

**DOMESTIC LAMB INDUSTRY
ADJUSTMENT ASSISTANCE**

**SUMMARY OF ASSISTANCE
MEASURES**

DECEMBER 1999

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
PROGRAM EXPENDITURE SUMMARY TABLE
DECEMBER 1999**

Program	Year 1 Expenditure	Year 2 Expenditure	Year 3 Expenditure
Domestic Purchases Section 32 lamb meat purchases ¹	\$5,000,000	\$5,000,000	\$5,000,000
Animal Health Scrapie eradication ²	\$10,000,000 (\$2,991,000) ³	\$5,000,000 in Appropriated funds requested	Appropriated funds to be requested
Market Promotion ^{4 5} Product promotion activities Marketing improvements: <ul style="list-style-type: none"> ▪ <i>Cooperative lamb marketing</i> ▪ <i>Carcass information</i> ▪ <i>USDA process certification</i> ▪ <i>Pelt certification</i> ▪ <i>Price reporting</i> 	\$4,000,000 \$1,000,000		
Productivity Improvements Direct payments ^{6 7} Guaranteed loans <ul style="list-style-type: none"> ▪ Processors⁸ (building and improvements) ▪ Producers⁹ (operating) 	\$10,000,000 \$15,000,000 \$5,000,000	\$10,000,000 \$5,000,000 \$5,000,000	\$10,000,000 \$5,000,000
Total 3-Year Total = \$100 million ¹⁰	\$50,000,000	\$30,000,000	\$20,000,000

¹ Agricultural Marketing Service (AMS), USDA

² Animal and Plant Health Inspection Service (APHIS), USDA

³ Funds already allocated by the APHIS, USDA. Amount not included in total.

⁴ Agricultural Marketing Service, USDA, will direct.

⁵ National Sheep Industry Improvement Center funded.

⁶ Section 32 funding.

⁷ Funds not expended in current year will be available in subsequent years.

⁸ Funds availability not limited to amount stated. The 1999 Rural Development, Business and Industry direct loan program was budgeted at \$50 million. The guaranteed loan program was budgeted at \$1 billion.

⁹ Funds availability not limited to amount stated. The 1999 USDA funding for operating loans was budgeted at over \$ 2.7 billion.

¹⁰ Additional \$26.9 million committed by Agriculture Research Service for sheep and lamb research projects over the 3-year period.

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
DOMESTIC PURCHASES**

1. Program / Issue: Section 32 Lamb Meat Purchases

Allocated Funding Level	
Year	Funding Level
1	\$5 million
2	\$5 million
3	\$5 million

Overview / Status: The USDA Agricultural Marketing Service (AMS) is preparing a decision memorandum relating to actions under Section 32 of the Act of August 24, 1935, as amended (Section 32), for the Secretary requesting \$5 million to begin a lamb surplus removal program. Once approved by the Secretary, purchases of lamb products will be made on a biweekly basis through competition bids from processors. This memorandum is going through the clearance stages presently.

In fiscal year 1999, AMS supported the lamb industry with Section 32 purchases of 1.1 million pounds of lamb at a cost of \$4.1 million. This program operated between October 1998 and May 1999. AMS purchased boneless shoulder and leg roasts produced according to Institutional Meat Purchase Specifications (commercial industry standards). AMS specified that roasts be trimmed of fat to not more than ¼ inch to meet nutritional needs of recipients in Federal food assistance programs.

Prior to implementing a new purchase program, AMS staff will discuss specifications and operational issues with suppliers and other industry representatives. Input from the industry will assist in determining the criteria used for these purchases.

Implementation schedule: Purchases under the conditions outlined for this program will be initiated when market conditions warrant.

Regulatory needs: Can be implemented under current regulations.

