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Executive Summary

Background

With roots dating back to 1865, the American Sheep Industry Association (ASI) is a federation of 45 state associations representing sheep producers nationwide with a common goal to promote the well-being and profitability of the U.S. sheep industry. From the East to the West, pasture flocks to range operations, ASI works to represent the interests of more than 81,000 American sheep producers.

In 2000, the U.S. Congress established the Wool Research, Development and Promotion Trust Fund to support wool activities. Aimed at increasing the competitiveness of American wool, ASI established the American Wool Trust Foundation (501(c)5 corporation) to implement the wool programs. The foundation delivers programs and services via a contract with ASI, which has the most extensive leadership, communications and program delivery infrastructure in the U.S. sheep industry.

ASI oversees the funds that support the three primary Wool Trust Program interests: quality improvement, dissemination of information and development and promotion of U.S. wool. For the fiscal year (FY) Oct. 1, 2010, through Sept. 30, 2011 – the year covered in this report – the Wool Trust Foundation was awarded \$2.25 million. Additionally, the U.S. Department of Agriculture approved a new Memorandum of Understanding with ASI for wool programming during the FY2011 fiscal year.

Objectives Addressed by the Wool Research, Development and Promotion Trust Fund

- Development and promotion of the wool market
- Improve the quality of the wool produced in the United States, including wool production methods
- Disseminate information on wool improvements to U.S. wool producers

U.S. Market Situation

Domestic wool-apparel production in the United States over the past decade has been relocated into other lower-cost countries, as is the trend with all textiles. Exports now account for 60 percent to 70 percent of domestic wool production.

This fiscal year, the strong military wool demand has been critical to U.S. wool producers in light of the international wool market, which had taken a hit due to the worldwide financial crisis.

The U.S. military uses 20 percent to 25 percent of all U.S. wool and announced several large clothing-related contracts this fiscal year that have or will use a significant amount of American wool.

Although orders were lower during the armed conflicts in 2007-2008, the U.S. military continues to be a major U.S. customer for wool apparel. Fire-resistant wool apparel has become a popular

product with the military, as synthetic materials burn easier when exposed to heat and can even melt onto a soldier's skin, causing them harm and making those fabrics less desirable than fire-resistant wool in war zones. The purchase of shrink-resistant treatment equipment in 2010 and its subsequent production start in 2011 that allows a low-cost treatment to render wool machine washable and dryable in the field environment with little to no shrinkage has more than met expectations to facilitate the use of U.S. wool for the military.

Survival for the domestic textile industry lies in the development, production and marketing of new products.

The shrink-treatment equipment has gone a long way in its short time toward this goal, allowing the possibility for new washable wool products in the commercial sector.

In addition, leading manufacturers have introduced new concepts such as embedding treatments directly into fibers or coating fabrics with chemicals that bond to them on a molecular level, providing fabrics that are antimicrobial, washable and fire resistant.

Also, the markets for fashion and sports clothing continue to gain market success as greater innovation is seen in the specialized sports goods arena. There is a clear message that consumers will pay more for innovative products.

Several outdoor apparel manufacturers have continued to utilize wool to meet consumer demands for a natural, high-performance fiber, and FY2010/2011 saw that trend continue as numerous other companies began manufacturing products for the wool-apparel market. Wool has moisture-managing, temperature-regulating, fire-resistant and odor-resistant properties that make it perfect for any outdoor apparel, such as cold-weather base layers, biking jerseys and socks, just to name a few.

Also, wool is a fiber of choice year round, not just for cold weather. For example, companies like Ibex, Icebreaker, Patagonia and Smartwool have outdoor wool apparel lines, and many are also offering casual, lightweight wool products for everyday wear in summer months.

The consumer demand for sustainable products that are environmentally friendly and come from renewable resources has continued to grow considerably in this past fiscal year. Naturally, as wool is a sustainable fiber, it is becoming a go-to fiber for environmentally conscious manufacturers and consumers. As part of ASI's objectives, it continues to research new ways to meet the demand for a safely grown and manufactured product.

One example has been ASI's work with the Maine-based company Ramblers Way, which with several years of ASI's assistance, has been able to identify the wool it needed, meet and directly contact growers to access this wool and create a line of 100-percent wool underwear garments.

World Wool Situation

ASI programs have been successful in achieving significant interest and purchases from major wool-processing countries around the world in recent years.

The past several years have seen some significant changes in the wool market, but by the end of FY2010, the market was on a substantial upward correction from years past. The financial

crisis beginning in 2008 triggered a drop in most currencies against the U.S. dollar and the sale of virtually all commodities. Overall, the continuation of the effects of the 2008 financial crisis was felt in the wool markets heavily until around March/April of 2009, when wool prices began to improve; however, while prices improved, a weak trading environment remained until September 2009, when prices and trading appeared to be on an upswing. As FY2009/2010 progressed, the weak international demand for wool began to improve significantly, and despite the weakness of the U.S. dollar, prices for U.S. wool reached highs not seen in U.S. dollars in decades in late 2010 and into 2011.

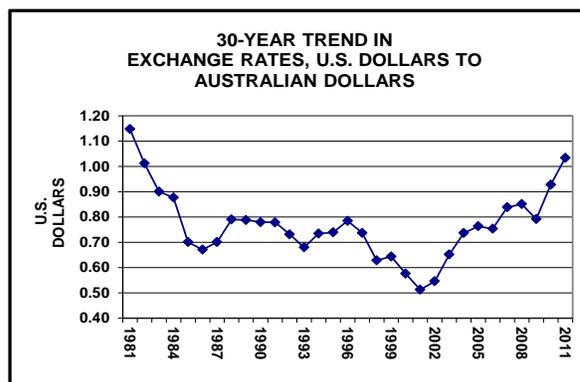
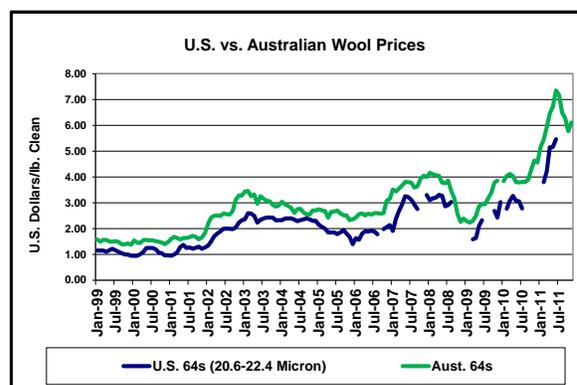
Importantly to the wool industry, while the textile industry is typically a leader into recession they also are a leader out of it. The positive trends in both the economic status of major wool-consuming countries as well as growth in textiles, including wool textiles, are both looked to as a positive indicator for continued economic improvement in the upcoming year.

The world wool supply has decreased. In 2008/2009, the largest wool-producing country, Australia, saw its sheep population continue to fall. The decrease was blamed on a previous harsh drought that caused the liquidation of many sheep flocks for the past several years. New Zealand, another large wool supplier, has experienced similar reduction in sheep numbers in recent years, due to both drought and conversion of sheep farms to dairies. However, internationally strong lamb and wool prices, the best some nations have seen in decades, have encouraged several countries, the United States included, to begin to re-build flocks to take advantage of the markets.

As the wool industry has taken a more positive turn from the past years' financial crisis, ASI's International Marketing Program continued to be on the forefront of expanding foreign market access for U.S. wool. The maintenance of a diverse market has been a key to minimizing the effects of the financial condition by keeping markets open in a variety of countries.

The improved market conditions and ASI's aggressive work to expand international markets translated to increased export by value for FY2010/2011 over the previous fiscal year by 13.9 percent. As with years past, China continued to play a big role this fiscal year in the wool processing and manufacturing sectors, buying 3.4 million pounds of clean U.S. wool in FY 2010/2011, representing 42.6 percent of all U.S. wool exports. However, renewed interest from Europe and India is credited as a major factor in the strengthening of the wool market.

India continues to show promise as a major player in the wool-textile manufacturing industry. It is the second largest importer of U.S. wool behind China, buying approximately 2.75 million pounds of wool in 2010/2011, 34.4 percent of total U.S. exports. The country's growth into this industry is expected to continue and is seen by ASI as one of the important markets to balance the influence of the Chinese market. Marketing



programs for U.S. wool were also carried out in Western Europe, South America, Mexico and Canada.

Summary of Achievements

It is important to note that the domestic textile market remains an important customer, and partnerships with this market segment helped U.S. growers realize higher wool prices.

Objective: *Assist U.S. wool producers in the development and promotion of the wool market (domestic market)*

- Domestically, ASI continued to build its knowledge and resources to gather information about the United States' largest domestic customer, the U.S. military. Over the past year, ASI worked with and expanded its contacts with military agencies, their textile suppliers and industry groups to educate and promote the use of wool.
- This year saw several wool-related projects take shape:
 - ASI worked closely with the Sheep Venture Company (SVC) in the purchase and installation of a wool shrink treatment production line at the Chargeurs Wool USA Inc., top-making mill in Jamestown, S.C. The new line is available to all domestic wool processors and is currently producing 25 percent more than projected and is taking orders four months in advance of processing.
 - The U.S. military, in particular the U.S. Army, has seen the value of wool for the soldier's safety and comfort and are interested in ASI and SVC's efforts related to wool shrink treatment resulting in the funding of Phase I and Phase II Small Business Innovation Research grants. The Phase I grant, to research and implement a shrink treatment process, completed in July 2010. The Phase II grant was awarded to SVC in February 2011, and development of prototype garments using washable wool for the Army's Extended Cold Weather Clothing System is underway.
 - The U.S. Army's Natick Soldier Research, Development and Engineering Center (NSRDEC) awarded SVC a grant on a project calling for development of over 120 woven and knitted flame resistant fabrics with potential U.S. military applications.
 - Partnerships continued with military and commercial interests to develop anti-microbial treatments for wool that will qualify for mill trials.

ASI is now recognized as the innovative U.S. leader in wool product development by military offices and industry alike, and representatives are very active in promoting wool products at conferences and meetings for different services.

Objective: *Assist U.S. wool producers to improve the quality of the wool produced in the United States, including improving wool production methods*

New Technology and Wool Quality Improvement

- ASI continued to improve the quality of the wool produced in the United States through the continued investment in and education on the use of the Optical Fiber Diameter Analysis 2000 (OFDA2000) equipment, staple length meters, a staple breaker, grab sampling equipment and also facilitated bringing wool presses to U.S. wool pools and warehouses.
- Warehouses and buyers have been trained to use the Australian Wool Exchange Description (AWEX-ID), used for appraisal and description of non-measured characteristics of greasy wool by major international wool buyers, which helps producers understand the value of their wool clip and international buyers better understand U.S. wool quality.
- Participated in state shearing forums to encourage quality improvement. Wool warehouses reported that positive results in the quality of the wool were seen as soon as one day after the forums were held.
- Producers and growers continue to adopt the practices and procedures of the Certified Wool Clip Program for shearers and wool producers. Producers, sheep shearers and several industry supporters voluntarily participated in the program in the fiscal year and sent in the documentation for listing.
- ASI continued to update its sheep shearer database and formulated plans for advanced shearing schools to be held in 2012.
- Wool handling and wool classing schools were held across the nation in response to handler and grower requests.
- ASI initiated a test trial regarding the use of paint and chalk brands applied to wool on live sheep for identification purposes to allow producers a chance to adjust management practices to keep wool the highest quality possible.

Quality Assurance

- Worked with industry and academic representatives from Australia, New Zealand and the United States on the prioritization and implementation of sheep genomics research.
- Continued the implementation of the national Sheep Safety and Quality Assurance program for producers. Several hundred producers have been trained and certified in SSQA Level I, and trainers are working with producers in several states on SSQA Level II processes.
- Participated in the National Animal Health Emergency Management Steering Committee (now a committee under the U.S. Animal Health Association) - a group of federal and state government officials, as well as industry representatives who are coordinating a strategy to more effectively and efficiently deal with animal health emergencies.

Wool Outreach

- The Wool Outreach Program expanded the reach of ASI's wool improvement and marketing activities by spurring state entities to develop wool programs. It is notable that with this

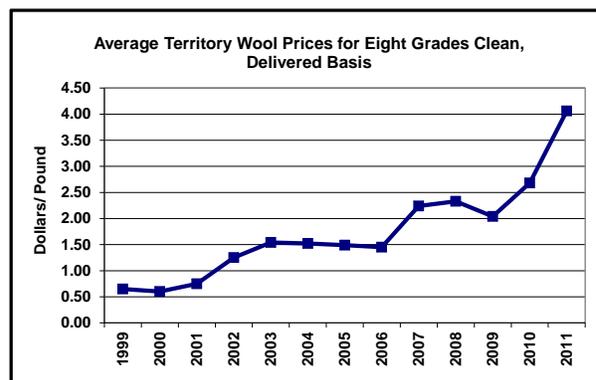
eleventh year of wool outreach funding, many states with prior participation are expanding their activities and conducting more projects with the same amount of funds. They are also carrying out a broader range of programs, which are more innovative.

Objective: Disseminate information on wool improvements to U.S. wool producers

- General areas of producer communications included wool quality improvement methods, new wool industry technology, animal health issues and their effect on wool, information on pricing and marketing opportunities.
- Producer communications included the production of ASI's monthly tabloid, the *Sheep Industry News*; the *ASI WEEKLY*, the association's weekly newsletter; press releases and other materials that were disseminated to producers and/or the public and media. Articles from both publications were routinely reprinted in livestock- and agricultural-oriented publications. In addition, this information was spread via the ASI and *Sheep Industry News* websites and the social media networks, Twitter and Facebook, which were incorporated in the communication plan to further disseminate wool- and industry-related information.
- Several media pieces were created to inform the wool and sheep industry of ASI programs.
 - *Wool Fast Facts* were redesigned and updated to reflect the most current information as reported by the U.S. Department of Agriculture (USDA).
 - As part of strategic planning, a panel of industry experts participated in the RFD-TV LIVE program where they discussed the high prices the industry has experienced in the wool markets and encouraged others to raise sheep. The ASI LIVE show was viewed by 93,000 households and 118,000 adults age 18 and older.
 - Also as part of strategic planning, ASI rolled out the first phase of the Let's Grow initiative with the twoPLUS campaign focusing on encouraging current producers to increase their flocks by 2014. If these goals are realized, an additional 315,000 more lambs and 2 million more pounds of wool will be available for the industry to market.
 - Articles and information for the Certified Wool Program and genetic improvement were published in the *Sheep Industry News* to encourage more producers to manage the quality of their wool.

