

WOOL TRUST REPORT

2015-16



American Sheep Industry Association

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Executive Summary

BACKGROUND

The year was 1865. Abraham Lincoln was president, the Civil War was ending and neither the automobile nor the telephone had been invented. This was the year the National Wool Growers Association was formed, making it the first national livestock association in the United States. It was this association that provided the roots for today's national industry organization – the American Sheep Industry Association. In 1865, wool and its products were considered one of the young country's major industries and it has remained a constant since that time.

In 2015, the national sheep organization celebrated its 150th anniversary. ASI is a federation of 45 state associations representing sheep producers nationwide with a common goal to promote the well-being and profitability of the U.S. sheep industry. From the East to the West, pasture flocks to range operations, ASI works to represent the interests of more than 88,000 American sheep producers.

Most of the nation's sheep farmers and ranchers share a legacy of raising sheep across generations – whether it be from grandparents or with their children today. Celebrating that legacy of the men and women who care for their sheep every day and supporting an industry organization is what the 150th celebration was all about. In its 150 years, the national association has met and surmounted a number of challenges to its very survival. But the struggles have only served to make it stronger in serving the interests of U.S. 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 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, 2015, through Sept. 30, 2016 – the year covered in this report – the Wool Trust Foundation was awarded \$2.25 million.

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

- Assist U.S. wool producers in the development and promotion of the wool market
- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve 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 during the past decade has been relocated into other lower-cost countries, as is the trend with all textiles. Exports now account for approximately 50 percent of the domestic wool production, however, domestic consumption of wool has increased. Although since 2010, the military wool demand declined, clothing and textile purchases during the next three years are forecast to

increase modestly.

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 injuries 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.

The demand for fashion and sports clothing continues 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 continued to utilize wool to meet consumer demands for a natural, high-performance fiber, and fiscal year 2015-2016 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 such as Duckworth, 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 fiscal year 2015-2016 is no exception. The major change in the world wool market situation has been the impact of changes in China. Those changes include higher labor costs, radical changes in the government's legislation and regulations regarding effluent disposal introduced in 2014 (effective from Jan. 1, 2015 & continuing in 2016) and tightening credit conditions that have significantly altered the landscape for many Chinese industries going forward – the textile and leather industries among them. The most immediate impact of these changes is to slow economic growth (to approximately 7 percent from 10 percent plus up until 2013) and reduced domestic retail demand. After a solid rebound year in 2014-2015, China's purchases of U.S. wool contracted by 24.4 percent in 2015-2016. While disappointing, this actually was not far out of line with China's overall drop of raw wool imports of 17 percent for the first nine months of 2016. The changes mentioned above continued strongly in this year and Chinese exports of all wool products also contracted. (*Wool Journal*, Dec 2016). The strengthening of the U.S. dollar continued in 2015 and this situation also impacted sales.

Wool production in Australia, the world's largest producer, dropped substantially in 2015-2016. This lower production, plus a lower volume of inventory, meant that the wool market was quite volatile at times in 2016 but overall remained surprisingly stable, especially in US Dollars.

In the West and Southwest United States – particularly California and New Mexico – extreme drought conditions have been the norm in recent 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.

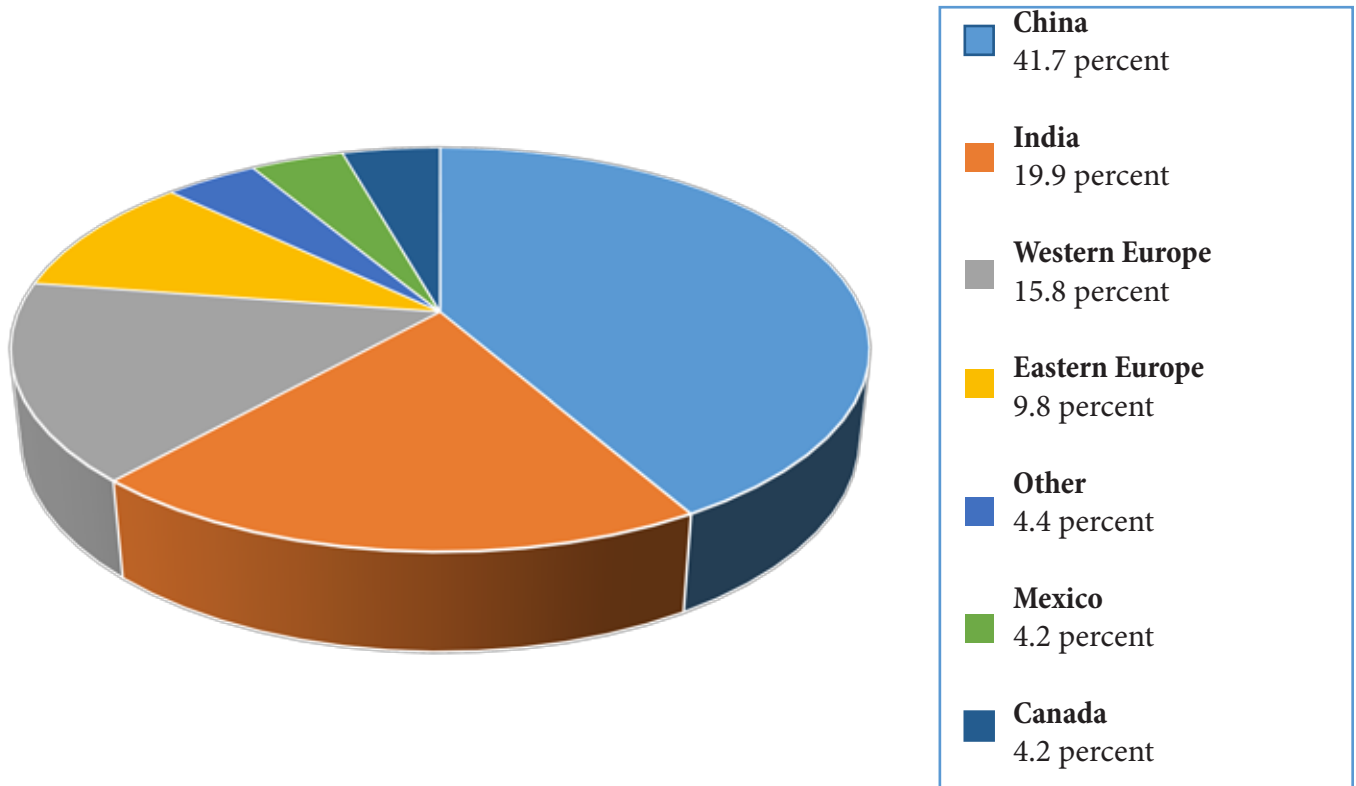
The reporting year for ASI's international programs is Oct. 1, 2015 – Sept. 30, 2016, therefore the 2015-2016 export numbers reported here reflect this period.

Exports to China reduced in 2015-2016 by 24.4 percent by volume to 2.9 million clean pounds. The major factors in this are explained above. China remains the largest importer of U.S. wool, taking 41.7 percent of all U.S. exports.

India reduced its U.S. wool imports by 41.4 percent (by volume) in 2014-2015 and a further 17.6 percent in 2015-2016. While reductions in the domestic and export businesses have been a factor, the major cause for both year's reductions has been the reduction of activity and then the closure of a mill that used a lot of U.S. wool in blends with wool from other origins for the wooltop export business. The company involved has moved that operation to a new mill in Bulgaria and it is expected that it will gradually increase its usage of U.S. wool at the new Bulgarian mill in the years to come. However, India's growth in the wool industry is expected to continue and is seen by ASI as an important market to balance the influence of the Chinese market. Marketing programs for U.S. wool were also carried out in Western Europe, South America, Mexico, Southeast Asia and Canada.

