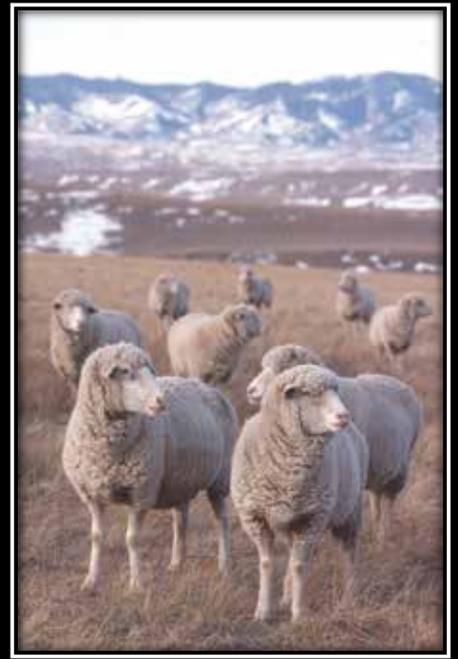
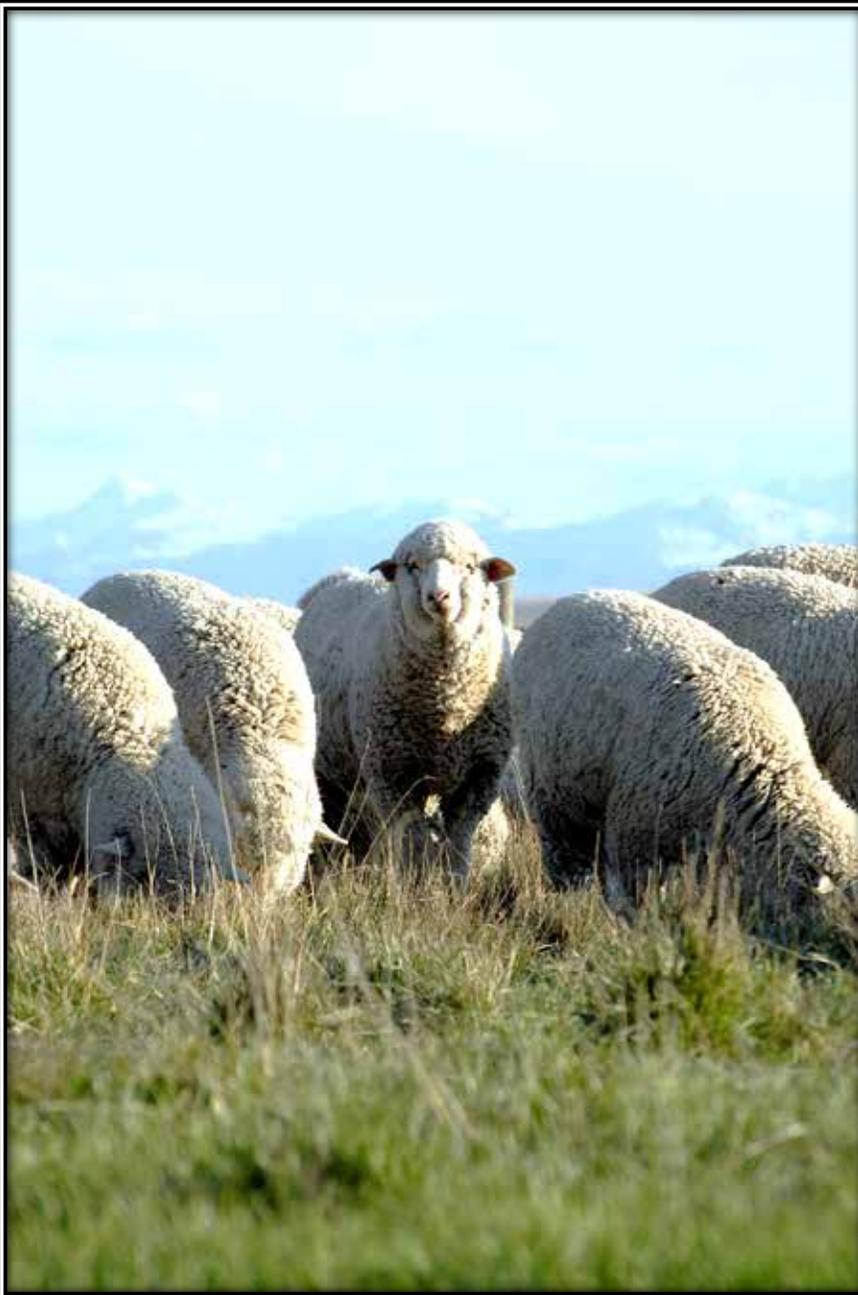


WOOL TRUST REPORT

American Sheep Industry Association

2013-2014



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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, 2013, through Sept. 30, 2014 – the year covered in this report – the Wool Trust Foundation was awarded \$2.135 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 over 50 percent of the domestic wool production. This fiscal year, the military wool demand declined and is expected to remain at this lower level for several years, barring contingency demands.