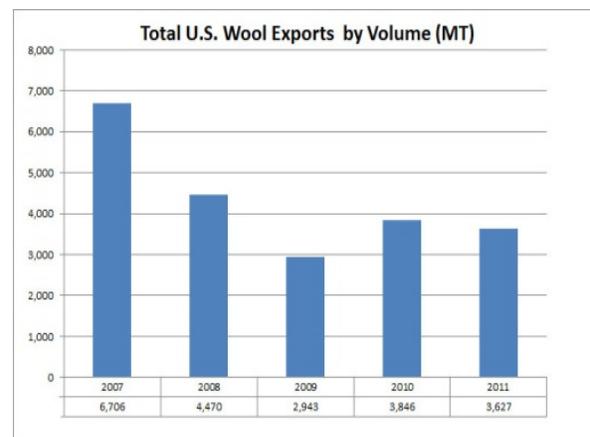
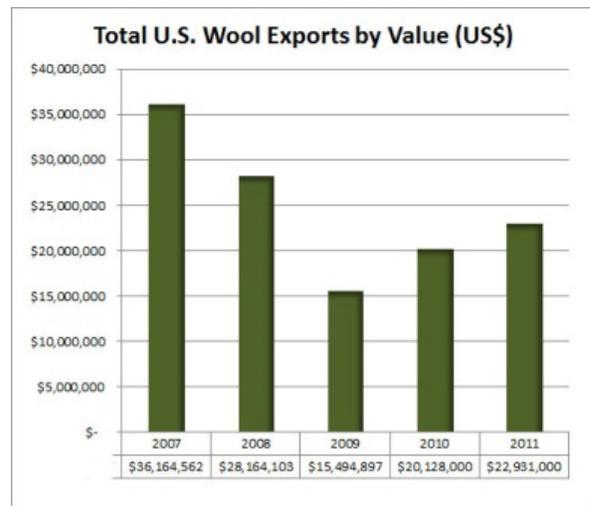
Objective: Assist U.S. wool producers in the development and promotion of the wool market (international market)

- Programs are showing a significant return on investment in an improving global economy following several years of a financial crisis. The creation of a more marketable U.S. wool clip is a huge endeavor and one that is long term in nature. The industry has successfully found



new sales outlets while U.S. quality improvements are paying off with increased buyer interest. This speaks well for the long-term impact of projects carried out under the Wool Trust programming.

- As the economy improves, the new customers and new sales developed by ASI's program continued to support U.S. exports during the year. Continuing the trend of the past fiscal year, U.S. wool exports have seen an increase in value. From October 2009 to September 2010, wool exports were 3.63 million pounds clean, valued at more than \$22.9 million, up 13.9 percent from last year (statistic source: USDA).
- This ASI program is successfully achieving its objective of redistributing the U.S. wool sales base. Rather than having one or two large companies – in the United States and abroad – purchasing U.S. wool, there is now a diverse customer base from many countries. For example:
 - China continues to be the largest customer for U.S. wool. This fiscal year, China purchased 3.4 million pounds of U.S. wool. Greasy wool purchases continued to dominate, and 100 percent of all exports to China were in this form. Last year, three new buyers from China purchased U.S. wool for the first time. ASI placed a Chinese language advertisement in a major Chinese wool textile magazine to support the international advertising campaign to increase the awareness of U.S. wool.
 - As part of the wool-type diversification strategy, ASI introduced a short wool program for China to promote China's use of woolen system wools. This has been a factor in the increase in the exports of short wool types to China and, in turn, increasing total U.S. wool exports to China.
 - India continues to be a bright spot, increasing its U.S. wool consumption by 32.5 percent over the previous fiscal year. This has improved ASI's contact and service in India and was key in ASI being able to conduct a new market segment trial (shawls) completed in 2008 and now being used as an example to



ASI extracted Mexico wool top figures from the final numbers, as the top is imported into the United States from Australia and then re-exported to Mexico.

show other shawl makers the potential of U.S. wool.

- Another factor that made these export achievements possible was the availability of valuable programs from USDA's Foreign Agriculture Service and the assistance of this agency.

It should be noted that the major strength of all of the programs in this report is synergy. All projects were carefully designed to address crucial points of the wool industry throughout the production and marketing chain. Thus, the overall program owes its strength and measurable results to the way each element supports and builds upon the others.

Program Expenditures

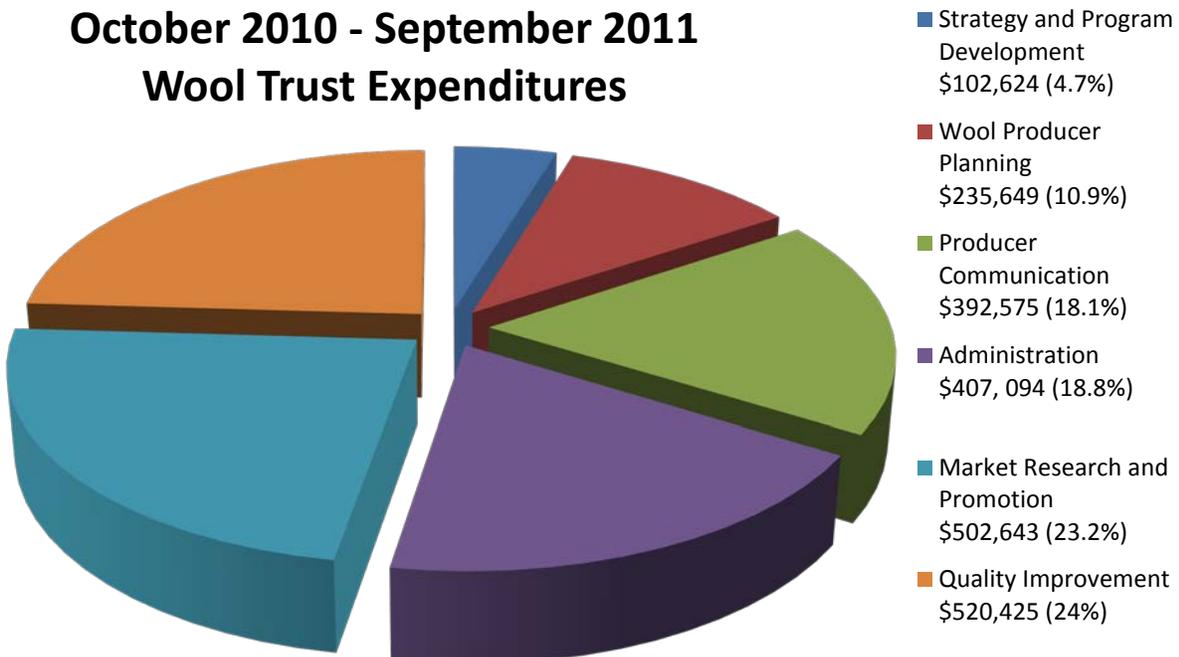
Summary

As in prior years, the majority of funds were spent on programs that directly impacted U.S. wool quality and marketing. The budget funds focused in either quality improvement programs or programs that sought out new markets and uses. Together, these two types of programs helped to develop new market options for U.S. wool growers and improve quality. Additional programs, such as communications and planning, provided essential support without which the overall program could not be conducted. The following chart shows Wool Trust expenditures this past financial year.

Wool Trust Goal Addressed by this Project

- ✓ Development and promotion of the wool market
- ✓ Improve the quality of wool produced in the United States, including wool production methods
- ✓ Disseminate information on wool improvements to U.S. wool producers

October 2010 - September 2011 Wool Trust Expenditures



Market & Product Development

Summary

Terms such as sustainability, green and low carbon footprint continue to dominate textile products and processes. So significant is this movement that influential retail chains such as TESCO, IKEA and Patagonia are disclosing the size of their products' carbon footprints on labels and hang tags. Even in the current recessionary times, consumers want to know where and how the products are made. Responding to today's eco challenges with sustainable solutions is driving new product ideas and innovations. The position of wool in relation to other fibers continues to strengthen due to continuing innovations in wool products as well as strong market influence for green, sustainable products.

This demand is particularly strong for specialized sportswear, active wear and defense-related products. Because of this wool innovation, domestic mills have found a new demand for their products. Current product developments focus heavily on sustainability issues and in developing U.S. military programs.

Volatility in fiber price coupled with increased energy cost favors the domestic industry, which essentially caters for quick turnaround time and small minimums per manufactured style. This advantage is substantiated through government production data for textiles, which show some 10-percent increase in textile production from values of 2009.

Wool Trust Goal Addressed by This Project:

- Development and promotion of the wool market

Project Goals

- ✓ Work with U.S. mills and other appropriate U.S. companies to develop new processes that position the U.S. wool industry as an ecologically responsible industry
- ✓ Develop new products that would overcome known deficiencies of the fiber, thereby creating a more modern image for wool
- ✓ Explore opportunities for wool products developed for the military in civilian markets

Achievements

The major developments for FY2009/2010 have been in commercializing washable wool technologies, developing antimicrobial treatments for wool and improving basic properties of wool fiber through chemistry and through fiber blends.

The success achieved in the programs described is due to careful selection of industry partners to address some of the crucial points of the wool industry throughout the production and marketing chain.

Project Description/Results

All projects described here were carried out in conjunction with a commercial partner, and all projects that had the military as its target were carried out jointly with another Wool Trust program: Market Research and New Uses. Adherence to this principle allows not only rapid industrialization of new products but also saves much of the development costs.

- Machine Washable Wool Products

Machine washable wool received new impetus from users and manufacturers in anticipation of the acquisition of a continuous wool top treatment line, Superwash, which began construction at Chargeurs Wool USA Inc., in Jamestown, S.C., in the fall of 2010. It began production in early 2011.

When the Superwash line began production, the washable wool market received a significant boost by providing Superwash wool top in the United States. The Superwash line is currently operating above the projected capacity and will be for the remainder of this 2011.

As a result, commercial interest in other treatment options is limited; however, a more environmentally friendly chemical process initiated in this period will be aggressively pursued in the coming year.

- Wool/Nomex® Blended Fabrics

An aggressive agenda proposed to develop and deliver a flame resistant (FR) product using a blend of wool with a long staple Nomex® was approved by the U.S. Army's Natick Soldier Research, Development and Engineering Center (NSRDEC), and work relating to procurement of necessary fibers and spinning of yarns on worsted spinning system was completed ahead of schedule. A base layer, next-to-skin wear, FR fabric has been knitted, dyed and finished and will be submitted to NSRDEC for production of garments and field testing the products during the coming fall season.

A woven version of wool/long staple Nomex® is planned in 5.2 ounces per square yard. This will be more than an ounce lighter than the FR fabric in current use and is expected to offer superior comfort and mechanical performance. A thermal mannequin test on a previously produced wool/long staple Nomex® fabric performed at DuPont test facility showed that such a lightweight fabric would meet the military standard on skin burn injury. The excellent observed performance is due to the voluminous charring property of wool. Work will continue in weaving, dyeing and camouflage printing of the fabric in the coming fiscal year.

- Stretch-Breaking Machinery Developments

Trials in collaboration with an industry partner, Perfect-Fit Co., to develop a long staple synthetic fiber top using fiber stretch-breaking machinery have been most encouraging, and an aggressive program using FR polyester from Palmetto Industries and Primaloft® from Albany International is currently in effect. Required fiber tows have now been procured and outside consultants on stretch-breaking machinery are contracted to initiate trials and refine set up of this very complex machinery. This program, when fully operational, will offer significant advantage to the worsted spinning industry by eliminating the extra step of carding the synthetic staple fiber into a sliver prior to blending on the worsted draw frame. This work will accelerate in the coming year through a variety of military-sponsored programs.

- Liquid Protein from wool

Trials in developing and extracting Keratin and protein segments have been analyzed and the research results published in three technical journals. The original work is now extended using wools from different sheep breeds to see if coarser wool varieties could offer desirable Keratin segments (a high concentration of disulfide bonds in the fiber is desired). Successful extraction will be used to redeposit the polymer after attaching a variety of molecules to impart new and more desirable properties to wool, and ASI will continue to support research on this matter.

Recommendations

There is overwhelming evidence that the consumer of today wants a product that lasts longer, causes less harm to the environment and is ethically and sustainably produced. They are willing to pay more for such assured values.

Today's wool has extraordinarily diverse attributes – extra warmth, extra comfort, extra protection and extra style. It is worth that extra bit more.

Although the U.S. textile industry is coming out of a long-term recession, the position of wool is affected by a declining wool supply (currently at 1.1 million tons) and also current non-comparative old machinery in operation. Just 10 percent of the machinery in operation today was installed in the last 10 years. Part of the problem is due to low return on capital investment in developing dedicated wool (long staple) machinery. The same applies throughout other disciplines from fiber science to dyes and chemical innovations for wool. It is increasingly incumbent upon fiber producers to step up research and development efforts to keep their fiber modern and responsive to consumer needs.

Market Research & New Uses

Summary

Continuing the pace set during FY2009/2010, ASI's Market Research and New Uses Program made significant contributions to the success of American wool this year. In spite of military withdrawals from war zones in FY2010/2011, wool was in high demand from the U.S. military. In addition, commercial use of domestic wool put welcome new demands on the supply of American wool. ASI's successes in several key projects made American wool the fiber of choice for new products as well as products that have been produced offshore for several years and are now returning to U.S. production. The Market Research and New Uses Program's work on three projects illustrates the level of contributions from ASI this year:

Wool Shrink Treatment Facility

In last year's report, ASI's collaboration with the Sheep Venture Company (SVC) to reintroduce shrink treating of wool tops was reported. As of that report, a Chlorine-Hercosett suction drum bowl production line had been purchased and was in the process of being installed at Chargeurs Wool USA, Inc., Jamestown, S.C. Installation of the equipment was completed in early 2011 and full rate production achieved by Chargeurs in mid-April.

This production line is largely responsible for significant amounts of wool manufacturing returning to the United States. Domestic spinners, knitters and weavers no longer have to wait on a supply chain that often stretched from the United States to Asia and delivered inconsistent quality shrink-treated tops. They can now effectively use just-in-time inventory techniques that save time, money and provide high-quality manufactured goods for global markets. Equally important, installation and operation of this production plant is clear demonstration of ASI's commitment to sustainable manufacturing techniques. The carbon footprint of manufacturing both domestic and non-domestic wools in the United States has been dramatically reduced. The production line is currently producing 25 percent more than projected and is taking orders four months in advance of processing. Consideration is being given to adding a second shift in early 2012.



Small Business Innovative Research (SBIR)

ASI continued to work with SVC on this important project in 2011. The SBIR project focuses on developing washable wool products for the U.S. Army. It would have been impossible for this project to be undertaken without ASI and SVC's foresight regarding installation of the shrink treatment plant.

The SBIR project consists of two phases. Phase I was pure research, in this case into the different wool shrink treatment processes available globally and which one(s) are best suited to the United States. Phase I was successfully completed during the summer of 2010. Because of the success of Phase I, the U.S. Army invited SVC to submit a proposal in competition for a Phase II project that continues the work of Phase I. SVC's proposal received the highest score ever achieved for a new project with a two-year Phase II contract being awarded in February 2011. The project is on time and well under budget.



