

WOOL TRUST REPORT

American Sheep Industry Association

2012-2013



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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 79,500 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 Oct. 1, 2012, through Sept. 30, 2013 – the year covered in this report – the Wool Trust Foundation was awarded \$2.25 million.

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 and compliments domestic wool programs.

The U.S. military uses 20 percent to 25 percent of all U.S. wool although usage decreased in 2012/2013, the military market is still crucial to U.S. mills and the wool industry.

The U.S. military continues to be a major U.S. customer for wool apparel. Flame-resistant wool apparel has become a popular product with the military, as synthetic materials burn easier when exposed to heat and can even melt onto a soldier's skin, causing them harm and making those fabrics less desirable than flame-resistant wool in war zones. The U.S. Army implemented a "no melt, no drip" apparel campaign for its fighters. The purchase of shrink-resistant treatment equipment in 2010 and its subsequent production start in 2011 that allows a low-cost treatment to render wool machine washable and dryable in the field environment with little to no shrinkage has been of great interest to the military.

Survival for the domestic textile industry lies in the development, production and marketing of new products. The shrink-treatment equipment has gone a long way in its short time toward this goal, allowing the possibility for new washable wool products in the commercial sector.



The U.S. sock industry is the largest user of U.S. washable wools. Prior to the reintroduction of the shrink resistant treatment line to the United States, U.S. sock manufacturing mills sent their products overseas, which took many months, to have a shrink resistant treatment applied. Now, U.S. manufacturers use U.S. wool, leave less of a carbon footprint by producing washable socks in the United States and save valuable time.

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

Also, the demand 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 FY2012/2013 saw that trend continue as numerous other companies began manufacturing products for the wool-apparel market. Wool has moisture-managing, temperature-regulating, flame-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, Ramblers Way, Patagonia and Smartwool have outdoor wool apparel lines, and many are also offering casual, lightweight wool products for everyday wear in summer months. Additionally, many sock companies are selling popular wool socks, such as Crescent, Wigwam and Nester Hosiery.



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 quality, safely grown and manufactured product.

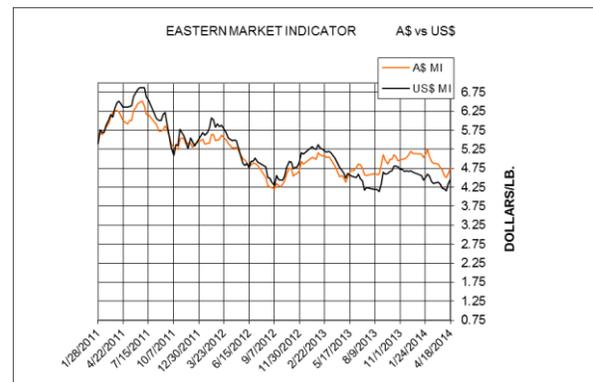
World Wool Situation

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 FY2013, the international market had improved from the lower levels experienced in 2012. During especially the first nine months of 2012, 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. This continued in 2013, the result being that by the end of FY2013, stock levels were very low.

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.

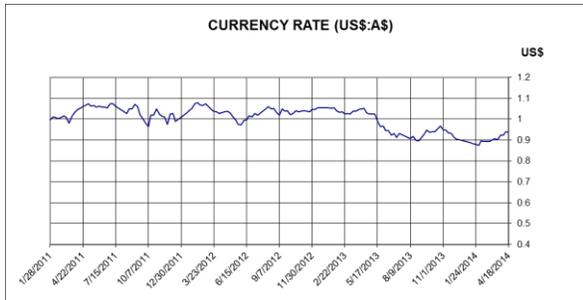
The world wool supply has decreased. In FY2012/2013, the largest wool-producing country, Australia, saw its sheep population just marginally increase over the low level of recent years as did wool production. The decrease was blamed on a harsh drought that caused the liquidation of many sheep flocks 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 West and Southwest of the United States – particularly California 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.

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 ASI's international programs is Oct. 1, 2012 – Sept 30, 2013, so the 2012/2013 export number reported here reflects this period. As with years past, China continued to play a big role this fiscal year in the wool processing and manufacturing sectors,



buying 4 million pounds of clean U.S. wool in FY2012/2013, representing 51.3 percent of all U.S. wool exports. This, along with renewed interest from India, is credited as a major factor in the strengthening of the wool market.

India continues to show promise as a major player in the wool-textile manufacturing industry. It is the second largest importer of

U.S. wool behind China, buying approximately 2.4 million pounds of wool in 2012/2013, 30.6 percent of total U.S. exports. The country's growth into this industry is expected to continue and is seen by ASI as one of the important markets to balance the influence of the Chinese market. Marketing programs for U.S. wool were also carried out in Western Europe, South America, Mexico and Canada.

Summary of Achievements

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

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

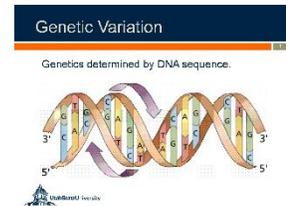
- Domestically, ASI continued to build its knowledge and work closely with the United States' largest domestic customer, the U.S. military. Over the past year, ASI worked with and expanded its contacts with military agencies, their textile suppliers and industry groups to develop new products, such as wool/Nomex and washable products; also, to educate and promote the use of wool.
- The major developments for FY2012/2013 have been in advances made in adopting new innovative technologies for wool and actively providing technical inputs into three military funded projects like wool/Nomex, washable wool and flame resistant products. The success achieved in these programs is due to active participation with industry partners in meeting the planned objectives within allocated budgets and time.



- ASI is continuously seeking new customers for American wool. In 2013, ASI assisted several major sock and outdoor manufacturers with wool-sourcing needs to bring their production lines back to the U.S. from overseas locations.

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

- 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.
- Quality improvements activities continue to be on the fore-front of the work being done by ASI. Wool handling schools and certified classing schools are being used as a platform for increased wool quality education for producers and processors of wool fibers.
- Continued the implementation of the national Sheep Safety Quality Assurance (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.
- Sheep research in the directions of genomic solutions to disease reduction, improved sheep production efficiency, nutrition advancements and improvements in wool quality were carried out.
- The Wool Outreach Program expanded the reach of ASI's wool improvement and marketing activities by spurring state entities to develop wool programs. It is notable that with this thirteenth year of wool outreach funding, many states with prior participation are expanding their activities and conducting more projects with the same amount of funds. They are also carrying out a broader range of programs, which are more innovative.



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



- General areas of producer communications included wool quality improvement methods, new wool industry technology, animal health issues and their effect on wool, information on pricing and marketing opportunities.
- Producer communications included the production of ASI's monthly tabloid, the *Sheep Industry News*, the *ASI WEEKLY*, the association's weekly newsletter; press releases and other materials that were disseminated to producers and/or the public and media. Articles from both publications were routinely reprinted in livestock-

and agricultural-oriented publications. In addition, this information was spread via the ASI and *Sheep Industry News* websites and the social media networks, Twitter and Facebook, which were incorporated in the communication plan to further disseminate wool- and industry-related information.

