Packers and Stockyards Act by manipulating on-the-shelf lamb and other sheep product supplies and prices in such a manner that would drive down live prices for sheep producers.

We are especially concerned about and request investigation of practices whereby packers last year, out of concern that they may not have enough lambs to keep their plants producing at levels to ensure profitability, purchased lambs and placed them in feedlots. This action appears to be in violation of Packers and Stockyards Act that prohibits price manipulation.

Further, it appears that packer ownership of an excessive number of feeder lambs resulted in a market manipulation because privately owned feeder lambs were unable to be marketed and delivered to packing plants because the packers were killing only the lambs they owned and had contracted to be fed out.

We applaud the Department's inclusion of $10 million in surplus commodity purchases of lamb meat in the recent drought assistance package for livestock producers.

We understand the Department is rapidly implementing the lamb meat purchases in order to clear much of the inventory backlog and provide the lamb market a chance to strengthen for sheep farmers and ranchers as is the intent of the program. To that end, and as requested above, it would be advisable for the GIPSA to actively monitor the lamb market including evaluation of the price spreads between meat and live market lamb prices to ensure the benefits of the commodity purchases reach the farm and ranch gate. It is our concern that unless packers are strictly adhering to the requirements of the Packers and Stockyards Act, the recent USDA lamb meat purchases may not achieve desired results.

Due to the unprecedented harm created by current low prices we request that the GIPSA investigation begin immediately and consider if there are structural problems in the lamb market that have produced such wild swings in prices.

In addition, lamb market price discovery and transparency are vital to the entire industry. Continued support of voluntary market reporting of the Agricultural Marketing Service as well as reports provided by the National Agricultural Statistics Service is encouraged as well to assist in accurate and unbiased market information for producers and business in the sheep industry.

Another issue of concern is the market's impact on the Risk Management Agency's (RMA) Livestock Risk Protection - Lamb (LRP-Lamb) policies. Due to current low live lamb prices these policies are not functioning as intended due to administratively imposed restrictions, and are consequently not providing levels of price protection desperately needed by sheep producers in today's market climate. It may also be necessary to consider if the current market structure for LRP is adequate to meet the needs of sheep producers.

For example, according to the current "Livestock Risk Protection Policy Specific Coverage Endorsement-Lamb," sales of all specific coverage endorsements for lamb will be suspended for futures sales periods if a comparison of price generated by the lamb price prediction model to the actual current market prices shows that the model fails to adequately explain current market prices. LRP sales may resume once modeled lamb prices are determined to be consistent with current market prices.

Due to present low prices and market conditions the above-mentioned administrative provision has been prohibiting availability of LRP-Lamb policies. We request a full review of current LRP-Lamb policy and procedure and ask that necessary adjustments be made by RMA to allow this program to function as an effective risk management tool for sheep producers, as it was originally intended.

Additionally, we understand the U.S. lamb industry is actively seeking export opportunities for meat and meat products beyond the traditional North American trade. The lamb industry has petitioned the USDA to open the lamb market with Japan which was closed to American lamb following the BSE crisis nearly ten years ago. Likewise, the industry has pushed for development of lamb meat trade with Europe, Taiwan, and Russia in addition to Japan. We believe a priority at the USDA to achieving this goal is warranted and we encourage the Department to explore all opportunities for opening or reopening new markets.

Thank you for your immediate attention to this request.

Sincerely,

John Thune | Max Baucus

Tim Johnson | Jon Tester

John Hoeven | Kent Conrad

Mike Enzi | John Barrasso