Phase II prototype garments.

Fire Resistant Fabrics of the Future ('Triple F')

Effective flame and thermal protection for the warfighter requires protection of the body, face, hands and feet against a variety of flame and thermal threats and hazards encountered in rural and urban warfare, operations other than combat and standard operational duties. In particular, the emergence of improvised explosive devices (IEDs) has presented a new form of flame and thermal threat to soldiers. The U.S. Army has always prioritized flame protective clothing for those warfighters that are exposed to a high level of threat. With the emergence of IEDs in the combat environments of Iraq and Afghanistan, the U.S. Army has placed an emphasis on providing high-performing, flame-resistant (FR) protective combat uniforms to all soldiers engaged in combat. While there is no doubt of the value in this protective clothing, FR textiles are significantly more expensive than the non-flame resistant textiles previously used in combat clothing, placing a large burden on military budgets. Further, the Flame Resistant Army Combat Uniform (FRACU) now being fielded uses a non-Berry Amendment compliant fiber, a waiver to the Berry Amendment permitting its use is due to expire in 2015. While this fiber, FR rayon, has performed well in protecting soldiers from injuries resulting from flame and thermal exposure, it has low strength compared to the non-FR fibers used previously (nylon and cotton). Further, it is highly desirable that domestically available, better-performing fibers replace these offshore fibers. It is of significant importance to the U.S. Army that new, lower cost, effective materials are developed to protect against these threats and hazards to reduce injuries.



In 2011, a large funding opportunity became available from the U.S. Army for a single contractor to undertake a research and development project that would focus on the challenge described in the previous paragraph. Representatives of the U.S. Army's Natick Soldier Research, Development and Engineering Center (NSRDEC) requested that ASI/SVC consider submitting a proposal for a project that could lead to solution(s) of the described issues. In June 2011, SVC

submitted a comprehensive proposal that included a 16-task statement of work to be completed over three years. The statement of work calls for development of over 120 woven and knitted FR fabrics with potential U.S. military applications. Based on the completeness of SVC's proposal as well as NSRDEC's experience with ASI/SVC research, a \$2.8 million, three-year contract was awarded to SVC on Sept. 26, 2011.

Wool Trust Goal Addressed by this Project

- Development and promotion of the wool market

Project Goals

- ✓ Provide options for U.S. wool growers to market U.S. wool overseas
- ✓ Identify new and maintain primary markets

Project Description/Results

- *Information Gathering and Maintenance*

In 2010/2011, ASI made maximum use of its ability to gather information regarding use of domestic wool by the U.S. Department of Defense. The overall success of the Market Research and New Uses Program is dependent on accurate, timely, relevant information. In 2010/2011, ASI continued to attend and participate in numerous industry and government meetings; interact with multiple trade organizations; attend trade shows; make site visits to military and industry organizations; and conduct online research regarding domestic wool uses. Some highlights of a very busy year follow:

- **Outdoor Retailers Summer and Winter Markets:**
The Summer and Winter Markets of the Outdoor Retailers (OR) Association provide ASI with the best opportunities to identify potential new users of American wool and discuss the latest product developments with established users. Held in January and August of 2011, ASI representatives conducted numerous individual meetings with industry leaders as well as all of the military services. The interest in American wool, as well as wool in general, continues to grow. ASI attendance ensures maximum exposure of American wool to the industry and consumers.
- **Visits to Individual Services:**
ASI participation in the Outdoor Retailers markets and the U.S. Army Advance Planning Briefing to Industry (APBI) in 2011 allowed meetings with representatives of all the research and development offices in the U.S. military. Site visits to the U.S. Army, U.S. Navy and U.S. Coast Guard offices were also conducted. Site visits allow ASI representatives to discuss individual service needs with service representatives without the distraction of other events that might be happening. In 2011, ASI was invited by the Industrial College of the Armed Forces, a part of the National Defense University, to present a seminar on American wool and its strategic importance to the United States.

The seminar was presented to senior military officers and civilians who in the future will be the decision makers regarding use of wool by the Department of Defense. The seminar was a huge success, and ASI will be invited back for the 2012 school term.

- **Advanced Planning Briefing to Industry (APBI).**

The APBI held in May 2011 allows a fast-paced, comprehensive look at military planning for the coming year that might impact American wool. ASI representatives have attended this meeting since its inception in 2005.

- Stabilize Use

Contracting actions in 2011 continue to decline from a peak reached in FY2009. This decline is easily explained by the impact of the withdrawal of American forces from Iraq and Afghanistan. As the force levels stabilize in garrison over the next few years, it is reasonable to expect that wool use will increase somewhat to make up for anticipated supply shortages that inevitably happen when force levels change.



Navy Peacoat: The iconic Navy ‘peacoat’ continues to be a mainstay of domestic wool consumption by the U.S. Navy. In FY2011, over 33,000 of the coats were produced consuming approximately 150,000 pounds of grade 62s American Wool.

Military Beret: In 2011, the U.S. Army drastically changed its wear policy of the black beret. The new policy virtually eliminates required daily wear of the beret. The beret will continue to be issued to U.S. Army recruits and will continue as the required head wear for all dress uniforms. As a result of the change, demand for the beret declined from 175,000 procured last year to just over 100,000 being bought this year. The downward trend for the U.S. Army beret is expected to continue until it reaches approximately 50,000 per year. The use of berets in the U.S. Air Force was not affected by the Army changes; however, no U.S. Air Force berets were ordered in 2011.



Wool Blanket: Demand for the all wool ‘Army Blanket’ continues somewhat lower than previous years with just over 60,000 being bought in FY2011. The 60,000 blankets used over 240,000 pounds of clean grade 62s wool.

Dress Uniforms: 2011 was a strong year for procurement of dress uniform fabrics. The Defense Logistics Agency Troop Support purchased over \$48M of wool and wool-blend fabrics for use by the military in dress uniforms. As with other categories, this is expected to be significantly lower in 2012 primarily due to inventory adjustments. The U.S. Army will complete its conversion from the green dress uniform to the 'new blues' during FY2012 causing a significant decline in fabric procurement for that uniform.



- Develop New Customers

The introduction of a wool shrink treatment production line in the United States has significantly enhanced ASI's ability to develop new customers for U.S. wool. As reported earlier, the shrink treatment production line is delivering well above plan due to domestic manufacturers returning to American wool as well as American manufacturing.

Recommendations

ASI should maintain its close ties with the U.S. military. The relationship is paying great dividends for all U.S. wool producers.

International Market Development

Summary

ASI partnered with USDA's Foreign Agricultural Service, U.S. wool growers and warehouses to seek out new export opportunities for U.S. wool. In doing so, it continued to leverage industry funds from other USDA programs – the Market Access Program, the Foreign Market Development Program and the Quality Samples Program.

The International Marketing Program enables ASI to take wool-quality improvements and translate them into new sales for the U.S. wool industry.

FY2010/2011 was notable because: 1) wool prices continued their record rise, the Australian Eastern Market Indicator (EMI) moving from around 770 usc/kg in August 2010, to the highest ever recorded U.S. price of 1,512 USc/kg on June 23, 2011. The EMI then softened to 1,177 USc/kg on Dec. 15, 2011, still well above 2010 and prior levels. This occurred despite the weakness of the U.S. dollar, which was below parity with the Australian dollar for most of 2010; 2) while China remained the dominant buyer worldwide, renewed interest by Europe and India is credited with being a major factor in the renewed strength in the market; and 3) the U.S. wool market continued to also benefit from a strong domestic demand.

ASI has maintained diversity of markets as a fundamental strategy for its programs with continued strong investment of resources in the domestic market (military and non-military) and the international market.

With strong domestic demand lifting U.S. domestic wool prices closer to Australian wool price levels (especially on higher quality wool) than in recent memory, maintaining the strong 2010 export performance became difficult. However, despite the very tight market, total U.S. wool exports declined only marginally by 5.7 percent by volume to 8 million lbs. clean and, due to the higher wool prices, exports by value actually increased by 13.9 percent to \$22.9 million. 82.4 percent of all exports were in the greasy wool form.

China continued to dominate, taking 42.6 percent of all U.S. exports (3.4 million lbs. clean). However, this was 39.3 percent less by volume than the 2009/2010 level for China. India was second with 34.4 percent of total U.S. exports (2.75 million lbs. clean). This amounted to a 32.5-percent increase over FY2009/2010 and reinforced the growing importance of India as a market for U.S. wool.

ASI programs have continued to be very successful in achieving significant interest and purchases from major wool-processing countries around the world despite the economic downturn over the last two years.

The wool textile-manufacturing industry in India is expanding, and this is seen by ASI as one of the important markets to balance the continued rapid growth of the Chinese market. While India has seen some slowing of export orders, its domestic textile demand has remained quite robust. A key focus of ASI's activities in FY2010/2011 was to continue the FY2009/2010 gains made in the market access and knowledge of U.S. suppliers in regard to India's market. This was achieved with India increasing its import volume of U.S. wool in 2010/2011 to 1,249 metric tons (2.75 million lbs.) and increasing its share of U.S. exports to 34.4 percent of total exports. Three new customers for U.S. wool were added in India in 2010/2011. India is now the number two export destination for U.S. wool. It remained clear that there was still a strong need to continue to improve the Indian buyers' understanding of U.S. wool and how they can best utilize it, as well as improve communications with U.S. suppliers. An ASI representative in India has enabled ASI to increase the effort to improve the penetration of U.S. wool into the Indian market, as well as raise the image and profile of U.S. wool. Following in the successful 100-percent U.S. wool knitwear project of FY2005/2006, ASI implemented a trial project to have 100-percent U.S. wool shawls manufactured – a market segment that U.S. wool has not been in previously. As approximately 80 percent of shawls for the domestic market are medium to dark shades, this market segment is a good target market for U.S. wool. This project was completed successfully in the second half of 2008, and the sample shawls now available will be used to show other Indian shawl manufacturers the potential for U.S. wool usage in their manufacturing. ASI will continue working to ensure the commercialization of utilizing U.S. wool in the shawl market segment in India.

Overall, FY2010/2011 sales to target markets as reported by USDA and Trade Stats Northwest were 3.627 metric tons (8 million lbs.) clean wool (only down 5.7 percent from last fiscal year), valued at more than \$22.9 million (up 13.9 percent from last fiscal year – due to higher wool prices).

This is after the removal from the export statistics of wool-top exports to Mexico of fine, very-high unit value wools of 259.5 metric tons (.4 million lbs.) with a value of \$3.6 million (i.e., Australian wool, combed in the United States and re-exported to Mexico) and also 301 metric tons (.66 million lbs.) of New Zealand/United Kingdom (UK)-scoured wools originally imported into the United States for carpet manufacture and re-exported to Malaysia for processing. The value of this export was \$859,000.

Greasy wool accounted for 82.4 percent of the total export. Semi-processed wool exports (wool top, scoured) accounted for the remaining 17.6 percent. Assuming a reduction in the U.S. wool production in 2011 of 3 percent versus 2010 (quite likely an optimistic assumption given the drought issues in the Southwest United States) at 29.68 million lbs. greasy (14.84 million lbs. clean), total wool exports accounted for 53.9 percent of U.S. wool production.

China remained the largest market for U.S. wools, taking approximately 1,544 metric tons clean (3.4 million lbs. clean, \$8.9 million). By volume, this is a reduction of 39.3 percent by volume compared with FY2009/2010. Strong domestic demand and demand from India were major

factors. This represents 42.6 percent of all U.S. wool exports by volume and 38.9 percent by value. Greasy wool accounts for 100 percent of the sales volume to China.

India was the second largest destination with 1,249 metric tons (2.75 million lbs. clean, \$9.9 million). This represented a 32.5-percent increase by volume over FY2009/2010 and indicates that ASI's programs in India are having a positive effect. India is expected to continue its wool textile-industry expansion and, consequently, its use of raw wool.

The statistics show 210 metric tons (565,000 lbs., value \$729,000) of U.S. scoured wool being shipped to Malaysia (June-Sept. 2009/2010). In 2010/2011, a further 301 metric tons (664,000 lbs., value \$859,000) was shipped to Malaysia. This was originally thought to be a wrong classification as the value is extremely low (\$1.57/lb. clean) indicating a low-end product, which would not seem to fit with the one combing/spinning plant that is in Malaysia (not part of ASI programs). However, further investigation has shown that these shipments were scoured New Zealand/UK wools originally imported into the United States for carpet manufacture but are being re-exported to Malaysia for processing. The majority of the wool involved has been re-exported over the last two years, so it is expected that this will diminish, if not disappear, from the statistics in FY2011/2012. Along with the Australian greasy wool imported into the United States, combed here and re-exported in top form to Mexico, the Malaysian exports have been removed from the export numbers shown here – for both years.

Western Europe has seen some resurgence in wool processing in FY2010/2011 – especially in Italy. This is an important development – again as an offset to China's dominance over recent years. It appears that this manufacturing is focused in the middle-upper priced end products. It will take another year or so to see if this can reestablish Western Europe as an important processing and manufacturing base for these products. From a virtually negligible base in 2009/2010, U.S. wool exports increase 512 percent by volume to 576 metric tons clean (1.27 m lbs. clean, \$2.5 million). While the traditional wool markets of Italy and the UK are known to be valid increases in their usage of U.S. wool, there is a puzzling export to Sweden (does not have a significant textile manufacturing industry) of over half of the Western European exports by volume (355 metric tons, \$1.4 million). No industry cooperators were able to shed any light on this export, so it is likely that it could be a misclassification either by country or by product. ASI has had a maintenance program in place in Western Europe for the last couple of years, just in case of such a resurgence. Already in 2011, ASI has expanded its program into Western Europe with supplier visits and trials there. ASI will continue to take a cautiously optimistic approach in this important target market as we see how it evolves, especially given the difficult economic environment currently existing in a number of Western European countries.

Additionally, a concerted effort to attract U.S. wool purchasing by the major remaining combing mill in all of Europe (in the Czech Republic) will be made in 2012, in part to reduce the dependence of U.S. wool exports on China and in line with ASI's market diversification strategy. The main concern of this mill is the contamination in the U.S. wool clip it experienced with previous purchases, particularly polypropylene. ASI quality assurance programs have reduced the contamination problems in U.S. wool quite considerably since that mill last used U.S. wool.

After a period of weaker international markets for wool, FY2010/2011 has seen a significant improvement in demand and wool prices. ASI's aggressive marketing program and the excellent participation by U.S. wool suppliers and warehouses helped minimize the remnant impact of the 2008 financial crisis on the U.S. wool industry, and, as a result, the industry has been in a position to rebound now that there is improvement in international market conditions.