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 FY2013/14 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.

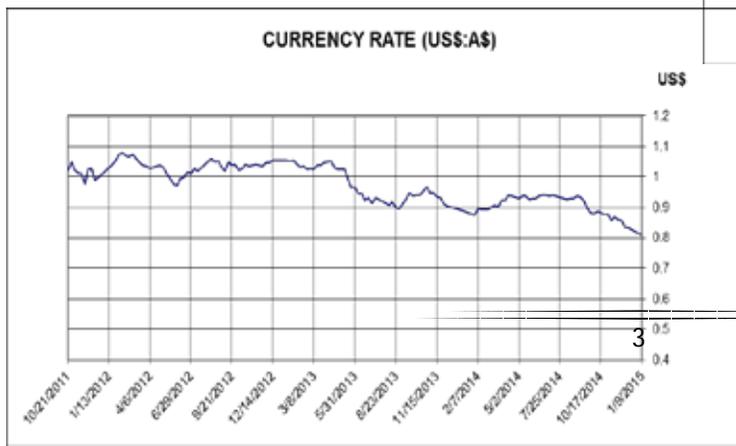
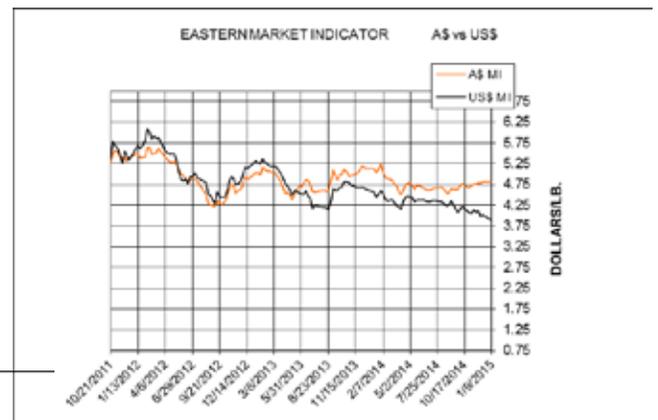
World Wool Situation

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 and FY 2013/14 is no exception. The major change in the world wool market situation has been the impact of the changes in China. Higher labor costs, radical changes in the government's legislation and regulations regarding effluent disposal introduced in 2014 (effective from Jan 1, 2015) and tightening credit conditions have altered the landscape for many Chinese industries significantly going forward - the textile and leather industries being among them. The most immediate impact of these changes is to slow economic growth (to approx. 7 percent from 10 percent plus until 2013) and reduced domestic retail demand. The result has been that all major wool supplying countries with the exception of Uruguay and Argentina have experienced significant reductions in wool exports to China. U.S. exports to China dropped 35.7 percent by volume in FY 2013/14. This drop in demand, together with the weakening of the Australian dollar (-7.6 percent year on year) has, of course, translated into a reduction in U.S. dollar wool prices (13.7 percent year on year). This strengthening of the U.S. dollar has continued in the last quarter of 2014 and so far in 2015, with the consequential impact on wool prices in U.S. dollar terms (Jan 6 – US\$1.00 = A\$0.811 versus around parity in early 2014).

The world wool supply is expected to decrease marginally in 2014/15 to 1,146m Kgs clean from 1,150m Kgs clean in FY2013/4 (Poimena Wool Journal, Dec, 2014). In the West and Southwest 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 couple of years' financial difficulties, 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, 2013 – Sept 30, 2014, so the 2013/14

export number reported here reflects this period. Unlike years past, China played a reduced role this fiscal year in the wool processing and manufacturing sectors, buying 2.59 million pounds of clean U.S. wool in FY2013/14, representing just 35.6 percent of all U.S. wool exports compared to 45-60 percent in years past.