In fiscal year 2015-2016, China accounted for 41.7 percent of total U.S. exports (by weight), followed by India (19.9 percent), Western Europe (15.8 percent), Eastern Europe (9.8 percent), Mexico (4.2 percent) and Canada (4.2 percent).

FY 2015 – 2016 WOOL EXPORT MARKET SHARES



Summary of Achievements

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

- Wool's performance, wearability, durability and natural biodegradable features have expanded wool's acceptance and continues to create new opportunities for wool in the outdoor apparel industry.
- Support from the U.S. wool industry continues to develop the ASI international programs. 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.
- 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 redesigned army combat gloves, flame resistant wool/Nomex fabric and non-chlorine shrink treatment for wool.

- ASI is continuously seeking new customers for American wool. In 2014-2015, ASI assisted several major sock and outdoor manufacturers with wool-sourcing needs to bring their production lines back to the United States 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.
- The implementation of the national Sheep Safety Quality Assurance (SSQA) program for producers continued. 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 fourteenth 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 website 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 its strategic plan, ASI moved into the next phase of the Let's Grow Program. A revised mission statement was created, grants were funded and the website and Facebook pages were updated.
- ASI's first mobile application continued to provide lamb and wool market information to anyone with a smartphone or tablet. In this fiscal year, enhancements were added to the ASI Market App that included a Wool Calculator, a Breakeven Calculator and a Gestation Calculator. More market information was also added.

Program Expenditures

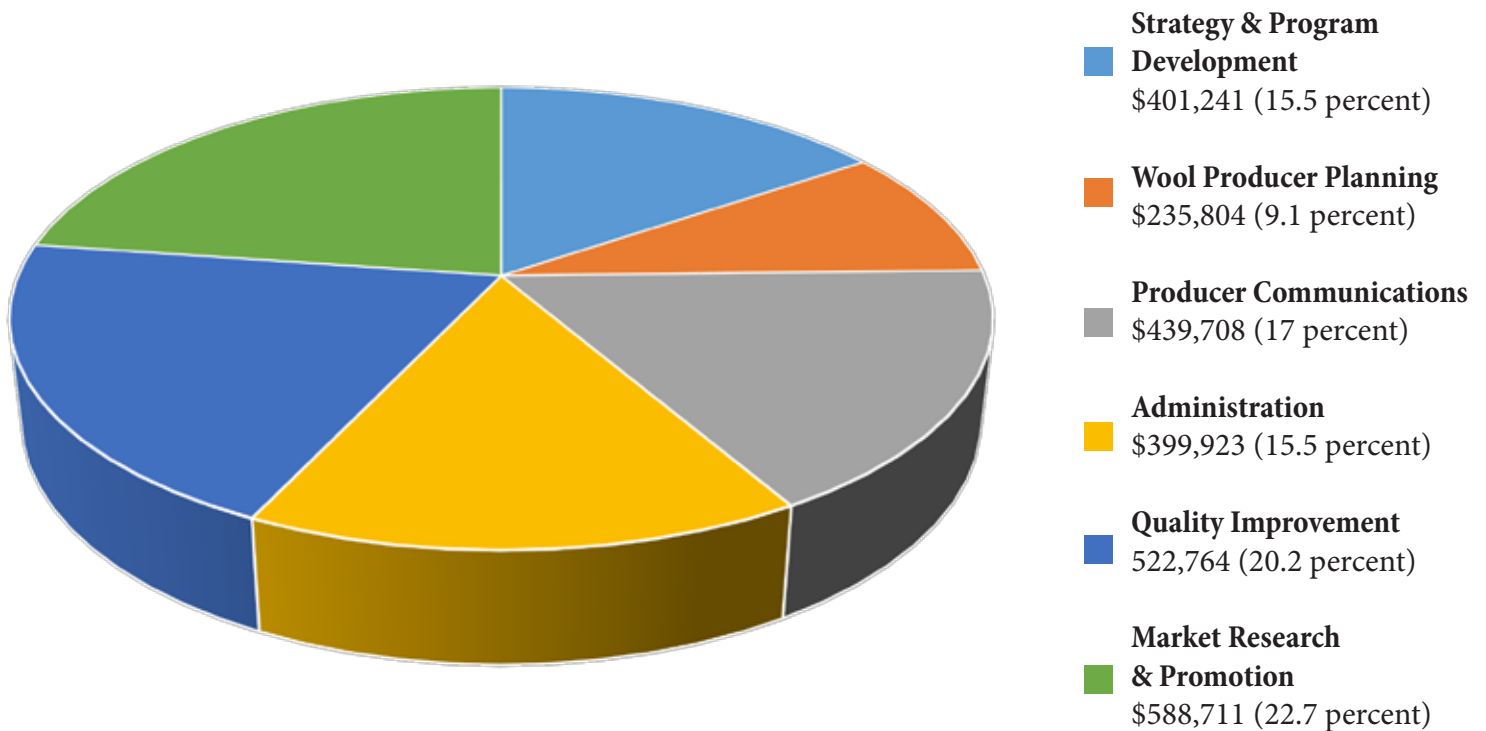
SUMMARY

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 strengthen market options for U.S. wool growers and improve quality. Additional programs, such as production, 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

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

OCTOBER 2015 – SEPTEMBER 2016 WOOL TRUST EXPENDITURES



Market Research & Promotion

- A. MARKET & PRODUCT DEVELOPMENT
- B. MARKET RESEARCH & NEW USES
- C. INTERNATIONAL AND MARKETING PROGRAMS

A. MARKET & PRODUCT DEVELOPMENT

Wool Trust Goal Addressed by this Project

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

Project Goals

- Assist U.S. wool companies with marketing and product development
- Leverage the American Wool Council's new logo and marketing message
- Create higher demand for the use of the U.S. 28-32 micron clip through new customers and end-item applications
- Increase U.S. wool's visibility on the apparel insulation market

Top Achievements in Fiscal Year 2015-2016

- Created a new logo to assist with marketing American wool, as well as those products that are manufactured using American wool.
- Began the process to create a new American wool website, as well as social media sites that can be leveraged to promote American wool.

Summary / Results

The new American wool logo was developed in conjunction with a marketing message that paints a vivid picture of the "natural magic" of American wool.

Recommendations for Fiscal Year 2016-2017

Continue to develop the new American Wool brand and message.

B. MARKET RESEARCH & NEW USES

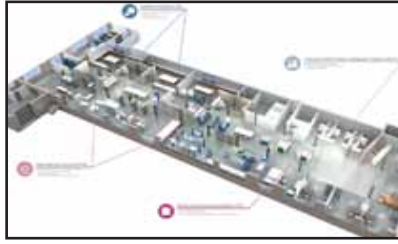
Wool Trust Goal Addressed by this Project

Development and promotion of the wool market

Project Goals

Identify new markets while maintaining primary markets

Top Achievements in Fiscal Year 2015-2016



Prototyping Facility



NSC 'Tow to Top' Converter

- Textile Institute for Manufacturing Innovation (IMI). The Pentagon announced award of this important contract in early April 2016. Now known as 'Advanced Functional Fabrics of America' (AFFOA). The Pentagon is partnering with a consortium of 89 universities, manufacturers, non-profits and other groups to establish an institute that will research materials "that can see, hear, sense, communicate, store energy, regulate temperature, monitor health, change color and much more," according to Secretary of Defense Ash Carter in his announcement remarks. AFFOA is being hosted by the Massachusetts Institute of Technology. The Department of Defense provided \$75 million for this project, which has been matched by more than \$240 million from non-federal sources. To accomplish its goals, the AFFOA is establishing an end to end prototyping facility that will allow members to develop new, innovative textiles. There are plans for equipment to be included in this facility that will benefit development of new protective fabrics containing wool. Specifically, a fiber converter that can convert synthetic fibers from 'tow' to 'top' for blending with wool might be included in the equipment.