Wool Trust Goal Addressed by This Project:

- Development and promotion of the wool market

Project Goals

- ✓ Provide options for U.S. wool growers to market U.S. wool overseas
- ✓ Identify new and maintain primary markets

Project Description/Results

Marketing programs for wool were carried out in Western Europe, Eastern Europe, China, India, South America, Mexico and Canada. The strategy was one of niche marketing. Due to the fact that the United States has limited volumes available, the program sought to find buyers for specific wool types and match U.S. supplies precisely to buyer needs. Tactics were as follows:

- U.S. suppliers' missions to target markets during the off season (September – March) to familiarize U.S. companies with market opportunities and requirements.
- International buyer missions (reverse trade missions) to major U.S. wool centers during the in season (March – June) to enable potential customers to see U.S. wool potential for themselves and make actual purchases.
- Assistance with technical processing trials (via processing trials and the Quality Samples Program), coupled with ongoing contact and trade missions. Technical assistance focused on showing target companies optimum blending procedures to get the desired product. Because U.S. wool has unique characteristics and values, it is often used to blend with different types of wools or fibers from other sources in creating tops, yarns, etc.
- In key expanding markets (China and India), ASI has established an “on-ground” presence with a representative to assist U.S. exporters and international buyers to expand U.S. wool purchases. ASI has had a representative in China and in India.

The overall objective was to expand U.S. wool and wool-product exports via diversification. This included:

- Diversification of markets – i.e., the identification of new markets not currently importing significant amounts of U.S. wool products. This would enable the United States to seek out the best buyers and best prices for its products.

- Diversification of customers – historically, the bulk of U.S. wool exports have gone to a handful of customers. The goal was to locate new buyers in existing and new markets to spread out sales and reduce U.S. vulnerability to downturns.
- Diversification of U.S. wool types – i.e., find buyers for types of U.S. wool that do not have a good buyer base or have lost their domestic sales base, thus, enabling the U.S. industry to export a broader selection of its wool clip.

Given that the United States is a small-volume producer, compared to competitors such as Australia and New Zealand that produce large amounts of wool, the goal has been to add one or two new customers or products a year for each target market. This is more than sufficient to counteract declines in domestic customers and to create competition for U.S. wool.

Other results include:

- The United States continues to retain one-half of the approximately 30 customers cultivated in the past seven years as regular customers. Many were convinced to try additional wool types and to buy incremental volumes this past fiscal year.
- After a period of weaker international markets for wool, FY2010/2011 has seen a significant improvement in demand and wool prices. The new customers and new sales developed by ASI's program provided strong support to U.S. exports during the year. U.S. wool exports from October 2010 to September 2011 were 3,627 metric tons clean (8 million **lbs.**), a small-percent decrease over the previous year (statistic source: USDA). A major factor was strong domestic demand, which resulted in U.S. wool prices, especially on better-quality wools, uncompetitive with international prices.
- This ASI program is successfully achieving its objective of redistributing the U.S. wool sales base. There is now a diverse customer base from various countries. For instance:
 - China, while still the largest customer for U.S. wool, decreased its purchases of U.S. wool from 2,442 metric tons (5.6 million lbs.) last fiscal year to 1,544 metric tons (3.4 million lbs.) this year. The major reason for this is explained in the paragraph above. Greasy wool purchases continued to dominate, and 100 percent of all exports to China were in this form. This is expected to continue. Last year, three new buyers from China purchased U.S. wool for the first time.
 - As part of the wool type diversification strategy, ASI continued a short wool program for China to promote China's use of woolen system wools. This has been a factor in the increase in the exports of short wool types to China. A program for scoured wool was added in 2011.
 - ASI placed a Chinese language advertisement in a major Chinese wool textile magazine, *Wool Exporter*, to support the international advertising campaign to increase the awareness of U.S. wool.
 - India representation has improved ASI contact and service in India and permitted a new market segment trial (shawls) to be completed. Three new Indian customers for U.S. wool were added in 2011. Additionally, some combing trials are planned in 2012 to continue to broaden the client base in India.
- In another key achievement, it should be noted that support from the U.S. industry continues to develop the ASI international programs. This constitutes the program's major strength. Currently, the number of U.S. companies exporting wool is three times what it was in years prior. The U.S. industry's export expertise has been significantly improved.

- As a result of the expanded options and their own improved expertise, U.S. exporters have been able to locate and take advantage of the best market prices available, as opposed to having to accept the best price from a limited range of market options.
- The increased competition for U.S. wool, greater marketing power and improved quality of U.S. wool were all factors in allowing the U.S. wool industry to be in a strong position to take advantage of an improvement in international market conditions that occurred in 2011.

Recommendations

This program is an important part of the overall Wool Trust activities in that it is the final test that indicates whether U.S. wool competitiveness has been improved. The ability to find new customers throughout the globe for U.S. wool – to replace the lost domestic mill customers – hinges on the effectiveness of various other programs to create a U.S. wool clip that is marketable to overseas customers. New Quality Improvement programs and adoption of an internationally accepted wool description system are critical steps in this process. At the same time, it is very important to create a higher profile for U.S. wool internationally, which is what this program achieves, to broadcast U.S. wool's marketability. The guiding principle should continue to be diversification of markets and customers to create a full range of sales options for U.S. growers. Besides consolidating gains in existing markets, ASI should continue to seek out opportunities in new markets as the change in the location of wool-manufacturing entities occurs globally. This adaptability to market changes is crucial for the survival of the U.S. raw wool industry as textile production is one of the industries most affected by the fundamental re-alignment of international trade in 2000.

Appendices

ASI's Unified Export Strategy, October 2010 – September 2011
 ASI's Country Progress Report, October 2010 – September 2011
 Report on U.S. Marketing Year Exports by Northwest Statistics
 Representative Trip Reports
 Evaluative Surveys by Reverse Trade Mission Participants
 American Wool Council Ad

New Technology & Market Accessibility

Summary

These programs have been at the core of the Wool Quality Improvement Program. It aims to put to use, for the U.S. industry, global technological advances in wool production, automation and wool-fiber testing. New Technology is also used to increase market accessibility to both the domestic and international wool markets.

Over the past year, this program made progress in improving U.S. packaging via usage of wool presses, U.S. sampling via a new grab sampling program and marketing via the pooling of wool pools. Competing supplier countries are increasingly investing in and using these technologies. To participate in the international marketplace, the United States needs to ensure that its wool industry has access to comparable technology.

The United States has already reaped benefits in terms of being able to show buyers that it is able to produce wools comparable to those of other countries and will reap even more long-term benefits as it is able to incorporate testing information into genetic programs to improve U.S. flocks.

Wool Trust Goal Addressed by This Project:

- Improve the quality of wool produced in the United States, including wool production methods

Project Goals

- Increase the use and adoption of new wool technology in wool fiber testing and marketing of wool, resulting in a higher quality wool clip and to be able to certify the advantages of U.S. wool to buyers

Project Description/Results

Over the past nine years, ASI has researched and invested in a variety of technologies for classing, objective measuring, describing and transporting wool. The most significant investments were that of the Optical Fiber Diameter Analysis 2000 (OFDA2000) equipment, staple length meters, a staple breaker, Near Infrared Spectrometry (NIRS) equipment, grab sampling equipment and making available wool presses for wool pools and warehouses.

Now, this program's focus is shifting more toward education to improve utilization of these technologies. Learning to use and apply the information obtained from these technologies has been an ongoing process.

Additionally, ASI will seek out new technology and equipment to address unmet needs.

Following are some of the activities and achievements of the past year's New Technology Program:

- *Optical Fiber Diameter Analysis (OFDA2000)*

ASI owns and leases five OFDA2000 machines to universities and wool-related entities to conduct research and outreach programs in the United States. The OFDA2000 is a suitcase-sized, portable machine that can measure wool fiber diameter rapidly in the field, contributing to genetic and quality improvement.

Calibration wool-top slides have been used to ensure that the equipment is in calibration. All equipment is inspected annually to ensure proper function and calibration. In FY2010/2011, the machines were updated with new hard drives to increase consistency of testing and reduce the amount of time solving performance issues. One machine was updated, in a cost-share with a lease holder, with Windows 7 software, and another was placed with a new lease holder, Utah State University.

The number of sheep, and therefore pounds of wool, impacted by the use of the equipment continues to increase as growers now routinely test replacement stock only (about 20 percent of their flock), compared to previous years when entire flocks were tested.

Due to difficulties of scheduling shearing and having the equipment on location, many lease holders and growers have opted to test sheep wool samples previous to shearing at a convenient time for the grower and then sort the sheep into shearing/breeding groups for management and selection programs.

The National Sheep Improvement Program (NSIP) continues to work with growers and researchers on genetic selection programs. Advances have been made in both wool and lamb performance traits and in wool traits that were thought to be antagonistic, such as decreasing fiber diameter while simultaneously increasing grease fleece weight and staple length. This clearly demonstrates that producers can make selection progress in traits for both wool and lamb simultaneously. The OFDA2000 equipment continues to provide the means for more producers to have objective wool-measurement data for more rapid improvement in wool productivity. The equipment was on hand at the 2010 National Rambouillet Show to demonstrate this benefit.

In addition to genetic selection programs, several lease holders continue to utilize the OFDA2000 equipment for wool classing at shearing time. Two lease holders are now working with manufacturers on using the equipment to specifically meet strict quality control guidelines for specific high-end garments and uses. By combining the genetic selection program and classing at shearing, future growth and profit for both the grower and wool processor are being realized.

- *AgriTest Staple Length Meter and Staple Breaker Model 2*

Testing for wool staple length and strength continues to increase as more warehouses, buyers and wool brokers become familiar with the test results and how to utilize the information for evaluating U.S. wool. More clips are being tested as buyers are becoming aware of the benefits of using the tests for predicting processing performance, resulting in a better value-based wool marketing system in the United States. Providing these additional measurement aids in marketing the U.S. wool clip as other countries routinely have this

information available when marketing wool. Customers of U.S. wool are able to buy wool with additional confidence knowing the staple length and strength and are more likely to pay more because the risk of estimating these important wool traits is eliminated by testing.

- Near Infrared Spectrometry (NIRS)

ASI supported research along with Yocom McColl Testing Laboratories for infrared yield testing. This testing is a more rapid and economic measurement of yield, wool base and vegetable matter base. Yocom McColl is working with researchers from the University of Wyoming Wool Laboratory on the development of calibration equations. The process has been slow due to several unforeseen issues related to U.S. wool.

Progress for the adoption of NIRS technology for testing U.S. wool has been limited because currently, U.S. wool is considered more variable in preparation and, therefore, lacks uniformity necessary to develop calibration equations. Research continues, and as the database continues to increase, it is more likely that suitable calibration equations can be derived. Due to the large economic consequences for the entire industry, the NIRS technology cannot be utilized until satisfactory calibrations are developed.

- Wool Grab Sampling

Interest in equipment that can core and grab sample wool continues to increase as both domestic and international buyers become familiar with U.S. wool and gain knowledge on how to utilize this information. Many new customers of American wool now realize the United States does have the ability to provide additional measures, test results and a description system for non-measured characteristics similar to other countries.

The grab sampling equipment services two important needs/uses within the industry:

1. A sample used to measure wool staple length and strength.
2. A sample used for Australian Wool Exchange Limited Identification (AWEX-ID) and visual evaluation of wool.

Use of the equipment continues to expand as more warehouses are taking samples and expanding their use of testing for staple length/strength and use of AWEX-ID.

- Wool Description – AWEX-ID

Objective measurement testing and describing U.S. wool in terms familiar to the international trade are crucial for the U.S. industry to compete in the world market.

The use of AWEX-ID is slowly expanding in the United States and is now used by two warehouses. These warehouses reach growers in at least 12 different states. Through the use of AWEX-ID, new international wool customers are able to purchase wool from these warehouses and use AWEX-ID to be able to compare sale lots between other warehouses.

The current local terminology used by wool pools and warehouses not participating has been a challenge for new buyers. One buyer using AWEX-ID to become more familiar with other wool in the United States has been able to increase his purchases because of a more-uniform description system.

Through the use of AWEX-ID and small representative samples of various lots of wool, at least two buyers were able to bid and purchase wool with confidence without having to be physically present at the sale.

Through the use of AWEX-ID, it is possible to track changes in wool preparation at the ranch/farm level. In recent years, the number of qualifiers has decreased compared to previous years, along with qualifiers having lower ratings – indicating that ASI quality improvement programs targeting wool quality via the shearing crew is meeting its target.

Continued updates to changes in AWEX-ID are provided to AWEX-ID accredited appraisers.

Recommendations

Although the learning curve has been steep and is still present, the United States has reaped benefits in terms of being able to show buyers that it is able to produce quality wools. ASI needs to continue its efforts in this area. This includes ongoing education on the usage of the equipment purchased, coordination of genetic improvement programs and the exploration of other technologies and equipment, particularly equipment that can help the United States achieve better efficiencies in wool preparation.

Raw Wool Quality

Summary

Raw Wool Quality Improvement is the core wool program. As the United States improves the quality of the wool clip, it utilizes new technology to market wool. This program ensures that handling, classing, testing and marketing methods are improved. Thanks to the producer education conducted under this program, more producers are utilizing the techniques recommended by ASI.

The end result of these programs has been a more marketable wool clip. ASI has been enormously successful in finding and retaining new buyers in its International Market Development Program, and some of the credit goes toward the improved quality that international buyers were able to see in U.S. wool. Many new buyers had vaguely negative perceptions of U.S. wool, although those opinions were not based on any actual experience. ASI has been able to open new markets and expand sales by showing international buyers that the United States does produce quality wool.

Wool Trust Goal Addressed by this Project

- Improve the quality of wool produced in the United States, including wool production methods

Project Goals

- ✓ Enhance the market infrastructure for U.S. wool to facilitate domestic and international wool marketing opportunities
- ✓ Look for ways to increase efficiencies and make American wool more easily accessible
- ✓ Improve the quality of U.S. wool through coordinated educational efforts supporting market development

Project Description/Results

This program has successfully worked to develop awareness of the need for improvements in the U.S. wool industry and to implement changes in testing, packaging and marketing. It identifies ways in which U.S. wool could be better presented to the buyer and assists the U.S. grower with information or equipment that could meet these needs. Over the past year, a variety of activities were conducted:

- Wool Quality Improvement Programs

A revitalization of wool quality improvement programs was launched in 2005 through the Certified U.S. Wool Clip Program for shearers and wool producers.

In the past years, more growers and sheep shearers are becoming aware of the certified program and adopting the recommended practices and procedures.

Through warehouse and wool buyer input, contact was made with larger commercial shearing crews to encourage participation in the certified program. By direct contact and follow-up site visits, staff and crews were able to work together on ways to improve shearing efficiency and wool quality and increase the amount of wool being properly prepared by the shearing crews. Buyers reported better wool preparation by many of the crews, and Australian Wool Exchange Limited Identification (AWEX-ID) of sale lots contained fewer notations of preparation defects in FY2010/2011 compared to previous years.