India continues to show promise as a major player in the wool-textile manufacturing industry and assumed the role of the major export market for U.S. wool in 2013/14. A 20.1 percent increase in U.S. exports to India (totaling 2.86 million pounds) helped offset, to some degree, the loss in exports to China. This represents 39.6 percent of all U.S. wool exports. The country's growth in 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 FY2013/14 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 2013/14, 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*

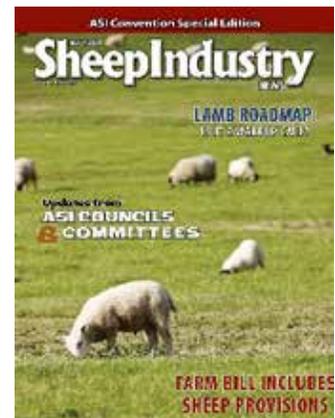
- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust programming. The goal was to expand prior and current databases so that at least a minimum of 10 years of data would be available for analysis. In many cases, 25 to 30 years of data were made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



- Quality improvement 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's first mobile application continues to provide 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 completed 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 are all factors allowing the U.S. wool industry to be in a strong position to take advantage of an improvement in international market conditions expected to occur in 2015.
- 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 2013 - SEPTEMBER 2014 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
- Undertake development initiatives that respond to domestic fiber production profile in the 23-27 micron range

Top Achievements in Fiscal Year 2013-2014

All achievements for fiscal year 2013/2014, 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.* Successful submission of wool/Nomex woven and knitted products to the military and resurgence of interest in the civilian market prompted DuPont to undertake supply of long staple Nomex (aramid) fiber for US market for the first time. A large scale commercial trial undertaken at Burlington Industries is now complete. Follow-up options are now being explored including applications of water/oil repellent and insect repellent finishes.

- *Washable Wool Developments.* This SVC funded project is in the final year of operation where washable wool is blended with Tencel for next to skin wear using 19.5 micron wool. The submitted garments are currently being wear tested. The mercerized wool trial carried out on the current Superwash wool production line identified some technical problems that need to be resolved as there is significant commercial market interest from Burlington Industries. A fall back option using alternative chemistry developed in the UK is at an early stage of evaluation and will be incorporated within the current phase of the military contract. An extension of this program to include additional work relating to insect resistant finish is approved and laboratory trials have been initiated.

- *Flame Resistant Fabrics of the Future (Triple F Military Program).* This multi-year SVC sponsored program is now in its third and final year of producing and delivering woven and knitted blend fabrics with



optimum flame resistance performance. 34 blend samples in a woven construction were produced and evaluated for flame resistance and mechanical properties. From this analysis 7 blends are selected and spinning of yarns has commenced.

- *Chemical Finishes.* Alternatives to now banned traditional chemical finishes for wool using Fluorochemicals to impart water/oil repellent finishes have been identified and are being treated using atmospheric plasma as well as by pad applications with two industry partners.
- *New Markets for Wool.* Domestic wools which are too short for worsted spinning (Classed as Tier 2 wools) and too coarse for woven and knitted apparel applications (classed as Tier 3 wools) are amply suited for production as nonwoven textiles. Potential market for a range of non-woven textiles for apparel insulation lining and non-apparel applications has been initiated and will be developed further with two prominent nonwoven mills

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

- Initiate and continue development of domestic tier 2 and Tier 3 wools using needle punched and layered fiber batting methods of fabrication. This recommendation is based on growing market demand for such products and will assist in creating demand for low grade domestic wools.
- 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 traditional application of chemicals. Full production size machines capable of processing up to 70" wide fabrics has opened up a host of opportunities for textile applications to impart increasing wettability, dyability, printability, and adhesion for coating and laminating, or for increasing the shrink resistance of wool. Fluorochemicals and nano coatings deposited using atmospheric plasma are the new growth avenues for future chemical applications on wool and needs to be explored.
- Continue to provide technical and marketing resource to Eastern Regional Research Center in Wyndmoor PA for placement of extracted keratin from wool on fabric surfaces for oil, water, stain repellency and flame resistance properties.

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 2013-2014

- *Textile Institute for Manufacturing Innovation (IMI)*. The American Textile Industry as a whole is competing with seven other manufacturing segments for a \$75M, 5-year matching grant. The IMI is part of the President's National Network for Manufacturing Innovation. ASI is participating in and supporting this program to the fullest extent possible by attending meetings and workshops as needed along with writing a letters of support and responding to the Request For Information described in **RFI-RQKM-2014-0022**. The proposed institute is vital to the continued prosperity of the U.S. wool industry as well as the entire U.S. textile industry. The results of this competition will be announced in early 2015.



- *Limited User Evaluations of Washable Wool Products*. Numerous washable wool garments have been developed by the Sheep Venture Company (SVC) using the wool shrink treatment facility supported by ASI. The U.S. Army is currently field testing several of the base-layer garments to determine acceptability for use by soldiers worldwide. Outer layer evaluations are scheduled for the second quarter of FY 2015.

