

WOOL TRUST REPORT

2016-17



American Sheep Industry Association

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Executive Summary

BACKGROUND INFORMATION

In 2000, the United States 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 American 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, 2016, through Sept. 30, 2017 – 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 United States wool producers in the development and promotion of the wool market.
- Assist United States 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 United States wool producers.

United States Market Situation

Domestic wool-apparel production in the United States during the past decade has been relocated into other countries with lower cost production models, as is the trend with all textiles. Exports now account for more than 50 percent of domestic wool production, however, domestic consumption of wool has increased due in large part to the use of American wool in the hosiery market. In addition, because of the Berry Amendment – which requires the American armed forces to purchase goods domestically – the United States military has traditionally been an important purchaser of American wool. Military wool demand declined from 2010-2016, but clothing and textile forecasts indicate a moderate increase.

Flame-resistant wool apparel has become a popular product with the military, as synthetic materials are more likely to burn when exposed to heat – and can even melt onto a soldier's skin – making those fabrics less desirable than flame-resistant wool in war zones. The United States Army implemented a “no melt, no drip” apparel campaign for its fighters, and is currently researching new dress and combat uniforms that will rely heavily on American wool.

The purchase of shrink-resistant treatment equipment in 2010 – and its subsequent production start in 2011 – allows a low-cost treatment to render wool machine washable and dryable in the field environment with little to no shrinkage. This has been of great interest to the military, and an asset to the wool industry as a whole. 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 United States sock industry is the largest user of American washable wools. Prior to the reintroduction of the shrink resistant treatment line to the United States, American sock manufacturing mills sent their products overseas to have a shrink resistant treatment applied. Now, United States manufacturers use American wool and leave less of a carbon footprint by producing washable socks domestically.

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 anti-microbial, 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 American wool to meet consumer demands for a natural, high-performance fiber. 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, Ramblers Way and Voormi 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 American 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. 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 properly handled products.

World Wool Situation

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

The past several years have seen some significant changes in the wool market and fiscal year 2016-2017 is no exception. The major change in the world wool market situation has been the impact of changes in China during the last five years. Those changes include higher labor costs, radical changes in the government legislation and regulations regarding effluent disposal introduced in 2014 (effective from Jan. 1, 2015 & continuing in 2016-17) 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 two to three years of weak exports and soft domestic demand, the Chinese economy has improved, and along with it the import of American wool.

Wool production in Australia, the world's largest producer, and the world price setter increased by 4.7 percent in 2016-17 following a 90-year low recorded the previous year. Australia's wool supply is expected to remain steady at around 750m pounds greasy in 2017-18. While this production increase is welcome, worldwide wool production levels remain historically low. Combined with improved demand in the past year, this resulted in a year-on-year increase of 26.5 percent in the Australian Eastern Market Indicator in terms of United States Dollars as of Nov. 23, 2017. Surging prices of medium to fine wools were most certainly a welcome improvement in 2016-17.

Extreme drought in the West and Southwest United States have been the norm in recent years, resulting in a recent reductions in overall sheep numbers and domestic wool production. However, the industry is hopeful for improved numbers in late January when the U.S. Department of Agriculture releases its annual sheep report.

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 American wool. The maintenance of a diverse market has been a key to minimizing the effects of financial conditions by keeping markets open in a variety of countries.

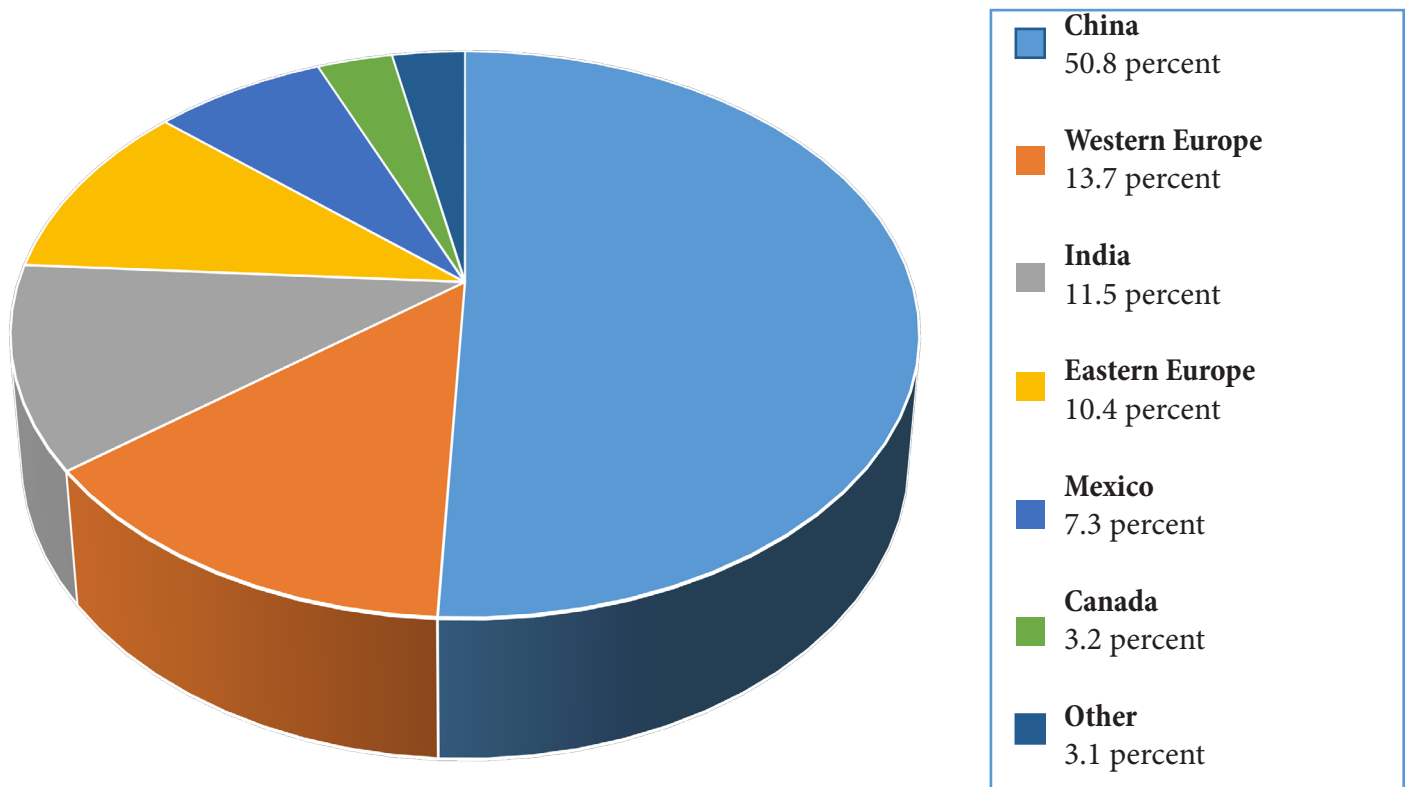
The reporting year for ASI's international programs is Oct. 1, 2016 – Sept. 30, 2017, therefore the 2016-2017 export numbers reported here reflect this period.