ASI U.S. CERTIFIED CHOICE WOOL CLIP GROWER DECLARATION AND CHECK-LIST AMERICAN WOOL

Growers checking the items below and signing at the bottom of the page will self-certify that they are producing an above average clip by adopting the following rules. (Check all that apply.)

- When possible use a certified sheep shearer or shearing crew – provide name of certified shearing crew below.
- Make efforts to Minimize Wool Contamination including poly and colored fibers.
- Sort Sheep prior to shearing by wool type and package the wool and off-sorts separately.
- Prepare wool in the Bellies Out manner to reduce contamination in fleece lines. Includes the removal of tags, leg wool, topknots and sweepings, and packaging this lower valued wool separately from fleece wool and belly wool.
- Keeping obvious differences separate, and not packaging them together such as:
 - Different Breed/Wool types (Wool, Meat, Carpet, Colored)
 - Different Wool Lines (Fleece, Belly, Tags)
 - Differences in Staple Length and Staple Strength (short & tender wool)
 - Other obvious differences when economically practical (lambs and yearling wool)
- Use only new and approved non-contaminating wool packaging materials.
- Will not allow wool to be contaminated by neglect or carelessness.
- Label wool packs and bags properly to identify.
 - Grower Name
 - Wool Description
 - Bag Number
- Maintain a written record of the wool clip produced by:
 - Shearing date
 - Individual bale or bag
 - Total production
 - Prices received for all wool
- Notify Marketing Agency of Actions taken to produce a Certified Choice Clip and file necessary forms and documentation.

By signing this declaration you certify that you are striving to produce a better U.S. wool clip and abide by these ten guidelines above.

I _____ certify that the above are true statements. _____
 (Grower Signature) (Date)

 (Print Name) (Grower Address)

 (Grower Telephone, E-mail)

 (Certified Shearing Crew Name, Address)

 (Shearer Telephone, E-mail)

Grower Declaration for U.S. Choice Wool Clip

Retain Top Copy for Your Files
 Bottom Copy to Marketing Agent 4000 - 02/09

Wool Quality Program materials and education were provided during the shearing season by ASI personnel working one on one with shearers onsite where the wool was being harvested. All phases of classing, packaging, labeling and marketing was discussed with the crew managers during normal harvesting with the shearing crews in order to maintain the highest possible wool quality standards. OFDA technology was demonstrated during this process to further educate shearers on the wool value determining characteristics, which could be measured with this technology. OFDA technology was also demonstrated at general sheep meetings and sales to educate producers about the technology available to utilize in general ram quality improvement programs using genetic selection criteria within their herds.

The demographics of the U.S. sheep industry (2007 Census of Agriculture) indicates that 175 sheep operation have more than 2,500 ewes one year old and older and account for 27 percent of the U.S. wool production. Letters and materials were specifically designed and sent to these growers encouraging participation in the Certified Wool Clip Program.

Growers, shearers and industry supporters actively participating in the Certified Wool Clip Program were sent letters of appreciation, certificates and wool hats for participating in the program. Nine sheep producers and 21 sheep shearers participated in the program in 2010/2011.

Wool packaging and labeling issues continue to be a concern for marketing of the U.S. wool clip. Several articles were written for both the *ASI Weekly* publication and *the Sheep Industry News* to reach all aspects of the industry regarding these issues. As a result of discussions, shearing crews and growers are more aware of the problems for the industry

post-farmgate caused by lightweight bales, overlength bales, improperly closed bales and non-uniform labeling.

Materials to help document and track wool from individual growers through the warehouse continue to be made available and are gaining popularity. The carbonless copy form was developed with a wool press record by individual bale on one side, and the back side containing a Wool Summary Record. This form was developed in response to warehouses wanting one simple form and record of the wool being sent in by the growers. Shearing crews appreciate the continuity and uniformity of the information across the United States.

- **Sheep Shearing Contest**

ASI sponsored the sheep shearing program at the National Western Stock Show. In addition, ASI sent support to the following states for shearing activities: Iowa, Illinois, Indiana, Kansas, Ohio, Maryland, Michigan, Montana, North Dakota and South Dakota. This support helped offset costs associated with their regional contests.

- **Sheep Shearer Database**

ASI continues to contact shearers and include them in the database. To date, more than 255 shearers or contractors are now either listed on the ASI website and/or receive ASI materials for wool quality. Contact with shearing crews to observe their practices in the field and suggestions on ways to better incorporate the certified program guidelines continues to improve the quality of wool being offered for sale in the United States. Because shearing crews or individual shearers contact many different growers, the impact on wool production is greater than individual grower contact.

- **Shearer Education**

Shearing Handbooks continue to be made available at cost for shearing schools across the United States. ASI maintains and publishes a listing of known shearing schools annually for those interested in shearing. More than 23 different schools were held last year.

The Annual Sheep Shearer's Meeting was held in Denver, Colo., during the National Western Stock Show for the purpose of continuing education of sheep shearers as to proper wool handling and the wool quality programs of ASI. The meeting provided educational materials, wool fabric samples and interaction between shearers for the sole purpose of improving wool quality in the United States, from farm to processor. It also featured a representative of the largest U.S. wool-pelt processor who visited with shearers about pelt grading, selection and improvements necessary to maintain high-quality pelts after shearing.

Sheep shearer education continued with the establishment of an annual Wool Mill Tour to the processing and fabric making plants in the United States. This educational opportunity for shearers exposed 10 classers and shearing crew managers, whose crews package and harvest hundreds of thousands of pounds of U.S. wool each year, to wool processing and ultimately the production of fabric, which was directly related to their processing standards and the Wool Quality Improvement Programs. Interaction of shearers and processors increased the communication between these different segments so that an exchange of ideas and issues would assist both groups in maintaining high wool quality standards and reduce processing issues. Ultimately, this would result in a higher quality product, increased efficiency at both levels and higher-

valued wool for producers. The processing mills on this tour reported less processing issues with polypropylene and branding paint in wool.

ASI representatives also visited shearing crews in California, Idaho, Montana, Utah and Wyoming this spring to work with both the crews and producers regarding wool quality improvement programs offered through ASI.

- **Wool Handler/Classer Education**

Wool handling schools were held in New York, Michigan and Vermont upon the request of interested wool growers, hand spinners, niche market spinners and processors, mini-mill operators and others interested in wool quality improvement. A total of 54 students attended these two-day schools with all materials provided by ASI. The focus of this program is on wool quality handling at the shearing site and overall wool quality improvement, from genetics to final packaging of the raw wool.

Certified Wool Classing Schools were held in Vermont and Idaho with an additional school scheduled for North Dakota in November. These four-day schools were Level I schools in which students became certified to class wool at the entry level of the program. A total of 23 students attended the summer schools with 16 more anticipated for the November school. The program in Vermont was focused on growers and spinning-mill processors who requested more training and information on the various grades of wool and how the wool should be prepared. The Idaho and North Dakota schools will focus on shearing crew wool handlers as well as growers and wool-related researchers wanting to become certified classers.

- **Grower Education**

Educational programs are a direct response to grower interest in learning more about wool and the lack of educational opportunities locally available. The OFDA2000 continues to be a valuable tool to demonstrate wool testing and the importance of objective measurement of wool with emphasis on how the textile industry uses this information for manufacturing of garments. Use and training in this technology expanded to include all segments of the wool industry, especially the growers, to use genetic improvement programs for wool production. ASI representatives met with producers in California, Colorado, Idaho, Nevada, Montana, Ohio, Oregon, South Dakota, Texas, Utah, Washington and Wyoming to help educate on the value of the use of proper genetic selection using Expected Progeny Differences and Expected Breeding Values.

In addition, in order to help wool producers implement best management practices in order to get the highest quality wool clip possible, ASI, in conjunction with industry partners, created, designed and implemented a wool branding paint trial to evaluate which paints and markers currently used in the United States for branding for identification work best and leave the least residue in wool. Paint residue that does not scour out of wool limits what processors and fabric manufacturers can use the wool for in terms of end products. Some paint also can be sticky and cause significant damage to processing machinery so it is imperative that producers are educated on the type of paint and application process that minimizes the effect of paint. The trial saw 183 ewes branded in April, with shearing at 180 days and again at 365 days to test the durability of the paint as well as the amount left in the wool following lab testing and scouring of fleeces. Six brands of paints, 18 different colors, two sizes of brands and four various

applicators were used in this trial to determine the effectiveness and scourability of these markers.

- **U.S. Code of Practice for Wool Handling**

ASI began updating of the U.S. Code of Practice for Wool Handling. This brochure, originally published in 1994, will be redesigned and updated to more accurately reflect present day wool quality handling and improvement programs. Wool warehouse representatives, wool researchers, wool testing facilities and wool buyers were asked for their suggestions in this process with a release date is early 2012. The new format, new color pictures and updated wool information will be utilized by the entire wool industry as the guideline in wool preparation and handling in the United States.

Recommendations

This program has successfully worked to develop awareness of the need for improvements in the U.S. industry and to implement changes in handling, classing and marketing. However, much more remains to be done, particularly in the area of marketing. Future programs need to continue to seek ways to reach the industry with the important message of efficiency through unity.

Appendices

Wool Labeling Brochure

Wool Micron Card

National Western Stock Show Shearing Contest Results

Market Information

Summary

In its efforts to become more competitive, the U.S. wool industry faces many challenges. To overcome them, a clear understanding of both the U.S. and global situation is necessary. Effective programs require knowledge of U.S. strengths and weaknesses and global and domestic opportunities. Without this, the United States cannot become a player in the world market. Under this Market Information program, ASI carried out year-round analysis of crucial wool-market indicators, both for the United States and competing suppliers. Numerous industry data sets were maintained and expanded, with new databases added. Besides strategic planning, these databases were used to monitor the effectiveness of the Wool Trust programs.

Wool Trust Goal Addressed by this Project

- Improve the quality of wool produced in the United States, including wool production methods

Project Goals

- ✓ Enhance the market infrastructure for U.S. wool to facilitate domestic and international wool marketing opportunities
- ✓ Look for ways to increase efficiencies and make American wool more easily accessible
- ✓ Improve the quality of U.S. wool through coordinated educational efforts supporting market development

Project Description/Results

ASI continued to collect and analyze data covering the sheep industry. This is a crucial function as USDA does not monitor the U.S. and world sheep industry as it once did, and less information is thus available to help the U.S. industry compete.

- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust programming. The goal was to expand prior and current databases so that at least a minimum of 10 years of data would be available for analysis. In many cases, 25 to 30 years of data were made available.

- ASI worked with USDA's Agricultural Marketing Service to improve the quality of market data these federal agencies provide the sheep industry.
- ASI has also collaborated with the Livestock Marketing Information Center (LMIC) to enhance both ASI's and LMIC's databases, which has augmented our collective outreach and analytical programs.

For ASI, much of the above data was also valuable in strategic planning and evaluation:

1. The data assisted ASI in its strategic planning as to how Wool Trust funds could best benefit the industry. For instance, indicating that Quality Improvement programs should place their greatest emphasis on U.S. wool packaging and testing, as these are areas where U.S. wool is the weakest. It also helped ASI to pinpoint those international markets where U.S. wool is likely to find a receptive customer base.
2. The data also aided in the implementation of actual programs, thus assisting in quality improvement and market development.
3. It improved producer information about the market situation for wool, helping them to maximize their competitiveness through more-informed market decisions.
4. It assisted ASI in evaluating progress made over the past year, including monitoring the continued closing of the price gap between U.S. and Australian/international prices and analyzing the growth of U.S. exports.

Information collected covered wool and lamb because profitability in lamb marketing is crucial to the continuation of wool production. Wool, lamb and pelts are the three items of profit that bring return to a producer. Growers must break even on their lamb or they will not produce wool at all. Because of this, the lamb market is intrinsically tied to the profitability of the U.S. wool grower. Also, the U.S. industry wants one source of information and analysis for multiple areas, which eliminates searching and ensures consistency of data.

Recommendations

Knowledge is the first step toward effective action. Thus, this program forms a valuable base for ASI and the U.S. industry in improving its competitiveness. ASI needs to continue to update its industry data sets to ensure that the United States is well prepared to compete in the domestic and international arenas.

Quality Assurance

Summary

The assurance of a quality product to buyers begins with the health of the animal that produces it. Without a healthy animal, all other wool-improvement programs would not make an impact. Unless the United States can assure buyers of its commitment to high quality, it will find its product at a disadvantage in the marketplace. A key factor in providing this assurance is to show potential buyers that uniform high standards and procedures for animal health are observed, implemented and enforced.

Managing risk is also a necessary component of producing high-quality wool and lamb. Sheep production and marketing is inherently full of risk. The animals are reared under extensive production systems that can include very harsh environmental (weather, topographical, etc.) conditions that expose them to hazards.

Sheep and other small ruminants are also near the bottom of the mammalian food chain, so they are almost always under threat or risk of predator attacks. Certain periods within the sheep biological production cycle present more risk than others. For example, nutritional and other stress can cause breaks in the wool fiber, interruptions in the estrus cycle and fetal loss in pregnant ewes.

Therefore, managing and minimizing production risk is a necessary and vital part of raising sheep and producing high-quality wool.

Marketing and price risk are also key issues that sheep producers must constantly try to manage. Because the pricing and marketing of sheep and sheep products occurs only once or twice a year for most producers, effective management of cash flow means that producers use borrowed operating capital on a regular basis. Unlike other livestock species, few, if any, financial marketing or price-risk management tools are available to sheep producers, to date.

Over the past four years, ASI has worked with other industry and academic partners to investigate, develop and implement price-risk management tools.

Thus, ASI carried out ongoing work during the year on sheep production, research and health with the goal of ensuring a healthy and marketable product for U.S. wool growers. This included active participation with the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) and other agencies in analyses, decisions and implementation of issues/programs impacting U.S. sheep health and management. Many of these are long-term projects that require a multi-year commitment. Examples of projects worked on during the past year include the continued implementation of a national sheep quality-assurance program for producers, including dissemination of the *Sheep Safety and Quality Assurance (SSQA)* manual and certification of additional trainers.

In addition, several hundred producers were trained on SSQA Level I, and a significant number have achieved SSQA Level II. ASI also worked closely with USDA and industry groups to design the new National Animal Disease Traceability System (comments to the proposed rule appended) and assisted in enhancing national Emergency Response Plans, aided USDA in its cooperation with the Department of Homeland Security (DHS), serving as a resource in implementing the USDA/APHIS/Veterinary Services (VS) "Safeguarding Animal Health" plan

and worked with USDA to implement the accelerated National Scrapie Eradication Program (NSEP) with the goal of eradicating this disease from the United States in a few years.