- *Redesign Army Combat Glove*. ASI and the Sheep Venture Company's successes in the development of Washable Wool Products for the Individual Soldier in Phase II of SVC's Small Business Innovative Research (SBIR) project led to its expansion to include specific redesign work on this critical piece of combat equipment. The redesign specifically requires that wool be used in the glove. The proposal was written, accepted and funded last year. The contract was awarded in February 2014. At present, new fabric prototypes have been developed and manufactured. Innovative new prototype gloves using the fabrics will be manufactured early in 2015 for testing.



- *Treating Flame Resistant Wool/Nomex fabric with an insecticide.* In 2014, the U.S. Army requested that ASI and SVC propose to develop manufacturing techniques and



procedures that would allow the treatment of Wool/Nomex with Permethrin insecticide. The proposal was researched, written and funded last year. The resulting contract was awarded in September 2014. Since award, the required fabric has been manufactured and is awaiting final printing of the Army's operational camouflage pattern. Treatment with the insecticide will follow in January 2015. Extensive laboratory and field testing will follow.

- *Non Chlorine Shrink Treatment.* There is a growing demand in the wool performance wear market for a shrink treatment method that does not use chlorine as the active agent in the process. ASI and SVC continues to support a process that might make non-chlorine wool shrink treatment a reality. The process is compatible with current U.S. shrink treatment equipment. ASI, SVC and Burlington Industries will participate in a mill trial in early 2015.

Summary / Achievements / Results

During Fiscal Year 2014 expenditures by the Defense Logistics Agency (DLA) for Clothing and Textile (C&T) products continued to decline, falling to \$1.3B from \$2.6B in FY 2010. According to the Director of the Defense Logistics Agency (DLA) during a briefing in May 2014, spending is expected to remain at this level for several years, barring contingency demands. In spite of this significant decline, wool products continue to be bought in large quantity to satisfy needs that require the unique qualities of wool. During this period of reduced C&T procurement, ASI has maintained close contact with the military to insure continued use. Here are few examples of DOD's continuing significant use of American Wool:

- The U.S. Navy Peacoat uses more wool per garment than any other military uniform item. Over 24,000 of the classic coats were produced in FY 2014. At present, a new contract solicitation has been released that will continue the use of the coat for five years after award.
- Military Beret. A solicitation for bids on a new beret contract has been released. The contract requires over 275,000 berets to be produced.
- Wool Blanket. While the peacoat is the largest wool consumer of all military garments, the wool blanket is the largest wool consumer of all Department of Defense (DOD) wool items. However, no new DLA contracts for wool blankets have been solicited or awarded in several years. Wool blankets are being procured by individual organizations using existing GSA contracts.



- Dress Uniforms. Production of dress uniform fabrics continued at a pace compatible with the number of new recruits entering the military services. In FY 2014, over 218,000 recruits entered the U.S. military. Of that number, over 150,000 had no prior military experience and thus required a full complement of dress uniforms issued in the clothing bag.

Recommendations for Fiscal Year 2014-2015

- A marketing plan for the products developed by ASI and SVC should be developed and implemented to target users outside of the military market. For example, particular emphasis should be placed on the outdoor and commercial markets.
- Continuing education of military acquisition professionals about the high performance characteristics of wool is essential for increased use of wool in the DOD. At present significant DOD travel restrictions are in place that inhibit and prevent ASI from providing this education. ASI must find a way to overcome the restrictions and restart its successful Wool Education Seminars series to enable continued wool success.

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 2013 -2014

International market conditions, particularly in China, have negatively affected the exports of U.S. wool in 2013/14. Most of the major wool exporting countries have been similarly affected. Fortunately, the emphasis ASI has placed on diversification in international markets has resulted in some degree of offset in the significant drop in exports to China by an increase in exports to India.