- User Evaluations of Washable Wool Products. In January 2015, the U.S. Army conducted a limited user evaluation of several washable wool base-layer garments in Vilseck, Germany, under harsh conditions. As reported last year, "All test garments performed as good or better than the currently fielded garments. Test underlayer garments were preferred by soldiers more than the currently fielded garments." Further testing of the baselayer garments and socks is now underway with the possibility of introducing some or all of the garments to soldiers.



- Army Combat Glove (ACG). Redesign of the Army Combat Glove fabric was successfully completed this year. Seven new fabrics were designed and tested during the course of this project. Three of the fabrics were ultimately selected for prototype manufacturing. The three fabrics were all tested in the burn test facility at North Carolina State University and all three performed very well and have been recommended for fielding by the Natick Soldier Research, Development and Engineering Center. A field test of 900 pairs of the gloves will be conducted in 2017.

- Treating Flame Resistant Wool/Nomex fabric with an insecticide. Initiated by the U.S. Army in 2014, this project was successfully completed in 2016. Insecticide treatment of open-width fabric has proven cost effective and more durable than the process that treats the completed uniform. Army Combat Uniforms have been fabricated from the treated fabric and are scheduled for field testing in 2017. This is a significant development that will provide more economical, longer lasting insect repellent for the Army's combat uniforms. Since completion of this project another insecticide with lower environmental impact has been recommended for testing. It

is possible that the Army will again seek assistance with development and testing.

- Wool Mercerization. Wool mercerization makes wool very smooth to the touch and enhances its acceptance of dyes, particularly dark colors. ASI will possibly be sponsoring a mill trial of this process in 2017. A chemist with in-depth knowledge of how the process is conducted is now available to ASI for consultation. His expertise greatly improves the likelihood of success with a new trial.

Summary / Results

The Department of Defense continues to be the largest single consumer of American wool accounting for 16 to 20 percent of total domestic production. DOD consumption of domestic wool provides the stable production base for the entire wool industry from ranch to garment producers. DOD's importance to domestic wool production and manufacturing must not be underestimated.

To ensure DOD's continued use of domestic wool, ASI communicates regularly with the individual services as well as the Defense Logistics Agency to provide pertinent wool information as needed to procurement personnel. The following are two examples in 2016:

- In 2016, DLA requested wool availability information from ASI in support of a proposed blanket contract for the Afghanistan military and police. Based on the information supplied by ASI, the contract was deemed feasible and subsequently competed and awarded. The one-year contract will require approximately 150,000 pounds of clean wool for completion and there is a strong possibility of a follow on contract.

At the request of the U.S. Army and Marine Corps, ASI has assisted with information to justify including a quality wool boot sock in the clothing bag (to replace the current less than desirable boot sock) issued to all military recruits during basic training. This is an ongoing requirement as changing the sock would result in a cost increase of the clothing bag.

Wool contributes significantly to DOD annual spending in the Clothing and Textiles:

- DLA Clothing and Textile expenditures in 2016 were \$1.7B. It is forecast to increase slightly to \$1.83B in FY 2017.

Wool and wool blend fabrics, blankets and berets purchased in 2016 were as follows:

- Wool Fabrics, \$48.8M for 3,131,250 linear yards, this does not include the cost of fabrication into uniform items
- Blankets, \$1.9M for 75,398
- Berets, \$5.4M for 333,320

Recommendations for Fiscal Year 2016-2017

- A new attempt to provide a wool education seminar for DOD acquisition professionals should be pursued. There is a large contingent of the acquisition career field that have not attended one of ASI's seminars.
- Membership in the AFFOA should be carefully considered in 2017. This organization could present new

opportunities for wool research that are not currently available.

- Investigate new Research and Development opportunities for wool in the DOD cold weather clothing redesign program

C. INTERNATIONAL MARKETING

Wool Trust Goal Addressed by this Project

- Assist U.S. wool producers in the 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 2015 2016

Despite strong economic growth for the last two years and strong consumer confidence in the U.S., retail sales growth for the year to October 2016 was only 1.4 percent, much lower than the 2015 growth of 4.8 percent. All other major wool consuming countries (including China) except the U.K. also experienced reported very poor or negative growth in clothing retail sales in 2016. This soft retail sales picture does not bode well for the early months of 2017. (*Wool Journal*, Dec. 2017).

Total U.S. wool exports decreased by 7.6 percent by volume to 6.96 million pounds clean weight and 13 percent by value to \$17.44 million. While the overall reduction was disappointing, in the context of poor retail performance world-wide and a 17 percent drop world-wide in Chinese Raw Wool Imports alone, the U.S. actually performed relatively well. Again, ASI's diversification strategy played an important role in limiting the total export sales losses by increased sales in Western Europe (+5.1 percent) and new sales to Eastern Europe (particularly Bulgaria), which this year has taken a 9.75 percent share of all export sales from zero sales last year.

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, Southeast Asia, the Middle East and Canada. The strategy was one of niche marketing. Due to the fact that the United States has limited volumes of wool available, the program sought to find buyers for specific wool types and match U.S. supplies precisely to buyer needs. Tactics were as follows:

- o Arranged U.S. suppliers' missions to target markets during the off season (September – March) to familiarize U.S. companies with market opportunities and requirements.
- o Organized international buyers' missions (reverse trade missions) to major U.S. wool centers during the season (March – June) to enable customers to see U.S. wool potential for themselves and purchase wool.
- o Provided assistance with technical processing trials (via processing trials and the Quality Samples Pro-

gram) 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.

o 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 2015 to September 2016 were 6.96 million pounds, a 7.6 percent decrease from the previous year. The major factor was the decrease in demand from China and India, which was offset to some degree by increased sales to both Western and Eastern Europe

- **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:

o China decreased its purchases of U.S. wool from 3.9 million pounds last fiscal year to 2.9 million pounds this year. This is a decrease of 24.4 percent and amounts to 41.7 percent of total exports by volume. China remains the largest single international market for U.S. wool. Greasy wool purchases continued to dominate with 90.8 percent of all exports to China in this form. This is expected to continue.

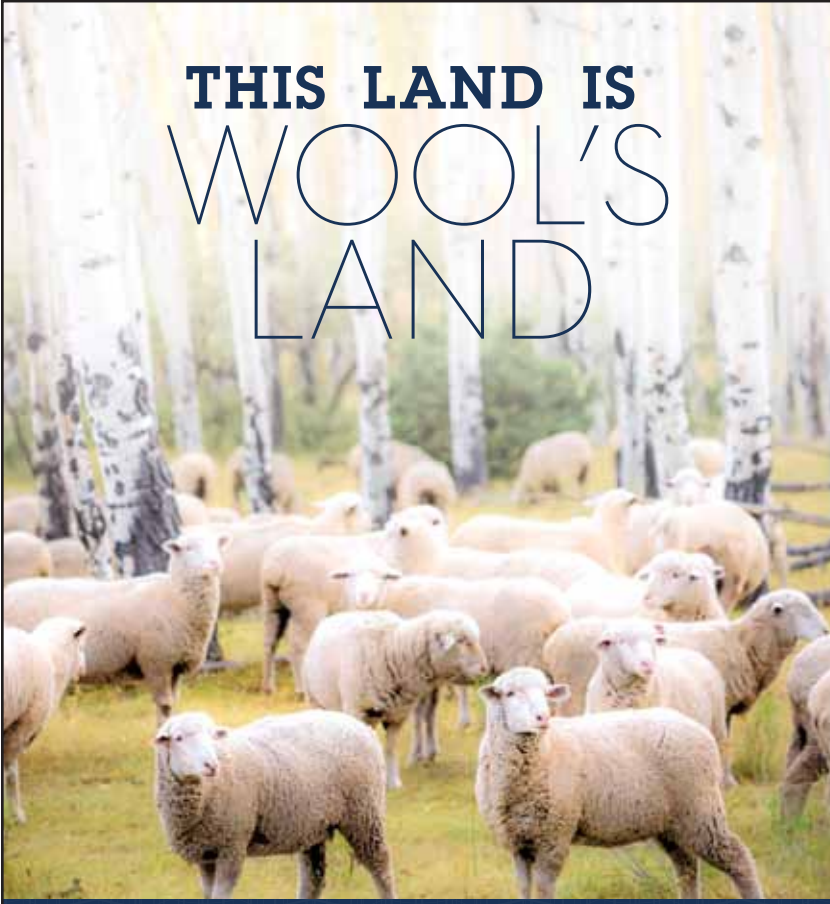
o As part of the wool type diversification strategy, ASI continued a short-wool program for China to promote its use of woolen-system wools. This has been a factor in the increase in the exports of short wool types to China. In fact, the program has been so successful that the majority of wool going to China is still carding wool and ASI shifted its emphasis in 2014 to improve the sales of longer combing wool types. Successful trials occurred in 2014 with both fine and coarse combing wools and it is important to note that this effort has been rewarded with an estimated 40 percent of exports to China now being combing wool and 60 percent being carding wools in 2016. A program for scoured wool was added in 2011, but was only partially successful as the Chinese stopped any scoured wool purchases other than for specialty types or special circumstances.