Wool Trust Goal Addressed by this Project

- Improve the quality of wool produced in the United States, including wool production methods

Project Goals

- ✓ Improving and ensuring the highest U.S. quality wool and improving U.S. wool competitiveness

Project Description/Results

The importance of animal health, animal production and risk management in wool and lamb marketing cannot be overemphasized. The regulatory and export crisis in the U.S. beef industry due to the identification of cattle infected with bovine spongiform encephalopathy (BSE) as well as the impact of the H1N1 virus on the swine industry serve as examples of the significance of this issue. The health and care of the animal is the starting point for any strategic plan to make U.S. wool more marketable. Sheep nutrition, reproduction, genetics, handling facilities, behavior, predator management and good health care all work together to create a high-quality, uniform U.S. wool clip.

Likewise, the ability to manage some of the risk factors inherent to sheep and wool production and marketing is essential to keeping the production unit on solid financial ground so that production-quality issues can be addressed adequately and improved.

Following is a list of the major issues, initiatives and activities that ASI was able to implement during FY2010/2011:

- Continued the implementation of the national SSQA program for producers. Several hundred producers have been trained and certified in SSQA Level I, and trainers are working with producers in several states on SSQA Level II processes.
- Participated in the National Animal Disease Traceability development. The purpose is to develop a plan through which all livestock will be uniformly identified and traceable for food-security purposes and for animal-health emergency management. ASI continues to work with USDA and industry partners to help build a functional animal identification system that will augment the scrapie identification program for sheep.
- Partnered with state and federal governments along with other commodity and allied groups in implementing the "Safeguarding Animal Health" plan for USDA's APHIS.
- Worked with APHIS on implementing the accelerated NSEP via meetings, monthly communications to producers and state animal health officials, informal advisory communications and provided leadership in making needed changes.

- ASI cooperated actively with APHIS to increase the number of slaughter surveillance samples submitted for diagnostic evaluation from small processing plants.
- ASI, through APHIS, provided funding to state sheep associations to implement educational programs on scrapie eradication.
- Worked with USDA's Agricultural Research Service (ARS) both at the national program staff level and at various research stations, including the Animal Disease Research Unit, Meat Animal Research Station Center and the U.S. Sheep Experiment Station on appropriate sheep-research direction and funding levels including genomic solutions to disease reduction, improved sheep production efficiency and improvements in wool quality .
- Worked with ARS and others including the Council on Agriculture, Science and Technology (CAST) to both review published literature and initiate new research on potential health and disease risks of association between domestic sheep and wild bighorn sheep. As an outcome of this work, CAST developed and published a report on domestic/wild sheep disease conflicts. The report has contributed toward additional work with ARS and other academic institutions on establishing research experiments in this area.
- Worked with the ASI Bighorn Sheep Task Force to bring researchers, state affiliates and veterinarians together to discuss new or improved approaches to land management and disease conflicts at the state and national level.
- Participated in the National Animal Health Emergency Management Steering Committee (now a committee under the U.S. Animal Health Association) - a group of federal and state government officials, as well as industry representatives who are coordinating a strategy to more effectively and efficiently deal with animal health emergencies.
- Worked with the Food and Drug Administration's Center for Veterinary Medicine (CVM) and other livestock, meat and feed industry groups on better compliance strategies with regulations to prevent BSE in the United States.
- Participated in a cross-species Foot and Mouth disease team to prepare steps for disease containment and communications in the event of an outbreak.
- Worked with CVM and USDA's Cooperative State Research, Education and Extension Service on seeking label approval of several new drugs and expiring labels for sheep.
- Assisted with the ongoing development and enhancement of USDA's Emergency Response Plans.
- Using the price-prediction model, developed with industry and academic partners, constructed a plan for rating a Livestock Risk Protection (LRP) insurance product and submitted a proposal to USDA's Risk Management Agency to conduct a pilot project using these products. This program (LRP-Lamb) was approved in September 2006 for a pilot project in 27 states and implemented in September 2007. Since the beginning of this program nearly 2 million lambs have been insured.
- Provided recommendations to USDA/APHIS/VS on specific subject-matter chapters under consideration by the World Organization for Animal Health (OIE), particularly on scrapie and animal welfare.

- Worked with industry and academic representatives from Australia, New Zealand and the United States on the prioritization and implementation of sheep genomics research.
- Participated in several formal and informal coalitions and allied industry organizations relating to animal health. The formal ones include:
 - American Veterinary Medical Association's Food Animal Medicine Consortium
 - Animal Agriculture Coalition
 - National Institute for Animal Agriculture
 - United States Animal Health Association
 - Council on Agriculture, Science and Technology
 - Animal Agriculture Alliance
 - Center for Genetic Resource Conservation

Recommendations

Animal health, food and product safety and risk are ongoing concerns. Many issues addressed this past year, and in prior years, continue to exist. Even those issues for which USDA, DHS and the U.S. Department of Health and Human Services decisions have been made need ongoing work to assure proper implementation, industry understanding and program effectiveness. Also, as with any agricultural sector, new issues will emerge in the upcoming year.

ASI plans to implement a more thorough emergency management and communications plan whereby the U.S. sheep and wool industry can more effectively partner with federal, state and local responders should an industry emergency occur.

A bilingual video on sheep handling is needed to educate workers and managers at all levels of the supply chain on the importance of proper sheep handling to help assure high-quality lamb and wool as well as give proper attention to the care and welfare of the animals.

ASI expects the number of producers who will be certified SSQA Level I and SSQA Level II to continue to increase. Also, producers are being trained in and encouraged to implement SSQA Level III. A new web-based SSQA training program has been implemented, which will make training much more convenient and cost effective for producers.

The NSEP is entering its 10th year with nearly all flocks having a national premise identification number, regulatory slaughter surveillance is being implemented, sheep are being sampled at a higher rate monthly and a new, scientifically sound, live-animal test was approved and a genetic-based approach to scrapie risk reduction implemented. ASI will actively participate in education and outreach programs designed to help producers reduce the risk of scrapie occurring in their operation through cooperative programs with APHIS and state animal health officials and state affiliates. Regulatory enhancements to the NSEP will be proposed in 2012, and ASI will submit formal comments and recommendations from a coalition of industry and allied industry stakeholders.

Additional research and the dissemination of findings will be needed to advise land and wildlife managers on domestic/wild sheep health and interactions. Resources have been recently awarded to a major U.S. university to fully sequence the sheep genome. The outcome of this effort has the potential of revolutionizing genetic selection as well as disease diagnostics,

control and treatment. ASI will work with university and industry collaborators, both in the United States and abroad to affect the effective and efficient utilization of this research for the U.S. sheep industry. Thus, product safety, animal health and welfare, risk management and quality assurance are keys to the overall package in coming years to improve U.S. wool quality and competitiveness.

Appendices

Copy of article in ASI's *Sheep Industry News* on Scrapie Eradication plan (November 2010 issue)

Copy of LRP-Lamb article in ASI Weekly

RMA/FCIC: LRP Summary Business Report

Council for Agricultural Science and Technology (CAST): *Pasteurellosis Transmission Risks between Domestic and Wild Sheep*

State Association Scrapie Eradication Reports

Wool Outreach

Summary

The Wool Outreach Program enlisted support at the state and county level to maximize Wool Trust funding and create greater participation in Wool Trust goals. State sheep organizations were encouraged to develop their own programs for improving U.S. wool quality and competitiveness. Funding was supplied to groups on the condition that the program addressed the three specific goals of the Wool Trust Fund. As a result, this year 44 state sheep organizations carried out programs that worked to meet one or more of the three goals. It should be noted that in the ninth year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

Wool Trust Goal Addressed by this Project

- Improve the quality of wool produced in the United States, including wool production methods

Project Goals

- ✓ Enlist the aid of producer states and state programs in achieving the three goals determined by the Wool Trust Fund – i.e. development and promotion of the wool market, wool quality improvement and information dissemination

Project Description/Results

This outreach funds local wool projects, run by state sheep associations, to support the overall Wool Trust Program. A total of 45 associations were invited to participate in Round 11 of ASI's Wool Outreach Program, which began Oct. 1, 2010, and ended on Aug. 31, 2011.

A total of \$180,000 was allocated for this program. The amount each state received was based on its number of stock ewes 1 year old and older, according to numbers compiled by the U.S. Department of Agriculture's National Agricultural Statistics Service. The minimum amount awarded was \$1,000.00.

The funding had to be used to increase the awareness and marketability of American wool, either through consumer or industry activities or a combination of both. Suggested activities included:

- procuring a wool speaker/specialist at state sheep association meetings (expenses could include meeting expenses, speakers' fees, travel and lodging costs);
- funding Make It With Wool (MIWW) activities;
- conducting wool seminars, wool pools, etc.; and

- supporting a value-added program, such as the making of wool blankets or other wool specialty products.

Synopsis of Activities

States had to complete and remit an application form, denoting how they would spend their Wool Outreach funding. Each state sheep association submitted an application for approval prior to receiving its check – 45 states in all participated in this round of funding. All states also submitted a final written report detailing their Wool Outreach Program activities and associated costs.

In addition, some states used their own funding to supplement that which was awarded to them by ASI for Wool Outreach. In all, the total amount of funding spent by states on Wool Outreach-related projects, including both ASI's and individual states' funds, was \$377,302.38.

Following is a list of some of the main activities conducted. These activities supplemented and supported ASI's overall efforts to disseminate wool quality information, improve U.S. wool quality and market U.S. wool.

Wool Outreach Funding Applied to MIWW Project

Arizona -	\$3,935.00	Nevada -	2,235.00
Delaware -	1,000.00	New York -	396.91
Idaho -	1,500.00	North Carolina -	670.00
Illinois -	941.46	North Dakota -	650.00
Indiana -	833.31	Ohio -	3,904.32
Kansas -	1,748.88	Oregon -	3,150.00
Kentucky -	131.20	Pennsylvania -	1,054.31
Maryland -	500.00	South Dakota -	4,500.00
Michigan -	1,000.00	Tennessee -	128.28
Minnesota -	171.00	Utah	2003.00
Missouri -	1,385.52	Wisconsin -	1,855.23
Montana -	1,907.64		
Nebraska -	1,118.60	TOTAL: \$36,719.66	

Percentage of Round 11 Wool Outreach Funding spent on MIWW activities: 20 percent

Recommendations

State sheep organizations are an important ally for ASI in achieving its objective of improving marketing options for U.S. wool growers. Their local ties are invaluable in bringing ASI's quality improvement message home to the regional wool industry. Wool outreach should continue as a

part of ASI's overall plan to improve the quality and competitiveness of U.S. wool. Local organizations also provide meetings throughout the year that thousands of producers attend to discuss industry programs.

Appendices

Sample of application for Wool Outreach program

Summary of all 11 rounds of Wool Outreach Program

Wool Outreach by State

Producer Communications

Summary

ASI disseminated information on quality improvement methods and new technology available to the industry, kept producers informed of animal health issues, provided educational programs, disseminated information on wool and lamb prices and sales and solicited participation in marketing programs. Also, under the Producer Communications Program, ASI kept producers informed of activities and programs carried out under the Wool Trust Fund, enabling them to fully participate and gain the most benefit from marketing and quality improvement initiatives. This participation was essential in completing overall objectives of the Wool Trust Fund. Communications included production of ASI's monthly tabloid, *Sheep Industry News*, ASI's weekly newsletter, *ASI Weekly*, press releases, brochure development, website maintenance, weekly mailings and other materials that were disseminated to producers and/or the public and media.

Wool Trust Goal Addressed by this Project

- Disseminate information on wool improvements to U.S. wool producers

Project Goals

- ✓ Keep U.S. sheep producers informed of the activities of ASI in regard to the programs and issues of interest to producers and the sheep and wool industries
- ✓ Disseminate information to producers on programs and improvements in the wool industry
- ✓ Maintain ASI as the chief source of information during an emergency with the continued updating and testing of a Crisis Management Plan that can be accessed in the event an industry issue arises

Project Description/Results

Funds expended under this project went toward the following: producer publications, printing materials, media, annual wool convention and website. These five areas comprised the key methods for communicating with the wool industry and disseminating information on quality improvement methods. For instance, producer publications kept U.S. sheep producers and related industries informed of major industry issues and helped the U.S. industry become more responsive to market situations. Media work garnered higher visibility for the U.S. wool industry in agriculture and the general population, thus contributing to market development. Printed materials were the venue that ASI used to disseminate general materials about the U.S. sheep and wool industries and specific information about U.S. wool quality improvement programs.

Following is a summary of communications activities carried out in FY2010/2011:

- Producer Communication Materials

Sheep Industry News

ASI published 12 issues of the *Sheep Industry News*, which contained numerous articles of interest regarding the viability and profitability of the sheep industry. Various issues contained articles about ways producers can improve wool production profitability or current developments and changes in the wool industry. Articles also were published updating readers on the status of programs being conducted through the Wool Trust Fund. The *Sheep Industry News* is mailed to approximately 8,200 individuals and businesses combined, with the main audience consisting of U.S. sheep producers.