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
ANIMAL HEALTH**

1. Program / Issue: Scrapie Eradication

Allocated Funding Level:

Allocated Funding Level	
Year	Funding Level
1	\$10 million
2	\$5 million requested
3	(\$5 million to be requested)

Overview / Status: To protect the multi-million dollar U.S. sheep industry, APHIS will accelerate a scrapie eradication program to eliminate scrapie from the sheep populations of the United States. Phase one will be conducted under guidelines established by APHIS' Veterinary Services to validate a live animal test, establish a national regulatory effort, and to work with the numerous flock producers who will request participation in the Voluntary Scrapie Flock Certification Program. APHIS estimates that substantial progress on establishing this eradication program can provide a basis for phase two where scrapie will be greatly reduced or eliminated from the United States over a 7-year period. Thus, the U.S. sheep industry will be more competitive in the global market and consumer concerns regarding the presence of a Transmissible Spongiform Encephalopathy (TSE) in the food chain will be reduced.

A proposed rule has been published in the Federal Register on November 30, 1999 (Volume 64, Number 229) in 9 CFR Parts 54 and 79, "Scrapie in Sheep and Goats; Interstate Movement Restrictions and Indemnity Program". The proposed rule is intended to restrict the interstate movement of sheep and goats from States that do not follow effective flock management practices for scrapie. It also proposes to require animal identification for sheep and goats moving interstate and to reinstate a scrapie indemnity program to compensate owners of certain animals destroyed due to scrapie. These changes would help prevent the interstate spread of scrapie, an infectious disease of sheep and goats.

In clearance is a memorandum to be signed by the Secretary directing the Commodity Credit Corporation to make available \$10 million to initiate the program. Once developed, appropriated funds will be requested for the implementation phase. Currently, \$5 million is requested for fiscal year 2001 with plans to request \$5 million for fiscal year 2002.

Implementation schedule: Upon completion of rule making.

Regulatory needs: Informal rulemaking required.

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
MARKET PROMOTION**

1. Program / Issue: Product Promotion Activities

Allocated Funding Level	
Year	Funding Level
1	\$4 million
2	
3	

Overview / Status: USDA will announce that it is requesting proposals for market promotion funding. Proposals would be expected to increase demand and position the industry to be more competitive with imports within the next 3 years. Proposals will be reviewed by an independent group administered by USDA to determine which proposals receive funding.

Implementation schedule: Request for proposals will be issued in January 2000.

Regulatory needs: Can be implemented under current regulations.

2. Program / Issue: Marketing Improvements

Allocated Funding Level	
Year	Funding Level
1	\$1 million
2	
3	

Overview / Status: AMS will develop various programs targeted for the lamb industry to provide assistance in marketing product that will ultimately result in a more desirable, consistent, product marketed thus enabling a higher return on investment for all segments.

A. Cooperative Lamb Marketing: The program would be conducted in cooperation with State Departments of Agriculture. USDA will assist in training state market reporters and graders. Programs will be developed depending on producer size and area of production, to assist in improving the quality and lean yield potential for feeder lambs.

1. Graded Co-mingled feeder lamb sales whereby producers deliver lambs to a centrally located livestock facility capable of sorting, weighing and handling. Lambs weighed off trucks, would be graded by state graders individually and placed in pens with lambs of similar quality and weights. Co-mingled lots are more uniform, larger and more suitable for shipping longer distances. Co-mingled sales usually attract more buyers especially when significant volumes of uniform lambs can be offered for sale, whether live auction, tele-auction or

video auctions. Lambs can be sorted into appropriate weights, grades and muscling types. Sales should result in higher prices to producers due to the sorting and weighing condition factors of the lambs. Graded and sorted lambs could be used for forward contracting (sold for future delivery).

2. Graded on-farm Feeder Lamb sales whereby large producers offer for sale ½ load to load lots of lambs via Tele-Auction, video or computer. Lambs are weighed in close proximity to the farm and may include more than one producer, however load lot quantities from one producer are preferred. At producer field sites, state graders apply appropriate grades for frame size, muscling, cite weighing conditions, health, and estimate weights. Lambs offered through this program can also be used for forward contracting.

Implementation schedule: July 2000

Regulatory needs: Can be implemented under current regulations.

- B. Carcass Information:** The Lamb Carcass Data Service (LCDS), administered by AMS, is a joint effort of USDA and the livestock and meat industry to facilitate the flow of carcass characteristic data--quality and yield grade factors--to lamb producers and feeders. LCDS is designed to provide accurate data on important value-determining characteristics of the carcass to those producers who were financially interested in the live animal at some point during its development. LCDS information provides producers and feeders a valuable management tool to use in their individual selection and feeding programs.