- As part of strategic planning, ASI rolled out the third phase of the Let's Grow initiative, the sheep producer mentorship program, where new producers are introduced to the opportunities of the sheep industry. The development and distribution of the mentor-support items (tool kit, guidelines for mentoring, webinars and a catalog of mostly web-based sheep production education courses) was openly received. 
- ASI launched its first mobile application providing lamb and wool market information to anyone with a smartphone or tablet. The free market app is available for both Apple and Android operating systems.
- A complete revision of the www.sheepusa.org was started in this fiscal year. A significant attribute of this responsive website includes the addition of e-commerce.

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. 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. The overall objective was to expand U.S. wool and wool-product exports via diversification.
- 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.
- This ASI program is successfully achieving its objective of redistributing the U.S. wool sales base. Rather than having a few companies – in the United States and abroad – purchasing U.S. wool, there is now a diverse customer base from many countries.
- It should be noted that the major strength of all of the programs in this report is synergy. All projects were carefully designed to address crucial points of the wool industry throughout the production and marketing chain. Thus, the overall program owes its strength and measurable results to the way each element supports and builds upon the others.

Program Expenditures

Summary

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

Wool Trust Goal Addressed by this Project

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

OCTOBER 2012 - SEPTEMBER 2013 WOOL TRUST EXPENDITURES



I. Market Research and Promotion

- A. Market and Product Development
- B. Market Research and New Uses
- C. International

A. 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 create a more modern image for wool
- Explore opportunities for wool products developed for the military to be used in civilian markets

Top Achievements in Fiscal Year 2012-2013

All achievements for fiscal year 2013, including the tasks undertaken through the three military funded projects, were based on close partnership with the manufacturing industry and with other ASI departments on military affairs. Adherence to this principle allows ASI rapid industrialization of new products but also saves on development costs.

- *Wool/Nomex Fabrics.* The wool/Nomex military-funded projects to manufacture and supply flame resistant knitted and woven fabrics was completed and approved by Natick. 300 yards of piece dyed next-to-skin wear fabric was made using 19.5 micron domestic wool blended with 50 percent aramid (Nomex) fiber. Also, an additional 300 yards of camouflage printed light weight (5.5 oz./yd²) woven fabric was supplied to Natick and met all of the military stated requirements using wool specific dyes. The wool used in this trial was domestic 20.5-micron wool blended with 50 percent long-staple aramid (Nomex) fiber. This successful development has generated much interest in the civilian market and, thus, had prompted DuPont to supply long-staple Nomex (aramid) fiber to the U.S. market for the first time. Burlington Industries has now undertaken a large scale commercialization trial to produce a lightweight flame resistant woven fabric using long-staple Nomex and 64's-grade domestic wool.



- *Washable Wool Developments.* This military funded two-year project is in the second year of operation with SCV following the successful submission of light weight, next-to-skin wear knitted all wool garments. During the second year of this program, a new chemical application using the Superwash production line was undertaken. The resulting “mercerized wool” fiber is shown to provide high fabric luster and deep dye properties. The latter is of great interest to Burlington Industries in the development of the wool tuxedo market where very deep black color is demanded and is achieved through the mercerization of wool. This successful entry into the civilian market is now undergoing a full scale commercial trial. The importance of this work is recognized and the additional work needed to increase the efficiency of processing is planned in the next year (2013-14 Product Development).

- *Fire Resistant Fabrics of the Future (Triple F Military Program).* This multi-year (three) military sponsored program is now in its second year. To date, some 30 blends using a variety of fibers (with and without wool) have been selected to confer flame-resistant properties. Small yardages in each of the selected blends is spun into 17/1 cc yarn and is woven in a windowpane weave for preliminary evaluation of the fabrics mechanical and flame resistant performance.



This work will continue into the third year when final selection of one or two blends will be further developed. The selection will be made using a sophisticated qualitative statistical analysis on the current fabrics. Regular contact is made with various military divisions providing up-to-date progress information and a regular exchange of their needs.

- *Chemical Finishes.* Alternatives to traditional chemical finishes for wool, such as flame resistance, water/oil repellency, antibacterial and insect repellent finishes, are undertaken through literature search and through direct communications with chemical suppliers and with domestic mills. Some of the early planned trials will be on selected wool/blend fabrics from the current work on the “Flame Resistant Fabrics of the Future.”
- *New Chemistry.* ‘Enciel’ chemistry developed through sponsored research by Australian Wool Innovation and conducted by the Co-operative Research Center in Australia is now launched globally and is known to offer brilliant colors and very white wools. This innovative process marketed by Schoeller and The Merino Company under the ‘Enciel’ trade mark is understood to be a refinement on the previously developed double-bleaching process where standard oxidative bleach is followed by reductive bleach. Assistance was given to National Spinning Co., Inc. in applying this chemistry on yarn packages in a dye kettle to meet demand in the United States by many hosiery manufacturers.

- *New Markets for Wool.* There is a potential demand for a non-woven wool fabric as a shoe liner fabric in civilian and military boots. Assistance is being offered to a research company, which has a contract for developing such a material. This work is initiated but not yet complete. A wool-synthetic blend under the trade name "Thermo Cool" has been launched using wool and polyester to provide increased moisture management, easy care and quick drying attributes. The wool content in the blend ranges from 13 percent to 50 percent.

Summary / Achievements / Results

Global demand for sustainable and eco-friendly products is increasing and with it, support for businesses that are committed to implementing such processes. Bio-based materials are given a greater prominence by many government research establishments to create bio-resin, bio-fiber and bio-composite products, thereby reducing reliance on petroleum based polymers.

The changing emphasis on eco-friendly processes has also created a renewed interest in developing alternate wool finishes to replace those that are well established and widely used commercially. New legislation that will be introduced in 2014 will make traditional fluorocarbon finishes to impart water and oil repellency to wool obsolete. New compounds will need to be developed and evaluated resulting in added tasks to Product Development activities in the 2013-14 programs.

Recommendations for Fiscal Year 2013-2014

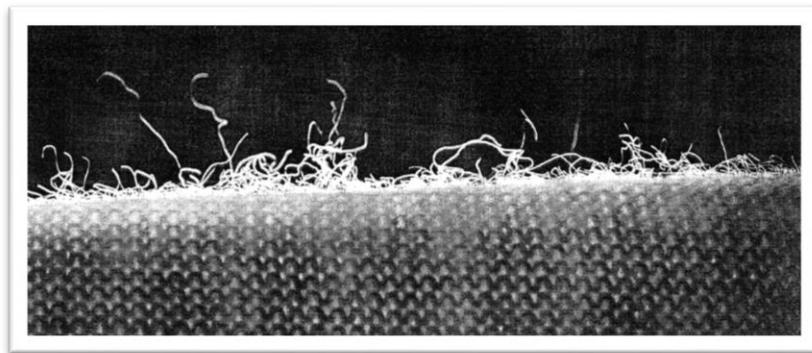
- Consider commercialization of wool Keratin fragments being developed at Agricultural Research Service Research Laboratory as liquid, powder, gel and film. The study shows that coarse and colored, domestic-clip wools could be satisfactorily used for producing these products. Such products, mainly Keratin powder, are currently used as intermediated in cosmetic and in pharmaceutical products. Market research needs to be undertaken to evaluate demand for these products.
- Atmospheric-pressure cold plasma is now well-established as a versatile technology for modifying the surfaces of textiles. It produces no more than a surface reaction and does not alter the bulk properties of textiles. The energetic species of cold plasma can break the covalent bonds of the fiber at its surface and etch or functionalize its surface. It is an environmentally friendly process and has an edge over chemical processes. It has opened up a host of opportunities for textile applications such as increasing wettability, dyeability, printability and adhesion for coating and laminating, or for increasing the

Keratin powder and filament strands



shrink resistance of wool. Fluoro-chemicals and nano-coatings deposited using atmospheric plasma are the new growth avenues for future chemical applications on wool and need to be explored.

