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May 20, 2020

Senator Steve Daines (R-MT)
30 W. 14th street, #206
Helena, MT 59601

Re: US-UK trade negotiations and lamb and sheep meat exports.

Dear Senator Daines:

As you know, I am the Policy Director for the Montana Wool Growers Association (MWGA).

I write as to a matter that is becoming a growing concern for MWGA's membership. This matter is the growing talk of a US-UK Trade negotiation and deal.

While MWGA's membership supports the concept of free trade, we also support fair trade. I have enclosed herewith a communication signed by multiple sheep and goat associations that is directed to members of the Senate Finance Committee. The letter is signed by the MWGA and recites our collective concerns about the possibility, see probability, of the UK dumping its lambs into the U.S.

For years, Australia unfairly dumped lamb into the US. The economic damage this practice caused on the US sheep industry cannot be overstated. To allow the UK to engage in the same practice would cause even more harm to US sheep production and presents itself at a time when US agriculture is being devastated by the policies enacted to combat the spread of COVID-19. The other issue to consider is that the UK producers still receive significant direct government subsidies, which provides them a wide economic advantage as is.

Senator, we thank you for being a great friend of our industry for many years. In this vein, MWGA's membership appreciates your attention to this important fair-trade issue. And we encourage you to weigh in with our trade representatives to ensure that unrestricted trade in lamb and sheep meat from the UK does not further jeopardize Montana's lamb production.

Thank you for your time and attention to our concerns.

Best wishes,

/s/

James E. Brown
Executive Director

May 18th, 2020

The Honorable Charles E. Grassley
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ronald Lee Wyden
Ranking Member, Committee on Finance
United States Senate
Washington, D.C. 20510

The Honorable John Cornyn
Chairman, Subcommittee on
International Trade, Customs, and Global
Competitiveness
Committee on Finance
United State Senate
Washington, D.C. 20510

The Honorable Robert P. Casey, Jr.
Ranking Member, Subcommittee on
International Trade, Customs, and Global
Competitiveness
Committee on Finance
United States Senate
Washington, D.C. 20510

Chairman Grassley, Ranking Member Wyden, Chairman Cornyn and Ranking Member Casey,

On behalf of the organizations signed below representing the United States (U.S.) sheep industry, we are writing to urge caution on lamb and sheep meat trade following the Administration's announcement on May 5, 2020 to launch the formal U.S.-UK trade negotiations.

While it remains to be seen what the domestic subsidy structure will look like once the United Kingdom (UK) is no longer in the Common Agriculture Policy under the European Union (EU), the current situation is that UK sheep producers are highly subsidized. This has been confirmed by numerous articles on the topic in the lead up to the UK's exit from the EU, as has the fact that the UK views the U.S. as a potentially lucrative market for lamb and sheep meat exports: (*Financial Times*, "UK farmers prepare for overhaul to farm subsidies after Brexit" October 7, 2018; *Farming UK*, "UK could see 30 per cent lamb export boost to US" October 18, 2017 and "Valuable opportunity': Sheep farmers look to US to boost exports" May 5, 2020; *Agriculture and Horticulture Development Board (UK)*, "US imports more lamb" June 12, 2019).

These articles have added to our industry's concerns that allowing lamb and sheep meat imports from the UK, where sheep producers are heavily subsidized, places other nation's producers at an inherent advantage over U.S. producers. While sheep producers in both the U.S. and UK face some of the same challenges such as high land and labor costs, the U.S. remains unique. Domestically, producers contend with a tremendous loss due to predation - which is growing as attitudes shift away from existing management of predatory species - and must overcome challenges of the great distances between areas where lambs are raised, where they are fed and where they are finally processed.

As seen from the discussion in the UK press, the opportunities for UK lamb in the U.S. are readily recognized. This potential becomes more evident as the UK faces future barriers to entry into its traditional export markets in the European Economic Area (EEA). Should the final "Brexit" agreement not allow preferential treatment for UK lamb exports to the EEA, upwards of a third of their production will need to find a new market. Respective tariff rates for UK lamb and sheep

meat into the EU markets under a no-deal Brexit could range from 28-76%, depending on the sheep meat product exported (<https://ahdb.org.uk/eu-and-uk-import-tariff-rates-for-selected-sheep-meat-products>).