With the goal of covering diverse stories from around the country that pertain to the sheep industry, the associate editor was tasked with monthly field assignments. The covered stories and photographs were then reported within the *Sheep Industry News*. The field assignments during this past fiscal year include:

- October 2010 – Idaho
 - U.S. Sheep Experiment Station, Dubois, ID
 - Trailing of the Sheep Festival, Hailey, ID
- November 2010 – North Dakota/Minnesota
 - Small Ruminant Reproduction Workshop, NDSU, Fargo, ND
 - Lippert Brothers, Olivia, MN
- December 2010 – Iowa/Nebraska
 - Rob and Tyson Rule, Hawarden, IA
 - U.S. Meat Animal Research Center, Hastings, NE
- January 2011 – Nevada
 - Annual Convention Coverage, Reno, NV
- February 2011 – Texas
 - Edwin Hyslop, Export Market in Mexico, Del Rio, TX
 - Bollman Industries, Anodyne, San Angelo, TX
 - PMCI, Mertzon, TX
- March 2011 – California
 - Targeted Grazing Conference, Wind Wolves Preserve, Bakersfield, CA
 - I & M Sheep Co., Paco Iturruria, Bakersfield, CA
- April 2011 – Oregon
 - Krebs Family, Ione, OR
 - Oregon Shepherd wool insulation, Rainier, OR
- May 2011 – Colorado
 - USDA National Wildlife Research Center, Ft. Collins, CO
 - Optimal Livestock, Ft. Collins, CO
- June 2011 – Utah
 - Jamie Gillmor, Park City, UT
 - Utah State University/Genome Project, Logan, UT

- Western Range Association, Salt Lake City, UT
- July 2011 – Indiana
 - Royer Farm, Clinton, IN
 - Russell Sheep Company, Eaton, IN
 - Poe Hampshires, Franklin, IN
- September 2011 – South Carolina/Georgia/North Dakota
 - Old McCaskill Farm, Rembert, SC
 - Mike Mulligan, Glenville, GA
 - Burton Pfliger, Bismarck, ND
 - NDLWPA Youth Program, Hettinger, ND
 - North Dakota Sheep Program, Hettinger, ND

In addition to feature articles on wool, each edition contains a wool market update consisting of current situations and projections for wool market prices, supplies and/or trends. Major feature articles published between October 2010 and September 2011 covering wool industry-related issues include:

- ASI's Premier on RFD-TV's LIVE Show in September
- ASI Approved 2010-2011 Budget
- Texas Wool Research Laboratory Dedicated to Bill Sims
- Superwash Set to Increase Opportunity in Wool Chain
- Youth Programs Encourage Next Generation of Sheep Producers
- ASI's International Wool Program Benefiting Producers
- Idaho Festival Gives Insight into Sheep Industry
- Handcrafting Industry Creates Opportunity for Wool
- U.S. Sheep Shearing Schools
- Two-Stand U.S. Shearing Record Set
- American Sheep Shearers Council Starting Strong
- Unique Workshop Focuses on Small Ruminant Reproduction
- ASI Moves on to Phase II of SBIR Program
- Certify your Wool Clip
- Polling Interest in Wool Handling or Classing School
- Pa. Shearing School Information
- Oregon Sheep Producers Manufacture Wool Insulation
- ASI to Make Second Appearance on RFD-TV LIVE
- Sheep and Goat Survey to Begin
- Cornell a Research Leader for Sheep Industry
- Wool Bale Weights a Key to Profit in the Wool Chain
- 2010 Wool Mill Tour for Shearers
- Shearers Get Down to Business at Annual NWSS Shearer's Meeting
- National Western Stock Show Sheep Shearing Contest Results
- Texas Rambouillet Superior Genetic Program: A Model for Grassroots Improvement of a Breed, 1999-2010
- Big Gain in Wool Prices
- 2011 Wool Market Looks Promising
- Wool Pack Tariff Did Not Clear Senate
- Wyoming Wool Company Receives Funds to Spin Byproducts into Gold

- Positive 2011 Sheep Meeting
- Committee Rolls out “2+2+2=Rebuild” Plan
- Spots Available in Wool Handling Schools: N.Y., Ohio and Mich.
- The U.S. Economy and the Impact on Agriculture
- Wool Excellence Award Given at ASI Convention
- High Prices and Superwash Highlights of Wool Meetings
- NSIP/LambPlan Partnership Progresses
- Convention Tour to Rafter 7 Ranch
- Optimism Abounds for Wool Market
- National MIWW Winners Chosen at Annual Convention
- Live Sheep Demonstration
- Superwash Equipment Running
- USSES Takes Genetic and Management Research to New Level
- Fiber Hunting for the International and Domestic Wool Trade
- Wool Journal: Quarterly Insight to the U.S. and Global Wool Market
- 2011 ASI Council and Committee Members
- U.S. Wool Sweater Maker will Outfit U.S. Ski Team
- Let’s Grow with twoPLUS Revealed
- Wheelock Textiles a Friend to Small Wool Producers
- Pelt Values Strengthen
- Retail Wool Outlook Good
- Wool Added to Body Armor for Added Protection
- USDA Reviews Sheep Issues with Industry
- The Forgotten Byproduct: Lanolin
- Washable Wool Processing Available in the U.S.
- Blade Shearing Event
- USDA Export Promotion Allocations
- Sustainability Focus of 80th IWTO Congress
- Wool Prices Sail Past 1,400 Cents Mark
- Research Dictated by the Industry at MARC
- Promoting Sheep Operations Using Social Media
- Wool a Perfect Fit in Growing Green Architecture Industry
- Texas Youth Evaluate Wool Insulation for Green Architecture
- Texas Research Center Continues Without Federal Funding
- Lupton Leaves Valuable Legacy in U.S. Sheep Industry
- Wool Journal
- Wool Council Recommends Budget to Executive Board
- New Life for Faribault Woolen Mills in Minnesota
- ASI Website Lists Drought Relief Contacts
- ASI Sponsoring Paint Brand Trial
- Are Ewe Certified?

The *Sheep Industry News* is accessible from the home page of ASI’s industry/consumer website, www.sheepusa.org, as well as from its own site, www.sheepindustrynews.org. All the information published in the hard copy of the *Sheep Industry News* is also available to a much wider audience through this medium.

ASI Weekly Newsletter

ASI produced 50 issues of the *ASI Weekly* newsletter. This newsletter contains a wide variety of articles of interest to the wool and sheep industries, including developments in the United States and worldwide market for the wool and textile industries. The publication updates producers about the availability of wool programs coordinated by the U.S. Department of Agriculture (USDA). It also provides updates on Wool Trust Fund programs and how they benefit the wool and sheep industries. *ASI Weekly* is distributed to more than 5,000 producer and industry affiliates via e-mail and is also accessible from ASI's industry/consumer website, www.sheepusa.org.

ASI Weekly is the industry's most timely publication in that information is dispersed in the same week it occurs. Producers, industry affiliates and educational facilities utilize and disseminate this current information to make production decisions as well as for teaching tools. Other agriculture publications frequently reprint the information from the *ASI Weekly* as it is considered to be the voice of the sheep industry.

Press Releases

Press releases are an important way for the industry to communicate with multiple media outlets. This program included the distribution of press releases on a variety of topics, including those related to the wool industry and to the proceedings at the annual wool convention. Multiple lists are used in an effort to get the widest distribution of sheep industry news. A broad national media list is utilized as well as a listing of industry-specific publications and the distribution to the administrative group maintained by the ASI office.

Press releases this year included the announcement of the wool Superwash equipment beginning production, support of USDA's proposed animal disease traceability rule, a report of the events from the annual industry-wide convention, the recognition of industry award winners including the wool excellence award, announcements of newly elected board members and the annual scholarship winner, to name a few.

Media Coverage/Public Relations

- **Radio Spots**

An annual event that ASI participates in is the National Association of Farm Broadcasters convention. Through this event, many radio spots concerning the issues relevant to the sheep industry are taped and utilized throughout the year across all U.S. markets. At the 2010 annual meeting, ASI recorded more than 20 radio interviews and a couple television spots.

ASI also continued its outreach in 2010-2011 to use more regionally based radio to provide coverage on the programs vital to the industry. An effort to build relationships with the broadcasters resulted in more complete coverage of the wool and lamb industries. These radio spots were heard monthly in multiple regions of the United States.

- **Ag Week Participation**

National Ag Week is a time to celebrate American agriculture and honor the people who work within this diverse and vast industry. ASI joined many other agricultural groups in educating Americans about how food, fuel and fiber products are produced and about the essential role agriculture plays in maintaining a strong economy. Supporting National Ag Week helps to provide tools for National Ag Day celebrations across the country. Large and small, urban and rural, this program has been commemorating the important role of America's producers and agriculture for more than 35 years.

- **Print Media**

ASI did extensive outreach to the print media this year and worked to build a stronger relationship with industry-specific publications as well as sheep-heavy regional publications. Getting the wool and sheep industry story out to the nation is an important step in maintaining the infrastructure of this industry. With the increased visibility of ASI, each year, more and more reporters contact the office for information ranging from story background or history to modern trends, as well as to get industry perspectives and quotes.

Throughout the year, ASI monitors the pick-up of industry stories. Several publications re-print articles about the industry and the programs important to wool and sheep.

- **Social Media**

To more efficiently communicate with members and the media, ASI is active on Twitter with more than 230 followers and on Facebook with more than 850 likes. These mediums allow for two-way communication providing sheep industry members a way to directly interact with ASI. It is also a tool for producers to interact with each other. ASI's Facebook page is at www.facebook.com/home.php?#!/pages/American-Sheep-Industry-Association/373450956856 and the Twitter page is at www.twitter.com/sheepusa.

- **State Association Annual Meetings**

A primary goal of ASI continues to be the education and outreach to its members and others involved in the sheep industry. One of the many ways that this is accomplished is through participation at member state association meetings. To provide the most concise and organized approach to the dissemination of ASI's activities, a PowerPoint Presentation was developed containing a brief description of the programs, accomplishments and future goals of the organization. This presentation is designed to be utilized by leadership and staff alike.

- **FFA Convention**

The ASI/American Wool Council and the American Lamb Board booths at the National FFA convention were again well received. The National Make it With Wool contest was invited to participate in the booth and promote the wool and sheep industry. In addition, garments made with 100-percent washable wool jersey fabric and wool/Nomex® were on display to showcase product development and programs the AWC is conducting. The sheep production handbook, new grazing handbook and other ASI materials were showcased as educational material available from ASI. Finally, the career opportunities for young people in the sheep industry as sheep shearers were promoted to those that

attended the career show. More than 55,000 young people and high school FFA advisors attend the FFA career show annually.

Printed Materials

- **Brochures**

In FY2010-2011, ASI produced and revised a number of its industry brochures to inform the wool and sheep industry about the success of its programs.

- **Fast Facts**

The one-page industry Fast Facts were completely redesigned to incorporate the most current information as reported by USDA and other reliable sources. These five consumer-oriented informational pieces about sheep production, sheep ecology, American lamb, American wool and predator losses give the general public useful industry information. The current fact sheets are posted on the ASI website for wide accessibility.

- **United States Sheep Industry**

This tri-fold brochure works as a quick-reference guide providing many statistics about the various aspects of the sheep industry. A revision of this brochure ensures that current information is disseminated. Information about wool, sheep and meat production, economic impact, sheep milk production and death loss due to predators is all included in this inclusive brochure. The United States Sheep Industry brochure is also posted to the ASI website, www.sheepusa.org, for broader distribution.

- **State-Specific Newsletters and Presentations**

Also continued this year were industry newsletters geared toward each state association. ASI produced a state specific, low-cost, two-page newsletter designed to be utilized at state association meetings to inform producers in that state of the current wool and lamb programs and the benefits received by producers in that state. These state-specific newsletters were individually produced for more than 40 states. PowerPoint presentations were also produced to address the topics that most affect each state. ASI annual highlights and current issues were included in the presentation.

- **Material Distribution**

ASI continued to disseminate educational materials to industry groups. Groups that requested information ranged from state and breed associations to youth groups, such as school programs and FFA and 4-H groups. Materials sent included the *Sheep Reporter*, wool and lamb Fast Facts, wool information packets and state-specific program brochures.

- **Convention Materials**

Convention materials were produced and distributed to support the convention's goal of bringing wool industry leaders together to define strategies to strengthen

U.S. wool competitiveness. Comprehensive preparation is completed prior to the annual convention to provide attendees with the most current information and data as it relates to the specific areas of the industry affected by each council and committee.

- **Displays**

Two new displays were created this year to be taken to various tradeshow and industry meetings. The displays depict the multiple aspects of the industry and provide a great visuals for meeting attendees.

Annual Wool Convention

Each year, an annual convention is organized to bring sheep industry leaders together to discuss industry issues, elect leadership and create/modify the policies that serve as the foundation for ASI and the American Wool Council (AWC).

Also, a major part of the convention is the opportunity for producers to hear from guest speakers about relevant topics to the industry as well as a chance to tour industry-related sites in the area where the convention is being held. Workshop opportunities exist for producers to stay current on programs. Council and committee meetings are scheduled for producers to attend and learn more about specific areas of the industry, and the board of directors holds its annual business meeting during this event.

More than 430 sheep producers, feeders and affiliated businesses from across the nation gathered in Reno, Nev., to celebrate *Expanding on an Epic Year*. The annual meeting included participants from wool suppliers and distributors to lamb feeders and producers, all interacting and working to improve the industry. Attendance once again surpassed that of the previous year as multiple sectors of the industry gathered during this event.

Some of the information coming out of the 2011 ASI Annual Convention included:

- Historic high wool and lamb prices that have not been seen since 1989 framed the national roll-out of a campaign to increase sheep numbers in the United States. Economists predicted that the industry can expect these market levels to continue through 2011.
- To meet the demand for wool and lamb, the ASI board of directors (BOD) approved a campaign to increase the U.S. sheep inventory. The campaign launched in 2011, titled Let's Grow with Two Plus, asks that each producer increase the size of their operation by two ewes per operation or by two ewes per 100 by 2014, increase the average birthrate per ewe to two lambs per year and increase the harvested lamb crop rate by 2 percent. This program provides an attainable, challenging, measurable and realistic plan for increasing sheep numbers in the United States and maintains jobs and infrastructure. The program will provide 315,000 more lambs and 2 million pounds of wool for the industry to market.
- The president of a major U.S. knitting company made attendees aware that his company is new to the wool business but, that in a very short time, "...wool has become a very

important product in our company's structure." His company spent much of 2007 refining the wool enzyme treatment in an effort to make wool washable. The company began producing wool garments for the military and specialty companies in 2010 equating to 10 percent of its total revenue.

- Having redefined its business to service niche markets and the uniform trade, Alamac's work with wool and the U.S. military was a natural fit. Wool's inherent fire resistance properties make it the natural fiber for producing a high performance base layer, second layer and an outer layer of clothing for the men and women who defend our country. According to Mark Cabral, the next homerun for the wool industry will be the use of wool products coming from the Superwash line that was assembled and commissioned at Chargeurs Wool USA Inc. in Jamestown, S.C. The Superwash line alters the fiber in wool products, allowing them to be washed and dried without shrinking and will meet "Total Easy Care" standards for consumers. ASI and the Sheep Venture Company made this process available through the help of an NLPA loan.
- A wool and livestock economist predicted that the demand for wool will continue through 2011 and well into 2012 keeping prices high. 2010 brought with it an increased demand for lamb from countries like China and the Middle East. Low sheep numbers and wool production were experienced worldwide resulting in historically high prices for both products. Wool has become very competitive with cotton and the prospect for 2011 shows that the demand for wool clothing will continue to increase due to rising incomes in major developing countries, such as China, India, Brazil and Russia, as well as a rise in population growth.
- The inaugural meeting of the new National Sheep Industry Improvement Center was a significant event. The center is charged with advancing activities that build the capacity of the U.S. sheep industry and adopting flexible and innovative approaches to solving the long-term needs of the industry.
- A member of the U.S. wool industry was recognized for his years of service during the Wool Excellence Awards lunch. This award was developed to recognize those that have made a lasting impact on the U.S. wool industry and paved the way for those in the wool industry today.

Web Site: www.sheepusa.org

The ASI website continues to be the conduit for state associations, wholesalers, producers, consumers and the media to gather information about the wool, pelt and lamb industries. It remains a goal of ASI to keep the site a vital source of industry information. Continuous updates are made keeping the content fresh and current. Contact information for industry leaders and council and committee memberships offer reliable sources for obtaining information.