o In 2015-2016, India was the second largest international market for U.S. wool, taking 1.38 million pounds of clean U.S. wool. This is a decrease of 17.6 percent from 2014-2015 and amounts to 19.9 percent of total U.S. exports by volume. The major factor behind the export to India sales reduction in the last

two years has been the reduction of U.S. wool used in a sales early-stage processing mill in India and the movement of that production to a new mill in Bulgaria – where we are seeing the beginnings of exports there. Notable as well though is that sales to vertical mills in India have actually increased, so the expectation is that the combination of improved vertical mill sales in India plus the expansion of the Bulgarian combing mill will see a net overall export sales increase.

- o ASI placed Chinese language advertisements in major Chinese wool textile magazines, *Wool Exporter* and *Twist*, to support the international advertising campaign to increase the awareness of U.S. wool.
- o Having a representation on the ground in India has improved ASI's contact and service in that country.

• **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.




**THIS LAND IS
WOOL'S
LAND**

The American spirit is alive in the fiber, fleece and fabric of natural American wool. This is where happy, healthy sheep are raised to thrive in vast, open ranchlands. It's where bold shepherds and ranchers are genuine stewards of the earth—constantly seeking sustainable ways to ensure the future of this invaluable industry.

This is America, where innovation is celebrated, tradition is respected and high performance reigns.

Unparalleled Loft / Exceptional Versatility / Never Mulesed

sheepusa.org

 **AMERICAN WOOL**

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American Wool Council, a division of American Sheep Industry Association

Summary / 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 diversify 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 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.

Fiscal year 2015-2016 was notable because:

- Wool price and exchange rate (US\$/A\$) volatility. 2015-2016 was a very difficult year. Retail sales of wool garments in major world markets were much weaker than 2014-2015. Tightened environmental laws and credit facilities in China put downward pressure on Chinese wool imports. Add to this the concurrent strengthening of the U.S. dollar against the Australian dollar and it was a difficult year to keep track of market values and conditions. The Australian market finished on Dec. 15, 2016, with the Eastern Market Indicator at A\$ 6.15 per pound clean and US\$ 4.56 per pound clean. The Australian wool market is the major factor in determining world wool prices and the US\$/A\$ exchange rate is a major factor in determining the final return to the U.S. wool grower. This exchange rate finished the year at A\$1.0 = US\$0.74. This is 3.5 percent above last year's level at this time – so relatively steady during the year, but with some volatility.
- Wool exports to India declined in 2015-2016 to 1.38 million pounds clean from 1.68 million pounds clean. They remain the second largest export market for U.S. wool, importing 19.9 percent of U.S. wool exports.
- The renewed interest in U.S. wool by Europe shown in 2011-2012 was not as strong in 2015-2016, but it did manage a 5.1 percent increase in sales to 1.097 million pounds and a 15.8 percent market share of all U.S. exports. This keeps the EU as the third largest market for U.S. wool.
- The U.S. wool market continued to benefit from good domestic demand for the better style worsted comb-

ing wools.

- Wool inventory carryover in the United States as of Sept. 30, 2015, was very low, reflecting the very strong market prices throughout the year and strong domestic demand. Assuming no change in the U.S. wool production of 27.1 million pounds greasy, exports would amount to approximately 51.4 percent of U.S. wool production. (Note: This includes noils and wool waste exports.)

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

Total U.S. wool exports decreased by 7.6 percent by volume (to 6.96 million pounds clean) and 12.97 percent by value (to \$17.44 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 in recent years.

China maintained its role as the major export destination for U.S. wool, taking 41.7 percent (2.90 million pounds clean) of all U.S. wool exports (6.96 million pounds clean).

India is the second largest export market for U.S. wool taking 19.9 percent (1.38 million pounds clean) of all U.S. exports – down 17.6 percent on 2014-2015. The major factor behind the export to India sales reduction during the last two years has been the reduction of U.S. wool used in a sales early-stage processing mill in India and the movement of that production to a new mill in Bulgaria – where we are seeing the beginnings of exports there. Notable as well is that sales to vertical mills in India have actually increased, so the hopeful expectation is that the combination of improved vertical mill sales in India plus the expansion of the Bulgarian will see a net overall export sales increase.

ASI remains committed to continue further development of the Indian market as a major alternative destination to China. As China's labor rate increases (25+ percent in the last three years) and environmental 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 is expected that U.S. wool sales to India will increase again. ASI is continuing to work with U.S. exporters to expand sales to recently added customers in 2013-2014 and to new customers. Considerable work will be required to ensure 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.

Western Europe saw some resurgence in wool processing in fiscal year 2010-2011 – especially in Italy. However, this momentum has been lost, at least temporarily, due to the economic difficulties being faced in the European Union. This has dampened consumer confidence and spending and has led to still-weak spending at retail, although there are some signs currently that this might improve in the near future. 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 substantially in fiscal year 2015-2016.

ASI has had a maintenance program in place in Western Europe for the last couple of years, just in case of 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 and political environment currently existing in a number of Western European countries.

One other region that ASI is watching closely is the Southeast Asia region. With Chinese production costs rising, there is already evidence that China is losing textile production to countries such as Vietnam, Indonesia, the Philippines and Cambodia, as well as to India. Additionally, a large wool processing plant is under construction in Malaysia, so it is expected that opportunities might exist there. ASI personnel visits to China and India in late 2016 have confirmed that the Malaysia plant is now operational for scouring and combing and that Vietnam's expansion into wool (particularly knitwear) continues. ASI expects to resume market activity in Southeast Asia in 2017. Due to uncertainty with the Trade Policy (TPP) politically, this has been put on hold until the situation is clearer.

Another region that has changed and shows distinct promise in 2016 and going forward is Eastern Europe, particularly Bulgaria. With the establishment of a new combing mill that is expected to use significant quantities of U.S. wool, there is reason to be optimistic in this new market. Exports of U.S. wool to Bulgaria went from zero in 2014-2015 to 621,918 pounds in 2015-2016.

Recommendations for Fiscal Year 2015 - 2016

- 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.

Quality Improvement

- A. MARKET INFORMATION
- B. QUALITY IMPROVEMENT & NEW TECHNOLOGY
- C. QUALITY ASSURANCE
- D. WOOL OUTREACH & MAKE IT WITH WOOL

A. MARKET INFORMATION

Wool Trust Goal Addressed by this Project

- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve wool production methods.

Project Goals

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

Top Achievements in Fiscal Year 2015-2016

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 the 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 to enhance both ASI's and LMIC's databases, which has augmented our collective outreach and analytical programs.

