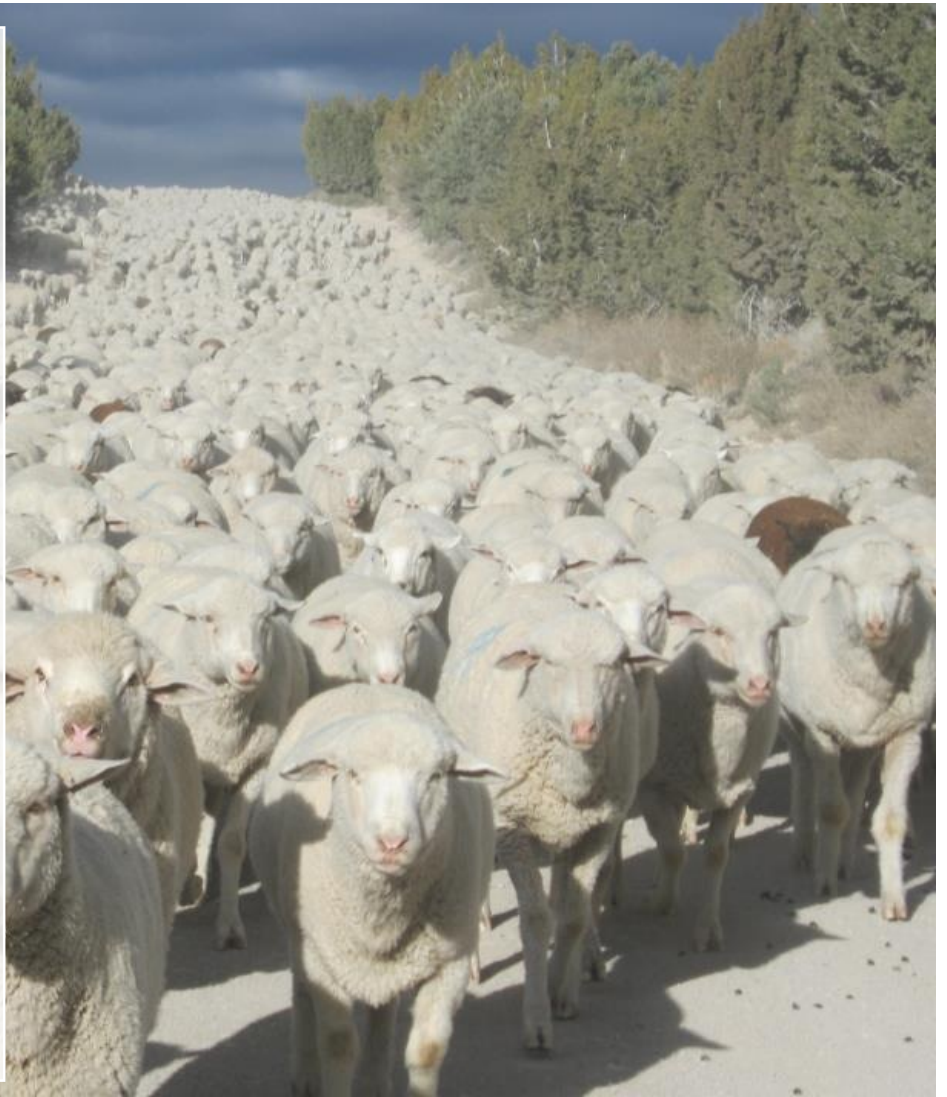


WOOL TRUST REPORT

American Sheep Industry Association

2011-2012



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Executive Summary

Background

With roots dating back to 1865, the American Sheep Industry Association (ASI) is a federation of 46 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 80,000 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, 2011, through Sept. 30, 2012 – the year covered in this report – the Wool Trust Foundation was awarded \$2.25 million. Additionally, the U.S. Department of Agriculture (USDA) approved a new Memorandum of Understanding with ASI for wool programming during FY2012.

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 50 percent to 60 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 declined due to the worldwide financial crisis.

The U.S. military utilizes 20 percent to 25 percent of the U.S. wool clip and announced several large clothing-related contracts this fiscal year that used 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 harm, making synthetic fabrics less desirable than fire-resistant wool in war zones.

The purchase of the shrink-resistant treatment line by SVC 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 played a major role in the product development for future U.S. wool military products.

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, as well as the military 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, water-repellant, insect repellent and fire resistant.

Also, the markets for fashion and sports clothing continue to gain market success as greater innovation is seen in the specialized sporting 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 FY2011/2012 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.

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.

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.

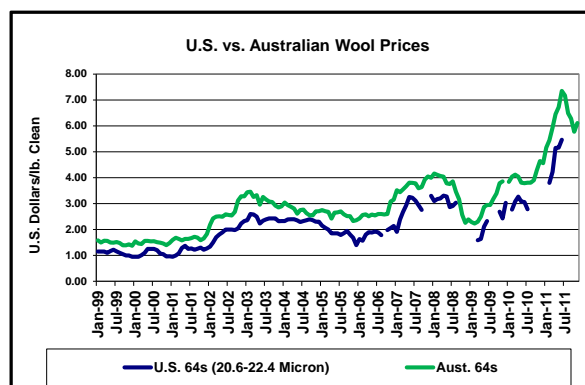
The past several years have seen some significant changes in the wool market, but by the end of FY2012, the international market had improved from the lower levels experienced in the first nine months of 2012. During those nine months, U.S. wool prices had not followed the international market reduction, resulting in a slowing of international sales during that period. At the end of September 2012, estimated inventory in U.S. warehouses was much higher than at any time in the previous two to three years. However, beginning in early October, international prices rose again and U.S. wool-price levels again became internationally competitive and sales increased quite significantly (particularly to China and India) and, by the end of December 2012, inventory in U.S. warehouses had dropped significantly to more normal levels.

Importantly to the wool industry, while the textile industry is typically a leader into recession, it is also 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 upon as a positive indicator for continued economic improvement in the upcoming year.

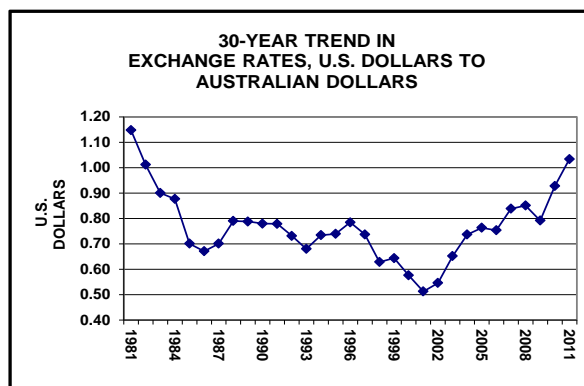
The world wool supply has decreased. In FY2011/2012, the largest wool-producing country, Australia, saw its sheep population remain at the low level of recent years as did wool production. The decrease was blamed on a previous harsh drought that caused the liquidation of many sheep flocks for the past several years plus the shift of wool producers to other land-use alternatives. New Zealand, another large wool supplier, has experienced similar reductions in sheep numbers in recent years, due to both drought and conversion of sheep farms to dairy farms. In the Southwest United States – particularly Texas and New Mexico -- extreme drought conditions have been experienced over the last couple of years, resulting in a reduction in both the overall sheep numbers and wool production. However, many sheep were moved to other states, so the drop was not as severe as it was first thought it might be.

As the wool industry has taken a more positive turn from the past years' financial crises, 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 reporting year for the ASI's international programs is Oct. 1, 2011 – Sept 30, 2012, so the 2011/2012 export number reported here reflects this period and does not include the significant increase in international sales experienced in the last quarter of 2012. As with years past, China continued to play a big role this fiscal year in the wool processing and manufacturing sectors, buying 3.3 million pounds of clean U.S. wool in FY2011/2012, representing 52.9 percent of all U.S. wool exports.



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 1.9 million pounds of wool in 2011/2012, 30.2 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: *Development and promotion of the wool market*

- U.S. wool sock manufactures significantly increased the usage of American wool. ASI worked with the wool industry to build a shrink resistant treatment plant in the United States and now wool can be treated and made to be washable in the United States for use in this important wool industry.
- Domestically, ASI continued to build its knowledge and resources to gather information about the United States' largest domestic customer, the U.S. military.
- ASI is continuously seeking new customers for American wool. In 2012, ASI assisted several major outdoor manufacturers with wool sourcing needs to bring their production lines back to the U.S. from overseas locations.