Web Site: www.sheepindustrynews.org

The *Sheep Industry News* website that was designed in the 2006/2007 fiscal year has had a positive impact on the distribution of industry information. Each month, the new edition of the

Sheep Industry News is posted to this site allowing for more-expanded coverage of the material that is important to wool, pelts and lamb.

This easy-to-navigate site allows visitors a way to view the top stories and pictures for each edition. Visitors are able to navigate between this site and the www.sheepusa.org site with ease.

Appendices

Samples of *Sheep Industry News*

Samples of *ASI Weekly* newsletter*

Copies of Newly Created Fast Facts

- About Sheep Production

- About American Wool

- About American Lamb

- About Predator Losses

- About Sheep Ecology

Copy of the United States Sheep Industry Brochure

Sample of State Association PowerPoint Presentation* and Brochures (individually produced for more than 40 states)

ASI 2011 Convention Material

- Press releases*

- Sheep Industry News* report (March 2011 issue)*

- Registration brochure

- On-site brochure

Wool Producer Planning

Summary

The U.S. wool industry is the driving force behind all Wool Trust-funded programs. Its input is essential in all planning and to ensure that programs work toward achievement of the three goals of the Wool Trust Act. Under the Wool Producer Planning program, industry representatives from all sectors helped create and oversee programs. This is an ongoing need, due to the evolving nature of strategic planning. This program ensures regular reassessment of the direction of all programs to evaluate whether results are being achieved and to refine efforts. This past year, wool producer planning ensured that the Wool Trust plan's vision continued to reflect industry needs and capabilities and that the program continued to achieve measurable results.

Wool Trust Goal Addressed by this Project

- Development and promotion of the wool market
- Improve the quality of wool produced in the United States, including wool production methods
- Disseminate information on wool improvements to U.S. wool producers

Project Goals

- ✓ Provide strategic direction to programs carried out under the Wool Trust
- ✓ Solicit input for programs to better meet industry needs
- ✓ Keep U.S. wool growers informed of program direction, development and results

Project Description/Results

The primary strength of ASI's wool competitiveness program continues to be the synergy of the individual components – i.e., the fact that individual projects are strategically designed to work together to attain the goals of the Wool Trust. The fact that the United States has been successful in obtaining and maintaining new customers for its wool – and helping to make U.S. wool more competitive against other foreign wool – speaks to the success of this approach.

Under this project, funds were used to cost-share strategic planning meetings that enabled ASI to review the appropriateness of its current strategic direction, given changing market conditions.

These included:

- ASI Board of Directors meeting
- Meetings of the executive board

- ASI officer travel
- Meetings of councils (such as the American Wool Council and Wool Foundation Board), committees and task forces
- Volunteer travel

Recommendations

Strategic planning is perhaps the most important part of any major industry initiative. Only a well-planned strategy will be able to bring the results that are hoped for under the Wool Trust. Thus, wool producer planning needs to remain part of the overall program package.

Appendices

Wool Council Minutes

Program Update for Wool Council

Wool Strategies & Business Development

Summary

The basis of solid strategic planning is information. A clear and objective understanding of where the U.S. wool industry is now, what its strengths are and what areas need to be enhanced is a crucial requirement. Under this program, ASI initiated a comprehensive analysis and assessment of the needs of the U.S. wool industry heading into 2010 and beyond. This is expected to aid in the development of future programs that will improve U.S. wool's competitiveness.

Wool Trust Goal Addressed by this Project

- Development and promotion of the wool market
- Improve the quality of wool produced in the United States, including wool production methods
- Disseminate information on wool improvements to U.S. wool producers

Project Goals

- ✓ Provide comprehensive direction for the future of American wool production, marketing and quality improvement
- ✓ Assess additional needs in the wool industry
- ✓ Coordinate with the rapidly changing domestic and international textile sector, wool producers and handlers

Project Description/Results

The U.S. wool industry has changed dramatically over the past decade, with huge shifts in the production level, service industries and customer base. For instance, the U.S. wool processing industry has shrunk, and the continued closing of U.S. textile mills has caused the U.S. industry to lose most of its prior customer base.

To ensure that the U.S. industry is equipped to face the challenges of the future, ASI introduced the wool strategies and business development program years ago. The objective of this program was first to identify in the current U.S. wool system, weaknesses that will hold it back from achieving its full potential or strengths that could serve as a springboard to overcome the challenges it faces. Armed with this information, the program's objective is to identify services or businesses that ASI could invest in to improve the U.S. industry's competitiveness and create long-term viability for a challenged industry.

For the last number of years, this program focused on research and needs assessment.

ASI formed various committees, which met to analyze and review the current state of the industry – assessing the strengths and weaknesses of current U.S. production practices, processing capabilities and marketing methods. The groups heavily utilized information from

other aspects of Wool Trust programming, such as information gathered while making decisions on New Technology investments. The primary result of this initial stage has been the identification of holes in the processing area and in the marketing area. The next step will be to analyze whether ASI can develop programs to address these holes.

As part of this, ASI developed a strategic plan to increase the number of sheep in this country with the development of its Let's Grow initiative. With the increased demand of wool products and lamb, there is a shared industry concern about meeting it. ASI developed the Let's Grow initiative as a strategy to strengthen the lamb and wool industry's infrastructure by increasing the number of sheep in production to make the sheep industry sustainable in the future.

ASI rolled out the first phase of the Let's Grow initiative with the twoPLUS campaign focusing on encouraging current producers to increase their flocks by 2014 based on three goals.

1. Encourage producers to increase the size of their operation by two ewes or by two ewes per 100 head.
2. Encourage producers to increase the average birthrate per ewe to two lambs per year.
3. Encourage producer to increase the harvested lamb crop by 2 percent – taking it from 108 to 110 percent.

If these goals are realized, an additional 315,000 more lambs and 2 million more pounds of wool will be available for the industry to market.

A number of efforts went into communicating the Let's Grow with twoPLUS initiative to industry members and those in the media.

- A website was developed, www.growourflock.org, to further clarify the initiative and serve as a resource for media and producers. twoPLUS partners were identified and their stories were available for publication. Also included on the site is Flock Talk, an area designed to host the multiple media mentions of the initiative, a Media Center and a Resources section that hosts the marketing downloads for the initiative and the management practices that were developed for producers.
- A Let's Grow with twoPLUS video was produced to further explain the initiative depicting why it is necessary for the industry to grow its flock.
- Management Practices were developed for producers on key production issues: Use Genetics to Increase Lambing Percentage, Benchmarks for Success, Late Gestation/Early Lactation Ewe Nutrition, Steps to Effective and Sustainable Internal Parasite Management, Biosecurity, Increase Lamb Output via Crossbreeding, Assessing Lamb Mortality Patterns is the First Step to Reducing Loss and Making Vaccine Choices.
- Marketing materials (postcard, poster, flyer, presentation, display, electronic press kits and calendar) were developed with the Let's Grow message to further communicate with industry members and the media.
- Media Events – During the closing months of FY2011, a great deal of planning was done to host a number of media events across the country to make the media aware of the record setting lamb and wool prices, the need to increase production in order not to lose the industry's infrastructure base and the goals of the Let's Grow initiative. In addition to a number of one-on-one visits with media representatives, media events were planned for Iowa, Minnesota, Indiana, Ohio, Tennessee and California.

The second part of the Let's Grow initiative is to encourage new producers into the industry. ASI is developing a training program to teach new producers about the production of safe and wholesome food and fiber, the well-being of sheep, general farm and food safety and the

concepts of sustainable agriculture. ASI has teamed up with its state associations to help develop a mentor program. This portion of the initiative was in its infancy at the end of FY2011.

- **RFD-TV LIVE Show**

RFD-TV is home to the most comprehensive line-up of agriculture-based programs ever assembled on one channel. Shows from around the world give agriculture professionals and hobbyists the widest variety of news and information available to fit every interest and operation. RFD-TV LIVE – the network’s longest running RFD-TV produced program – gives viewers the opportunity to spend quality time with each week’s featured expert panel. Members of ASI were the featured panel on the Monday, Jan. 24, show.

ASI leadership selected representatives to make up the expert panel and discussed sheep industry-related topics with the show’s host, Mark Oppold. In addition, the expert panel fielded phone calls and questions from the live television audience watching at home. This program provided ASI with direct interaction between the show’s guests and our members and those interested in raising lamb and wool.

A variety of sheep industry issues were covered, but the highlights included a recap of the highs the industry has experienced in both the lamb and wool markets, the increased demand of lamb due to emerging markets, the benefits and ease of adding sheep to already existing agriculture enterprises, resources for new producers looking to get into the industry and the [announcement](#) of the industry’s Let’s Grow initiative. In addition, the audience viewed sheep producer documentaries from various producers across the country (California and Colorado) depicting the success they have had in the industry and speaking to the record-high market prices for lamb and wool. These documentaries were filmed and produced by ASI staff and are available for viewing on ASI’s Facebook page or at www.sheepusa.org.

The metered-only (some areas like Omaha and Des Moines are not metered) report from Nielsen indicated that 55,000 households with 63,000 adults 18 years of age and older watched the show. This number is above the average for a pure agriculture-related show.

Recommendations

Like the Wool Producer Planning Program, it serves a crucial function for ensuring that any programs adopted under the Wool Trust Fund are the result of careful strategic planning. Strategic planning is the key to obtaining the best possible results from investments. This program, however, carries strategic planning a step further by looking at the long-term survival potential of the industry and determining key ways to enhance the industry’s survival. It is recommended to retain this program for the upcoming year and to move the program into the next step of identifying what role ASI can play in shoring up holes in the current wool production and marketing chain.

Appendices

Sheep flash drive with Let's Grow with twoPLUS Video and Presentation
twoPLUS Items

- Poster
- Postcard
- Flyer
- Calendar
- Display example

Management Practices (8)

Wool Foundation

Summary

The American Wool Foundation is a non-profit organization that manages the Wool Trust Funds, ensuring accountability and program appropriateness. The American Wool Foundation makes sure all of the authorized funds are delivered for programs on behalf of U.S. wool producers and that producers will fully reap the benefits intended by the Wool Trust Act. Its oversight ensures that programs adhere to federal regulations and that program results are commensurate with program investments.

Wool Trust Goals Addressed by this Project

- Development and promotion of the wool market
- Improve the quality of wool produced in the United States, including wool production methods
- Disseminate information on wool improvements to U.S. wool producers

Project Goals

- ✓ Support Wool Trust programs by managing the funds and ensuring federal regulations are appropriately observed in ASI's programming

Project Description/Results

The Wool Foundation is the legal entity that manages the Wool Trust program. This ensures that trust funds are managed separately and also effectively. Thus, Wool Trust funds are allocated by the USDA's Agricultural Marketing Service (AMS) to ASI, which maintains a contract with AMS. ASI then obligates those funds to the Wool Trust Foundation, which contracts with ASI to carry out the programs. The oversight by the Foundation's Board of Directors, who are chosen for their ability to represent wool interests, helps to ensure U.S. wool interests are well served. Three key things are achieved with this:

- The establishment of a foundation isolates and identifies the organization responsible for implementing the program.
- It also isolates the accounting function for the funds.
- It allows a wool organization to manage the Wool Trust program.

Recommendations

The recommendation is to continue to manage funds through this separate entity to allow for the most responsible use of the funds.

Administration

Summary

This covers the basic organizational costs necessary to carry out programs. Thanks to Wool Trust funding, ASI was able to maintain staff and appropriate resources to support all Wool Trust-funded programs.

Wool Trust Goal Addressed by This Project

- Development and promotion of the wool market
- Improve the quality of wool produced in the United States, including wool production methods
- Disseminate information on wool improvements to U.S. wool producers

Project Goals

- ✓ Provide appropriate administrative support necessary to carry out programs to meet the goals of the Wool Trust Fund

Project Description/Results

Without this activity, none of the programs described in this report could have been carried out. ASI maintains a small, highly trained staff and a Denver office. Staff works hand-in-hand with industry leaders and others to develop the most effective strategies and plan and implement programs that best meet the goals of the Wool Trust Fund. Thus, the administrative infrastructure provides the base from which all the programs are launched.

It should be noted that ASI undergoes external audits by both the USDA's Foreign Agricultural Service (FAS) and independent auditors. Monthly financial statements complete with all cash disbursements, time records and budget variance explanations are reviewed by USDA and the executive committee of ASI.

Independent auditors, as well as FAS, review management practices and internal controls related to the financial statements and compliance with the laws, regulations and the provisions of contracts or grant agreements. Noncompliance could have a material effect on the financial statements in accordance with the *Government Auditing Standards (GAS)*. As well, there are internal controls related to major programs, negative assurances on lobbying activities and an opinion on compliance with laws, regulations and the provisions of contracts or agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Recommendations

Administrative costs are an intrinsic aspect of program implementation. They provide the personnel and resources necessary to not only carry out activities but also to carry them out effectively.

Appendices

* Denotes Electronic File on Included CD

International Market Development

ASI's Unified Export Strategy, October 2010 – September 2011*

ASI's Country Progress Report, October 2010 – September 2011
(on file after 3/31/12)

Report on U.S. Marketing Year Exports by Northwest Statistics*

Representative Trip Reports

Evaluative Surveys by Reverse Trade Mission Participants

American Wool Council Ad*

Raw Wool Quality Improvement

Wool Labeling Brochure

Wool Micron Card

National Western Stock Show Shearing Contest Results

Quality Assurance

Copy of article in ASI's *Sheep Industry News* on Scrapie Eradication plan (November 2010 issue)*

Copy of LRP-Lamb article in ASI Weekly*

RMA/FCIC: LRP Summary Business Report*

Council for Agricultural Science and Technology (CAST): *Pasteurellosis Transmission Risks between Domestic and Wild Sheep**

State Association Scrapie Eradication Reports

Wool Outreach

Sample of Application for Wool Outreach Program*

Summary of all 11 Rounds of Wool Outreach Program*

Wool Outreach by States*

Producer Communication

Samples of *Sheep Industry News*

Samples of ASI Weekly newsletter*

Copies of Newly Created and Updated Brochures and Flyers

-Wool and Lamb Fast Facts*

Sample of State Association PowerPoint Presentation* and Brochures (individually produced for more than 40 states)

ASI 2011 Convention Material

- Press releases*
- Sheep Industry News* report (March 2011 issue)*
- Registration brochure
- On-site brochure

Wool Producer Planning

Wool Council Minutes*

Program Update for Wool Council*

Wool Strategies and Business Development

RFD-TV LIVE segments featuring ASI: <http://www.facebook.com/#!/pages/American-Sheep-Industry-Association/373450956856?sk=wall>

Sheep flash drive with Let's Grow twoPLUS video and presentation

Let's Grow with twoPLUS Items

- Poster
- Postcard
- Flyer
- Calendar
- Display example

Management Practices