- Comfort of next-to-skin garment can now be objectively measured using test equipment developed by Australia's Sheep Co-operative Research Center in consultation with wool consumers. The Comfort Meter senses wool fibers that protrude from a garment and calculate the degree to which human skin could be irritated based on the fiber diameter and distance it protrudes from the fabric. The research further shows that the comfort is a function of mean fiber diameter, temperature and the wetness of the skin. Manufacturing of the equipment is being finalized and offers a unique opportunity for quantifying the known comfort properties of wool.



B. 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

Top Achievements in Fiscal Year 2012-2013

- *U.S. Army published Technical Report Natick/TR-13-014 entitled Development of Flame Resistant Combat Uniform Fabrics made from Long Staple Wool and Aramid Blend Yarn in April 2013.* This report is the detailed summary of the research and development effort undertaken by ASI in support of Army contract W911QY-11-P-0363 and performed during 2011/12 under a Broad Agency Announcement contract between the ASI and the Natick Soldier Research, Development and Engineering Center (NSRDEC).



The objective of this contract was to develop flame resistant combat uniform fabrics with improved strength by spinning aramid (Nomex® and Kevlar)/wool blend yarns on the long staple yarn spinning system rather than the more commonly used short staple spinning system. Under this effort, both woven camouflage printed outerwear fabric and solid-colored knitted next-to-skin fabric were developed. The woven fabric provided flame protection, visual and near infrared camouflage, comfort and durability compared to current camouflage printed Nomex and Kevlar fabric (MIL-C-83429). Likewise, the knitted fabric provided flame protection, comfort and durability unavailable in other base-layer fabrics.

This project leveraged and built upon two previous NSRDEC funded ASI efforts (which developed the camouflage print recipe and appropriate woven and knitted constructions) and focused on improving fabric strength through the use of the long versus short staple yarn spinning system. The project was a complete success resulting in fabrics that are near ready for full-rate production.

Long Staple Nomex being carded at Gaston College



- *Incorporation of long staple wool/Nomex® into new development work.* ASI, Sheep Venture Company, DuPont and the U.S. Army cooperated in developing a new long staple version of Nomex that insures domestic production for long staple wool/Nomex fabrics. Previously, long staple

Nomex was only available from offshore DuPont facilities.



Mergerization Treatment Process

- *Full Rate Production trial of Mercerization process.* Mercerization is an alternative wool shrink treatment that causes coarser wool to acquire many of the desirable characteristics of finer wool and achieve very high dye performance. This process had been successfully performed in a low rate production setting in 2011. ASI, Sheep Venture Company and Burlington Industries cooperated to run the process in full-rate production in 2013 using the Superwash equipment installed at Chargeurs Wool USA.

- *Redesign Army Combat Glove.* ASI and the Sheep Venture Company's development of Washable Wool Products for the Individual Soldier in Phase II of Sheep Venture Company's Small Business Innovative Research (SBIR) project has been very successful. As a result, the Army's PM Soldier office requested a proposal for redesigning the Army Combat Glove to improve its comfort and protection by including wool. ASI and SVC prepared the proposal, which was approved and fully funded at \$200,000. Contract award is expected in early 2014.



Current Army Combat Glove

The Army Combat Glove (ACG) is a critical part of a soldier's combat gear, providing important protection in combat operations. It is important that the ACG meet flame resistance properties in order to protect soldiers' hands from flame and blast threats. At the same time, it is highly important that the ACG provide comfort and durability in typical environmental conditions experienced in combat. Program Manager Soldier Combat Individual Equipment (PM SCIE),

Program Executive Office (PEO) Soldier, identified that the current glove has deficiencies that affect operational use. In particular, the ACG has comfort issues that have the potential to impair soldier performance. In addition, there are durability issues and, in particular, an issue of splitting at the seams. The durability problems raise the life-cycle cost of the ACG. It is highly important that a better textile be developed for the ACG that can provide the comfort and durability desired, without increasing the life-cycle cost above the current level. The current ACG fabric is 96 percent para-aramid and 4 percent anti-stat fiber. This textile was commercially developed to meet the current specifications for the ACG. No other commercially available Berry compliant textiles capable of overcoming the current deficiencies of the ACG glove have been identified. Review of other flame resistant fibers has shown that none are suitable for the construction of glove materials as none can provide the durability of the current para-aramid material.

Berry compliant U.S. washable wool has the properties, including durability and comfort, required for the development of a new flame resistant glove textile suitable for the ACG. Further, the moderate cost of U.S. wool in comparison to meta- and para-aramids will result in a more cost-effective solution for the U.S. Army. It is anticipated that any new combat glove textile developed will be of equal interest to the U.S. Marine Corp as the same durability, comfort and cost issues have been identified for the Marine Corps Combat Glove.

- *Treating Flame Resistant Wool/Nomex fabric with an insecticide.* In ASI/SVC's other major development project, *Fire Resistant Fabrics of the Future* (Triple F), the U.S. Army asked for a proposal to develop manufacturing procedures and techniques for treating flame resistant wool/Nomex fabric with the insecticide Permethrin. The resulting fabric would be used in the flame resistant Army combat uniform in areas where protection from insect bites is needed.

This proposal embarked upon a way to find the most effective and economical way to treat long staple wool/Nomex woven fabric with permethrin. Permethrin treatment of battlefield uniforms is currently accomplished after the garments are manufactured. This method has several disadvantages such as uneven treatment and permethrin waste leading to higher costs. Initial investigation and experience indicated the treatment could be done more effectively and efficiently if performed on wool top or on the completed fabric. The subject fabric was developed by ASI in BAA contract #W911QY-11-P-0363. The recently published final report from this contract shows great potential for wool/Nomex. Completion of development of the fabric to include washability is underway. This contract modification will develop and implement the chemistry and application procedures needed to apply permethrin at the correct dosage for battlefield use. The approach proposed is both unique and innovative in that application methods other than garment application will be evaluated.



ASI, SVC and Burlington Industries participated in preparation of the proposal. It has been approved, fully funded at \$300,000 and is awaiting final contracting administration. The contract is expected to be awarded mid-2014.

Summary / Achievements / Results

Military contracting of wool items was expected to decline significantly in 2013. While procurement of combat related wool items did decline significantly, the procurement of wool dress uniform items and fabric actually increased. Some examples follow:



- Navy Peacoat – Procurement of the classic Navy ‘Pea Coat’ increased from 8,000 in 2012 to over 13,000 in 2013 valued at \$7.4 million. This garment alone requires on average four pounds of clean American wool to manufacture making it very important to the American wool industry.