Objective: *Improve the quality of the wool produced in the United States, including wool production methods*

- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust programming.
- Continued to provide AWEX grading information for auction sales in an effort to educate growers on wool quality and descriptions.
- Updated the Code of Practice for Wool Handling in the United States.
- Continued the implementation of the National Sheep Safety and Quality Assurance program for producers and participated in the National Animal Disease Traceability development.
- The Wool Outreach Program expanded the reach of ASI's wool improvement and marketing activities by spurring state entities to develop wool programs.

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 again focused on the development of tools disseminated to producers, the public and media.
- As part of strategic planning, ASI rolled out the second phase of the Let's Grow initiative, the sheep producer mentorship program, where new producers are introduced to the opportunities of the sheep industry.

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

- 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.
- 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 2012.

Program Expenditures

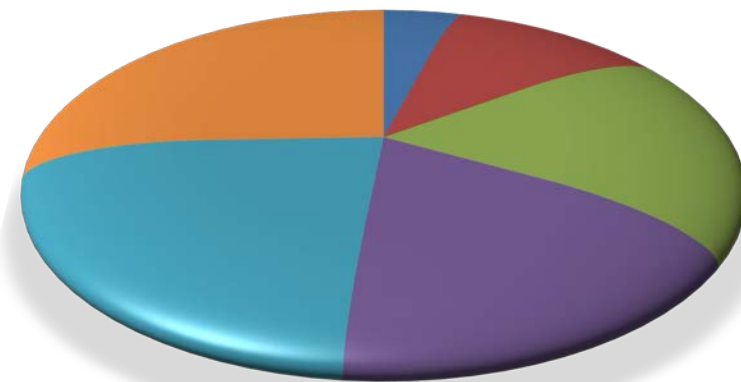
Summary

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 2011 - September 2012 Wool Trust Expenditures



■ Strategy & Program Development	\$90,014 (4.1%)
■ Wool Producer Planning	\$235,586 (10.9%)
■ Producer Communication	\$392,052 (18.1%)
■ Administration	\$402,170 (18.5%)
■ Quality Improvement	\$494,914 (22.8%)
■ Market Research & Promotion	\$555,412 (25.6%)

Market Research and Promotion

- **Market and Product Development**
- **Market Research and New Uses**
- **International Marketing**

Market and Product Development

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

Summary

Global demand for eco-friendly products is increasing and with it, support for businesses that are committed to implementing eco-friendly processes. Sustainability is no longer just a marketing attribute, but is now an essential component of a successful business. This issue was stressed during an international synthetic fiber conference as a potential threat to the synthetic fiber industry. Recycling of waste fiber, coupled with reducing energy and water consumption, were advanced as new options for continued growth of synthetic fibers in the global market.

While wool is seen in a positive light by today's consumer due to it being natural and annually renewable, this image is being increasingly challenged by the synthetic fiber industry stressing that wool has a high carbon foot print due to the acreage needed to grow a pound of wool as well as to methane gas emissions by sheep. Proactive action, such as the one initiated by the International Wool Textile Organization (IWTO), is considered very appropriate and timely.

Domestic wool-product demand continues to be high in part from U.S. military usage and from renewed interest in washable wool, which is facilitated by the installation of the shrink-resist (superwash) treatment equipment. In the combat clothing arena, wool apparel has become a popular product with the military since synthetic materials melt and drip when exposed to heat and flame.

In addition to the many successful military initiatives detailed below, a significant change has occurred in the civilian market due to the ease of products being produced domestically. This

change could be credited to the development programs of ASI's Sheep Venture Company in partnership with the manufacturing industry.

Some of the notable partnerships created include:

- Burlington, the largest woven wool manufacturer in the United States, after decades of going it alone, has actively sought ASI's help and partnership in the development and commercialization of wool/synthetic flame resistant fabrics.
- Cocona, an embedded activated carbon extracted from coconut shells on recycled polyester fiber is blended with wool to offer UV protection, odor management and easy drying. Companies incorporating this technology include Burlington Menswear and Merino Promotion.
- Smartwool now has a product line of socks using domestic 23.5 micron wool that is being promoted under the "Ambassador" program.
- A new product line in garments using domestic 18.9 micron wools was seen this year.
 - Kentwool became an active ASI partner by embracing domestic wool-blend yarn production from its previous position of supplying only all wool fine-count yarns.
 - Pharr Yarns, the largest spinner of fire resistant (FR) blend yarns in the country, is now a partner and has undertaken to spin small quantities of eight different wool blended yarns on its modified long staple spinning system.
 - National Spinning, who consumes some 1 million pounds of mid-range domestic wools per year, is a new partner in stretch breaking of synthetic fiber and blending it with wool. National is also the single largest user of ASI's previously developed enzyme process for washable wool and is trialing a new enzyme process.
 - Jaggat Brothers, a forgotten domestic course-count wool spinner, is working with ASI to produce fine count wool blend yarns.
 - On the fabric manufacturing side, Alamac American Knits and Texollini continue to be ASI's most preferred active partners embracing many new process technologies for all based products. Many more industries are also working with ASI to commercialize new innovations, which could work on wool substrates.

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 on the development costs.

- Technical Innovations

- Keratin fragments have been produced through oxidation, reduction and enzymatic digestion methods. Depending on the method used, the fragments provide varying properties and are offered by the U.S. Department of Agriculture's Agricultural Research Service (ARS) in the form of powders, microfiber, hydrogel, scaffold, micro emulsion and moldable solid forms. Ashland – Hercules, Clairol and other hair care product companies and pharmaceutical units have bought small amounts of various keratin fragments to evaluate potential applications in hair care and skin products. The keratin products

developed are neither non-fiber diameter specific nor are they influenced by presence of pigmented fibers. This offers a new avenue for domestic wools in coarser micron ranges. In addition to non-textile applications, keratin fragments have great value in wool technical products as the fragments have very high chemical reactivity that is explored by rapidly attaching ions and metals to them, which in turn, are grafted on to the fiber surface. Durable antimicrobial and inherently flame resistant properties are achievable and will be explored during the coming years.

- Significant improvement has occurred in the fiber stretch breaking technology and trials with nylon and polyester filament tows have shown potential for commercial success over the next year. Two spinners are working on developing stretch broken sliver for blending with wool on the worsted draw frame.
- The application of chemicals onto textiles using atmospheric plasma has provided many potential benefits in terms of reduced waste and more effective application at a much lower dosage level. Some of the effects achievable include water and oil repellency, antibacterial properties, insect repellency, flame resistance, etc. A meeting with commission treatment house (Triton System, Inc. (TSI)) has led to an initiation of trials planned for the next year.

- Machine Washable Wool Products

Since the commercialization of the washable wool (superwash) line at Chargeurs Wool (USA) Inc., new options for using non-chlorine chemicals, such as replacing chlorine with peroxide (E-Tec Process), have been evaluated. While the process has certain merits in terms of soft hand and whiter fiber, further work is needed to commercialize this option.

Another chemical option explored on this superwash line was a Mercerization process for wool. The treated fiber is shown to be not only very lustrous but also offers very deep colors, opening up the Tuxedo market where a deep black color is desired.

Finally, the superwash process also enhances color yield and is most suitable for printing of wool, which has now been explored in the military Wool/Nomex® Operation Enduring Freedom Camouflage Pattern (OCP).

- Wool/Nomex® Blended Fabrics

A new NATICK funded project to develop piece-dyed, knitted fabric for next-to-skin wear garments and an OCP camouflage printed woven fabric is now complete. These projects, initiated last year, explored the virtues of a long-staple system of spinning by blending wool and long staple Nomex on a worsted draw frame. The yarns produced were used in both the woven and the knitted fabrics submitted to NATICK, thus completing this development this year within an 18-month period. The fabrics produced are stronger, smoother and more durable than fabrics produced on the current short staple (cotton) spinning system. In addition, the submitted fabrics (300 yards of a flame resistant piece dyed very light knitted weight (4.5 oz./yd²) for next to skin wear and 300 yards of a flame resistant and camouflage printed woven fabric for outer garment) exceeded those fabrics currently in use for protective clothing applications. Superior thermal protection at a much lighter fabric weight is due to the unique property of wool in producing voluminous, cool to touch ash on burning. The use of superwash treated wool ensured that the required color standards for visual and for Infrared Reflectance were achieved

by printing only the wool component, offering a shorter manufacturing process and less waste making the product price competitive. Field trials are expected to be initiated by the military using the submitted fabrics. This project has met all of the projected benefits.