Exports to China increased in 2016-2017 by 51.3 percent by volume to 4.39 million clean pounds. The major factors in this are explained above. China remains the largest importer of American wool, taking 50.8 percent of all United States wool exports.

Western Europe was the second largest market for American wool with an increase of 7.9 percent to 1,184.1m pounds clean. India reduced its U.S. wool imports by 28.1 percent (by volume) in 2016-17 to 994m pounds clean. While reductions in the Indian domestic and export businesses were a factor, the major cause for reduction was 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 wool top export business.

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 American wool were also carried

FY 2016 – 2017 WOOL EXPORT MARKET SHARES



out in Western Europe, South America, Mexico, Southeast Asia and Canada.

In fiscal year 2016-2017, China accounted for 50.8 percent of total U.S. exports (by weight), followed by Western Europe (13.7 percent), India (11.5 percent), Eastern Europe (10.4 percent), Mexico (7.3 percent) and Canada (3.2 percent).

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 American wool industry continues to develop the ASI international programs. The United States industry's export expertise has been significantly improved. As a result of the expanded options and their own improved expertise, United States 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 American military. In 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 flame resistant wool/Nomex fabric and non-chlorine shrink treatment for wool.
- ASI is continuously seeking new customers for American wool. In recent years, ASI has 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 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 is the 15th 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 – Facebook, Twitter and Instagram – which were incorporated in the communication plan to further disseminate wool- and industry-related information.
- As part of its strategic plan, ASI has 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. The sheep industry as a whole is now starting to see benefits from many of the long-range projects and programs funded through some 50 Let's Grow grants in the past three years.
- ASI's first mobile application continued to provide lamb and wool market information to anyone with a smartphone or tablet. Enhancements have been added to the ASI Market App that included a Wool Calculator, a Breakeven Calculator and a Gestation Calculator. More market information was also added. The association continues to look at ways to improve this valuable tool for sheep producers.

Program Expenditures

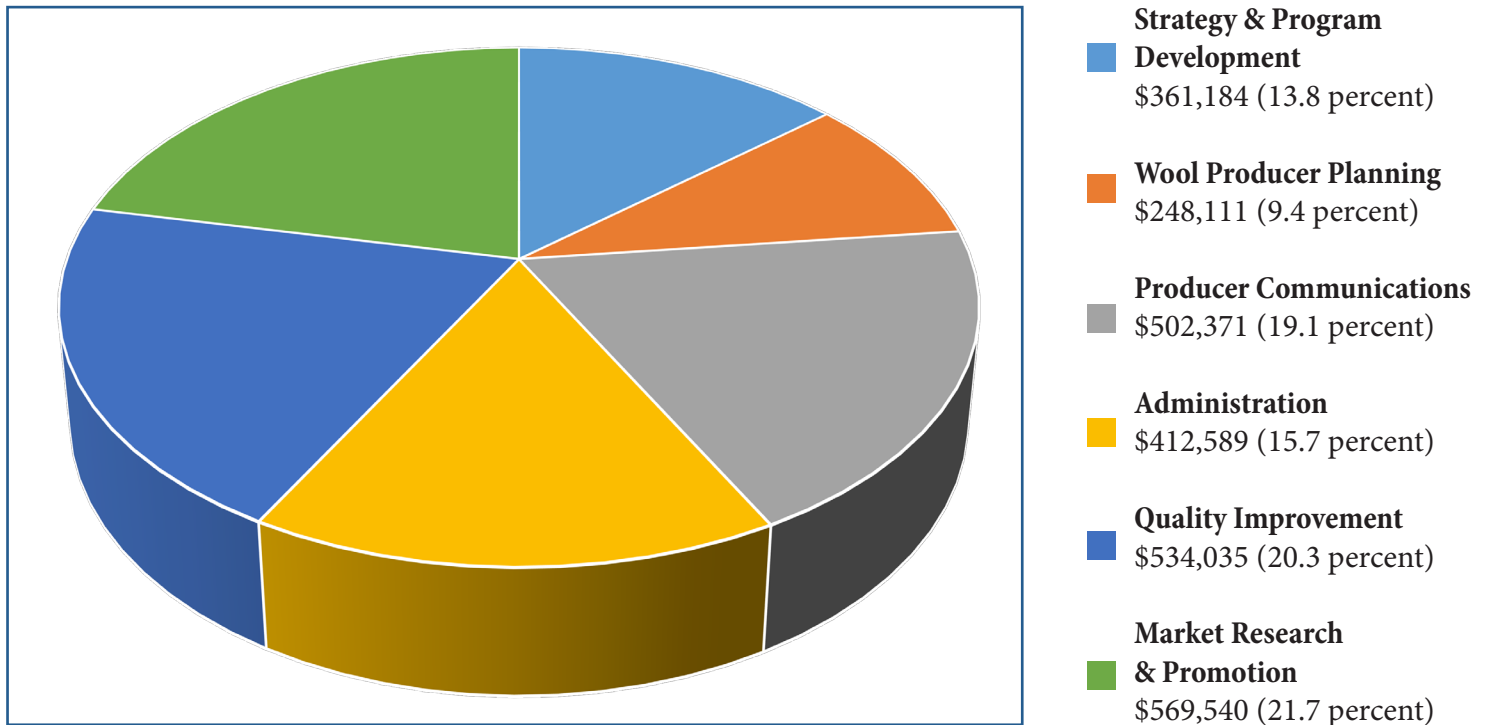
SUMMARY

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 2016 – SEPTEMBER 2017 WOOL TRUST EXPENDITURES