- Military Beret – Procurement of the beret rebounded in 2013 to replenish stock levels depleted by its continued issue at recruitment training facilities. The beret is now mandatory wear with the dress uniform only. In 2012, only 11,000 berets were purchased by the U.S. Army and U.S. Air Force. In 2013, over 185,000 were bought at a cost of \$4.1 million. A solicitation for bids on a U.S. Air Force beret contract was released in late 2012. To date, a new contract has not been awarded nor has a new contract been advertised to replace the soon to end U.S. Army beret contract.



- Wool Blanket – Department of Defense purchases of wool blankets are the most difficult to track of all of the wool products. The blanket is in continuous, significant use by each of the services as well as the service academies. However, the preferred method of buying through General Services Administration contracts makes tracking actual annual purchases nearly impossible. In 2013, only one Defense Logistics Agency solicitation for Navy blankets was issued. During the bidding period, the solicitation was changed to a General Services Administration reverse auction. When awarded, tracking purchases under this contract will be impossible. In addition, the service academies began pre-solicitation actions to prepare for purchases over the next five years. The contract solicitation reported in last year’s report was retracted.



- Dress Uniforms – Procurement of dress uniform fabrics was unexpectedly strong in 2013. Several new contracts were awarded representing up to 15 million yards and \$236 million over five years. From those new contracts and existing contracts, the Department of Defense ordered over 3 million linear yards of various wool and wool blend uniform fabrics valued at over \$43 million during the year. All of these fabrics are used to manufacture the dress uniforms issued to military recruits.



Recommendations for Fiscal Year 2013-2014

- During fiscal year 2013-14, ASI should maintain close watch on military wool consumption in dress uniforms and Department of Defense plans for continued use in the future. As the military budget and personnel numbers decrease, the funds used for dress uniforms will be closely scrutinized for any savings that might be realized from changing fabrics. To prevent a potential decline in per capita wool use in the military, ASI must keep its military contacts properly educated regarding the life-cycle cost savings from wool use in comparison to synthetics.
- In addition, ASI should continue to search for opportunities in the military to introduce wool products into military products other than dress uniforms.
- ASI, along with its partner Sheep Venture Company, has developed several innovative wool products that are well suited to military field use in myriad applications. Over the next year, ASI should continue its efforts to see some of these products adopted for widespread military use.

C. 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 and maintain primary markets

Top Achievements in Fiscal Year 2012-2013

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. ASI works in conjunction with the Foreign Agricultural Service on many international marketing activities.

- *Marketing Programs.* Marketing programs for wool were carried out in Western Europe, Eastern Europe, China, India, South America, Mexico, Egypt 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 top, yarn, 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.
- *Customer Retention.* 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.

- *Sales Volume.* 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 2012 to September 2013 were 7.78 million pounds, a 25.9 percent increase over the previous year (Statistic Source: USDA). The major factor was improved competitiveness of U.S. wool in the international market.
- *Redistribution of Wool-Sales Base.* 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 increased its purchases of U.S. wool from 3.3 million pounds last fiscal year to 4 million pounds this year. Greasy wool purchases continued to dominate with 95.7 percent of all exports to China 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 woollen system wools. This has been a factor in the increase in the exports of short wool types to China. In fact, the program has been so successful that the majority of wool going to China now is this carding wool and ASI will shift emphasis in 2014 to improve the sales of longer combing wool types. 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.
- *Exports.* Support from the U.S. wool industry continues to develop the ASI international programs. This constitutes the program's major strength. 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.



Summary / Achievements / Results

The overall objective for the international programs 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.

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.

FY2012/13 was notable because:

- 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. Since that time, it has continued volatility, but not quite as extreme as previously, remaining basically in the 4.50 – 5.50 US cents/lb. clean basis.
- China remained the dominant buyer, importing 51.3 percent of U.S. wool exports. Exports of U.S. wool to India improved in fiscal year 2012/13, largely as a result of the improved competitiveness internationally of U.S. wool and sustained marketing efforts by ASI. 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) and this continued through FY2012/13.
- 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 worsted combing wools.
- 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



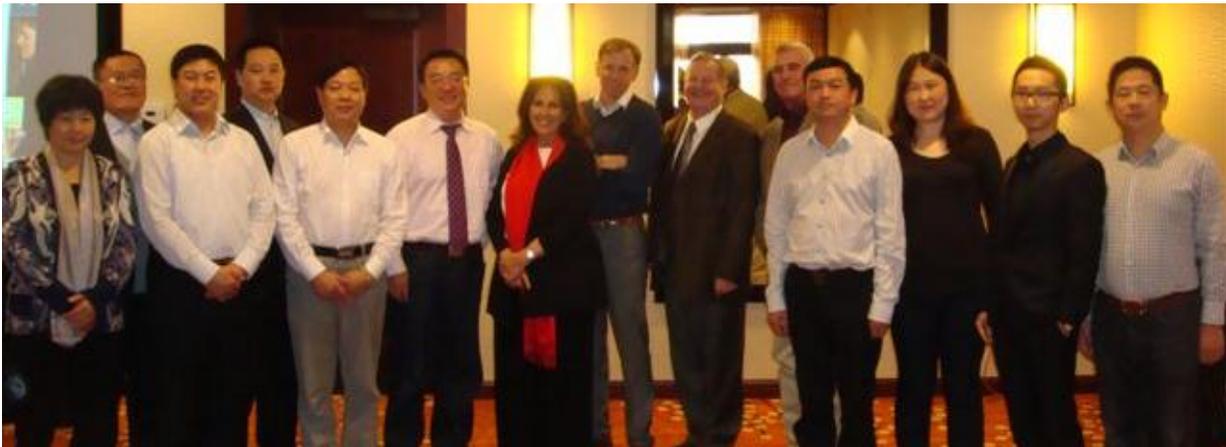
greasy carryover) and largely accounts for the drop in export sales. However, export sales (especially to China) strengthened considerably in October and November and on through 2013, so the clearance by September 2013 had pretty much moved the majority of the industry stocks. Estimates put the stocks remaining at under 2 million pounds greasy.

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.

From about October 2012, Australian prices had risen to levels that U.S. growers were more prepared to sell at. This improved international competitiveness of US wool resulted in improved international sales in fiscal year 2012/13. Total U.S. wool exports increased by 25.9 percent by volume (to 7.78 million pounds clean) and 20.4 percent by value (to \$ 22.4 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 51.3 percent of all U.S. exports (4 million pounds clean) – up 22.1 percent on 2011/12. India was second with 30.6 percent of total U.S. exports (2.4 million pounds clean). This amounted to a 27.8 percent increase over fiscal year 2011/12.



ASI remains committed to further developing the Indian market as a major alternative destination to China. As China's labor rate increases (25 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. As U.S. wools become more internationally competitive, it was expected that U.S. wool sales to India would increase again and that is just what happened. ASI is continuing to work with U.S. exporters to expand sales to recently added new customers in 2011/2012 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 7.78 million pounds clean wool, up 25.9 percent from last fiscal year and were valued at \$22.4 million (up 20.4 percent from last fiscal year). A weak international market for wool and the uncompetitiveness of U.S. wool internationally were the key factors behind the drop in 2011/12, but increased sales in October through December, 2012, and then on through 2013, as international wool prices strengthened, have helped to improve the exports sales level and reduce the wool carryover into 2014.