- Flame Resistant Fabrics

In 2011, based on an SVC proposal, a three year, \$2.8 million contract to produce state of the art protective clothing was awarded by the U.S. Army Natick Soldier Research, Development and Engineering Center (NSRDEC) to produce over 120 woven and knitted fabrics with potential military applications. During the first year of this program, much effort was devoted to reviewing global FR fiber supply, availability and properties of the fiber as a potential candidate for further evaluation. As a part of this selection, some eight fiber blends containing wool are now being examined in detail by spinning small quantities (100 lbs. each) of the blended fibers at Pharr yarns. The yarns are being spun to 1/27 wc. and will be used in a rip-stop weave construction at Gaston College research facility over the coming months.

- Other Military Programs

The program initiated under the Small Business Innovative Research (SBIR) last year when Phase I of this program to install and operate a superwash line was completed, resulted in a follow-up award (Phase II) to develop washable wool fabrics that could be used in protective clothing multilayer assembly. The three specific fabrics studied are: next to skin-wear garment, base layer shirt, and a woven fabric jacket.

The base layer, light weight, knitted fabric using 19.5 micron domestic wool submitted to NATICK was rejected on the grounds of fabric hand being unsuitable for next to skin wear. Two different fabric type were submitted -- one using a finer micron (18.5 micron) domestic wool and the second as a blend of 19.5 micron wool used previously with 50 percent rayon fiber. Sufficient yardage of the two fabrics were offered for approval and made into trial garments. Although these fabrics do not meet FR protocol using vertical flame test, they do meet the "No Melt-No Drip" requirement. They are now deemed sufficient following their in-house research using Thermal Manikin where non FR compliant wool underwear was used under an approved FR outer garment, which provided excellent protection. This observation has created a renewed interest in all wool items. Although, it does not pass a vertical flame test protocol, it does offer a lower-cost option compared to FR garments.

The base layer shirt-fabric wool and Lycra fiber were also required to be reengineered. Fancy stitch, such as a mesh stitch, when trialed, was found to be too weak in yarn strength for knitting in the required tightness of constriction. The work is repeated using an 88/12 wool/nylon blended yarn in 1/45 wc.

The camouflage printed and water/oil repellent woven wool fabric using 90/10 wool nylon yarn developed with Springfield Industries had encountered fabric stability issues and required full decanting as a part of the fabric stabilization option. This external step was performed at a traditional wool manufacturing facility (Warren of Stafford) prior to the printing of the fabric and treating with water/oil repellent finish. The required yardage is now submitted to NATICK for its consideration and acceptance.

- Technical issues on wool (industry initiated)
 - Super white wool -- From time to time, there is a strong interest expressed in producing very white wools. This project initiated by the hosiery industry was resolved using a specific chemical formulation developed over 30 years ago - color-clear reductive bleach. The applied technology requires oxidative bleaching followed by proprietary reductive bleach. Trials were carried out at National Spinning for its sock manufacturer.
 - Union dyeing of wool/rayon -- Use of superwash wool in color-clear reductive bleach is known to absorb much of the reactive color applied on rayon and a one bath union dye process using reactive dyes was offered to the industry and used in the SBIR layer 12 fabric production.
 - Washable wool blanket -- Inconsistent performance in washing of a military wool blanket was resolved through the application of a reactive resin formulation (Synthappret BAP).

Recommendations

Projects in 2012/13 will be carried out in collaboration with industry partners, and all military projects will be carried out jointly with another Wool Trust programs.

Based on market opportunities for wool, as discussed with the military, domestic manufacturing and retail market review, the priorities are given to the following product development initiatives: military programs, exploitation of plasma technology and applications of nanotechnology. Work will continue with Wool/Nomex (a fire retardant fabric), which was developed alongside Natick with significant interest in commercializing the product. Work will continue with DuPont, the supplier of long-staple Nomex fiber, and with Burlington, the carder of the staple Nomex fiber and the developer of the camouflage printed fabric, to provide a competitively priced fabric for military adoption. Also, work will continue with other fire retardant fabrics and washable wool products.

Plasma technology is of interest because plasma is the most active state of matter. It is a fourth state, which comes after solid, liquid and gaseous states. Plasma is comprised of ions, electrons, excited atoms and molecules, which modifies the surfaces of textiles but does not alter its bulk properties. The energetic species breaks the covalent bonds of the fiber at the surface and etches or functionalizes its surface. This environmentally friendly process has opened up a host of opportunities for textile applications such as increasing wettability, dyeability, printability, increased adhesion for coating and laminating, or for presenting a highly reactive surface for application of selective chemicals. This proposal will conduct at least three industrial trials at a commissioned facility in the United States.

Applications of nanotechnology are of interest because nanotechnology is another exploding field of much research and innovation. Wool fabrics can benefit from such an application to impart select properties to the fabric surface such as enhanced reactivity to fabric bonding and increase wash fastness of FR wool clothing to comply with industrial laundering, etc. Possible applications envisaged would be a wool clothing system for the oil and gas exploration industry in the United States.

Market Research and New Uses

Wool Trust Goal Addressed by this Project

- Development and promotion of the wool market

Project Goals

- Identify new markets while maintaining primary markets

Summary

Three important research projects, Long Staple Wool/Nomex, Washable Wool for Soldiers and Fire Resistant Fabrics for the Future (Triple F), were the activities of the Market Research and New Uses program during FY2011/2012. Representatives of the Office of the Secretary of Defense reviewed these projects with the U.S. Army's NSRDEC in September 2012 for research and engineering. All three projects received very favorable comments for their potential contribution to the Department of Defense's (DOD) sustainability efforts. Each one of these projects will be discussed later in this report.

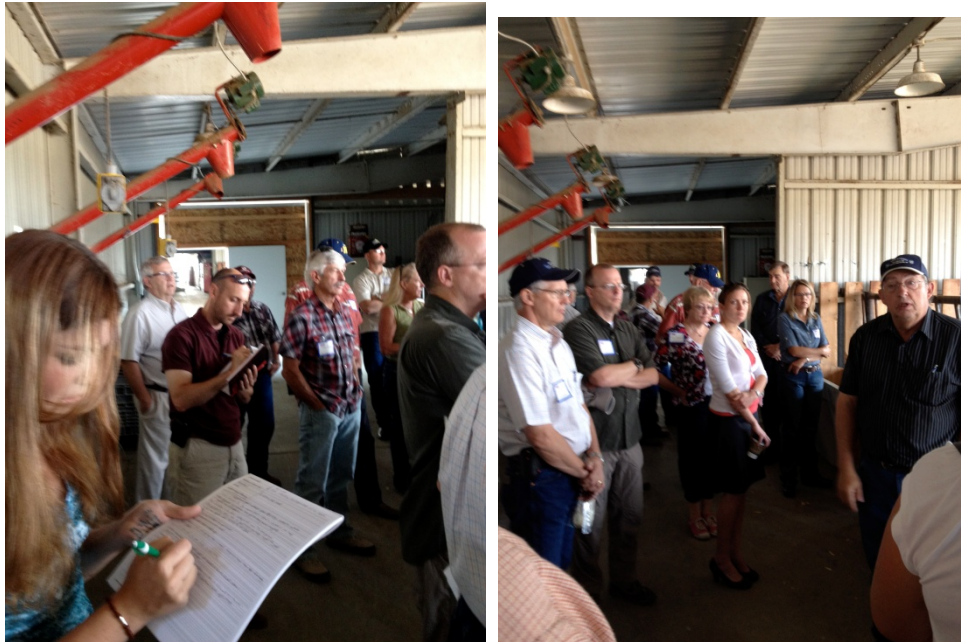
The shrink treatment facility in Jamestown, S.C., has matured into full production delivering high quality shrink treated wool tops for worldwide consumption. The facility is consistently producing 25 percent above planned output. During 2012, ASI mill trialed a new shrink treatment process on the equipment (mercerization) that was completely successful, enhancing the potential for even more production for the line.