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

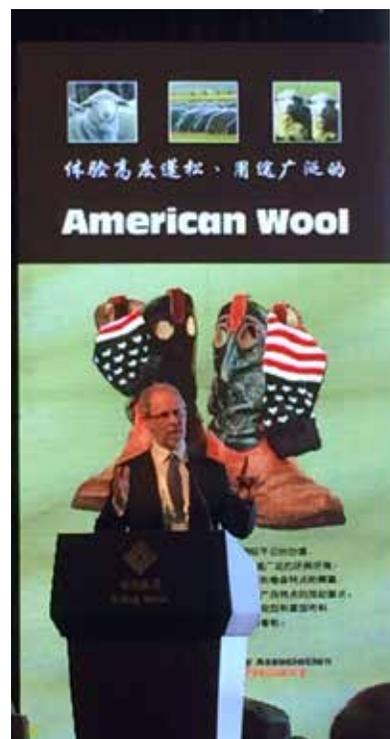
- *Marketing Programs.* Marketing programs for wool were carried out in Western Europe, Eastern Europe, China, India, South America, Mexico, Egypt and Canada. The strategy was one of niche marketing. Due to the fact that the United States has limited volumes available, the program sought to find buyers 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 buyers' 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.* U.S. wool exports from October 2013 to September 2014 were 7.22 million pounds, a 14 percent decrease from the previous year. (Statistic Source: USDA) The major factor was the significant drop in demand from China.
- *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 decreased its purchases of U.S. wool from 4 million pounds last fiscal year to 2.6 million pounds this year. This is a decrease of 35.7 percent and amounts to 35.6 percent of total exports by volume. Greasy wool purchases continued to dominate with 99 percent of all exports to China in this form. This is expected to continue.
 - As part of the wool type diversification strategy, ASI continued a short-wool program for China to promote China’s use of woolen system wools. This has been a factor in the increase in the exports of short wool types to China. In fact, the program has been so successful that the majority of wool going to China now is this carding wool and ASI shifted emphasis in 2014 to improve the sales of longer combing wool types. Successful trials occurred in 2014 with both fine and coarse combing wools, but it will take time to get re-orders established, especially given the depressed market conditions in China currently. 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.
 - In 2013/14, India became the largest single market for U.S. wool exports, taking 2.9 million clean pounds of U.S. wool. This is an increase of 20.1 percent over 2012/13 and amounts to 39.6 percent of total U.S. exports by volume.
 - 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.

FY2013 /14 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. On Jan. 7, 2015, the EMI was 384 US cents/lb. clean (473 Australian cent per pound clean).
- India became the largest export market for the first time in 2014, importing 39.6 percent of U.S. wool exports. Exports of U.S. wool to China dropped significantly in fiscal

year 2013/14. 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 FY2013/14.

- 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, 2014, was very low, reflecting strong domestic demand, which offset some of the drop in export demand. Assuming a 2 percent drop in U.S. wool production to 26.46 million pounds greasy, exports would amount to approximately 54.6 percent of U.S. wool production. (Note: this includes noils and wool waste exports and compares to a 62.2 percent for 2012/13).

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.

Total U.S. wool exports decreased 14 percent by volume (to 7.22 million pounds clean) and 15.0 percent by value (to \$19.97 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.

India is now the largest export market for U.S. wool taking 39.6 percent of all U.S. exports (2.86 million pounds clean) – up 22.1 percent on 2011/12. China was second with 35.6 percent of total U.S. exports (2.57 million pounds clean). This amounted to a 35.7 percent decrease over fiscal year 2012/13.



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 customers in 2013/14 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, FY2013/14 sales to target markets as reported by USDA and Trade Stats Northwest were 7.22 million pounds clean wool, down 14 percent from last fiscal year and were valued at \$19.97 million (down 15 percent from last



fiscal year). A weak international market for wool and a stronger domestic demand were the main factors behind the drop in exports. 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 million pounds clean with a value of \$7.6 million (i.e., Australian wool, combed in the United States and re-exported to Mexico). Greasy wool accounted for 80 percent of the total export.

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 FY2013/14.

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 2014, 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 to 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. Due to the depressed conditions in the industry, follow up on orders from this mill have not eventuated, but effort continues to ensure that it occurs in 2015. ASI also added Egypt as a target country in 2013. A significant Italian wool processing company completed the building of a new mill there early in 2012 (machinery from one of its Italian mills) and the U.S. wool characteristics fit the profile of the wool to be combed there. One successful trial was done in the Egypt mill, but the political instability currently in Egypt is causing commercial issues and 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. ASI personnel visits to China and India in late 2014 have confirmed that the Malaysia plant is now operational for scouring and will soon be combing and that Vietnam expansion into wool (particularly knitwear) continues. ASI expects to resume market activity in South East Asia in 2015.

Recommendations for Fiscal Year 2014 -2015

- 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 2013-2014

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



- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust 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 2013-2014

- The Wool Handling Schools and Certified Classing Schools continue 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. Many shearers 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. Increased use of this technology by growers has helped them to narrow the micron range of wool produced, improve overall wool quality and ultimately receive a higher price for their wool. The OFDA 2000 was also used prior to ram sales to provide information to both purebred producers and commercial producers to assist with more rapid genetic improvement. 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. Utilizing the Australian Wool Exchange grading system for wool helped to increased knowledge about wool attributes and wool quality, improving the value of the wool. A broader level of service was provided to farm-flock producers who are removed from the major wool producing areas to increase their knowledge about wool attributes and wool quality.
- 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. Thru 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 OFDA technology was utilized to assist a new capital venture business in California. Wool and non-wool fibers from California producers were tested as a component for formulating a business plan for a new venture company where locally grown fibers would be processes and made into garments within the state.