This is after the removal from the export statistics of wool-top exports to Mexico of fine, very-high unit value wools of approximately 1.7 million pounds clean with a value of \$11.8 million (i.e., Australian wool, combed in the United States and re-exported to Mexico).

Greasy wool accounted for 83.7 percent of the total export. U.S. wool production reduced to 27 million pounds greasy (13.5 million pounds clean) with total wool exports accounting for 57.6 percent of U.S. wool production.

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. This situation did not change in FY2012/13. U.S. wool exports barely improved, despite the improved competitiveness of US wool with sales of only 515,000 clean pounds (up 6.6 percent to \$1.4 million).

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 2013, 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) was 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. Two successful trials were run by this mill and further business is expected in 2014. 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)

2013 US Wool Exports Breakdown (MT)

| Product | Weight | % Increase |
|--------------|-------------------|------------|
| Greasy | 2,953.0 | 19.6 |
| Scoured | 252.3 | 54.9 |
| Carbonized | 0.0 | ----- |
| Carded | 92.4 | 167.8 |
| Wooltops | 231.5 | 77.5 |
| ----- | | |
| Total | 3,529.2 MT | |

Excludes Aust top & carbonized exports to Mexico (804.3T)



US Wool Exports Oct-Sept 2013 vs 2012
(Volume basis)

- 1) Total US wool exports increased 25.9% to 7.78m lbs clean vs 6.18 m lbs in 2012.
- 2) Competitive US price levels; improved economies & retail markets in US & Europe.
- 3) Improved competitiveness in 4th Qtr 2012 & Jan-Sept 2013 boosted sales to China & India.
- 4) China still dominates with 51.3% of US exports.
- 5) Other markets:
 - India-30.6%
 - Mexico-9.2%



and the U.S. wool characteristics fit the profile of the wool to be combed there. One successful trial was done in the Egypt mill, but the political instability currently in Egypt is causing commercial issues that we will have to wait and see how they evolve. 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. Additionally, a very large wool processing plant is under construction in Malaysia, so it is expected that opportunities will exist there.

Recommendations for Fiscal Year 2013-2014

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

II. Quality Improvement

- A. Market Information
- B. Quality Improvement and New Technology
- C. Quality Assurance
- D. Wool Outreach and Make It With Wool

A. Market Information

Wool Trust Goal Addressed by this Project

- Improve the quality of wool produced in the United States, including wool production methods and dissemination of information.

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

Top Achievements in Fiscal Year 2012-2013

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.

Market Report



JULIE STEPANEK SHIFLETT, PH.D.
Juniper Economic Consulting

Stronger Markets Prevail Heading Into the New Year

- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust program. 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 the United States and Australian/international prices and analyzing the growth of U.S. exports.

Information collected covered wool, pelts 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.

Summary / Achievements / Results

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.

Recommendations for Fiscal Year 2013-2014

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.

B. Quality Improvement and 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

- Ensure the highest U.S. wool quality and improve U.S. wool's competitiveness.

Top Achievements in Fiscal Year 2013-2013

- 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. A total of 94 students completed these courses this year making an immediate and positive impact on the overall wool clip produced in the United States each year.



Increased education of growers, shearers and wool handlers continues to reduce overall contamination of wool produced in this country. Wool quality continues to improve as voiced by wool buyers, warehouses, exporters and processors of wool in the United States.

- Utilizing the OFDA 2000, the on ranch objective measurement equipment, has and continues to assist wool growers with information in decision making regarding genetics, management, and marketing. Development of practical new technology will enhance grower opportunities in these areas. In line with genetic improvement, ASI continued to educate producers about the benefits of using Expected Progeny Differences (EPD) and Estimated Breeding Values (EBV) in both commercial and purebred sheep operations. Wool and meat producing values can be utilized to improve those elements in sheep production. Producers were encouraged to enter into the National Sheep Improvement Program and to participate in the ASI webinar to learn how to use this information to make more rapid genetic improvement in sheep operations.
- Review of material and strategy for the Wool Quality Improvement Program will assist in the development of a plan to increase grower awareness of needs to improve wool quality for the coming years. With a decline in U.S. wool production, it is more important that a sufficient volume of quality wool is available for U.S. and foreign markets. Additional tools

were provided in terms of increased knowledge about wool attributes, wool quality and how to improve locally produced wool. The level of services to farm flock producers who are removed from major wool producing areas were broadened in an effort to influence overall wool quality in the United States.

- Improving the communication and support for Certified Wool Classers is the front-line offense in wool quality. This was accomplished by increased visits to shearing sites, by working closely with wool handlers at these sites, and distribution of the newsletter to classers. Through these visits, ASI was able to educate workers and producers of the importance of reducing wool contamination due to polypropylene, black fiber or hair. Wool contamination of these types were less prevalent than in previous years.
- Working with new and established companies on new wool products that can source U.S. quality raw wool is key to improved market competition. The ability of wool producers to optimize wool income is vital to continued improvement.

Summary / Achievements / Results



New Technology -- OFDA 2000 remains a valuable tool for growers seeking to increase their knowledge in order to make sound and rational genetic decisions in their sheep. ASI has consistent grower use of the equipment for many years and have observed marked improvement in fiber diameter and uniformity within various flocks. In addition, the OFDA 2000 allows for segregation of replacement sheep according to average fiber diameter (AFD). In ASI's experience, testing replacement yearling ewes in the fall after their first shearing provides the best time to evaluate with a minimum of environmental influence on results. This allows for a more predictable measure on AFD, fiber diameter variation, staple length, and overall lifetime AFD. The OFDA 2000 has made wool selection on females (ewes) practical, thus increasing the selection differential when only selecting on the male (ram) side.

Plans are being designed to use Near Infrared Spectrometer (NIR) technology for determination of yield with Texas Agrilife Research in San Angelo, TX. Work has been started on staple sampling correlations with current methodology. The idea is to develop procedures that would allow growers to take samples on individual sheep for selection purposes. Other ideas have been discussed regarding research involving objective measurement. Working in tandem is Texas Agrilife Research and Montana State University on research to detect contamination in greasy wool in order to provide quality assurance to US wool users. One area is the cross contamination of finewool sheep with hair from hair-type sheep.

Raw Wool Quality Improvement -- The Wool Quality Improvement Program (WQIP) and primarily the Certified Wool Classer Program (CWC) has been systematically reviewed with the objective to revitalize the programs involved. Staff has worked through the printed material associated with Wool Quality Improvement Program. Discussion of WQIP with wool buyers and processors with approach focusing on wool quality and not just on wool classing program was initial step. The idea was to see if change in strategy is needed or a change in tactic.

A survey or questionnaire was developed for wool industry leaders, regarding impact of wool quality improvement program over the past two decades. Goal of the survey was to gather input and then make plans to focus the program as we go forward. The questionnaire has been completed and sent to wool buyers, processors, and marketing agents to request their responses. Results from WQIP questionnaire are in and we will be doing more analysis than just simple averages or percentages. Staff will be working to complete the statistical portion.

Review of Wool Classer and Handling material. The current versions are sufficient for proper teaching and resourcing by individuals. There should be little changes made at this time. The Classer Code of Practice provides classers with a reliable source of information and guidelines, especially since the review and reprinting completed last year.

Certified Wool Clip paperwork for grower self-certification is being transferred to the ASI web site for downloading. This will reduce staff time and mailings as in the past while still providing wool producers a way to increase the awareness of properly prepared wool.