Wool 'mercerization' in progress.

FY2012 was not a good year for government contracting in general. Defense Logistics Agency contract awards were down over 40 percent. The rapid decline is attributed to the end of the U.S. involvement in Iraq and steady withdrawal from Afghanistan. However, wool purchases for dress clothing held steady this year as dress uniforms are part of a soldiers' entitlement package. The forecast for 2013 predicts a continued decline in DOD clothing and textile purchases as the defense budget shrinks and personnel accessions decline as end strengths are adjusted down.

In 2012, ASI hosted another Wool Education and Ranch Tour for representatives of the U.S. military responsible for design and procurement of protective clothing items that might be made of wool. Budget and travel restrictions prevented full participation in this highly regarded event with only representatives from the U.S. Army and Marine Corps in attendance. The seminar and tour were successful with positive feedback from the participants. The 2012 seminar and tour were held in cooperation with the wool program at Montana State University.



Seminar attendees listen to tour speakers.

- Long Staple Wool/Nomax

All of the requirements of the contracts were met and the final reports submitted to the U.S. Army in November 2012. The fabrics substantially exceeded all of the specification requirements. At least two very positive results have occurred. First, DuPont will now domestically manufacture long staple Nomex and secondly, the U.S. Army has asked ASI to undertake final development work and preparation for production of these fabrics to include production costing. ASI will collaborate with SVC on this portion of the development. The potential of this new family of FR fabrics that use wool significantly enhances the value of domestic wool to the DOD.

- Small Business Innovative Research (SBIR) -- Washable Wool for Soldiers

ASI continued its collaborative work with SVC in 2012 in this DOD project. Two years of work in this project have been finished with all of the required tasks to date successfully completed. In the Phase II portion of the project, the overall scope is being 'enhanced' to include research and development work on new fabric for the Army Combat Glove. Several new garments made from washable wool are entering the field-testing phase. If successful, it is possible that washable wool will be introduced into at least two military clothing systems in the future.



Washable wool socks. Level 2, Extreme Cold Weather Clothing System (ECWCS) garments produced for the SBIR project.

- Fire Resistant Fabrics of the Future (Triple F)

The SBIR project, Triple F is a collaborative effort with SVC. Triple F seeks to develop and introduce a new family of FR fabrics (woven and knit) that are more comfortable and affordable than current FR fabrics yet offer equal or better performance. The first year of this three-year project has been successfully completed. Numerous new FR fibers have been identified to blend with wool. The fibers are currently being blended to begin spinning the yarns needed to knit and weave test fabrics for evaluation and possible further development. This is another example of ASI's expertise in research and development being put to use by the U.S. military.



Project Description/Results

- Information Gathering and Maintenance

Information gathering became somewhat more difficult for ASI in 2012. The Army cancelled its May Advanced Planning Briefing to Industry due to budgetary constraints. Additionally, the Defense Logistics Agency did not offer any industry briefings during the year. Since this is such an important part of ASI's promotion of U.S. wool to the DOD, alternatives were necessary.

- Outdoor Retailers Summer and Winter Markets -- In spite of significant travel budget cuts, the military continued to send representatives to the Outdoor Retailer Summer and Winter Markets in 2012. ASI made maximum use of these opportunities to meet with military representatives at both shows. Over 40 individual meetings were held during the two shows. With the 2013 Winter Outdoor market approaching, ASI has been told that the U.S. military will not be sending representatives to this or any other show in 2013.

- Visits to Individual Services -- ASI visited the Army's Program Manager, Soldier Clothing and Individual Equipment (PMSCIE) office during 2012 to discuss projects underway and potential wool use for the future. Visits to the U.S. Navy and Coast Guard were conducted during trips to the NSRDEC supporting Army development efforts. This method of gathering information will become more important in 2013 as the military stays away from major trade shows.
- Association of the U.S. Army Convention (AUSA) -- This is the lone exception to military attendance at trade shows. The AUSA Convention is held each year in Washington, D.C., and showcases all of the development and new procurement taking place in the U.S. Army. This meeting is attended by all of the services.

- Stabilize Use

In spite of contracting activity being generally slower during 2012, wool continued to be procured in significant quantities. Some examples follow.



- Navy Peacoat -- Approximately 8,000 coats were produced in 2012 using 36,000 pounds of American wool. This is in comparison to 33,000 produced in 2011 consuming 150,000 pounds of wool.

- Military Beret -- After changing its wear policy for the wool beret in 2011, the use of the beret and its procurement declined significantly. In 2012, only 11,000 berets were ordered compared to 100,000 in 2011. At present, there are no new Invitations for bids to replace the current contracts when they expire in the next year. It was forecasted that



the Army would require approximately 50,000 berets each year to meet its obligations to new recruits and replacements. The drastic decline in procurement this year is required to balance the inventory built up by last year's large buy. By FY2014, beret consumption and contracting should return to approximately 50,000 per year. At the close of FY2012, the U.S. Air Force issued a new solicitation for production of a small number of berets for its use.

- Wool Blanket -- The DOD purchases of wool blankets fell to 4,100 in 2012 down from over 60,000 in 2011. The blanket decrease is directly attributed to the blankets used in Iraq being cleaned and shipped to other areas of use or back to the continental United States. As with berets, consumption of the blanket should return to more normal levels by 2014. The U.S. Army issued its first Invitation for bids for a very large blanket contract in 2012, the first in several years. In recent years, major blanket buys have been made through General Services Administration contract sources. This notice is unusual in that DLA has categorized it in Federal Stock Class (FSC) 83--Clothing and Textiles when blankets have always been categorized in FSC 7210--Household Furnishings. The change might attract more bidders.



When awarded, this contract could use a significant amount of wool. Based on the minimum/maximum for each blanket, the consumption will be between 43,000 and 217,000 pounds per year for three years. The wool required in the blanket is generally between grade 60's (24 micron) and 54's (28 micron). In some of the blankets, up to 35 percent reprocessed wool may be used that must be no coarser than 48's (31micron) and no finer than 60's.

- Dress Uniforms: Procurement of dress uniform fabrics continued strong in 2012 with over 2 million linear yards of various wool and wool blend uniform fabrics valued at over \$40 million being ordered. Many of the orders placed in 2012 will be delivered in 2013 and are the result of the conclusion of the Army's conversion from the green dress uniform to the new blue uniform. Dress uniform fabric consumption will begin to decline in 2013 to match production with consumption. Five major bids were released in early 2012 for dress uniform fabrics. To date, none have resulted in contracts. This is of concern since the current dress uniform fabric contracts will be completed in 2013 and at present there are no contracting actions in place to replace them.



- Develop New Customers

ASI is continuously seeking new customers for American wool. In 2012, ASI assisted several major outdoor manufacturers with wool sourcing needed to bring their production lines back to the United States from overseas locations.

Recommendations

ASI's close relationship with the U.S. Army has been extremely beneficial to American wool and must be maintained in 2013. ASI, in 2013, should visit all of the military services to explain and promote the research and development efforts underway.

International Marketing

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 markets while maintaining primary markets

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.

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

FY2011/2012 was notable because:

1. Wool price volatility. The Australian Eastern Market Indicator (EMI) moved from approximately 350 US cents/lb clean in August 2010 to the highest ever recorded U.S. price of 687 US cents/lb on June 23, 2011. The EMI then softened to 412 US cents/lb on Sept. 5, 2012, though still well above the February 2009 low of 215 US cents/lb. Over October and November 2012, the EMI strengthened again to 508 US cents/lb.
2. China remained the dominant buyer, importing 52.9 percent of U.S. wool exports. The renewed interest in U.S. wool by Europe shown in 2011/12 softened due to the economic and financial problems in the European Union (EU). The EU has also been a strong market for Indian textile exports, so the weakness in Europe plus a softened Indian economy resulted in a drop in the exports of U.S. wool to India.
3. While not as strong as in the recent two to three years, the U.S. wool market continued to benefit from good domestic demand for the better style of worsted combing wools.
4. Wool inventory carryover in the United States as of Sept. 30, 2012, was estimated at approximately 4 million pounds greasy (2 million pounds clean). This is well above the almost complete clearance of the previous two seasons (less than 1 million pounds greasy carryover) and largely accounts for the drop in export sales. However, export sales (especially to China) strengthened considerably in October and November, so the clearance will be a lot better by the end of 2012.