Market Report

JULIE STEPMER SMILETT, PH.D.
August Economic Consulting

What's In A Price?

What's in a price? A lot, actually. Prices help guide efficient production decisions. If the industry produces too much, prices drop. If the industry produces too little, consumers want more – prices rise, giving producers an incentive to produce more. Sounds simple, right? Of course, it's not that easy. It never is.

There are several factors that challenge this tidy picture. Some domestic producers are also exporters and imported lamb accounts for one-half of our market. It is important that global lamb supplies – not just U.S. production – affect domestic prices. Thus, domestic prices are not necessarily a function of consumer demand and domestic supply.

Second, lamb prices are not reported for nearly one-half of the market. So, when we speak of prices guiding efficient domestic production decisions, what prices are we talking about? Prices at auction? Imported lamb prices? Prices received by some producers for terminal-gain purchases that are not reported?

Price discovery – buyers and sellers coming together to negotiate prices based upon current and expected demand and supply – is falling to the lamb industry. What does this mean for producer returns? For investments in the lamb industry?

STEER LAMB SUPPLY IN AUGUST

Feeders in direct trade averaged \$172.30 per cwt. in August, down 4 percent monthly and 2 percent higher year-to-year. Prices were 11 percent higher than the 2013-15 average for August.

Nearly 400-lb. feeders at auction averaged \$176.63 per cwt. in August, down 6 percent for the month and 3 percent lower year-to-year. In Los Angeles (Total) feeders averaged \$196.91 per cwt., \$164 per cwt. in Fort Collins (Total) and \$161.40 per cwt. in Texas Valley (Total). The number of head and feeder weights were not necessarily the same across markets.

In late August, 1,790 feeders traded out of Idaho. Lambs weighing 162-69 lbs. brought \$162.68 per cwt., 150-lb. feeders averaged \$163 per cwt. delivered, (SHEEP/AMS, 8/26/16).

In late August, the Northern Frontalco Sheep Value Auction in Montana saw the sale of more than 79,000 head. Feeders for September and October delivery received \$172.81¢/cwt. for 85-88 lbs., \$165-\$172 per cwt. for 90-93 lbs., and \$163.25-\$168.50 per cwt. for 95-105 lbs.

UNWEIGHTED LAMB ON FEED IN U.S.

At 96.22 thousand head, lambs on feed in Colorado were down 7 percent in early September from one year ago and down 24 percent from its monthly five-year average (LAMB, from USDA/AMS, NCSIS).

Feeders in direct trade were also lower in 2015, and significantly lower than past years. In the right months through August, the total volume of lambs placed on feed was 48,550 head, down 61 percent from its five-year average for this period.

Where are all the lambs? Feeders might increasingly be sold direct to non-traditional markets.

WASHER LAMB PRICES

Washed feeder lamb prices at auction averaged \$1.36 per cwt. in August.

3 Market (CO, SD, TX) Auction Feeder Lamb Prices

Source: LMIC, AMS, ASI

• Sheep Industry News • sheepline.org

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 during the past year, including monitoring the closing 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 the lamb market 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. 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 / Results

In its efforts to become more competitive, the U.S. sheep 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 2016-2017

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 & NEW TECHNOLOGY

Wool Trust Goal Addressed by this Project

- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve wool production methods.

Project Goals

- To improve the quality of American wool through coordinated educational efforts supporting market development.
- To increase the use and adoption of new wool technology in wool-fiber testing and marketing of wool.
- To enhance the market infrastructure for U.S. wool to facilitate domestic and international wool marketing opportunities.
- To look at ways to increase efficiencies and make American wools more easily available.

Top Achievements in Fiscal Year 2015-2016

• **Wool Handling Schools** – ASI provided two- and three-day wool education workshops for sheep producers across the United States to broaden wool quality education and improvement programs. In 2015-2016, a two-day Wool Handling Educational Workshop was held involving 20 students. Additional workshops were held in the Midwestern and East Coast states to assist with quality improvement geared toward their type of sheep, marketing systems and end-uses. Many of the schools in these regions are more fiber related due to the coarser wool breeds of sheep raised.

• **Wool Quality Improvement Programs** – Three-day Certified Wool Classing Schools were held in California, Maryland, North Dakota and Utah, involving a total of 51 students. A wide variety of interests were met including sheep producers, sheep shearers and wool producers focused solely on fiber production, fiber processing, fiber processors and commercial mill operations. The primary goal of the Wool Classing program was initially to meet the needs of the commercial wool industry by providing trained classers who would be available to work with shearing crews and continue to improve U.S. wool quality. However, this program has now adapted and changed to meet the needs of producers who have expanded their production and marketing systems by directly marketing their wool, wool products or finished garments. This program meets their basic needs of providing information and educational materials to improve their specific operations. In 2016-2017, schools are scheduled for California, Maryland, North Dakota, Texas, Utah and Washington state. An anticipated 60 to 65 students are expected to attend these schools. As part of the overall wool quality improvement program, 20 new vinyl tarps (20 ft. by 30 ft. made from non-contaminating material) were placed with certified shearing crews last year for their participation in wool-quality programs. These long life tarps will reduce potential contamination at the shearing site as the wool is handled during shearing. In addition, in 2016, a 50/50 cost share program was established to help offset the cost of wool classing tables for shearing crews and wool classers, further encouraging correct wool handling and packaging at the shearing site. This program might be expanded later this year, depending on the additional needs of the wool industry.



• **OFDA Training, Testing and Outreach for Genetic Wool Improvement** – The OFDA 2000 machines continue to provide quick, accurate and relatively inexpensive methods of testing wool and providing information on wool

characteristics to all segments of the wool industry, particularly, the production segment. Increased demand for information by sheep producers when purchasing rams and replacement ewes can be provided by these machines. This allows more rapid genetic improvement of wool traits as the data provided via the National Sheep Improvement Program is being used in several leading ram and ewe sales in the industry. In the purebred segment, this data allows more accurate selection of animals at a younger age, which results in more efficiency and more rapid progress in the genetic selection process. Outreach includes working with breed associations, NSIP, ASI's Let's Grow Program and various livestock shows and sales to continue the education of the sheep industry on genetic improvement techniques. It should be noted that with the additional data on wool and growth, higher prices for both rams and ewes have been noted during the past 10 years. These portable machines can be taken directly to the ranch or farm for on farm testing and instant reports on individual sheep, as well as used for immediate selection of breeding sheep. It increases the efficiency of the selection process by eliminating several steps in the selection process and shortening the time intervals. The data provided via the OFDA 2000 allows both buyers and sellers to make more accurate and timely decisions in the genetics of their animals.

- **Shearing/Wool Handling Contests & Shearing Educational Meetings** – Shearing contests provide an additional opportunity for ASI to educate new shearers, experienced shearers, wool handlers and related shearing crew members on changes in wool quality programs or wool handling techniques, in order to continue to improve the U.S. wool clip. Usually, educational topics and materials are presented at the annual American Sheep Shearers Council meeting at the national contest in Rapid City, S.D. Four major contests are held yearly at selected states, where accumulated points determine which U.S. shearers are selected to represent the U.S. in international competition in both shearing and wool handling. ASI offered funds for regional shearing contests (money allocated to states conducting shearing programs – Iowa, Illinois, Indiana, Kansas, Maryland (program is every other year), Michigan, Montana, North Dakota, Ohio and South Dakota) that promote wool quality as part of their competition. Wool programs were provided at shearing schools in California, Colorado, South Dakota, Washington and Wisconsin. With input from Australia and the American Sheep Shearing Council, ASI published a new, updated sheep shearing manual that is the basis for all sheep shearing schools being taught in the US.