Market Research & Promotion

A. MARKET & PRODUCT DEVELOPMENT

B. MARKET RESEARCH & NEW USES

C. INTERNATIONAL AND DOMESTIC MARKETING PROGRAMS

A. MARKET & PRODUCT DEVELOPMENT

Wool Trust Goal Addressed by this Project

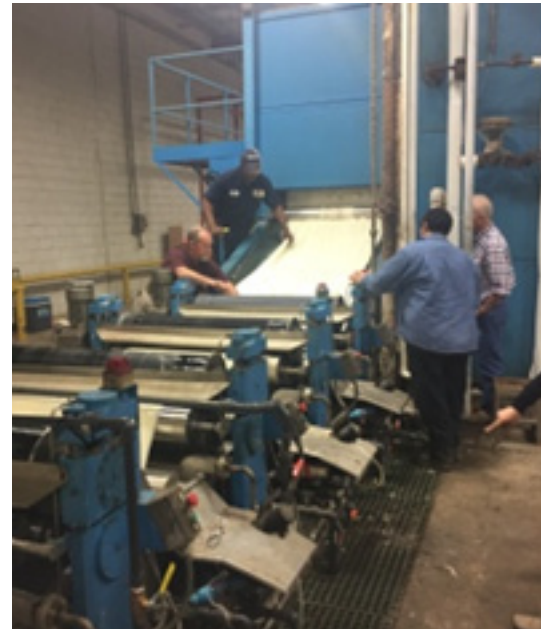
Assist U.S. wool producers in the development and promotion of the wool market.

Project Goals

- Assist U.S. wool companies with marketing and product development.
- Create higher demand for the use of the American 28 to 32 micron clip through new customers and end-item applications.
- Increase American wool's visibility on the apparel insulation market.
- Product Development Initiatives, including: wool insulation batting plasma and development of Superwash through mercerization product development and technical services.

Top Achievements in Fiscal Year 2016 – 2017

- Developed broader use of Superwash by providing technical expertise and developed market with direct programs to American mills.
- Wool Mercerization. ‘Mercerization’ is an enhanced version of the chlorine-hercosett shrink treatment commonly referred to as Superwash, which reinvigorated domestic manufacturing with American wool. Mercerization treatment makes wool smooth to the touch – similar to cashmere – allowing coarser wools to be used in applications that traditionally use only fine wools. ASI, along with International Textile Group's Burlington Worldwide sponsored a mill trial of the process at Chargeurs Wool USA in March 2017.



Summary / Results

ASI Consultant and accomplished chemist, Dr. Roy Kettlewell supervised the successful trial. Three lots of wool fiber were processed. All three are at Burlington and Kentwool awaiting spinning as of this report. When spinning is completed, the resulting yarn will be prototyped in several potential products including socks and base-layer garments for potential military use. Mercerized wool could be a significant development for American wool since it would allow the use of American wool in a wider range of products.

Recommendations for Fiscal Year 2017 – 2018

Projects will be carried out in collaboration with textile industry partners and their customers. These joint efforts provide rapid commercialization of new products and processes and extend their possible usage in civilian markets.

Previous Product Development activities focussed on finer micron domestic wools. The success of these efforts resulted in a satisfactory market demand for 19.5 – 25.0 micron wools. New initiatives to develop markets for the coarse end of the domestic wool sector remained incomplete due to lack of staff to spearhead such developments. With the addition of ex-AWI research staff now working for AWC, the program will be reactivated and the efforts will focus on the following initiatives. These are:

- Wool non-woven development.
- Wool fiber property education at selected universities.
- Development of new applications for the SVC installed Superwash line.
- Other non-apparel developments.
- Exploitation of Eco-friendly treatment options for wool.

Wool Non-woven development

Wools such as those in the coarser end of the American wool clip are ideally suited to non-woven products which often rely upon the resiliency of the fiber to maintain their benefits. This creates two opportunities:

- Wool batting products for apparel: The natural breathability, thermal and inherently biodegradable features of wool offer market opportunities in the outdoor apparel market and will be explored.
- Wool batting products for non-apparel. The proposed program will investigate possible wool market in the air filtration market utilizing the unique property of wool to absorb air pollutants

Goals: To develop a second domestic manufacturing resource for the apparel insulation market using coarser wools and to initiate development of wool and wool/microfiber blend with one air filter manufacturer.

Wool Education

The information about wool fiber properties needs to be strengthened through development and presentation of short courses at selected universities for textile engineering and design students. Both live participation and through webinar options will be explored.

Goal: To make presentations at two universities in the United States.

New Applications for SVC-installed Superwash Line

Recent wool mercerization trial at Chargeurs using the Superwash process line indicated that the process is commercially viable and offers new product opportunities for wool in hosiery, specialized apparel (Tuxedo market) and in accessories. Experiences from the mercerization trials also provide opportunities to improve the efficiency of the existing Superwash process.

Goal: To assist wool top producers in the optimization of the mercerization and the Superwash processes and to promote the mercerization option to industry partners.

Other Non-Apparel Developments

An opportunity exists for domestic wool in gaming cloth market. This huge United States market is currently being satisfied through imported fabrics. Wool gaming cloth represents a 15 percent share of this market at the high end. American wools are also ideal for shoe lining materials in non-woven and in sliver knits – the latter being possible in machine washable wools. The market for high-quality theater curtains is dominated by wool (mostly imported from India and China), and is ideal for black-fiber contaminated American wools providing a possible cost advantage. Attempts will be made to find a suitable weaver/finisher in the United States for this market.

Goal: to select two domestic manufacturers of non-apparel products and offer technical assistance in their manufacture.

Exploitation of Eco-friendly Treatment (Plasma) Options for Wool

Plasma is the most active state of matter. It is a fourth state, which comes after the solid, liquid and gaseous states. Plasma comprises ions, electrons, excited atoms and molecules that modify the surfaces of textiles, but does not alter the textiles bulk properties. The energetic species break the covalent bonds of the fiber at its surface and etch or functionalize its surface. This environmentally friendly process has opened up a host of opportunities for textile applications, such as increasing wettability, dyeability, printability, improved adhesion for coating and laminating or for presenting a highly reactive surface for application of selective chemicals.