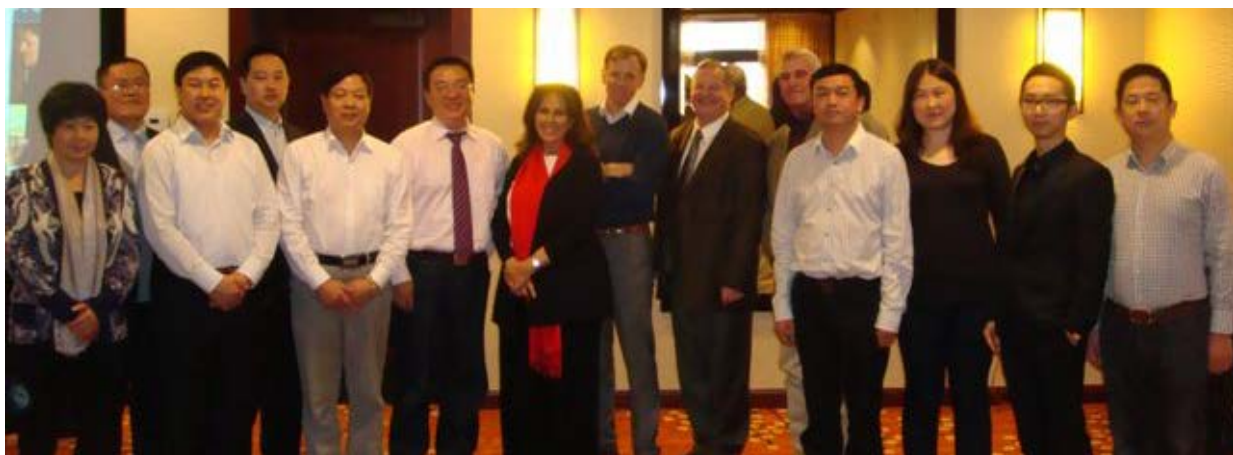
ASI has maintained diversity of markets as a fundamental strategy for its programs with continued strong investment of resources in the domestic market (military and non-military) and the international market.

A weak international market and falling wool prices for much of the year, plus strong resistance by the U.S. wool industry to accept the lower international prices, resulted in U.S. domestic wool

prices closer to Australian wool price levels (especially on higher quality wool) than has usually been the case. This resulted in U.S. wool prices being less competitive internationally. Total U.S. wool exports declined 22.7 percent by volume (to 6.18 million pounds clean) and 19.0 percent by value (to \$6.18 million).

ASI's programs have continued to be very successful in achieving significant interest and purchases from major wool-processing countries around the world despite the difficult economic conditions over recent years.

China continued to dominate, taking 52.9 percent of all U.S. exports (3.27 million pounds clean) – only 3.9 percent lower than in 2011. India was second with 30.2 percent of total U.S. exports (1.86 million pounds clean). This amounted to a 32.3 percent decrease over FY2010/2011. While there was a significant drop in exports to India, it is a direct result of the uncompetitiveness of U.S. combing wool prices over 2011/2012. Once U.S. wool prices become more competitive, and we have seen the beginning of this in the fourth quarter of 2012, it is expected that U.S. wool exports to India will improve again.



A Chinese delegation meets with ASI staff and U.S. wool exporters.

While exports to India dropped significantly in both volume and value in 2012, India maintained its position as U.S. wools second largest market, taking 30.2 percent of overall exports. ASI remains committed to further developing the Indian market as a major alternative destination to China. As China's labor rate increases (20 percent over the last two years) and environment and other production costs also increase, India is becoming more competitive as a producer of wool textile products for export as well as having an expanding domestic market. ASI is

continuing to work with U.S. exporters to expand sales to recently added new customers (2010/2011) and to new customers. Considerable work will be required to ensure that Indian customers' understanding of U.S. wool and how best to utilize it improves. ASI's on-site representative in India and increased focus of other ASI resources will assist U.S. wool exporters to expand U.S. wool sales to India.

Overall, FY2011/2012 sales to target markets as reported by USDA and Trade Stats Northwest were 6.18 million pounds clean wool, down 22.7 percent from last fiscal year and were valued at \$18.6 million (down 19.0 percent from last fiscal year). As mentioned above, a weak international market for wool and the uncompetitiveness of U.S. wool internationally were the key factors behind the drop. Increased sales in October and November, 2012, as international wool prices strengthened have helped to improve the export sales level and reduce the wool carryover into 2013.

This is after the removal from the export statistics of wool-top exports to Mexico of fine, very-high unit value wools of approximately 500,000 pounds clean with a value of \$3.2 million (i.e., Australian wool, combed in the United States and re-exported to Mexico).

Greasy wool accounted for 88 percent of the total export. Assuming a reduction in the U.S. wool production in 2012 of 5 percent versus 2011 and giving 27.8 million pounds greasy (13.9 million pounds clean), total wool exports accounted for 44.4 percent of U.S. wool production. This percentage will change depending on actual wool production (USDA numbers are due the end of January 2013) and would be higher for the 2012 calendar year due to improved fourth quarter export sales.

China remained the largest market for U.S. wools taking approximately 3.27 million pounds clean (a value of \$9.55 million). By volume, this is a reduction of just 3.9 percent by volume compared with FY2010/2011. By value, it is an increase of 6.9 percent, reflecting higher prices earlier in the year and an increase in higher priced wools to China. This represents 52.9 percent of all U.S. wool exports by volume and 51.4 percent by value. Greasy wool accounts for virtually 100 percent of the sales volume to China.

India was the second largest destination with 1.86 million pounds clean (\$5.8 million). This represented a 32.3 percent decrease by volume over FY2010/2011 and a 41.5 percent decrease by value. As stated above, it is anticipated that once U.S. wools become internationally competitive again, sales to India will improve.

Western Europe saw some resurgence in wool processing in FY2010/2011 – especially in Italy. However, this momentum has been lost, at least temporarily, due to the economic difficulties being faced in the EU. This has dampened consumer confidence and spending and has led to reduced spending at retail. It appears that this manufacturing was 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. U.S. wool exports decreased by 66.8 percent by volume to 422,000 pounds clean (\$1.36 million). The puzzling export of 783,000 pounds clean (\$1.4m) to Sweden last year (Sweden does not have a significant textile manufacturing industry) has largely disappeared this year.

ASI has had a maintenance program in place in Western Europe for the last couple of years, just in case of such a resurgence. In 2012, ASI had already 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 2013, 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. ASI will also add Egypt as a target country in 2013. A significant Italian wool processing company completed the building of a new mill there early in 2012 (machinery from one of its Italian mills) and the U.S. wool characteristics fit the profile of the wool to be combed there. One other region that ASI will watch closely is the South East Asia region. With Chinese production costs rising, there is already evidence that China is losing textile production to such countries as Vietnam, Indonesia, Philippines and Cambodia, as well as to India.

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 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.
- 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 2011 to September 2012 were 6.18 million pounds, a 22.7 percent decrease over the previous year (statistic source: USDA). Major factors were a weak international market and the international uncompetitiveness of U.S. wool prices, especially on better-quality wools.
- 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 3.4 million pounds last fiscal year to 3.27 million pounds this year. The major reason for this is explained in the paragraph above. Greasy wool purchases continued to dominate, and virtually 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 but was not successful as the Chinese stopped any scoured wool purchases other than for specialty types or special circumstances.
 - 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's contact and service 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 2012.

Recommendations

This program is an important part of the overall Wool Trust activities in that it is a 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, and also market and financial conditions. 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 industry's most affected by the fundamental re-alignment of international trade in 2000.