- **Wool Description and Wool Marketing Reporting System** – ASI currently subscribes to the weekly wool-market report and shares this information with producers and the wool trade. ASI and AWEX created a new market report specific to U.S. wools in order to provide more valuable market information tailored to the U.S. wool industry and provide more transparent market information. ASI is encouraging the wool infrastructure to utilize the AWEX system when participating in the ASI international wool programs and combine AWEX-ID with the use of objective measurement of wool in marketing. It has very distinct educational advantages by being able to identify those wool characteristics of each wool clip and shows how those traits, both positive and negative, affect the resulting wool price. In co-operation with USDA, Agricultural Marketing Service, Market News, ASI was instrumental in developing a Wool App to calculate wool prices with weekly updated international wool prices that are available to producers, warehouses, buyers and processors of wool. This is a free application so U.S. producers can compare wool types and descriptions of Australian and U.S. wools according to wool quality and types. This will assist in providing additional market information to producers, allow more transparency in the market place and provide educational descriptive terms of wool for the entire sheep industry. The app is being used extensively by fine wool producers as a reference point to compare U.S. wool prices and international prices. During the past year, a growing number of producers were noted using this app during wool season and noting the weekly differences in price for their type of wool.

Summary / Results

- Upgraded the OFDA 2000 equipment needed to provide wool evaluation and education within the wool

industry.

- Cooperative meetings between ASI's Wool Council and key members of the shearing industry to address challenges with the wool industry today and in the future.
- Continued interest and enthusiasm of wool industry members in attending Certified Wool Classing or Handling Schools in the United States providing wool education.
- ASI implemented a cost sharing program to offset the cost of wool classing tables to further encourage proper wool handling techniques within the industry.
- Built a Wool Description and Pricing Tool for the ASI Market News App.

Recommendations for Fiscal Year 2016-2017

- Schedule a wool quality meeting in California for shearing crew managers and wool producers to encourage the use of upgraded wool-testing equipment and improved wool-handling techniques in that area.
- Site visits are a great way to increase overall wool handling to make an impact on the wool quality so should be continued.
- Plans to augment shearing-day activities in 2016-2017 include establishing a "mentor" program utilizing Level III and IV classers working one-on-one at shearing sites with Level I and II Classers in order to provide more experience and rapid advancement in a shorter time frame in the certified classing programs.

C. QUALITY ASSURANCE

Wool Trust Goal Addressed by this Project

- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve 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 2014 - 2015

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 and the devastation caused by HPAI in the poultry 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 fiscal year 2015-2016:

- **Quality Assurance** – Continued the implementation of the national Sheep Safety and Quality Assurance program for producers. Several hundred producers have been trained and certified in SSQA Level I and trainers are working with producers in several states on SSQA Level II processes.
- **Animal ID** – Participated in the National Animal Disease Traceability development. ASI continued 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.
- **Surveillance** – ASI cooperated actively with APHIS to increase the number of slaughter surveillance samples submitted for diagnostic evaluation from small processing plants.
- **Education** – ASI, through APHIS, provided funding to state sheep associations to implement educational programs on scrapie eradication.
- **Research** – Worked with USDA's Agricultural Research Service 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.
- **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.
- **FMD** – Participated in a cross-species Foot and Mouth Disease team to prepare steps for disease containment and communications in the event of an outbreak.
- **Emergency Response** – 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.
- **Genomics** – Worked with industry and academic representatives from Australia, New Zealand and the United States on the prioritization and implementation of sheep genomics research.
- **Involvement** – Participated in several formal and informal coalitions and allied industry organizations relating to animal health. The formal ones include:
 - o American Veterinary Medical Association’s Food Animal Medicine Consortium
 - o Animal Agriculture Coalition
 - o National Institute for Animal Agriculture
 - o United States Animal Health Association
 - o Council on Agriculture, Science and Technology
 - o Animal Agriculture Alliance

Summary / 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 biological production cycle of sheep 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 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. During 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 USDA’s Animal and Plant Health Inspection Service, Food Safety and Inspection Service 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 manual and certification of ad-

ditional 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 2016-2017

- 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 continue to implement and use the new industry-wide 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 has been produced and is being distributed to sheep producers, lamb feeders, livestock markets and lamb and wool processors to educate workers and managers at all levels of the supply chain on the importance of proper sheep handling. It is designed to help assure high-quality lamb and wool, as well as give proper attention to the care and welfare of the animals. In addition, the popular *Sheep Care Guide* has been updated and is the final review phase.
- An updated web-based SSQA training program has been implemented, which makes training much more convenient and cost effective for producers. Additional changes will be made to this training program as a result of a national quality audit completed in 2016.

D. WOOL OUTREACH & MAKE IT WITH WOOL

Wool Trust Goal Addressed by this Project

- Assist U.S. wool producers in the development and promotion of the wool market.
- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve 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.

- Engage younger producers in the growth of the U.S. sheep industry.

Top Achievements in Fiscal Year 2015 - 2016

The Wool Outreach program funds local wool projects administered by state sheep associations and affiliated organizations to support the overall Wool Trust program. A total of 45 associations were invited to participate in Round 16 of ASI's Wool Outreach Program, which began Oct. 1, 2015, and ended on Aug. 31, 2016.

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. The minimum amount awarded was \$1,000.

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

- Procuring a wool speaker/specialist at state sheep association meetings (expenses could include meeting expenses, speakers' fees, travel and lodging costs).
- Funding Make It With Wool activities.
- Conducting wool seminars, wool pools, etc.
- 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 funds 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 state organizations' funds, was \$408,148.26.

Arizona	\$5,469.74	Iowa	\$12,712.00	New Jersey	\$1,771.75	Texas.....	\$37,591.64
Arkansas	\$1,027.00	Kansas	\$3,032.22	New Mexico.....	\$6,363.19	Utah.....	\$20,968.00
California.....	\$104,116.35	Kentucky.....	\$24,000.00	New York	\$2,116.58	Virginia	\$2,489.35
Colorado	\$8,305.78	Maine	\$1,000.00	North Carolina.....	\$1,345.77	Washington	\$4,920.86
Connecticut.....	\$1,050.00	Maryland	\$1,945.91	North Dakota	\$2,769.24	West Virginia.....	\$1,166.00
Florida.....	\$2,040.50	Massachusetts	\$13,987.55	Ohio.....	\$6,752.27	Wisconsin	\$2,799.19
Georgia.....	\$1,167.20	Michigan.....	\$2,457.79	Oregon	\$6,225.96	Wyoming	\$19,673.32
Hawaii	\$1,190.50	Minnesota.....	\$43,534.83	Pennsylvania	\$3,401.00	NLFA.....	\$1,000.00
Idaho	\$7,445.68	Missouri.....	\$3,437.95	South Carolina.....	\$3,514.84		
Illinois	\$1,850.00	Montana.....	\$9,915.04	South Dakota	\$20,155.79	TOTAL	\$402,511.00
Indiana.....	\$2,268.61	Nebraska	\$2,439.25	Tennessee.....	\$3,092.35		

The major focus of the Young Entrepreneurs Committee was to connect with and encourage attendance at ASI's annual meeting in January. The young producers developed a program designed to be of interest to this level producer. A record number attended the Scottsdale, Ariz., meeting. Speakers presented a wide variety of topics followed by very active question-and-answer session.

Summary / Achievements / Results

The Wool Outreach Program enlisted support at the state 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. As a result, this year, 40 organizations carried out programs that worked to meet one or more of the three goals, and all submitted reports on each of their programs. It should be noted that in the 16th 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 2016:

A record number of young entrepreneurs participated in the meetings during the ASI Annual Convention. Much discussion was had about the continuation of this program and of the selection of topics to present at the next meeting.

Recommendations for Fiscal Year 2016 - 2017

The MIWW and the Young Entrepreneur programs both draw participation to the industry from groups that would not otherwise be served. It is recommended that these programs continue in the next fiscal year.