Goal: To find suitable plasma equipment in the United States that is available for trials and commission processing and to establish trial program.

Trade Shows and Mill Visits

Traveling to mills and various key industry trade shows is key in staying connected with the textile industry and customers. It is a crucial way to identify key trends and new innovations for wool. This includes the Outdoor Retail Show and other international trade shows, where appropriate. Also, since much of the development and costs are carried by the mills, visits to American mills are essential.

Goal: To visit one key trade show and selected industry partners over one 15-day period.

B. MARKET RESEARCH & NEW USES

Wool Trust Goal Addressed by this Project

Development and promotion of the wool market.

Project Goals

Identify new markets in the United States military while maintaining primary markets.

Top Achievements in Fiscal Year 2016 – 2017

- ASI has for several years been working on development of fire-resistant fabrics that use wool in their blend. This year, two of those fabrics completed development and testing.



**Before
Burn Test**



**After
Burn Test**

Wool-Nomex and a fabric made from Pyrotex, Twaron and Wool (PTW) were tested in the burn chamber at North Carolina State University. For a fabric to be considered for military use, it must successfully survive four seconds of exposure at 1,800 degrees Fahrenheit and with less than 35 percent total body burn (second and third degree). Both of the wool-based fabrics provided less than 30 percent total body burn with Wool-Nomex being superior at 21 percent. Wool-Nomex is presently being wear tested by the United States Air Force and Navy to possibly replace their current flight coverall fabric.

- ASI also worked with leading dye and print companies to arrive at a method to successfully camouflage printing wool when blended with fibers like Wool-Nomex. The resulting fabrics are undergoing final testing before being made into garments for field testing. The printed fabrics could be used for military field uniforms in the future.

Summary / Results

The Department of Defense is the largest single consumer of American wool, accounting for up to 20 percent of total domestic wool production. The relatively stable production base provided by DOD's consumption allows the entire wool industry – from ranch to garment producers – to remain healthy and innovative. The importance of DOD wool consumption along with the Berry Amendment must not be underestimated.

ASI communicates regularly with the individual military services as well as the Defense Logistics Agency to provide pertinent wool information to procurement personnel.

- In 2017, ASI planned a Wool Education Seminar and Mill Tour for military representatives was held in early FY 2018. The seminar/tour was attended by the American Wool Council and invited industry representatives. The seminar and tour consisted of a morning wool seminar session that featured a presentation by a recognized wool expert. The seminar was followed by mill visits that track wool processing from raw wool all the way through finished cloth. In addition, ASI planned for the group to visit the manufacturing facility of one of the leading U.S. sock manufacturers. Sixteen military representatives from the U.S. Army, Navy, Air Force and Defense Logistics Agency registered to attend along with 12 members of the American Wool Council. Interaction between the military representatives and Wool Council members is an important part of the education and wool message that ASI wants the military participants to receive.

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

- DLA expenditures in 2017 were \$1.6B. DLA spending will decline slightly next year to \$1.53B. Of this, approximately \$180M will be spent on dress clothing. Most of the dress clothing fabrics contain wool.

Wool and wool blend fabrics, blankets, berets and peacoats purchased in 2017 were as follows:

- Wool Fabrics, \$31.1M vs \$48.8M last year to purchase 2M linear yards vs 3M in 2016. This data represents the contracting actions during the FY 17, a large portion of these fabric buys will be delivered in FY 18. The consumption of wool and wool fabrics in DOD was relatively steady because the number of recruits entering the military was stable. The reason for the decline in orders this year is attributed to inventory adjustments by the Defense Logistics Agency. This data does not include the cost of fabrication into uniforms. In 2018, DLA expects to buy approximately 2.0M linear yards of wool fabrics.
- Blankets, \$2.6M for 72,000 in 2017 compared to \$1.9M for 75,000 in FY 16.
- Berets, \$1.7M for 88,000 compared to \$5.4M for 333,320 in FY 16. This is a good example of inventory adjustments at DLA.
- Peacoats, \$2.8M for 16,000 in FY 17 in comparison to 48,000 in FY 16. The FY 18 forecast for the peacoat calls for 27,000 to be bought.

Recommendations for Fiscal Year 2017 – 2018

- Continue to work with United States military to develop products and understanding of the best uses for American wool.
- Conduct a wool education seminar for the United States military.

C. INTERNATIONAL & DOMESTIC MARKETING PROGRAMS

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.
- Rebuild demand from United States textile mills for American wool.
- Leverage the American Wool Council's new logo and marketing message.

Top Achievements in Fiscal Year 2016 – 2017

Despite strong economic growth for the last two years and strong consumer confidence in the U.S., retail sales growth for the year to July 2017 was slower in the year to date than in 2016 (1.8 percent vs. 2 percent). All other major wool consuming countries (including China) except the U.K. also experienced poor or negative growth in clothing retail sales in 2017. Retail sales need to improve in the coming months to help demand for wool through the supply chain, particularly given the increased purchases of Merino wool in the past 10 months.

Total U.S. wool exports increased 24 percent by volume to 8.64m pounds clean weight and 29.5 percent by value to \$22.58 million. This was an encouraging development after a period of export sales reductions. Again, ASI's diversification strategy played an important role by increasing sales in Western Europe (+7.9 percent) and increased new sales to Eastern Europe (+32.1 percent, particularly Bulgaria), which this year has taken a 10.4 percent share of all export sales from 9.75 percent sales last year and zero percent sales the year prior.

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

Collateralized the introduction and expansion of the new American wool brand by promoting use of the logo and the new American wool website. The website helps to show customers that wool is a high performance fiber and relevant in today's marketplace. Particularly, we're showing that wool can be worn next to skin and is washable, as well as a fiber used in high fashion and the home furnishings market.

- **Marketing Programs** – Marketing programs for wool were carried out in Western Europe, Eastern Europe, China, India, 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 Program) coupled with ongoing contact and trade missions. Technical assistance focused on showing target companies optimum blending procedures to get the desired product. Because U.S. wool has unique characteristics and values, it is often used to blend with different types of wools or fibers from other sources in creating top, yarn, etc.