Appendices

ASI's Unified Export Strategy
ASI's Country Progress Report
Report on U.S. Marketing Year Exports by Northwest Statistics
Representative Trip Reports
Evaluative Surveys by Reverse Trade Mission Participants
American Wool Council Ad -- *Twist*
Wool Journal, October 2011
Wool Journal, December 2011
Wool Journal, August 2012
Wool Exporter Ad, July 2012

Quality Improvement

- **Market Information**
- **Quality Improvement and New Technology**
- **Quality Assurance**
- **Wool Outreach and Make It With Wool (MIWW)**

Market Information

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 accessible
- Improve the quality of U.S. wool through coordinated educational efforts supporting market development

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 the strengths and weaknesses of U.S. wool 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.

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 thus, less information is 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 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:

- 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.
- The data also aided in the implementation of actual programs, assisting in quality improvement and market development.
- It improved producer information about the market situation for wool, helping them to maximize their competitiveness through more-informed market decisions.
- 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 centers of profit that bring revenue to producers. Producers must break even on their lamb or they will not produce wool at all. Because of this, the lamb and pelt markets are 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 Improvement & New Technology

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

Summary

Optical Fiber Diameter Analyzer (OFDA) 2000 wool analysis machines were updated in several locations this year. The machine at Montana State University (MSU) was sent to Australia for a major upgrade, which included new hardware and software on a cost share basis with ASI. The machine now runs wool samples faster and with no interruptions since being updated. The other original machines in Texas (2), Utah and Colorado continue to work well given the age of the machines; however, all are still using Windows 98 operating systems. Printing software limits the ability to make full use of the report format function. Texas A&M, San Angelo, Texas, purchased an additional machine at their expense this year.

OFDA wool testing technology was utilized at sheep shows (National Corriedale Sheep Show in Missouri, and National Jacobs Show in Colorado), shearing sites (Montana and Colorado), sheep shearing/wool classing schools (North Dakota and Idaho) and at fiber festivals. Presentations were made on the wool quality programs, the purpose of establishing classing lines in an effort to sort fine wools into premium niche market programs and to educate on the value of wool testing.

Wool testing at the Utah Ram Sale on white-face breeds also used the OFDA technology as requested both by buyers and sellers. Many producers are looking at starting the collection of data on wool in their flocks in order to create Expected Progeny Differences (EPD) data for use in selling rams. There is an increasing amount of interest by commercial buyers for EPD wool data prior to purchasing rams.

An OFDA 2000 samples program was undertaken by Montana State University (MSU) to determine the consistency and accuracy between current wool testing machines available. The results have not been completed at this time. Each site received 150 various samples. All reports are to be sent to MSU for analysis.

“Computer to computer” technology was utilized to offer a wool quality presentation to a Virginia wool pool via the internet. By providing this presentation in this manner, it allowed this group to receive the latest information at their annual dinner meeting without time or travel cost to ASI.

Project Description/Results

- Raw Wool Quality Improvement

Two-day Wool Handling Schools were held in Massachusetts and California with a total of 41 students ranging in background from wool and related fiber producers, fiber processors and those interested in improving their wool handling and quality programs at their operations. The school near Sacramento will be an annual event as part of a local sheep production program in conjunction with extension services in that area. An additional school is planned in northern California this spring as well. Potential schools may be held in Arizona, Washington, Wisconsin and Missouri as significant interest has been expressed in these areas.

Certified Wool Classing Schools were held at North Dakota State University, Hettinger, N.D., Soda Springs, Idaho, and at the U.S. Sheep Experiment Station near Dubois, Idaho. A total of 27 students attended the 3-4 day schools to earn their Level I rating. This school is intended to focus on commercial wool handlers as well as growers who wish to class their own wools due to lack of adequate classers in the United States.

The annual Wool Mill Tour included taking 10 sheep shearers and wool handlers to wool mills and processors in the Carolinas. This continued interaction between first stage wool handlers and wool processors continues to increase the communication within the industry on important issues related to both segments. The main issue being contamination -- i.e. polypropylene, black fibers, paint and hair fibers -- which have major effects on the cost and speed of processing wool in the United States. The ASI wool quality improvement programs in place remain very successful as processors report reduced issues with branding paint and polypropylene contamination from domestic wools during the past few years.



The Code of Practice for Wool Handling in the United States was updated this year with new wool technology information, the latest available testing equipment and reports, up dated pictures and related data for producers and wool handlers. Industry contacts were utilized in the input process as well as for final editing with the format layout completed by wool education and ASI communications staff. The final published document is a very attractive publication with much new information for all users. It has been well received by industry.



ASI continued its participation in the annual meeting of the American Sheep Shearers Council at the Rapid City shearing contest. There was an opportunity to present educational materials and updates on wool quality issues and concerns by the wool processors. The 2013 project with the Shearers Council will include revising and updating the shearing manual to include diagrams, pictures, shearing information and the creation of a new DVD on the shearing process.

The framework for the updates has already been established and shearers at several levels are now being enlisted for the input and editing process of this manual. ASI continues to provide shearing manuals free to those that request them, usually shearing schools or extension personnel conducting schools across the United States.

Visits were made to shearing crews in Utah, Colorado, Idaho and Wyoming to review current wool quality programs and their implementation at the shearing site. Both growers and shearers continue to be monitored to maintain the integrity of the certified program. Feedback is received via the wool buyers, warehouses and wool processors. Follow up training was provided to Level I and II classers at shearing sites.

The wool paint trial at Texas A&M University, San Angelo, Texas, was inconclusive as to scouring ability of various brands of paint available to sheep producers in the United States. Due to extreme drought conditions and then heavy rain, the trial could not be completed as initially structured.

Meetings with various sheep groups and many individual producers continued in an effort to answer questions on EPD's and Epstein-Barr viruses (EBV's) as related to wool and sheep production. An increasing amount of interest is being shown by the commercial sheep industry in requesting this data prior to purchasing rams. That same request is now being passed on to the purebred breeds to provide that information. An increased interest in participation of the Lamb Plan program is very encouraging within the sheep industry. At the Montana Ram sale this year, 60 new buyers were registered and many want the latest EPD data available thru the catalog prior to purchasing rams. All rams will be required to have both growth and wool data available for the catalog at this sale. Bidding was brisk and prices strong!



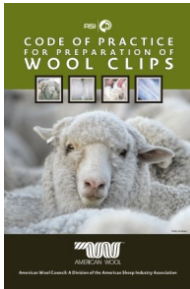
Questionnaires were sent to all classers who had received at least the Level I classification since the early 1990's. The intent was to update current lists of people still actively involved in wool classing in order to provide more classers to the commercial shearing industry and to improve communication within the wool industry on various contamination issues. Approximately 10 percent returned the survey. Both the wool classer list and the shearer list are being updated in the ASI databases and on its website to provide these services to the sheep industry across the United States.

ASI consultants, along with staff from the USDA Market News Service, met several times with AWEX representatives to create a new U.S. based wool report. This report is available to sheep producers, buyers, warehouses and wool processors via ASI. The goal is to provide weekly Australian wool and price data converted into U.S. dollars for U.S. produced wools in a format that all segments of the sheep and wool industry can utilize without going thru some type of conversion process in terms of comparable wool types and then converting to U.S. dollars.

Attended the annual Indianhead Sheep Breeders meeting in Wisconsin to discuss wool quality programs related to farm flock production in the Midwestern states. Also, the "Let's Grow" program was explained in an effort to increase sheep and lamb production in the United States. The New Mexico Livestock Symposium was attended to discuss lamb and wool topics at its annual meeting as well.

In order to continue to educate and update wool classers on wool quality issues, a Wool Classers Newsletter, spring and fall editions, was created to keep classers more aware of

issues of interest within the industry. Direct information from buyers, warehouses and processors was included, which directly could affect the classers work at the shearing site and ultimately affect the wool price received by the producer.



Updated the Code of Practice for Wool Handling in the United States. This was the first update since the original publication in the early 1990's. Now the publication is in full color with the latest wool testing technology, reports and information needed by the wool industry members to maintain high wool quality standards and production in the United States.