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 has 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 the 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.

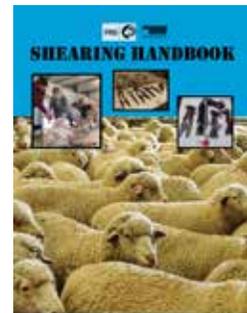
The OFDA machines were calibrated using the most recently updated machine in Australia. The U.S. machines were found to be well within the guidelines for accuracy when used in either the lab or in the field. New equipment was purchased to test wools from all of the U.S. In addition, two 14 year old machines were upgraded. In depth technician training was conducted detailing the increased amount of information available.



Plans are being designed to test the new Fiberlux. The Fiberlux technology will allow for rapid objective measurement on the farm. Work on Near Infrared Spectrometer (NIR) technology for determination of yield will continue with Texas Agrilife Research in San Angelo, TX. 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 U.S. wool users. One area is the cross contamination of fine wool sheep with hair from hair-type

sheep.

Raw Wool Quality Improvement – Sheep shearers are on the front line when it comes to the improvement of raw wool quality. Their understanding and cooperation of the activities that need to take place in the shearing shed is critical to ASI being able to improve its wool clip. A complete re-work of the *Sheep Shearing Guide* was planned, designed and produced in this fiscal year. The new guide includes a number of needed updates, i.e. a chapter on animal welfare. The 82-page shearing guide serves as a tool for shearers and shearing instructors. It features chapters on wool quality, wool handling, physical fitness, equipment requirements and proper shearing techniques.



The Wool Quality Improvement Program (WQIP), the Wool Classifier and Handling materials and the Certified Wool Clop paperwork continue to be systematically reviewed for currentness and ease of use. A secondary objective of these reviews is to revitalize the programs involved.

Recommendations for Fiscal Year 2014-2015

1. Continue to broaden the Wool Quality Improvement program to a larger area of farm-flock producers, particularly east of the Mississippi River, where some expansion in the

sheep industry is taking place. This wool continues to impact overall wool quality in the United States.

2. Expand the number of wool classing schools in those states that produce wool that needs to be classed due to wide variation in micron, length and strength.
3. Update an additional OFDA machine with new software - Windows 7 -which will decrease testing time and increase flexibility of reports and use of the machine.
4. Increase the use of the OFDA machine for genetic improvement with more testing by purebred breeders to provide EPD data to the commercial sheep industry.

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 2013 - 2014

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.

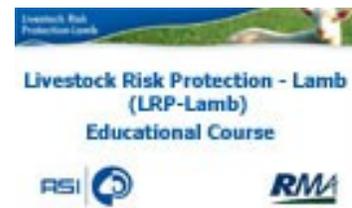
Following is a list of the major issues, initiatives and activities that ASI was able to implement during FY2013/2014:

- 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. 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 were proposed in 2014 and the web-based training course will be updated once changes are made and finalized.

- 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

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 nine 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.

Recommendations for Fiscal Year 2014-2015

- 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 14th 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 2015, 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

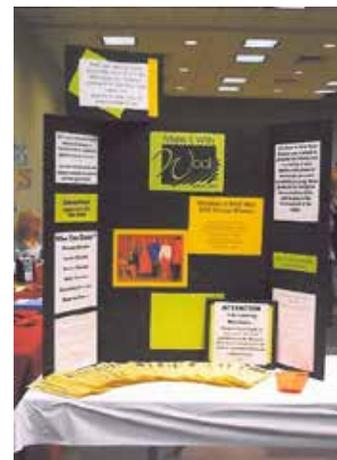
Project Goals

- 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 2013 - 2014

- 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 14 of ASI's Wool Outreach Program, which began Oct. 1, 2013, and ended on Aug. 31, 2014.

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:

- o procuring a wool speaker/specialist at state sheep association meetings (expenses could include meeting expenses, speakers' fees, travel and lodging costs);
- o funding Make It With Wool (MIWW) activities;
- o conducting wool seminars, wool pools, etc.; and
- o supporting a value-added program, such as making wool blankets or other wool specialty products.

Each state sheep association submitted an application for approval prior to receiving its funding – 40 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 \$278,611.48.