- o In key expanding markets (China, Western Europe 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 representatives in China, Europe and 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 2016 to September 2017 were 8.64m pounds, a 24 percent

increase from the previous year. The major factor was the increase in demand from China assisted 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 increased its purchases of American wool from 2.9m pounds last fiscal year to 4.39m pounds this year. This is an increase of 51.3 percent and amounts to 50.8 percent of total exports by volume. China remains the largest single international market for American wool. Greasy wool purchases continued to dominate with 97.5 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 2016-2017, Western Europe was the second largest international market for U.S. wool, taking 1.18m pounds of clean American wool. This is an increase of 7.9 percent from 2015-2016 and amounts to 13.7 percent of total United States exports by volume. The major factor behind the export to India sales reduction in the last two years has been the reduction of American wool used in a sales early-stage processing mill in India and the movement of that production to a new mill in Bulgaria.

- o Having representation on the ground in India has improved ASI's contact and service in the country.

- **Exports** – Support from the American 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, United States 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.

- Finalized a new American wool website, as well as social media sites that can be leveraged to promote American wool. Visit AmericanWool.org or search for ExperienceWool on Facebook, Pinterest and Twitter.

Summary / Results

The overall objective for the international programs was to expand American 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 American 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 American 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 United States vulnerability to downturns.

- **Diversification of U.S. wool types** – i.e., find buyers for types of American wool that do not have a good buyer base or have lost their domestic sales base, thus, enabling the United States 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 American 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.

The American wool online presence (AmericanWool.org, as well as social media companion sites on Facebook, Twitter and Pinterest) was developed in conjunction with a marketing message that paints a vivid picture of the “natural magic” of American wool. ASI has devoted resources to build the American wool brand with introduction of a new logo and development of the American wool website. The site highlights for consumers the benefits of American wool, sources of American wool products, the American sheep industry's commitment to animal care, and other relevant information for the consumer.



Fiscal year 2016-2017 was notable because:

- **Wool price volatility.** 2016-2017 was a difficult year because strong price rises internationally made it difficult for exporters and buyers alike to manage market risk. Also, retail sales of wool garments in major world markets remained relatively weak, meaning tighter control of inventory in the supply chain was necessary. The Australian market as of Nov. 23, 2017, had the Eastern Market Indicator at A\$7.57 per pound clean and US\$5.76 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 as of Nov. 23, 2017, was A\$1.0 = US\$.76 – relatively stable for the year with only a 3.3 percent increase year-on-year.

- The renewed interest in American wool by Europe – first shown in 2011-2012 – continued to increase in 2016-17 with a move into second place for American wool exports and a 7.9-percent increase in exports there to 1.18m pounds clean and a 13.7-percent share of United States exports.
- Wool exports to India declined in 2016-2017 to .993m pounds clean from 1.38 million pounds clean. They became the third largest export market for American wool, importing 11.5 percent of U.S. wool exports. They had previously been the second largest market for American wool for many years.
- The U.S. wool market continued to benefit from good domestic demand for the better style worsted combing wools.
- Wool inventory carryover in the United States as of Sept. 30, 2016, 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 25.7 million pounds greasy, exports would amount to approximately 67.2 percent of American 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 United States wool exports increased by 24 percent by volume (to 8.64m pounds clean) and 29.5 percent by value (to \$22.577 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 difficult economic conditions in recent years.

China maintained its role as the major export destination for American wool, taking 50.8 percent (4.39m pounds clean) of all U.S. wool exports (8.64m pounds clean).

Western Europe is the second largest export market for American wool taking 13.7 percent (1.18m pounds clean) of all United States exports – up 7.9 percent on 2015-2016. India was the third largest destination with 11.5 percent of all exports (.994m pounds clean).

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 American wool sales to India will improve again. ASI is continuing to work with United States exporters to expand sales to recently added customers in 2015-2016 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. This has continued in 2016-17 with an increase in exports to Western Europe of 7.9 percent to a total of 1.18m pounds clean and a 13.7-percent share of American wool exports.

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 did 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 American wool, there is reason to be optimistic in this new market. Exports of American wool to Bulgaria went from zero in 2014-2015 to 621,918 pounds in 2015-2016 to 853,000 pounds in 2016-2017.

Recommendations for Fiscal Year 2017 - 2018

- This program is an important part of the overall American 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.
- Continued development of ASI's new AmericanWool.org website and affiliated social media sites.

Quality Improvement

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

A. MARKET INFORMATION

Wool Trust Goal Addressed by this Project

- Assist American 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 American 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 wool through coordinated educational efforts supporting market development.

Top Achievements in Fiscal Year 2016 – 2017

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

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 American wool packaging and testing, as these are areas where American wool is the weakest. It also helped ASI to pinpoint those international markets where American 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 American 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 American wool grower. Also, the United States sheep 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 United States sheep industry faces many challenges. To overcome them, a clear understanding of both the domestic and global situation is necessary. Effective programs require knowledge of the strengths and weaknesses of American 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 2017 – 2018

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 American 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 American 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 2016 – 2017

- **Wool Handling Schools** – ASI provided two-day wool education workshops for sheep producers across the United States to broaden wool quality education and improvement programs. In 2016-2017, a two-day Wool Handling Educational Workshop was held involving 16 students in Vermont for the first time. These workshops are designed to assist with quality improvement geared toward their type of sheep, marketing systems and end-uses. Participants in the school are challenged with low commodity wool prices and must elevate wool quality and preparation in order to meet the demands of niche markets for hand spinners and artisans. Wool producers in the Midwest and Eastern parts of the United States utilize more meat and coarser wool breeds. Schools are planned for Utah (Feb. 2018), Virginia (April 2018) and Iowa (June 2018).
- **Wool Quality Improvement Programs** – Three-day Certified Wool Classing Schools were held in Texas, California, North Dakota and Washington, involving a total of 42 students. Participants represent a wide diversity across the United States sheep industry including sheep and wool producers, sheep shearers, professional wool handlers, fiber artisans, small-scale fiber processors and commercial mill operations. The focus of Wool Classing Schools are to provide the American sheep industry with trained wool classers who can assist in improving the quality of the domestic wool clip, which is imperative to American wool becoming more competitive and available in the international as well as domestic markets. 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 and wool products. There is increasing interest in wool education programming with small farm flock producers and fiber enthusiasts. This program meets their basic needs by providing information and educational materials to improve their specific operations. In 2017-2018, schools are scheduled for California, Utah and North Dakota, with other states showing interest. On an annual basis, an anticipated 40 to 50 students are expected to attend these schools. In fiscal year 2016-2017, all teaching materials were revamped and a new teaching manual was produced. The teaching manual is more current, better organized and concise.
- **OFDA Training, Testing and Outreach for Genetic Wool Improvement** – The current value for all wool grades of raw wool provides a unique opportunity to educate producers about the value of properly harvesting and marketing wool, to demonstrate the economic value of this commodity, and provide additional incentives to not only continue sheep production but to expand their flocks. If American producers are to compete in an increasing global and technical wool market, they must continue to evolve their selection and wool preparation methods. This particularly is an issue for the American producer because of the shrinking resource base for wool education in under served states.