Producer Communications

- A. PRODUCER PUBLICATIONS
- B. MEDIA/PUBLIC RELATIONS/PROMOTIONAL
- C. PRINTING
- 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 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 2015-2016

Fiscal year 2015-2016 was filled with challenges to the sheep industry, including public land grazing 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. The *Sheep Industry News* is mailed to approximately 7,500 individuals and businesses combined, with the main audience consisting of U.S. sheep producers.

The communications team 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, garment manufacturing companies and wool-related companies in Kentucky, Massachusetts, Montana, Utah and Vermont. The reports updated the entire industry on conditions and future expectation of these companies, as it pertains to the future use of wool.

- There were several 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 contained a wool market update consisting of current situations and projections for wool market prices, supplies and/or trends.

- The December 2015 issue of the *Sheep Industry News* included an American Wool Gift Guide, which provided readers with a look at the variety of products using American wool.

- 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.

- Six issues of the *Sheep Industry News* included special two-page updates on the wool industry. The *Wool Journal* routinely covers wool textile industry conditions, retail demand and economic conditions, wool production and supply, wool and fiber prices and an overall outlook for the industry.



- 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. A digital version of the magazine is also available and can be accessed from the association's website, www.sheepusa.org.

- ASI produced 48 issues of the *ASI Weekly* newsletter. This newsletter contained 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 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 disseminated 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.

Summary / 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, 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. Communications included production of ASI's monthly magazine, *Sheep Industry News*, ASI's weekly newsletter, *ASI Weekly*, and press releases.

Recommendations for Fiscal Year 2016-2017

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 is to disseminate information to its membership. New story ideas for the *Sheep Industry News* 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

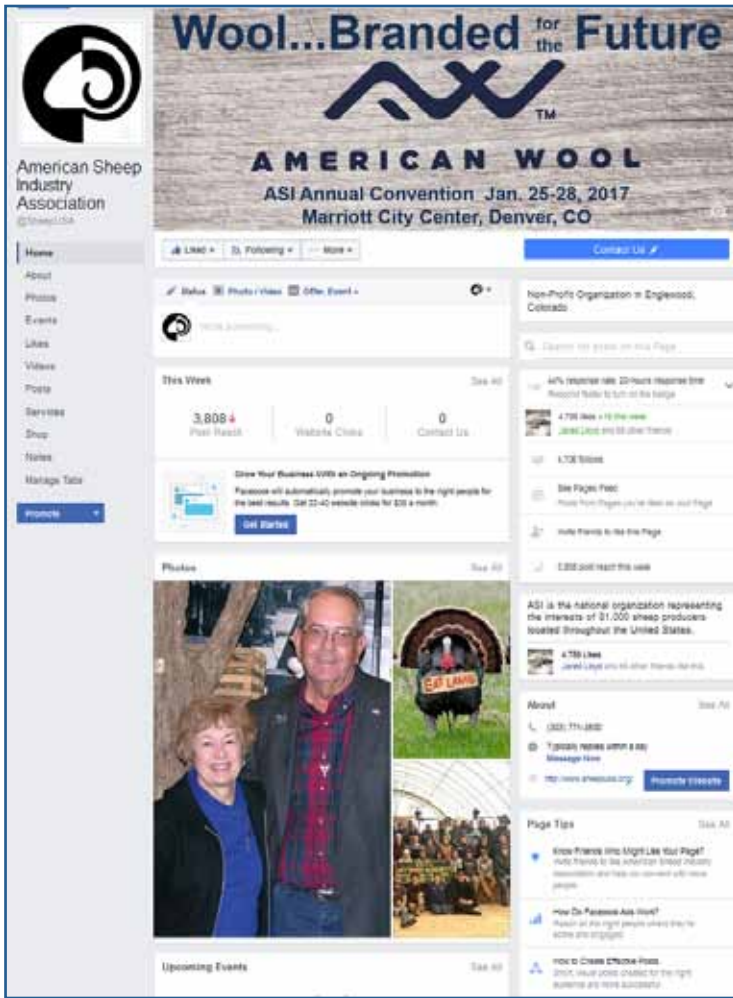
Disseminate information to producers on programs and improvements in the wool industry

Top Achievements in Fiscal Year 2015-2016

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 2015 annual meeting, ASI recorded more than 20 radio interviews and a couple television spots.

- Print Media – Getting the wool and sheep industry story out to the nation continues to be 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 800 followers and on Facebook with more than 4,700 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/sheepusa and the Twitter page is at www.twitter.com/sheepusa. The association also maintains a growing Instagram account. In the year to come, separate social media and websites devoted strictly to promoting wool to American consumers are in the works.

- 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 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 / Results

Media, both print and audio, plays an important part in getting the news of the sheep industry out to the masses. Conventional strategies, as well as social media, 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 2016-2017

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 2015-2016

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 fiscal year 2012-2013, ASI produced and revised a number of its industry brochures to inform the wool and sheep industry about the success of its programs.

o 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 wider accessibility.

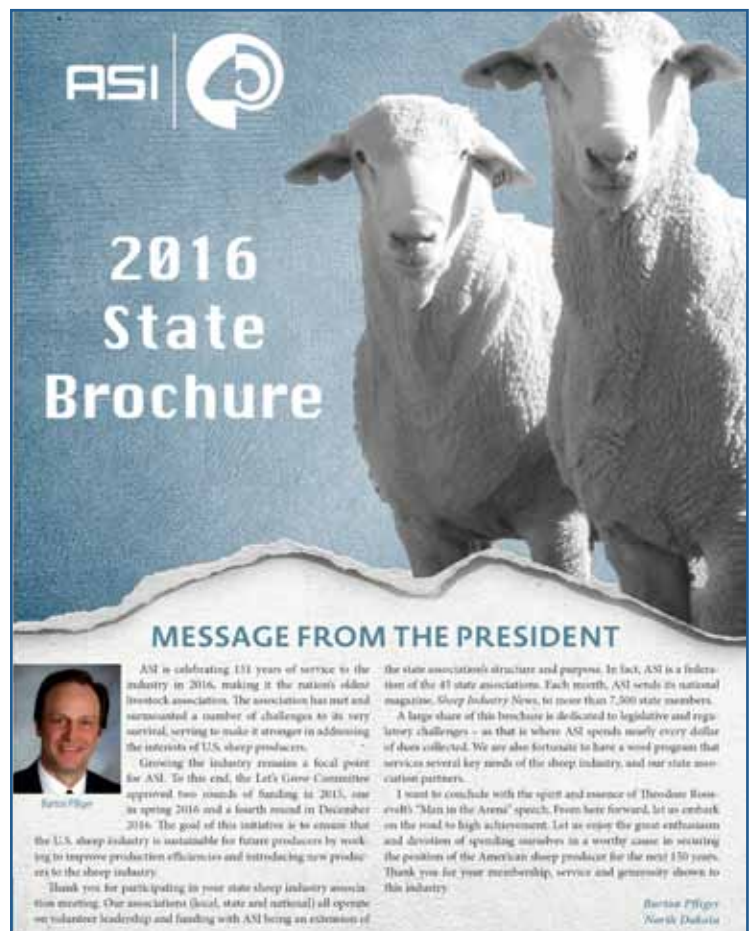
o State-Specific Newsletters and Presentations

Also continued this year were industry newsletters geared toward each state association. ASI produced a state specific, low-cost, four-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.

- American Sheep Industry Association Brochure – The general ASI brochure was updated this year to give the association a way to get information out to members, non-members and consumers alike. A detailed list of things ASI has done for the industry was included in the updated brochure.

- 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.

- 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 2016 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 – Displays were created this year to be taken to various tradeshow and industry meetings. The displays depict the multiple aspects of the industry and provide great visuals for meeting attendees.