Implementation schedule: March 2000

Regulatory needs: Can be implemented under current regulations.

- C. USDA Process Verification:** The Agricultural Marketing Service, USDA, Process Verification Program provides sheep and lamb producers an opportunity to assure customers of their ability to provide consistent quality products by having their written manufacturing processes confirmed through independent, third party audits. USDA Process Verified suppliers are able to have marketing claims such as breed, feeding practices, or other raising claims verified by the USDA and marketed as "USDA Process Verified." The program uses the International Organization for Standardization's (ISO) Guide 65 as the format for evaluating documentation to ensure consistent auditing practices and promote international recognition of audit results.

Implementation schedule: March 2000

Regulatory needs: Can be implemented under current regulations.

D. Pelt Certification: The objective of this program is to encourage production of high quality pelts with no defects that have greater value in the export market. By improving the husbandry practices of U.S. range and farm flock sheep producers and lamb feeders to prevent “keds” (an insect), seeds, fever damage, undesirable color and coarseness, and inconsistent wool length, producers will be able to provide packers with lambs that produce more valuable pelts. Once packers can more consistently market U.S. pelts in export markets for higher prices, U.S. producers will be able to receive higher prices for their lambs from packers.

USDA will work to develop an animal husbandry standard that will include treatment of lambs to prevent the undesirable characteristics that result from keds and seeds. Producers will be invited to register their lambs within 30 days of birth, mark their lambs with a durable tag for identification and then work with USDA to certify that lamb treatment has occurred before sale. Likewise, feeders receiving such lambs will maintain the husbandry practices and also work with USDA to certify at time of sale to the packer that appropriate husbandry care and treatments have been rendered.

Implementation schedule: Program development to begin in March 2000

Regulatory needs: Can be implemented under current regulations.

E. Price Reporting: Live Feeder Lamb Reports: With the development of state graded co-mingled and graded field sales for feeder lambs, Agricultural Marketing Service, USDA, (AMS) Livestock and Grain Market News would develop reports that reflect feeder lamb sales reported on a weighted average basis for weight and price. These reports would be very similar to the current AMS graded feeder cattle sales reports. Weighted average data provides industry with precise market information that more accurately reflects the average for each category. Currently, feeder lamb weight and price information is reported on a weight and price spread basis, which does not always reflect accurate average data for each category reported.

Implementation schedule: In conjunction with co-mingled and graded field sales for feeder lambs (July 2000).

Regulatory needs: Can be implemented under current regulations.

F. Interstate Shipment of State Inspected Products: USDA delivered to congressional leaders in November 1999 a draft bill that would lift the ban on the interstate shipment of state-inspected meat and poultry. The bill, which has the support of a broad coalition of consumer groups, state inspection departments and industry, would establish a national inspection system and would require states to meet federal standards and regulations.

Although most are optimistic that the bill will be introduced, the specifics of the bill will most likely be dealt with in the next congressional session. If the bill passes, companies would be required to use the federal seal of inspection on state-

inspected products alongside the state seal. These products could travel and be sold across state lines, in international commerce, and be transported to federal facilities for processing.

Implementation schedule: Dependent upon legislation

Regulatory needs: Informal rulemaking required.

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
PRODUCTIVITY IMPROVEMENTS**

1. Program / Issue: Direct Payments

Allocated Funding Level	
Year	Funding Level
1	\$10 million
2	\$10 million
3	\$10 million

Overview / Status: The sheep industry has experienced a continual drop in profitability and loss in equity. As a part of the Domestic Lamb Industry Adjustment Assistance Program, a 3- year program of direct cash payments tied to production practices and quality incentives that will improve the competitiveness of the industry will be made to producers. Ultimately, these direct cash payments will help restore purchasing power and enable producers to make significant changes in production practices to adjust to import competition. Funds not utilized during any year will be carried forward throughout the program. Analysis will be performed on a yearly basis as to the dispersion of funds and requirements adjusted, as needed to allow administration of all funds within the time frame of the program.