U.S. lamb producers are struggling under the weight of imported lamb and sheep meat, primarily from Australia and New Zealand. Over the past five years, imports from these countries have accounted for on average 164% of commercial lamb and sheep meat production in the U.S. Currently, this is exacerbated by the strong U.S. dollar, particularly in relation to the Australian dollar. The scope of this import situation presents a tremendous challenge to U.S. sheep producers.

The U.S. is the most open market in the world for lamb and among the highest valued. There is not a market opportunity in the world for U.S. sheep producers that can offset the loss of our domestic market. Even with reciprocal trade in lamb and sheep meat with the UK, that is not likely to be a lucrative market for American lamb, especially as New Zealand lamb has decades of presence in that market. We produce a great product, the only fed lamb in the world on any scale. It is a product that is tailored to an American appetite and shines in a white tablecloth setting. However, the barriers inherent to building and maintaining large scale trade in a premium product within the UK's well-established structure is highly unlikely to offset the potential that currently exists in our domestic market; potential that the industry has spent millions to build through the lamb promotion efforts of the American Lamb Board.

Nearly two years ago we regained access to the Japanese market after being locked out for fifteen years due to the bovine spongiform encephalopathy (BSE) issues. We are still grateful to the U.S. Department of Agriculture (USDA) and the U.S. Trade Representative (USTR) for their efforts on our behalf, but we have struggled to regain even a portion of our prior sales to that nation. Most recently the U.S. Meat Export Federation noted that our year-to-date exports to Japan were 34 metric tons valued at \$73,000, up from minimal exports in 2019.

We understand supporting trade initiatives like the U.S.-UK negotiations for their potential benefit to both economies, but absolutely believe unrestricted trade in lamb and sheep meat from the UK would greatly jeopardize the domestic production of lamb, the livelihood of America's 100,000 sheep farmers and ranchers, and the rural communities that depend on them. There is a clear need for an intervention to ensure this trade is fair.

Sincerely,

American Sheep Industry Association
National Lamb Feeders Association

Alabama Meat Goat & Sheep Producers
Arizona Wool Producers Association
Arkansas State Sheep Council
California Wool Growers Association
Colorado Wool Growers Association
Connecticut Sheep Breeders, Inc

Meat Sheep Alliance of Florida, Inc
Georgia Sheep & Wool Growers' Association
Hawaii Sheep & Goat Association
Idaho Wool Growers Association
The Illinois Lamb & Wool Producers
Indiana Sheep Association
Iowa Sheep Industry Association
Kansas Sheep Association
Kentucky Sheep & Wool Producers Association
Maine Sheep Breeders Association
Maryland Sheep Breeders Association
Massachusetts Federation of Sheep Associations
Michigan Sheep Producers Association
Minnesota Lamb & Wool Producers
Missouri Sheep Producers, Inc.
Montana Wool Growers Association
Nebraska Sheep & Goat Producers
Nevada Woolgrower Association
New Hampshire Sheep & Wool Growers Association
Garden State Sheep Breeders (NJ)
New Mexico Wool Growers, Inc.
Empire Sheep Producers Cooperative, Inc. (NY)
North Carolina Sheep Producers Association
North Dakota Lamb & Wool Producers Association
Ohio Sheep Improvement Association
Oregon Sheep Growers Association
Pennsylvania Sheep & Wool Growers Association
Rhode Island Sheep Cooperative
South Carolina Sheep Industries Association
South Dakota Sheep Growers Association
Tennessee Sheep Producers Association
Texas Sheep & Goat Raisers Association
Utah Wool Growers Association
Vermont Sheep & Goat Association
Virginia Sheep Producers Association
Washington State Sheep Producers
West Virginia Shepherds Federation
Wisconsin Sheep Breeders Cooperative
Wyoming Wool Growers Association

CC: The Honorable Sonny Perdue, United States Secretary of Agriculture
The Honorable Robert Lighthizer, United States Trade Representative