Wool Council consultants interacted with the University of Wyoming, Cole Library, and the old Wool Library to determine the scope of usable books, publications, and wool samples to be maintained. The project is ongoing.

Recommendations for Fiscal Year 2013-2014

- Update an additional OFDA machine with new software - Windows 7 - that will decrease testing time and increase flexibility of reports and use of the machine. Increase amount of use for genetic improvement with more testing by purebred breeders to provide EPD data to the commercial sheep industry.
- Need to continue working with research institutions on technology that will improve the ability of wool producers to better evaluate their product. This should include wool quality applied in genetics, management and preparation. Efforts to encourage wool growers to avail themselves of new technology made possible by the Wool Council and at research facilities need to continue.
- Need to work more closely with wool growers to encourage better wool handling and preparation techniques. This would include Certified Wool Classing and Handling schools, but may involve more grower oriented programs focusing on benefits of proper wool preparation. These may be targeted at state or regional producer meetings. The use of extension can be used as a conduit to reach some growers. Need to devise some way to include the ASI 'Let's grow' expansion program and wool quality improvement.
- As we see more companies desiring to source, process and manufacture wool in the United States, ASI and the Wool Council need to be active in providing information regarding raw-wool sources and marketing outlets. Also, producers need to be encouraged to become involved in providing the wool quality and quantity needed.

C. 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

Top Achievements in Fiscal Year 2012 - 2013

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 FY2012/2013:

- Continued the implementation of the national Sheep Safety and Quality Assurance (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.



- Scrapie.* Worked with APHIS on implementing the accelerated National Scrapie Eradication Program via meetings, monthly and other periodic communications to producers and state animal health officials, informal advisory communications and provided leadership in developing proposed 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.
- Research.* 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 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, nutrition advancements and improvements in wool quality.
- 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.
- Emergency Response.* 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.
- Participated in a cross-species Foot and Mouth Disease team to prepare steps for disease containment and communications in the event of an outbreak.
- Assisted with the ongoing development and enhancement of USDA's Emergency Response Plans.
- New Drugs.* 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.
- LRP-Lamb.* 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. Enhancements to the LRP-Lamb plan of insurance will be proposed in 2014 and the web-based training course will be updated once changes are made.

- Provided recommendations to USDA/APHIS/VS on specific subject-matter chapters under consideration by the World Organization for Animal Health (OIE).
- 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

Are your ewes pregnant?

Knowing the Answer Could Increase Your Bottom Line



Many sheep producers will agree that the success of a ewe's year begins before lambs are born in the spring. Blood pregnancy testing can help shepherds determine if ewes are open before lambing season, so they can quickly rebreed open ewes to lamb and remain profitable in the flock.

Summary / Achievements / Results

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 eight 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), Food Safety and Inspection Service (FSIS) 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 and worked with USDA to implement the accelerated National Scrapie Eradication Program with the goal of eradicating this disease from the United States by 2017.

Recommendations for Fiscal Year 2013-2014

- 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, Department of Homeland Security 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 will 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 makes training much more convenient and cost effective for producers. Changes will be made to this training program as a result of a national quality audit to be completed in 2014.

- The National Scrapie Eradication Program is entering its 13th 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 National Scrapie Eradication Program will be proposed in 2014, and ASI will submit formal comments and recommendations directly and 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.

D. Wool Outreach and Make It With Wool (MIWW)

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

- Enlist the aid of producer states and state programs in achieving the three goals determined by the Wool Trust Fund.
- Engage younger producers in the growth of the U.S. sheep industry.

Top Achievements in Fiscal Year 2012 - 2013

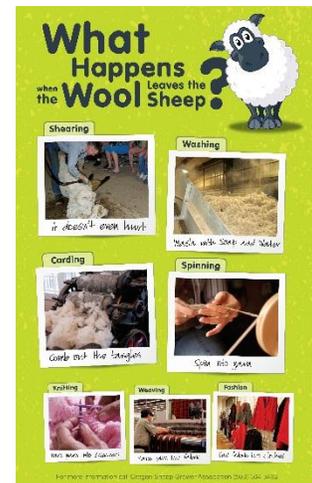
- The Wool Outreach funds local wool projects run by state sheep associations and affiliated organizations, to support the overall Wool Trust Program. A total of 47 associations were invited to participate in Round 13 of ASI's Wool Outreach Program, which began Oct. 1, 2012, and ended on Aug. 31, 2013.

A total of \$182,000 was allocated for this program. The amount each organization received was based on its number of stock ewes one year old and older, according to numbers compiled by USDA's National Agricultural Statistics Service (NASS). The minimum amount awarded was \$1,000.00.

The funding was directed 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 funding – 42 states and one organization participated in this round of funding. All organizations also submitted a final written report detailing their Wool Outreach Program activities and associated costs.



In addition, some organizations 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 organizations on Wool Outreach-related projects, including both ASI's and individual organizations' funds, was \$293,255.45.

- A step ASI has taken to ensure the longevity of the wool and sheep industry in the United States was to found a Young Entrepreneurs program. It is the producers who are in their 20's and 30's that are the future of the industry. The focus of this program is to develop programming and design communications for this targeted age group.



A grant program was designed for young producers interested in participating in the annual convention to augment the expense to attend. This fiscal year, 19 grants were issued.

In addition to being encouraged to attend general sessions at the convention, a special curriculum was designed specifically to meet the needs of this group. Sessions planned and topics covered included market overview and volatility, tax rules and implications, loan opportunities to include young producer programs and microloan programs, flock management practices and equipment necessities for new producers.

The program was a great success and saw involvement from more established producers interested in obtaining information on some of these topics.

- ASI's American Wool Council (AWC) and the American Lamb Board teamed up to man a booth at the National Future Farmers of American (FFA) convention. It was again well received. Staff participated by managing 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.



Summary / Achievements / Results

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 43 organizations carried out programs that worked to meet one or more of the three goals. It should be noted that in

the thirteenth year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

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

| | |
|------------------|------------|
| Arizona - | \$3,935.00 |
| Colorado - | 996.84 |
| Idaho - | 1,000.00 |
| Illinois - | 941.46 |
| Indiana - | 744.46 |
| Kansas - | 1,603.14 |
| Kentucky - | 78.72 |
| Maryland - | 470.00 |
| Michigan - | 898.73 |
| Minnesota - | 128.25 |
| Missouri - | 1,415.64 |
| Montana - | 1,271.76 |
| Nebraska - | 1,600.00 |
| New York - | 564.03 |
| North Carolina - | 830.00 |
| North Dakota - | 221.52 |
| Ohio - | 3,824.64 |
| Oregon - | 4,041.70 |
| Pennsylvania - | 1,496.44 |
| South Carolina - | 250.00 |
| South Dakota - | 4,449.21 |
| Utah - | 3,115.00 |
| Wisconsin - | 2,152.00 |

TOTAL: \$37,410.98

Percentage of Round 13 Wool Outreach Funding spent on Make-It-With Wool activities: 21%.



The success seen from the young entrepreneur meetings provided the needed incentive to continue this program into future years. Additional topics were flushed out for inclusion into programming at the next annual meeting.