The wool handling schools and certified classing schools are being used as a platform for increased wool quality education for growers and processors of wool fibers. Farm flocks, commercial flocks, related fiber producers and others interested in fiber production more fully realize the issues related to contamination in wool processing. An increased interest has been shown by "mini-mill" wool processors related to preparation prior to processing, contamination and general herd health to promote maximum fiber production. The challenge is how to more fully involve this niche fiber industry, both production and marketing segments, into ASI related programs. A total of 68 producers or industry contacts participated in wool schools this year with continued interest for 2013.



Increased the amount of information and education among both purebred breeders and commercial sheep producers in relation to the use of EPD's and EBV's in selection programs directly related to wool production. Commercial producers are now asking for wool EPD information from purebred breeders prior to purchasing rams. An integral part of this system involves wool testing and record keeping to provide the data necessary to establish EPD's.

Recommendations

Continue to increase the amount of quality information and education available for growers, shearers and processors of wool.

Quality Assurance

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

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 and production 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 seven 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 USDA's 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, and assisted in enhancing National Emergency Response Plans, aided USDA in its cooperation with the Department of Homeland Security (DHS), served 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 by 2017.

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 FY2011/2012:

- 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. A final rule was published that capitalizes on the strengths of the scrapie identification system.
- 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 regulatory-compliance strategies to assure the appropriate use of antimicrobial drugs.
- 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, over 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 12th 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 2013, 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 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 appropriate 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.

Wool Outreach and MIWW

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

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 45 state sheep organizations carried out programs that worked to meet one or more of the three goals. It should be noted that in the twelfth year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

Project Description/Results

The outreach funds local wool projects, run by state sheep associations, to support the overall Wool Trust Program. A total of 46 associations were invited to participate in Round 12 of ASI's Wool Outreach Program, which began Oct. 1, 2011, and ended on Aug. 31, 2012.

A total of \$180,000 was allocated for this program. The amount each state received was based on its number of stock ewes one year old and older, according to numbers compiled by the USDA's National Agricultural Statistics Service (NASS). 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.

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 – 44 states and one organization participated in this round of funding.

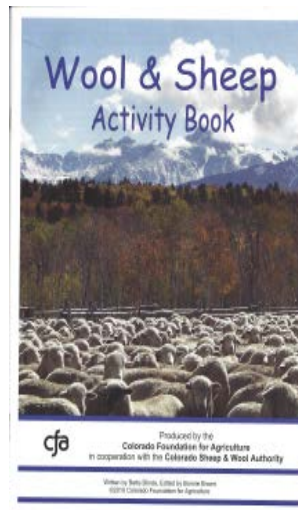
All states also submitted a final written report detailing their Wool Outreach Program activities and associated costs.

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 \$370,468.58.

Wool Outreach Funding Applied to Make-It-With-Wool Projects

Arizona -	\$3,391.46	New York -	584.92
Colorado -	1,000.00	North Carolina -	510.00
Idaho -	1,025.00	North Dakota -	83.07
Illinois -	1,000.00	Ohio -	3,904.32
Indiana -	1,814.53	Oregon -	3,615.75
Kansas -	1,918.91	Pennsylvania -	1,258.37
Kentucky -	78.72	South Carolina -	250.00
Maryland -	500.00	South Dakota -	4,345.74
Michigan -	370.00	Utah -	4,005.00
Minnesota -	181.68	Wisconsin -	1,799.85
Missouri -	1,114.44		
Montana -	1,453.44		
Nebraska -	1,594.60		
		TOTAL:	\$35,799.80

Percentage of Round 12 Wool Outreach Funding spent on Make-It-With Wool activities: 20%.



Appendices

Code of Practice
Updated SSQA Manual

Producer Communications

- **Producer Publications**
- **Media/Public Relations/Promotional**
- **Printing Materials**
- **Website**
- **Convention**

Producer Publications

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

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 to the public and media.

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.

- 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 8,000 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 communications teams covered various field assignments throughout the year.. The covered stories and photographs were then reported within the *Sheep Industry News*.

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. 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 introduced a new format for readers of the Sheep Industry News this fiscal year – a digital PDF with live links. This file is emailed to approximately 2,000 producers monthly as another vehicle to access the information found in the magazine. The digital file can also be found on the magazine's website at www.sheepindustrynews.org.



- ASI Weekly Newsletter

ASI produced 48 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 U.S. and

worldwide market for the wool and textile industries. The publication updates producers about the availability of wool programs coordinated by the 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 International Wool Textile Organizations annual meeting in New York City, support of USDA's lamb buy, 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 officers and board members, the annual scholarship winner, to name a few.

Media/Public Relations/Promotional

Wool Trust Goal Addressed by this Project

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

Project Goals

- Disseminate information to producers on programs and improvements in the wool industry

Summary

Media, both print and verbal, plays an important part in getting the news of the sheep industry out to the masses. Conventional strategies as well as social media all play a part in the dissemination of information. ASI also utilizes state association meetings and partner conventions to share current events.

Project Description/Results

- 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 2011 annual meeting, ASI recorded more than 18 radio interviews and a couple television spots.

ASI also continued its outreach in 2011/2012 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.

- Rural-TV Interviews

Beginning in the summer of 2012, ASI started weekly interviews with Rural-TV on various topics surrounding the U.S. sheep industry. Some of the topics included discussions about regional sheep production, Superwash and the military's needs for wool.

- Social Media  

To more efficiently communicate with members and the media, ASI is active on Twitter with more than 350 followers and on Facebook with more than 1,400 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 (AWC) and the American Lamb Board booths at the National FFA convention were again well received. Staff participated by manning the booth and promoting the wool and sheep industry to this important, younger segment of agriculture. 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

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

Summary

Printed materials provide a way for producers and the general public to have a take-away that can be read and reviewed at a later time. These materials are also sent to allied industry meeting and conventions to share the communication of the sheep industry.

Project Description/Results

- Brochures

In FY2011-2012, ASI produced and revised a number of its industry brochures to inform the wool and sheep industry about the success of its programs.

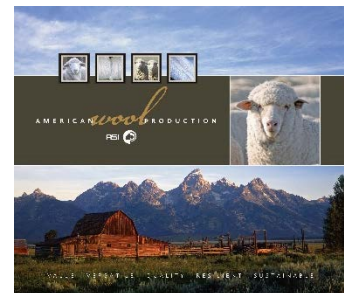
- Fast Facts



The one-page industry Fast Facts – Sheep Production in the United States was updated to incorporate the most current information as reported by USDA and other reliable sources. The current fact sheets are posted on the ASI website for wide accessibility.

- International Wool Brochure

The International Wool Brochure serves as a spotlight for American wool to international wool customers. The brochure highlights the benefits of American wool, the characteristics of the wool produced in the various areas of the United States, how best to purchase U.S. wool and relays information about ASI's wool quality improvement programs.



- 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.

- Calendar

A 2013 calendar was produced in conjunction with the Let's Grow initiative which highlights photos from ASI's photo contest in addition to sheep production efficiencies for producers.



- Code of Practice for Preparation of Wool Clips

This booklet is prepared for all segments of the U.S. wool industry to offer a set of standards for a self-regulatory approach to clip preparation. It describes the recommended procedures for preparing all wool types and outlines basic wool handling measures.

- 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.

Website

Wool Trust Goal Addressed by this Project

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

Project Goals

- 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

Summary

Providing industry information via the internet is an essential part of business today. The websites of ASI are designed to be a one-stop shop for all things wool, lamb and sheep. Building platforms that are user friendly, intuitive and appealing are important aspect to keep people returning to these informative sites.

Project Description/Results

- 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.

- 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. In addition, the digital version of the magazine is available of the site.

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.

Convention

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



Summary

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.

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 Scottsdale, Ariz., to celebrate *Grow Our Flock*. 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.

Project Description/Results

Some of the information coming out of the 2012 ASI Annual Convention included:

- The best lamb, wool and pelt markets in a generation of producers fueled the productive meetings held under the “Grow Our Flock” banner and brought together attendees from 42 states.
- While in Scottsdale, the annual Sheep Inventory Report produced by the USDA’s NASS was released showing a 2-percent decline from 2010 numbers due to the devastating and game-changing drought in the largest sheep-producing state in the nation, Texas. Yet, Colorado, Indiana, Kentucky and Minnesota claimed double-digit growth. In spite of the record displacement of sheep from Texas due to lack of feed and water, the breeding animals went to flocks elsewhere rather than to slaughter. The industry nearly matched the ewe lamb replacement level of 2010 demonstrating the record demand for breeding sheep.