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 41 organizations carried out programs that worked to meet one or more of the three goals, and all have submitted reports on each of their programs. It should be noted that in the fourteenth year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

Total Monies Spent on Wool Outreach during 2014

Arizona	\$4,457.56
Arkansas	\$997.33
California	\$14,910.00
Colorado	\$8,315.35
Connecticut	\$2,573.84
Florida	\$1,480.00
Georgia	\$1,200.00
Idaho	\$7,433.00
Illinois	\$1,892.50
Indiana	\$5,001.81
Iowa	\$6,501.00
Kansas	\$2,799.99
Kentucky	\$28,854.31

Maine	\$1,172.00
Maryland	\$1,061.77
Massachusetts	\$1,920.16
Michigan	\$2,679.00
Minnesota	\$8,750.48
Missouri	\$3,196.16
Montana	\$10,432.82
Nebraska	\$2,380.00
New Jersey	\$2,500.00
New Mexico	\$4,637.54
New York	\$2,920.09
North Carolina	\$3,814.47
Ohio	\$5,659.75
Oregon	\$5,204.26
Pennsylvania	\$8,148.92
South Carolina	\$1,110.75
South Dakota	\$10,347.00
Tennessee	\$2,931.55
Texas	\$36,973.14
Utah	\$15,596.36
Vermont	\$1,000.00
Virginia	\$2,478.00
Washington	\$4,627.00
West Virginia	\$6,138.00
Wisconsin	\$3,415.26
Wyoming	\$13,116.00
NLFA	\$1,000.00
TOTAL:	\$278,611.48



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
- Provide producers with new ideas and expose them to new methods of growing sheep in efficient and cost-effective ways
- Collaborate with producers, industry partners and government agencies to enhance communication on topics of mutual interest, including accomplishments and challenges facing the sheep 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 2013 - 2014

The Fiscal Year 2013/14 was filled with challenges to the sheep industry, including public land grazing issues, bighorn sheep issues, threats to close the U.S. Sheep Experiment Station, continued pressure from predators and engagement with Wildlife Services. ASI's 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.

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

- The *Sheep Industry News* reported on tours of textile mills and garment manufacturing companies in Tennessee, North Carolina and South Carolina. The reports updated the entire industry on conditions and future expectation of these companies, as it pertains to future use of wool.
- There were 17 feature articles during the period that involved examples of businesses in the wool industry making improvements to enhance business opportunities. 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* updated producers and the sheep industry on various prospective new uses for wool, along with future demand for end-products such as military uniforms, gloves and furniture.

The *Sheep Industry News* is accessible from the home page of ASI's industry/consumer website, www.sheepusa.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 3,000 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 50 issues of the *ASI Weekly* newsletter. This newsletter contains a wide variety of articles of interest to the wool and sheep industries, including developments in the 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 2014-2015

As the sheep industry meets new challenges, ASI's producer publications will continue to provide education and communication. The primary goal of the Wool Trust and producer publications are an important segment of disseminating this information to its membership. New story ideas for the *S/I/N* 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 2013 annual meeting, ASI recorded more than 20 radio interviews and a couple television spots.



ASI also continued its outreach in 2013/2014 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.

- 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 4,000 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 2014-2015

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 2013-2014

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



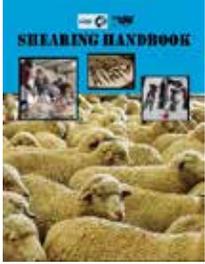
The one-page industry Fast Facts – Sheep Production in the United States was updated to incorporate the most current information as reported by USDA and other reliable sources. The current fact sheets are posted on the ASI website for wide accessibility.

- 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.

- Shearing Handbook – ASI Communications staff assisted with the planning, designing and producing of a new "*Sheep Shearing Guide*" that included a number of needed updates, i.e. a chapter on animal welfare. The 82-page shearing guide serves as a tool for shearers and shearing instructors. It features chapters on wool quality, wool handling, physical fitness, equipment requirements and proper shearing techniques.
- 
- 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 2015 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 tradeshows 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 2014-2015

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

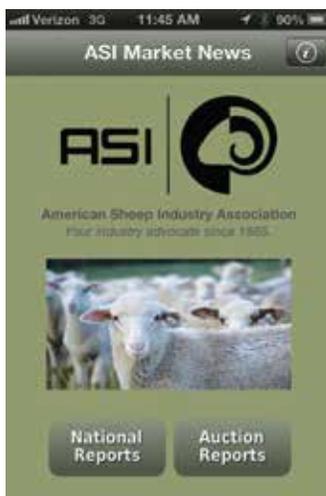
Wool Trust Goal Addressed by this Project

- 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 2013 - 2014



- In early 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. This year, requested enhancements were added to the market app.

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.

- 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 completed in this fiscal year. The new attributes of the site are e-commerce, downloadable photography and Chinese and Spanish translations. 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. As part of the website revision, the *Sheep Industry News* material is now housed within the www.sheepusa.org website allowing for a "one-stop" experience. 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.

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 2014-2015

Producer feedback has been obtained requesting enhancements to the new ASI App, therefore, options to include additional markets will be considered. A Breakeven Production Calculator will also be considered.