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. It is mainly used to sort wools during shearing and genetic selection, not for core results for commercial sales. Increased demand for information by sheep producers when purchasing rams and replacement ewes can be provided by these machines. Objective wool measurements are a part of the National Sheep Improvement Program database. Quality improvement programming provides testing for the objective measures of wool for producers that participate in this program. This allows more rapid genetic improvement of wool traits as the data provided via NSIP 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.

The instrument is portable and used on ranches for on-farm testing, provides instant reports on individual sheep, and can be used for immediate selection of breeding sheep. However, this service is limited because the instrument is expensive, delicate and must be transported by automobile. Samples can also be sent to those contracted to operate and use the OFDA 2000 instruments (primarily universities and ASI). Wool may be sent to those these universities/ASI to have wool tested for a minimum charge – rates may vary. These tests are for information and not to be used in place of an approved core-test report or for commercial sales. Data provided via the OFDA 2000 allows both buyers and sellers to make more accurate and timely decisions in the genetics of their animals. In fiscal year 2016-2017, more than 10,000 samples were analyzed by OFDA instruments in the United States.

Additionally, ASI purchased a FibreLux Micron Meter, a hand-held unit that can be used in the field or shearing shed to measure wool and other fibers allowing wool to be sorted at the time of shearing, increasing revenue and breeding programs. Because the OFDA can only be transported by automobile, ASI purchased the FibreLux instrument to make available to Midwest and Eastern United States sheep and wool producers to meet their emerging needs.

• **Shearing/Wool Handling Contests & Shearing Educational Meetings** – ASI provides support for shearing education programs. In the United States, a shortage of sheep shearing professionals is becoming a consideration for those wanting to expand wool and sheep production. With sheep numbers slowly declining in the country, there is significantly less interest in becoming a trained shearer. Finding foreign labor during the Australian off-season has also become problematic because of delays in obtaining work visas and because there is a worldwide shortage of shearers. There is a critical need for skilled wool harvesting professionals and there are very limited opportunities for traditional on-the-job training to meet this need.

An additional benefit of wool harvesting schools is the education and outreach provided by the curriculum from ASI's Wool Council on proper shearing technique, methodology and animal welfare. Providing producers with skilled professionals enhances the wool clip value in domestic and international marketing. ASI provides a comprehensive shearing manual that was updated and reprinted to serve the needs of shearing schools across the United States in 2017. This manual provides the most current information on technique, equipment and animal care. Additionally, ASI provides teaching tools to address responsible wool production including detailed animal care during wool harvest.

The American Sheep Shearers Council meets annually at the National Contest in Rapid City, S.D. Educational topics and materials are also presented at ASI's Annual Convention.

Support for shearing contests helps to improve on-farm shearing. This educational effort reduces wool contamination, reduces second cuts and ultimately improves overall wool quality because shearers are training and practicing skills. ASI provides Wool Classer and Handler newsletters to share current market news, changes dictated by market demands, and ASI news that impacts the shearing and wool handling segments.

In cooperation with the U.S. Department of Agriculture's Agricultural Marketing Service Market News, ASI was instrumental in developing a Wool App for mobile devices 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 American producers can compare wool types and descriptions of Australian and American wools according to wool quality and types. The app assists in providing additional market information to

producers, allows transparency in the market place and provides 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 American 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

- OFDA wool tests totaled approximately 10,000 in 2016-2017.
- Cooperative meetings and dialog between ASI's Wool Council and American Sheep Shearing Council continue to address challenges with the wool industry today and in the future.
- Certified Wool Classing or Handling Schools continue to be well attended in the United States providing wool education.
- A new edition of the *Sheep Shearing Handbook* was released to use in sheep shearing schools.
- A new *Certified Wool Classing Handbook* was developed.
- New teaching materials were created to address responsible wool production included animal care during the shearing process.
- ASI purchased a FibreLux Micron Meter, a hand-held unit that can be used in the field or shearing shed to measure wool.
- *ASI Market News App* is successfully being utilized by producers, warehouses, buyers and processors of wool.

Recommendations for Fiscal Year 2017 – 2018

- Plans to augment shearing-day activities in 2017-2018 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.
- Continue to develop materials about proper preparation and quality to be shared with the industry.

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 2016 – 2017

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 American 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 2016-2017:

- **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 additional trainers.

In addition, several hundred producers were trained on SSQA Level I and a significant number have achieved SSQA Level II. ASI also worked closely with USDA and industry groups to design the new National Animal Disease Traceability System (and assisted in enhancing national Emergency Response Plans), aided USDA in its cooperation with the Department of Homeland Security and worked with USDA to implement the accelerated National Scrapie Eradication Program with the goal of eradicating this disease from the United States.

Recommendations for Fiscal Year 2017 – 2018

- 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 published.
- 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. A new print version of the SSQA will be available in 2018.

D. WOOL OUTREACH

Wool Trust Goal Addressed by this Project

- Assist American wool producers in the development and promotion of the wool market.
- Assist American 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 American 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 American sheep industry.

Top Achievements in Fiscal Year 2016 – 2017

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 43 associations were invited to participate in Round 17 of ASI's Wool Outreach Program, which began Oct. 1, 2016, and ended on Aug. 31, 2017.