Recommendations for Fiscal Year 2013-2014

- ASI has been encouraged to continue the Wool Outreach Program into its fourteenth year. With continued support to the state associations, they are thinking of new and inventive ways to promote wool, improve the quality of the product and to disseminate the information.
- The continuation of the Young Entrepreneur program is also encouraged as the future of the wool industry in the United States is dependent on educating and connecting with this group.

III. Producer Communications

- A. Producer Publications
- B. Media/Public Relations/Promotional
- C. Printing Materials
- D. Website
- E. Convention

A. 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

Top Achievements in Fiscal Year 2012 - 2013

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.

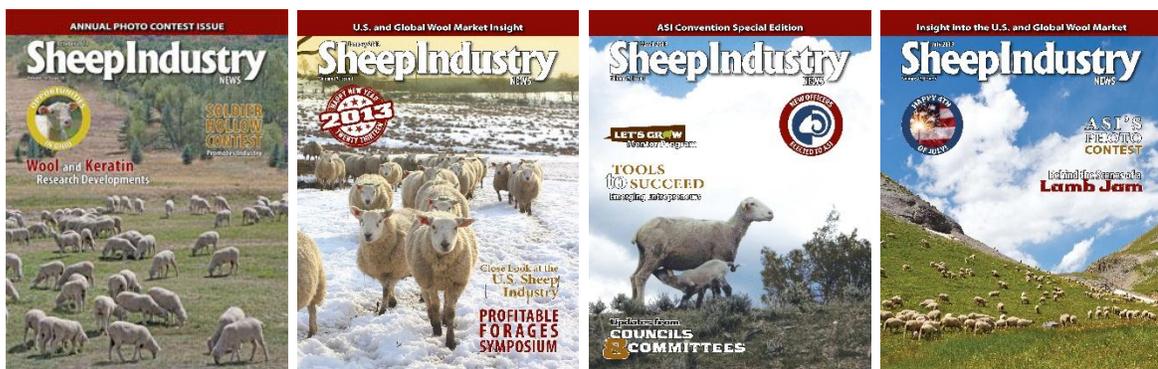
- ASI published 12 issues of the *Sheep Industry News*, which contained numerous articles of interest regarding the viability and profitability of the sheep industry. Various issues contained articles about ways producers can improve wool production profitability or current developments and changes in 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 continued the digital PDF format of the *Sheep Industry News* for its readers. 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 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 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 remain 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.

Summary / Achievements / Results

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* and press releases.

Recommendations for Fiscal Year 2013-2014

Education and communication remain a vital goal of the Wool Trust and producer publications are an important segment of disseminating this information to its membership. New story ideas for the *SIN* are always being reviewed for relevancy and currency.

B. 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

Top Achievements in Fiscal Year 2012 - 2013

Media work garnered higher visibility for the U.S. wool industry in agriculture and the general population, thus contributing to market development.

- 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 2012 annual meeting, ASI recorded more than 20 radio interviews and a couple television spots.



ASI also continued its outreach in 2012/2013 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. Daily, ASI monitors the pick-up of industry stories. Several publications re-print articles about the industry and the programs important to wool and sheep.

- Social Media   -- To more efficiently communicate with members and the media, ASI is active on Twitter with more than 500 followers and on Facebook with more than 2,000 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.

Summary / Achievements / Results

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.

Recommendations for Fiscal Year 2013-2014

It is recommended that the current programs be continued into the next fiscal year and that as new opportunities arise for ASI to reach out to the media, that opportunity be seized.

C. 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

Top Achievements in Fiscal Year 2012-2013

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.

- Brochures -- In FY2012-2013, 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



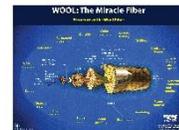
The one-page industry Fast Facts – Sheep Production in the United States was updated to incorporate the most current information as reported by USDA and other reliable sources. The current fact sheets are posted on the ASI website for wide accessibility.

- State-Specific Newsletters and Presentations

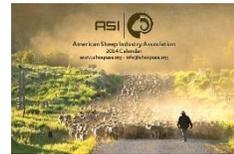
Also continued this year were industry newsletters geared toward each state association. ASI produced a state specific, low-cost, two-page newsletter designed to be utilized at state association meetings to inform producers in that state of the current wool and lamb programs and the benefits received 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.



- Posters – Wool warehouses, educational facilities and producers alike requested that ASI develop some large visuals for display at their places of business to emphasize the importance of the American wool industry. The first poster in a series of posters was developed and mailed to all wool warehouses, pools and exporters. The value of this poster was also realized for inclusion in the Certified Wool Classer Notebooks and shearer handbooks.



- 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.
- 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.



Summary / Achievements / Results

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.

Recommendations for Fiscal Year 2013-2014

Continued production of printed materials is encouraged. It is also recommended that new posters in the wool poster series be developed in the next fiscal year.

D. Website

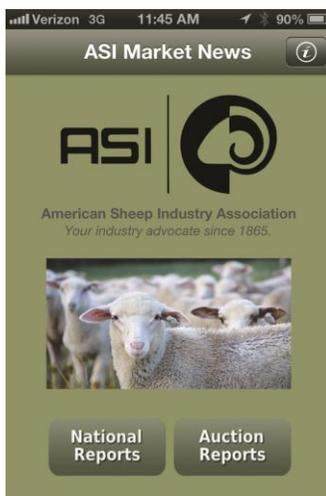
Wool Trust Goal Addressed by this Project

- 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

Top Achievements in Fiscal Year 2012 - 2013



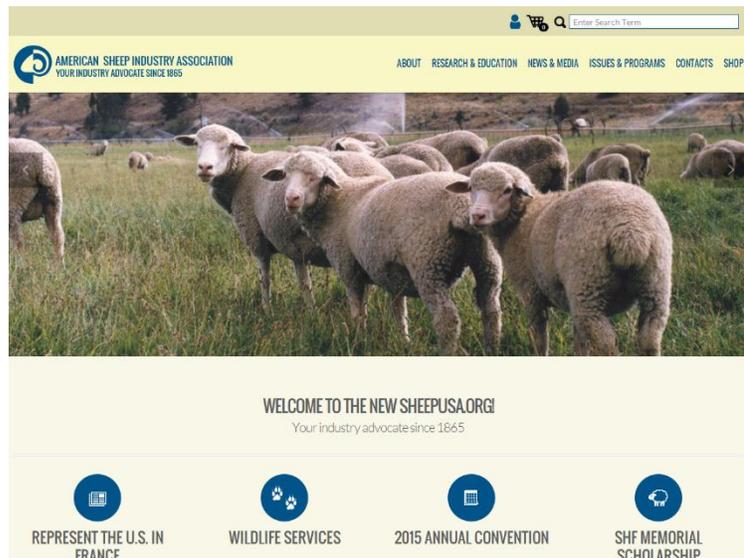
- ASI launched its first mobile application providing lamb and wool market information to anyone with a smartphone or tablet. The free market app is available for both Apple and Android operating systems.

ASI worked closely with the U.S. Department of Agriculture's (USDA) Agricultural Marketing Service's (AMS) Livestock, Poultry and Grain Market News division, to hand-select the portions of the USDA reports to offer in this first version of the industry market app. The app offers a good variety of national reports as well as market results from seven auction barns from around the country. Producers can access price data as the information is made available by USDA.