Continued updates of the industry's website is encouraged for the next fiscal year.

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 2013 - 2014

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

- American wool epitomized the American Sheep Industry Association annual convention held in Charleston, S.C., with a conference theme of *Weaving a Path to the Future*. Tours of wool processing plants offered a once-in-a-lifetime opportunity for sheep producers to see the transformation of their raw wool into high-end finished products.
- America's only remaining wool scouring, combing and carding plant -- Chargeurs (USA) Inc. -- opened the doors of its Jamestown, S.C., facility to nearly 300 meeting attendees to provide an opportunity to view the process of converting greasy wool into top. The superwash line -- a continuous wool-top shrink-proofing treatment piece of equipment that alters the fiber in wool products, allowing them to be washed and dried without shrinking -- was viewed by tour participants. This process is the most reliable shrink-resistance treatment for wool available on the market. It not only helps fill domestic commercial-wool orders, but also maintains and expands the use of American wool in the valuable U.S. military market.
- Top from Chargeurs is moved down the supply-chain to Burlington Industries in Raeford, N.C. The second stop on the fiber tour gave producers the occasion to hear the story of turning top into fabric. The detailed processes of dyeing, blending, yarn spinning and fabric weaving were all demonstrated.
- Undersecretary Edward Avalos of the U.S. Department of Agriculture's (USDA) Marketing and Regulatory Program addressed his department's work with ASI. He praised the Agriculture Marketing Service Market News division for its commitment to ensuring timely and accurate market reports. He also relayed the need for allocating appropriate funding for the livestock protection program of Wildlife Services.



- Jeanne Carver of Imperial Stock Ranch in Oregon shared her heart-felt story about having her wool sourced by Ralph Lauren for use at the 2014 U.S. Winter Olympic in Sochi, Russia. Carver teamed up with Ralph Lauren to create a hand knit sweater for the athletes to wear for the opening ceremony.
- As the Let's Grow campaign moves into its third year, positive results were reported from the projects funded by this initiative. It was noted that the SheepSD of South Dakota Extension, the ASI webinar series conducted by Optimal Ag and the three-state series (Ohio, Maine and Maryland) have reached thousands of producers across the country. Diversified sessions ranged from parasite management and reducing labor to marketing options and feeding for fiber production. The new breeding-sheep loan program developed by the National Livestock Producers Association, with ASI support, was presented to the campaign committee.
- Two members of the U.S. wool industry were recognized for their 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.



The major win for the 2014 convention was the opportunity for producers to tour wool processing plants and be offered a once-in-a-lifetime opportunity to see the transformation of their raw wool into high-end finished products.

Sheep producers, feeders and affiliated businesses from across the nation gathered in Charleston, S.C., to celebrate *Weaving a Path to the Future*. 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.

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.

Recommendations for Fiscal Year 2014-2015

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 2013 - 2014

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 2014 - 2015

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 2013 - 2014

The sheep industry mentor program was promoted during the convention highlighting the funds approved for state sheep producer association work with newer producers. The third 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 experienced 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 – Five new programs were approved by the Let’s Grow committee to provide focused development of new producers. Three programs were continued from previous years.

- Mentor Training for Small Ruminant for Profit School, is an in-depth training for experienced producers who then become workshop instructors in an education program. Fourteen topics will be covered during the course of this 2-year program.
- New Adult Producer Mentorship Programs provided five workshops that focused on agribusiness topics. A Lambing Schools was also held. A Sheep Symposium will be held in late 2014 to reach out to smaller or beginning producers offering information to foster growth of their operations.
- Protecting our Flocks from Predators, was designed as an educational program on production and management with an emphasis on predator control, primarily coyotes and black vultures.
- Sheep and Goat education seminars to encourage existing young ranchers to carry on their heritage by building support within the community of mature ranchers was also supported.
- 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 third year of programing. This program is designed to:
 - provide mentorship from current successful sheep ranchers to 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. More than 1,000 participants registered for the sessions with nearly 600 actually participating. Webinars in this fiscal year included:
 - Reducing Labor at Lambing Time
 - Profitable Genetic Selection
 - Managing Your Pastures Better: Management Intensive Grazing 101

- Marketing lamb and mutton to ethnic consumers was a program created by a partnership of three state sheep organizations 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 sessions with many more reviewing the recordings of the sessions. Spreadsheets were developed to help producers make wise marketing decisions by deciding when and at what weight to sell lambs, compare various marketing alternatives, auction sales and direct marketing and identify specific ethnic consumer groups in their respective market areas.

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 2014 - 2015

- 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 existence. 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 2013 - 2014

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 2014 - 2015

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