- One of the more obvious successes emphasized during the three-day meeting was the interest and commitment of the American wool-sock industry to buy American wool, which is being credited to the buy American movement and to the reintroduction of the superwash process into the United States through ASI programs. Production on the shrink-resistant treatment equipment line began in 2011 and alters the fiber in wool products, allowing them to be washed and dried without shrinking. This is the most reliable, shrink-resistant treatment for wool available on the market. Additional commercial textile and knitting firms in the United States have purchased U.S. top and wool because they can buy domestic wool and have the entire process completed in America. It also allows products to be sold to the DOD as all-American made with shorter lead times in receiving product orders, reduced freight costs and an opportunity to buy smaller quantities.
- The recent omnibus spending package passed by Congress included ASI-supported language prohibiting the federal land management agencies from reducing domestic sheep grazing on federal lands because of conflicts with bighorn sheep. This legislation gives a one-year moratorium for the industry and scientists to research promising vaccines and other science-based mitigation measures to address disease concerns. ASI fund to achieve the target of \$100,000 this year.
- At the request of the American Sheep and Goat Center (ASGC), ASI favorably responded to a merger proposal that retains the authorities and assets of the center under ASI for the benefit of the sheep industry. It was unanimously approved by the ASI Board of Directors that ASGC would merge into ASI allowing the sheep industry to continue the partnership with the National Livestock Producers Association's Sheep and Goat Loan Fund Committee. The center was fully invested in an insurance company to support Livestock Risk Protection for Lamb and that will continue under the for-profit subsidiary of ASI.
- The inaugural meeting of the Emerging Entrepreneurs Committee was hailed a success. The program, designed to bring relevance to the day-to-day operations of sheep producers between the ages of 25 and 40, touted attendees from 11 states with many of them being first-time attendees to this annual meeting. Through interactive presentations, issues such as "money matters," the impact of the animal rights movement on livestock producers, identifying new markets, sheep and land usage and options for other revenue streams were presented and discussed.
- The new sheep industry mentor program was promoted during the convention highlighting the \$75,000 already approved for state sheep producer association work with newer producers. The second year of the program blends more sheep management information to the website, toolkits and catalogues of sheep production education as well as industry promotion to expand lamb and wool numbers.
- 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.

Appendices

Sheep Industry News, December 2011

Sheep Industry News, March 2012

Sheep Industry News, July 2012

Production Fast Facts

International Wool Brochure

State Specific Newsletter

Convention Onsite Brochure

Calendar

Lambskin Banner

Wool Producer Planning

- **Industry Meetings**
 - **Board Meetings**
 - **Executive Board**
 - **Officer Travel**
 - **Council / Volunteer Travel**

Industry Meetings

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

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.

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

Wool Strategies and Program Development

- **Wool Strategy**
- **Let's Grow**

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

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.

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. The most significant effort this fiscal year was the hosting of six media events around the country – Iowa, Minnesota, Ohio, Indiana, Tennessee and California. The media relations initiative was developed to enhance the awareness of the sheep industry in the target states and encourage producers to expand their flock or enter the sheep industry. The target audiences included current and prospective sheep producers, agricultural media, rural lifestyle editors and the general media.

ASI leaders attended each event to speak about the national industry and state leaders and producers were on hand to give a more local angle.

For the rural lifestyle segment of media in states in which events were not feasible, desk-side meetings were conducted.

Due to the overwhelming response of the media to the sheep industry, ASI extended the reach of the campaign with ongoing media relations efforts until the end of the fiscal year. During this time sheep producers who are making a difference in the industry and developing unique approaches to sheep production were identified. These leads were shared with the media for consideration as follow-up stories.

Some tangible results include:

- Thirty editors and farm broadcasters attended the media events. While this was less than our target of 36, five media representatives who were unable to attend an event did participate in a phone interview with a local producer.
- Within the first four months of the campaign, we secured a total of 92 editorial placements and more than 5.5 million impressions. The Indianapolis Star, Columbus Dispatch and Des Moines Register also covered the industry with front-page business stories. Ninety percent of the publications ran at least one article on the “Let’s Grow” program, exceeding our goal of 70 percent.
- The ongoing media relations efforts also yield a total of 22 editorial placements representing 683,000 impressions. This exceeded our goal of 20 placements.



Media relations events in the country-side.

- Sheep Education Catalog

The Sheep Education Catalog, a one-stop place for sheep producers looking for ways to learn about sheep production, whether it be with online courses, extension program sheep

symposiums and conference or a home-study course, was produced and released in April 2012. The document is continuously updated to reflect new avenues for producer to learn sheep production efficiencies.

- Focus on New Sheep Producers

The second part of the Let's Grow initiative is to encourage new producers into the industry. ASI provided funding for programs designed to teach new producers about the industry.

The first allowed states to apply for a \$1,000 grant to secure experience sheep growers to assist new sheep producers. In total, 31 state sheep associations took advantage of this program and were allowed to spend the money to support the mentors as best they saw fit to support the goal of the program. Each state was required to report back to ASI on how they spent the funds.

To follow up on the funding opportunities for state sheep associations for the development of a mentor program, ASI developed mentoring guidelines. Mentoring is an invaluable way to transfer knowledge from the established to the new in any industry. In recognition of this fact, ASI established a mentor/intern network on a state-by-state basis across the nation in an effort to attract and support new producers. These mentoring guidelines are designed to provide a resource for new and experienced producers alike, guiding them in their relationship and highlighting the impact that strong mentoring relationships can have on successful personal and professional development.

A second program that was supported by ASI focusing on new sheep producers was that of SheepSD, a South Dakota State University extension program designed to help potential and beginning sheep ranchers enter and expand into the sheep industry. This program is designed to:

- provide mentorship from current successful sheep ranchers for beginning sheep ranchers;
- develop production and management skills for producer efficiency, profitability and sustainability;
- establish perpetual learning communities of sheep producers that will continue to seek knowledge and skills toward becoming progressive and prosperous ranchers; and
- gain perspective of the global sheep industry and participate in marketing of industry products.

The kick-off for this program was summer of 2012.

- Website

The Let's Grow website, www.growourflock.org, is continually updated with a variety of resources and materials that support the Let's Grow initiative and provide valuable information for new or more experienced sheep producers.

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

Management Tips

- Benchmarks for Success
- Biosecurity
- Late Gestation/Early Lactation Ewe Nutrition
- Increasing Lamb Output
- Internal Parasites
- Lamb Mortality Patterns
- Making Vaccine Choices
- Use Genetics to Increase Lambing Percentages

Producer Bios

- Curt Kline
- Dan Persons
- Marlene Williams
- Mike Corn
- Wes Patton

Let's Grow Media Campaign Video

Let's Grow Event Outline

Let's Grow Invite Card

TwoPLUS Media Presentation

Sheep Education Catalog

Administration

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

Summary

This covers the basic organizational costs necessary to carry out programs.

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 FAS and independent auditors. Monthly financial statements complete with all 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.

Wool Foundation

Summary

The American Wool Foundation is a separate 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.

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.

Appendices

Files are all electronic and included on attached flashdrive

Market Research and Promotion

ASI's Unified Export Strategy
ASI's Country Progress Report
Report on U.S. Marketing Year Exports by Northwest Statistics
Representative Trip Reports
Evaluative Surveys by Reverse Trade Mission Participants
American Wool Council Ad -- *Twist*
Wool Journal, October 2011
Wool Journal, December 2011
Wool Journal, August 2012
Wool Exporter Ad, July 2012

Quality Improvement

Code of Practice
Updated SSQA Manual

Producer Communication

Sheep Industry News, December 2011
Sheep Industry News, March 2012
Sheep Industry News, July 2012
Production Fast Facts
International Wool Brochure
State Specific Newsletter
Convention Onsite Brochure
Calendar
Lambskin Banner

Wool Producer Planning

Wool Council Minutes

Wool Strategies and Business Development

Management Tips

- Benchmarks for Success
- Biosecurity
- Late Gestation/Early Lactation Ewe Nutrition
- Increasing Lamb Output
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