Summary / 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 2016-2017

Continued production of printed materials is encouraged. Keeping current displays is a key target for this 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 for the industry and consumers looking for information about wool and sheep
- Plan and prepare to be the major source of knowledge during an emergency situation with 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 2015-2016

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. The app boasts many downloads. 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. ASI contin-

ues to maintain the app.

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.

Summary / 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 2016-2017

Continued updates of the industry’s website and the ASI Market App are 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 2015-2016

ASI held its 2016 Annual Meeting in Scottsdale, Ariz. Under the motto The Strength of a United Voice, it was fitting that announcements such as another year of increased sheep inventory, the launch of Working Dog Liability Insurance and mandatory country of origin labeling for lamb were revealed. Some of the information coming out of the 2016 ASI Annual Convention included:

“The focus of our meeting this year was current events and current issues,” said ASI President Burton Pfliger (N.D.). “Agriculture and the sheep industry in particular are facing the new veterinary feed directive, protecting ourselves from liability claims associated with working dogs and keeping our markets transparent. All of these topics – plus many more – were given center stage at our meetings in Scottsdale.”

- The U.S. Department of Agriculture’s National Agricultural Statistics Service’s Sheep and Goat Report revealed that sheep and lamb inventory on Jan. 1, 2016, was up 1 percent from the same date in 2015. This marks a second-consecutive year increase, bringing inventory numbers up from 5.21 million head to 5.32 million head.

- ASI led the charge to reauthorize mandatory price reporting for lamb and was able to accomplish this task by the Sept. 2015 deadline. Discussions at industry meetings focused on the regulations USDA is expected to announce to implement the requested lamb industry changes. The need for a review of the carcass value or carcass cutout report was emphasized.
- A focus from the wool meetings was the report from the joint summer meeting between the Wool Council and the U.S. shearers, where revised placement of the scrapie tag was discussed. The ASI board of directors supported policy submitted from these groups encouraging the use of the plastic scrapie tag over the metal tag to reduce the risk of injury to the shearer and to the sheep.
- The launch of Working Dog Liability Insurance was well received. The driving force behind this new product is the nation-wide adoption of tens of thousands of livestock protection dogs in an effort to utilize non-lethal tools in the management of predatory kills of sheep and lambs. The coverage is designed to insure producers who use guardian dogs and herding dogs to protect their livestock against liability claims.
- Because one-third of all sheep in the United States are watched over by H-2A shepherders, an educational outreach session about the H-2A shepherd program drew an enormous crowd when officials from the Department of Labor discussed the new regulations.
- A topic that was addressed daily during the ASI meetings was the pending adoption of the veterinary feed directive and the impact it will have on sheep operations. Under the new rule, which will become effective January 2017, all feed- or water-delivered medications will require a veterinary prescription to be administered.

Summary / 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 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 2016-2017

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.

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

- Assist U.S. wool producers in the development and promotion of the wool market.
- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve 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 2015-2016

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:

- Volunteer leaders to approve and oversee budgets, financials and audits.
- Industry-wide meeting once per year to allow for industry input to Wool Trust programming.

Summary / 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. 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 a 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 2016-2017

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.

Wool Strategies & Program Development

- Wool Strategy
- Let's Grow

Wool Trust Goal Addressed by this Project

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

Project Goals

- Update Let's Grow grant funding priorities.
- Award Let's Grow grants to producer groups.
- Communicate Let's Grow activities to sheep producers nationwide.



Top Achievements in Fiscal Year 2015-2016

- Updated Let's Grow grant funding priorities.
- **Let's Grow Mission Statement** – To support, promote and ensure the U.S. sheep industry's future through the development of innovative and sustainable initiatives that increase the productivity, profitability and growth of the American sheep industry, which will further enhance domestic wool and lamb production.
- **Let's Grow Committee Goals**
 - o Develop a long-term plan for U.S. sheep research and producer education.
 - o Promote widespread producer use of quantitative genetic selection.
 - o Support a national initiative to establish and support producer groups who are committed to improving productivity and profitability.
- **High Priorities for Grant Funding**
 - o Projects and programs that support designated goals.

- o Projects and programs that have national, multi-state and regional impact and have long term productivity advancing implications.
 - o Promote concepts that contribute to strengthening industry infrastructure needs.
 - o Projects and programs that improve seasonality of supply, reduce market volatility and drive the industry's ability to deliver a more uniform, consistent lamb and wool product for a particular targeted market.
- **Award Let's Grow Grants to Producer Groups**
 - o Round Two Grants
 - 27 applications submitted requesting \$513,797.
 - 15 grants awarded totaling \$212,917.
 - o Round Three Grants
 - 28 applications submitted requesting \$965,996.
 - 10 grants awarded totaling \$184,997.
 - **Communicated Let's Grow Activities to Sheep Producers Nationwide**
 - o Internalized Let's Grow webpage within www.sheepusa.org with webpage link: http://www.sheepusa.org/Growourflock_Home.
 - o Maintained Let's Grow page on Facebook: <http://www.Facebook.com/LetsGrowASI>.
 - o Published articles about Let's Grow in the *Sheep Industry News*.
 - o Presented to national and state producer groups.

Summary / Achievements / Results

Fiscal year 2015-2016 contained two additional rounds of Let's Grow grant funding.

Round two had an application deadline of Nov. 15, 2015. On December 7, 2015, the Let's Grow committee met in Denver to review 27 applications. Fifteen were selected for funding totaling \$212,917.

Round three had an application deadline of April 18, 2016. The let's grow committee reconvened on May 9, 2016 in Denver to award the third round of grants. Twenty-eight applications were submitted, of which 10 were selected for funding. A total of \$184,997 was awarded.

Highlights of the projects funded in fiscal year 2015-2106 include:

- The Fine-Wool Breeders Consortium – to improve wool quality of sheep through quantitative genetics and NSIP data collection and shared linkages. Through exchanging sheep and ideas amongst each other, we are creating a genetically superior wool sheep that will help improve the U.S. commercial breeder's flocks.

- Foundation for the development of genomic enhanced breeding values in fine wool sheep.
- Next generation wool grower program – Development of young producer group to facilitate enduring networking and information exchange that translates into best management practices and leadership in the wool sheep industry.

Recommendations for Fiscal Year 2016 – 2017

The Let's Grow committee scheduled the fourth round of grant funding totaling \$325,000 with a November 2016 deadline. The group met in December 2016 in Denver to select proposals to fund.

Fiscal year 2016-2017 will see a continuation of the plan of action set forth in 2015-2016 that worked to increase the productivity, efficiency and profitability of the U.S. sheep industry.

Administration

Wool Trust Goal Addressed by This Project

- Assist U.S. wool producers in the development and promotion of the wool market.
- Assist U.S. wool producers to improve the quality of wool produced in the United States, including to improve 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 2015-2016

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. 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 2015 - 2016

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. 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 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
Representative Trip Reports
Evaluative Surveys by Reverse Trade Mission Participants
American Wool Council Ad
Wool Journal, October 2016
Wool Journal, June 2016
Wool Journal, April 2016
Wool Journal, March 2016
Wool Journal, September 2015

Quality Improvement

Wool Outreach Final Report

Producer Communications

Sheep Industry News, June 2016
Sheep Industry News, April 2016
Sheep Industry News, February 2016
Sheep Industry News, December 2015
ASI Weekly Newsletter, Oct. 7, 2016
ASI Weekly Newsletter, Aug. 26, 2016
ASI Weekly Newsletter, July 15, 2016
ASI Weekly Newsletter, June 24, 2016
ASI Weekly Newsletter, May 27, 2016
Press Releases
Production Fast Facts
State Brochure
Convention Registration Form
Convention Onsite Brochure
2016 Calendar
Wool Logo Banner
ASI Brochure

Wool Producer Planning

Wool Council Meeting Minutes
Nov. 18, 2015
Jan. 28, 2016

Wool Strategy & Business Development

2016 Mentor Report
Let's Grow Powerpoint Presentations