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).
- 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 – 41 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.

| | | | | | | | |
|------------------|-----------|---------------------|----------|----------------------|----------|--------------------|------------------|
| Arizona | \$8,420 | Iowa | \$8,190 | New Jersey | \$3,928 | Texas | \$44,836 |
| Arkansas | \$1,033 | Kansas | \$3,049 | New Mexico..... | \$5,996 | Utah..... | \$14,952 |
| California..... | \$103,185 | Kentucky..... | \$37,000 | New York | \$2,721 | Vermont..... | 1,053 |
| Colorado..... | \$8,325 | Maine | \$1,033 | North Carolina..... | \$1,516 | Virginia | 2,978 |
| Connecticut..... | \$8,615 | Maryland | \$1,000 | North Dakota | \$3,385 | Washington | \$5,098 |
| Florida..... | \$1,115 | Massachusetts | \$13,231 | Ohio..... | \$6,618 | West Virginia..... | \$1,950 |
| Georgia..... | \$1,305 | Michigan..... | \$2,929 | Oregon | \$6,224 | Wisconsin | \$2,922 |
| Hawaii | \$2,951 | Minnesota..... | \$5,832 | Pennsylvania | \$6,420 | Wyoming | \$13,116 |
| Idaho | \$7,449 | Missouri..... | \$3,781 | South Carolina | \$4,712 | NLFA | \$7,210 |
| Illinois | \$1,867 | Montana..... | \$23,665 | South Dakota | \$10,645 | | |
| Indiana..... | \$1,189 | Nebraska | \$5,243 | Tennessee..... | \$3,092 | TOTAL | \$399,779 |

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 \$399,779.

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, 42 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 17th year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

Recommendations for Fiscal Year 2017 – 2018

The Young Entrepreneur program draws 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 American wool producers.

Project Goals

- Keep American 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 2016 – 2017

Fiscal year 2016-2017 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 American 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 each month, with the main audience consisting of American 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, wool-related companies and wool-related educational seminars in California, Kentucky, Massachusetts, Montana, Oregon, Puerto Rico, South Dakota, 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 January 2017 issue of the *Sheep Industry News* included extensive coverage of the United States Military's use of American wool, including berets, uniforms and blankets.

- 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.

Wool in the Military

MITCH DRIGGERS
American Wool Council Military Consultant

From the Revolutionary War to present day, wool has been an important part of U.S. military uniforms.

These days, we find that every soldier, sailor, airman, marine and coast guardman leaves basic military training with a full complement of wool and wool-based uniform items.

Indeed, the U.S. military continues to consume upwards of 20 percent of the American wool clip for uniforms each year – making it the single largest consumer of American wool. The Berry Amendment requires that all U.S. military uniforms be made from 100 percent domestic products, protecting our wool from offshore competitors.

While wool was one of just a few choices for such uniforms as the country fought for its independence, it has proven itself a worthwhile fabric for more than 200 years in the U.S. military.

Revolutionary War uniform styles and colors varied widely depending on a soldier's location with wool being the preferred performance fiber for the fabric. At the beginning of the war, most soldiers came as they were wearing work clothing, also made of wool. When uniforms became common, brown was the color of choice since it was the easiest color to dye.

As the war progressed, brown was replaced by the classic red and blue combination. Regardless of style or color, wool fiber was predominant in the uniform fabrics of choice throughout the country.

In 2017, the Department of Defense forecasts that it will contract for 66 different items containing wool to satisfy its needs for military dress uniforms, including:

- **Pea coats.** DOD forecasts that it will buy 50,000 U.S. Navy pea coats in 2017. Each coat requires more than three pounds of clean grade 64 or finer wool to manufacture. This classic style dates back to the 1800s, when it was invented by the Dutch. The British adopted the design and made the coat popular in their navy by the mid-19th century. The U.S. Navy, in turn, selected the pea coat for its sailors. Early pea coats were constructed of heavy weight melton wool woven tightly, resulting in a fabric that is very warm, as well as water and wind-resistant and perfect for life at sea.
- **Wool Berets.** The black wool military style beret is the current head gear for all Army soldiers when in dress uniform. While the black beret is bought in by far the largest quantity, it is not the only color used by the U.S. military. The Army also uses maroon, tan and green berets to identify airborne soldiers, rangers and special forces.
- **U.S. Air Force** uses five different color berets to identify different high risk specialties, such as pararescue (maroon) and combat controller (scarlet).
- **U.S. Navy** jumper and broadfall trousers. Nicknamed cracker jacks after the popular popcorn snack, this uniform combination is issued to all U.S. Navy recruits. It is the dress uniform for junior enlisted personnel. The trousers are unique in that they are designed with a "broadfall" front instead of a conventional zipper fly. The broadfall is closed by 13 buttons, seven across the top with three on either side. An old sailor tale says the 13 buttons are to commemorate the original states of the union. The reality is that the 13 button arrangement is a result of the symmetry of the three buttons on either side.
- **USMC Dress Blues.** The U.S. Marine Corps standup collar dress blues are regarded by many to be the best looking uniform worn by the U.S. Military. Like its Navy counterpart, it has a long history and preference for wool. The dress blues have been the standard dress uniform of the USMC since the 1800s, with no major changes, making it the longest serving uniform combination in the U.S. military. This combination is also the only uniform worn by U.S. military personnel that incorporates red, white and blue into its design.
- **U.S. Army** dress uniform items. Due to its size, the U.S. Army uses more dress uniforms than any other service. The blue uniform actually dates back to the earliest days of the Army. However, by the Spanish-American War, it had been replaced by combinations of olive green or khaki/taupe which lasted through World War II. The end of that war saw millions of soldiers returning to civilian life, with their wartime uniforms. Many continued to wear those uniforms and in some cases in less than flattering circumstance to the U.S. Army. As a result, the Army redesigned the dress uniform in 1954 and adopted Army Green as its color.



- 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 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 4,000 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 2017 – 2018

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. New technologies, such as a mobile smartphone app, social media, etc., are also being utilized as they become available.

B. MEDIA/PUBLIC RELATIONS/PROMOTIONAL

Wool Trust Goal Addressed by this Project

Disseminate information on wool improvements to American wool producers.