This app provides the industry with the convenience of valuable market data anywhere, anytime. This partnerships between USDA and the sheep industry is a critical component to supporting American producers.

The app is titled ASI Market News, which can be downloaded from Apple's App Store or the Android Store. From the front page, users can select to search national reports or action reports.

- 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.

A complete revision to the website was started in this fiscal year. The new attributes of the site will be that e-commerce will be included on this newly designed responsive website. Chinese and Spanish translations will also be included for wool contacts in those countries to better utilize the ASI website.

- 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.

Summary / Achievements / Results

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.

Recommendations for Fiscal Year 2013-2014

Producer feedback has been obtained requesting enhancements to the new ASI App, therefore, options to include additional markets will be considered. Work started in this fiscal year on the revision to www.sheepusa.org should be continued into the next fiscal year until it is completed.

E. Convention

Wool Trust Goal Addressed by this Project

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

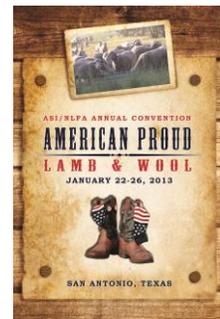
Project Goals

- 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

Top Achievements in Fiscal Year 2012 - 2013

Some of the information coming out of the 2013 ASI Annual Convention included:

- America's largest sheepskin and pelt company, with its tanning facility in San Antonio, Texas, provided the perfect launch to the 2013 American Sheep Industry Association (ASI)/National Lamb Feeders Association convention with an extensive educational program and tour. Wool pelts are an important portion of the value of a slaughter lamb and the market is truly international with U.S. prices affected by global markets. All pelts have value since no one skin can make all things and U.S. pelts are more valuable with the wool on them since these provide extra flexibility in the various stages of processing.
- Undersecretary Edward Avalos, U.S. Department of Agriculture's (USDA) Marketing and Regulatory Programs, addressed the department's work with ASI including the \$12 million in lamb meat purchases to move nearly three million pounds of excess product out of the market channel.
- The themes common to presentations across the three days and twenty-some different meetings included the 2010-2012 lamb market and the concerns about record feed costs and feed availability for sheep operations. ASI commissioned the Livestock Marketing Information Center to do an analysis of the current Livestock Mandatory Reporting (LMP) system for lamb and to review the current lamb marketing data that are frequently unavailable. Discussions of some potential remedies to help correct the issues in an effort to improve lamb reporting under LMR were requested. The reporting threshold level and confidentiality were reported as the two major issues impacting lamb price reporting. Solutions include updating regulatory guidelines to better reflect the current industry structure by adjusting the volume thresholds downward, changing report categories and descriptors to reflect current marketing practices in an effort to provide more accurate and usable market information and consolidating reports and/or sections of reports (internal and external) to ensure market data is reported.



- Despite continued concerns about the impact drought conditions and high feed costs may have on the industry's ability to rebuild its inventory, the Rebuild Committee stayed optimistic about continuing the programs of the Let's Grow initiative. The committee allocated budgeted funds for mentor programs in participation with state sheep producer associations and anticipates publishing additional management efficiency tips for producers.
- 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.

Summary / Achievements / Results

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.

Sheep producers, feeders and affiliated businesses from across the nation gathered in San Antonio, Texas, to celebrate *American Proud – Lamb & Wool*. 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.

Recommendations for Fiscal Year 2013-2014

The annual industry-wide convention is the only venue for participants from all segments of the industry to gather for educational sessions, policy approval and net-working opportunities. With an emphasis on drawing in the younger producers, there is incentive to incorporate more social media and higher-tech interactions into the event. It is recommended that funding for this budget item be continued.

IV. Wool Producer Planning

- A. Industry Meetings**
 - a. Board Meetings**
 - b. Executive Board**
 - c. Officer Travel**
 - d. Council / Volunteer Travel**

A. 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

Top Achievements in Fiscal Year 2012 - 2013

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

Summary / Achievements / Results

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.

Recommendations for Fiscal Year 2013 - 2014

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.

V. 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

Top Achievements in Fiscal Year 2012 - 2013

The sheep industry mentor program was promoted during the convention highlighting the funds approved for state sheep producer association work with newer producers. The second year of the program blended 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.

Focus on New Sheep Producers -- 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, 23 state sheep associations took advantage of this second round of funding and were allowed to spend the money to support the mentors as best they saw fit. Each state was required to report back to ASI on how they spent the funds.
- Each state agreed to encourage and support new sheep producers. Activities encouraged were networking new producers with experienced producers, technical and

management support of new producers, education and training of mentors and new producers.

Mentoring Guidelines -- 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.

Third Party Programs -- Three programs were approved by the Let's Grow committee to provide focused development of new producers.

- SheepSD, a South Dakota State University extension program designed to help potential and beginning sheep ranchers enter and expand into the sheep industry, moved into its second year of programming. 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;
 - gain perspective of the global sheep industry and participate in marketing of industry products.
- Optimal Ag continued its promotion of webinars designed to educate and train producers in a variety of ways. Nearly 1,000 participants registered for the sessions with nearly 400 actually participating. Webinars in this fiscal year included:
 - A New Approach to Parasite Management in Sheep
 - Feeding and Producing Sheep for Maximum Fiber Production – Is it Realistic?
 - Reducing Labor at Lambing Time
 - Profitable Genetic Selection
- Three state sheep organizations got together to present a program to equip sheep producers with the skills and knowledge for the effective marketing of sheep and lamb meat to ethnic communities. Maine, Ohio and Maryland hosted a series of four webinars to teach these concepts. 151 participants registered for these session with many more reviewing the recordings of the sessions.

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.



Summary / Achievements / 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.

Recommendations for Fiscal Year 2013 - 2014

- 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.
- 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.

VI. 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

Top Achievements in Fiscal Year 2012 - 2013

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*.

Summary / Achievements / Results

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

Recommendations for Fiscal Year 2013 - 2014

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. It is recommended that this line-item be continued.

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 flash drive

Market Research and Promotion

- ASI's Unified Export Strategy
- ASI's Country Progress Report
- ASI's Quality Samples Program Evaluation
- 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, March 2013
- Wool Journal, April 2013
- Wool Journal, May 2013
- Wool Exporter Ad, June 2013

Quality Improvement

- Updated SSQA Manual
- ASI Emergency Response Manual
- FMD Cross Species Crisis Plan
- FMD Core Messages and FAQs
- Wool Outreach Final Report

Producer Communication

- Sheep Industry News*, December 2012
- Sheep Industry News*, March 2013
- Sheep Industry News*, June 2013
- Sheep Industry News*, September 2013
- ASI Weekly Newsletter*, January 4, 2013
- ASI Weekly Newsletter*, February 8, 2013
- ASI Weekly Newsletter*, August 2, 2013
- Production Fast Facts
- State Specific Newsletter
- Convention Registration Form
- Convention Onsite Brochure
- Calendar

Wool Producer Planning

- Wool Council Meeting Minutes
 - November 14, 2012
 - January 24, 2013
 - May 30, 2013
 - July 8, 2013

Wool Strategies and Business Development

- 2013 Mentor Report
- Let's Grow Power Point Presentations
 - Ollila
 - Parsons
 - Tri-State