Year 1 / Production Improvements: Modernization and technical advancement are the keys to competitive and efficient production and marketing that will reduce costs in production of items consumer finds desirable. In this connection, the direct payment program would be a mechanism by which the production segment of the industry would be eligible to participate in productivity improvement projects. The program would share expenses for production improvements. The scope of production improvements includes genetic selection, lambing facilities, and feedlot development or improvement. Qualification criteria for these programs will be developed in conjunction with industry and academia.

Implementation schedule: March 2000

Regulatory needs: Informal rulemaking required.

Years 2 and 3 / Product Improvements: Quality incentives for producing highly desirable products will be the cornerstone of years 2 and 3 of the program. Producing animals and carcasses with superior traits that will assist the industry's competitiveness in the marketplace will be rewarded during this phase.

For the feeder lamb segment, producers will be rewarded for the production of feeder lambs with superior frame size and muscling as well as for working to ensure a more even lamb production cycle year around. By working to even the production cycle year around, the U.S. industry should be better able to fend off export displacement of their products due to the current seasonality of the U.S. lamb industry.

For slaughter lambs, producers and feeders will be rewarded for the production of superior palatability and cutability lamb carcasses. By producing more consistently palatable and higher yielding lamb products, the industry will both provide lamb consumers with a more appealing product as well as improve production profitability by increasing the efficiency of the lamb production cycle.

Implementation schedule: October 2000

Regulatory needs: Informal rulemaking required.

2. Program / Issue: Guaranteed Loans

Overview / Status: USDA offers loan assistance programs in agriculture through the Farm Service Agency (FSA), Farm Loan Programs and Rural Development (RD), Rural Business – Cooperative Service (RBS). 1999 funding for operating loans was budgeted at over \$ 2.7 billion and RD, RBS, Business and Industry (B&I) guaranteed loans at \$1 billion, all of which the lamb industry is eligible to apply. Outreach assistance will be provided to assure all segments of the industry are aware of the programs and interested parties understand participation requirements.

A. Processors (Buildings and Improvements)

Loan processing regulations for the USDA, RD, RBS, B&I, guaranteed loan program will be modified to target the lamb processing industry. Regulations will be developed in accordance with the President's decision. The purpose of the B&I guaranteed loan program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lenders having such loans.

Guaranteed loans will be made available to lamb processors for upgrading, replacing and installing new processing and packaging equipment for domestic lamb packing and processing plants. The U.S. sheep industry lacks competitive domestic lamb products at the wholesale and retail level to effectively compete with imported products. Upgrading processing and packaging systems in order to produce a consumer ready product at the retail level that included attributes such as modified atmosphere packaging, portion control, pre-cooked items and many others will greatly enhance the domestic industries ability to compete in the marketplace.

Implementation schedule: March 2000

Regulatory needs: Informal rulemaking required.

B. Producers (Operating)

As with other segments of agriculture, FSA, USDA will offer guaranteed operating loan programs to qualified lamb producers. Under the guaranteed loan program, FSA guarantees loans made by conventional agricultural lenders. The lender is responsible for servicing the borrower's account for the life of the loan. All loans must meet certain qualifying criteria to be eligible for guarantees, and FSA has the right and responsibility to monitor the lender's servicing activities.

These loans will be made available to qualifying lamb producers for covering flock and farm improvements and operating expenses. Some examples for consideration would be pasture fertilization, fencing, feedlot development or improvement, market transportation, and genetic improvement.

Implementation schedule: Immediate

Regulatory needs: Can be implemented under current regulations.

**DOMESTIC LAMB INDUSTRY ADJUSTMENT ASSISTANCE
RESEARCH**

1. Program / Issue: Research

Allocated Funding Level	
Year	Funding Level
1	(\$8.7 million)
2	(\$9.1 million)
3	(\$9.1 million)

Overview / Status: The Agricultural Research Service, USDA, has 42 projects pertaining to sheep research funded for fiscal year 1999. These projects total an annual funding level of \$8,687,500. ARS/USDA has an additional \$9.1 million budgeted for both fiscal year 2000 and fiscal year 2001.

Implementation schedule: Immediate and ongoing

Regulatory needs: Current ARS regulations cover the requirements of the program.