Project Goals

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

Top Achievements in Fiscal Year 2016 – 2017

Media work garnered higher visibility for the American 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 2017 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 reprint 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 nearly 1,000 followers and on Facebook with more than 6,600 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 past fiscal year, separate social media and websites devoted strictly to promoting wool to American consumers were launched. Consumers can find valuable information on wool and how to care for it at www.americanwool.org. In addition, companion social media sites using the moniker *experiencewool* have launched on Twitter, Facebook and Pinterest.
- **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 2017 – 2018

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 American wool producers.

Project Goals

- Keep American 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 2016 – 2017

Printed materials were the venue that ASI used to disseminate general materials about the American sheep and wool industries and specific information about U.S. wool quality improvement programs.

American Sheep Industry Association

2017 State Brochure



MESSAGE FROM THE PRESIDENT



Mike Corn

As the oldest livestock association in the United States, ASI has shepherded the sheep industry through more than a few changes in its 150-plus years of existence. I'm humbled to have been elected to lead such an association at our annual convention back in January in Denver.

So far, 2017 has been kind to our industry. Sweeping changes in Washington, D.C., leave us with reason to believe that many of the burdensome government regulations that have taken so much of the association's time in recent years will soon be a thing of the past. We've already seen the repeal of the BLM Planning 2.0 regulations passed by the previous administration. We encourage the current administration to continue down a path that continues multiple use on our nation's public lands.

Representing the nation's sheep producers, ASI officials have already testified at a Congressional hearings concerning the 2018 Farm Bill and the U.S. Department of Agriculture's Livestock Mandatory Price Reporting program. We certainly are optimistic on both fronts. After more than a year without adequate reports, it appears we have resolved many of the issues with these reports brought about by consolidation within the industry. We have once again been able to offer LRP-Lamb insurance for sale this spring and summer.

As we wrote to President Trump's transition team before he was sworn into office in January, there are still plenty of issues to address. You can read more about many of those challenges in this newsletter.

I would encourage each and every one of you to take advantage of the programs and resources offered through your state and national sheep associations. We are here to assist you in any way that we can.

Mike Corn
ASI President

Sheep Handling Video Offers Insight

The *How to Handle Sheep* video series released by the American Sheep Industry Association, in collaboration with Temple Grandin, Ph.D., the Livestock Marketing Association and Colorado State University, has been well received on YouTube. The three-part video details the process of handling sheep through the entire life span of the animal.

The training tool is available in English and Spanish. From producers and auction-facility workers to the transportation industry and harvesting personnel, everyone can follow Dr. Grandin as she discusses the best practices to use in handling sheep.

ASI Executive Director Peter Orwick strongly encourages all sheep operations to ensure their livestock workers, whether full- or part-time employees or neighbors, are educated. "These videos are a convenient way to accomplish this goal," said Orwick. "Poorly trained or uneducated workers who help with sheep are a business liability that is not necessary with today's access to training."

The videos are available on ASI's YouTube Channel at [YouTube.com/user/SheepUSA1](https://www.youtube.com/user/SheepUSA1).



ASI CONVENTION: JAN. 31 - FEB. 3, 2018 ~ SAN ANTONIO, TEXAS

- Brochures – In fiscal year 2016-2017, 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 2017 calendar was produced 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 2017 – 2018

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 American wool producers.

Project Goals

- Maintain ASI as the chief source of information for the industry and consumers looking for information about wool and sheep.

Top Achievements in Fiscal Year 2016 – 2017

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 partnership between USDA and the sheep industry is a critical component to supporting American producers. ASI continues 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.

www.americanwool.org – A new consumer-oriented site that focuses on the key attributes of American wool launched in summer 2017. The site includes references and information to answer any questions consumers might have about wool, including how it is produced and how end products should be cared for after they are purchased.

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 2017 – 2018

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 American wool producers.

Project Goals

- Keep American 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 2016 – 2017

ASI held its 2017 Annual Meeting in Denver, Colo. Under the motto *Wool: Branded for the Future*, it was fitting that each committee and council worked to improve the future of the American sheep industry.

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 2017 – 2018

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 American wool producers in the development and promotion of the wool market.
- Assist American 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 American wool growers informed of program direction, development and results.

Top Achievements in Fiscal Year 2016 – 2017

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 American 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 American 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 2017 – 2018

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 American wool producers in the development and promotion of the wool market.
- Assist American 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 American wool producers.

Project Goals

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



Top Achievements in Fiscal Year 2016 – 2017

- 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 American 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 Five Grants

- Seven grants awarded totaling more than \$77,000.

- o Round Four Grants

- Fourteen grants awarded totaling \$208,604.

- **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 2016-2017 contained two additional rounds of Let's Grow grant funding. Nearly \$300,000 in grants were awarded for deserving projects to advance the American Sheep Industry.

Recommendations for Fiscal Year 2017 – 2018

Fiscal year 2017-2018 will see a continuation of the plan of action that worked to increase the productivity, efficiency and profitability of the U.S. sheep industry. Most of the grants from five rounds of funding have either already wrapped up or will complete their projects in FY 2017-2018.

Administration

Wool Trust Goal Addressed by This Project

- Assist American wool producers in the development and promotion of the wool market.
- Assist American 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 American 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 2016 – 2017

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

It should be noted that ASI undergoes external audits by both the USDA's Foreign Agriculture Service 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 2017 – 2018

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
Representative Trip Reports
Evaluative Surveys by Reverse Trade Mission Participants
Wool Journal, June 2017
Wool Journal, May 2017
Wool Journal, April 2017
Wool Journal, March 2017
Wool Journal, December 2016
Wool Journal, October 2016
Economic Impact Study

Quality Improvement

Wool Outreach Final Report
Updated Shearing and Classing manuals

Producer Communications

Sheep Industry News, July 2017
Sheep Industry News, June 2017
Sheep Industry News, April 2017
Sheep Industry News, January 2017
ASI Weekly Newsletter, September 22, 2017
ASI Weekly Newsletter, June 16, 2017
ASI Weekly Newsletter, May 12, 2017
ASI Weekly Newsletter, December 16, 2016
ASI Weekly Newsletter, December 2, 2016
Sheep Care Guide
Press Releases
State Brochure
Convention Registration Form
Convention Onsite Brochure
2017 Calendar
ASI Brochure

Wool Producer Planning

Wool Council Meeting Minutes
November 30, 2016
January 26, 2017
July 13, 2017

Wool Strategy & Business Development

2017 Mentor Report