

Wool Trust Report

2014-2015

AMERICAN SHEEP INDUSTRY ASSOCIATION



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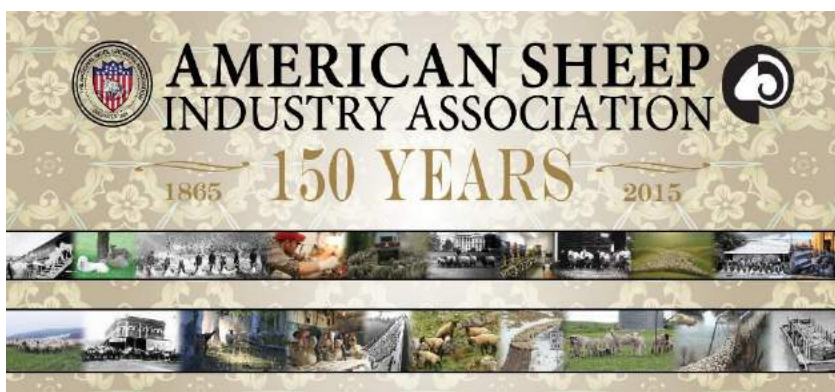
Executive Summary

Background

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

In 2015, the national sheep organization celebrated its 150th Anniversary. ASI is a federation of 45 state associations

representing sheep producers nationwide with a common goal to promote the well-being and profitability of the U.S. sheep industry. From the East to the West, pasture flocks to range operations, ASI works to represent the interests of more than 79,500 American sheep producers.



Most of the nation's 79,500 sheep farmers and ranchers share a legacy of raising sheep across generations – whether it be from grandparents or with their children today. Celebrating that legacy of the men and women who care for their sheep every day and supporting an industry organization is what the 150th celebration was all about.

Over its 150 years, the national association has met and surmounted a number of challenges to its very survival. But the struggles have only served to make it stronger in serving the interests of U.S. sheep producers.

In 2000, the U.S. Congress established the Wool Research, Development and Promotion Trust Fund to support wool activities. Aimed at increasing the competitiveness of American wool, ASI established the American Wool Trust Foundation (501(c)5 corporation) to implement the wool programs. The foundation delivers programs and services via a contract with ASI, which has the most extensive leadership, communications and program delivery infrastructure in the U.S. sheep industry.

ASI oversees the funds that support the three primary Wool Trust Program interests: quality improvement, dissemination of information and development and promotion of U.S. wool. For the fiscal year Oct. 1, 2014, through Sept. 30, 2015 – the year covered in this report – the Wool Trust Foundation was awarded \$2.25 million.

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

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

U.S. Market Situation

Domestic wool-apparel production in the United States over the past decade has been relocated into other lower-cost countries, as is the trend with all textiles. Exports now account for approximately 50 percent of the domestic wool production, however, domestic consumption of wool has increased. Although since 2010, the military wool demand declined, clothing and textile purchases over the next three years are forecast to increase modestly.

The U.S. military continues to be a major U.S. customer for wool apparel. Flame-resistant wool apparel has become a popular product with the military, as synthetic materials burn easier when exposed to heat and can even melt onto a soldier's skin, causing them harm and making those fabrics less desirable than flame-resistant wool in war zones. The U.S. Army implemented a "no melt, no drip" apparel campaign for its fighters.



The purchase of shrink-resistant treatment equipment in 2010 and its subsequent production start in 2011 that allows a low-cost treatment to render wool machine washable and dryable in the field environment with little to no shrinkage has been of great interest to the military. Survival for the domestic textile industry lies in the development, production and marketing of new products. The shrink-treatment equipment has gone a long way in its short time toward this goal, allowing the possibility for new washable wool products in the commercial sector.



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

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

The demand for fashion and sports clothing continue to gain market success as greater innovation is seen in the specialized sporting goods arena. There is a clear message that consumers will pay more for innovative products.

Several outdoor apparel manufacturers continued to utilize wool to meet consumer demands for a natural, high-performance fiber, and fiscal year 2014-2015 saw that trend continue as numerous other companies began manufacturing products for the wool-apparel market. Wool has moisture-managing, temperature-regulating, flame-resistant and odor-resistant properties that make it perfect for any outdoor apparel, such as cold-weather base layers, biking jerseys and socks, just to name a few.

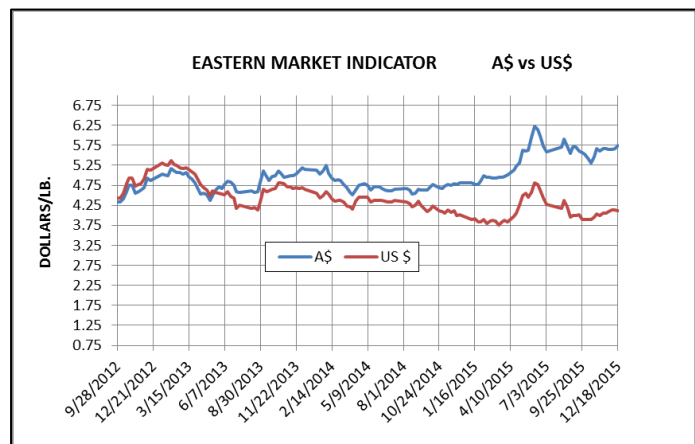
Wool is a fiber of choice year round, not just for cold weather. For example, companies like Ibex, Ramblers Way, Patagonia and Smartwool have outdoor wool apparel lines, and many are also offering casual, lightweight wool products for everyday wear in summer months. Additionally, many sock companies are selling popular wool socks, such as Crescent, Wigwam and Nester Hosiery. The consumer demand for sustainable products that are environmentally friendly and come from renewable resources has continued to grow considerably in this past fiscal year. Naturally, as wool is a sustainable fiber, it is becoming a go-to fiber for environmentally conscious manufacturers and consumers. As part of ASI's objectives, it continues to research new ways to meet the demand for a quality, safely grown and manufactured product.

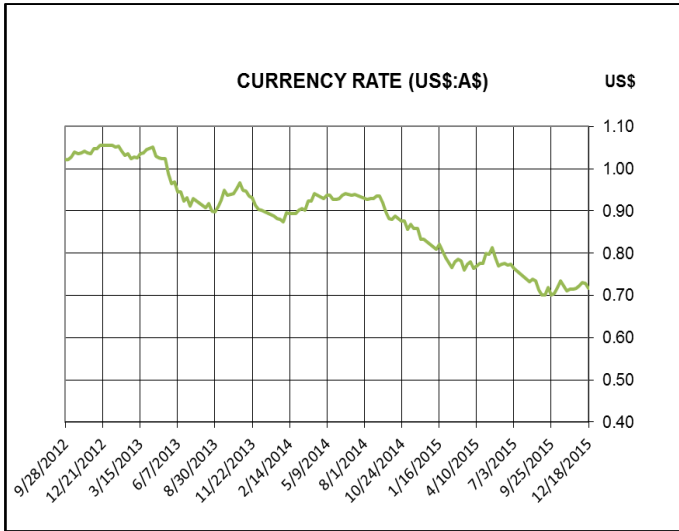


World Wool Situation

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

The past several years have seen some significant changes in the wool market and fiscal year 2014-2015 is no exception. The major change in the world wool market situation has been the impact of changes in China. Those changes include higher labor costs, radical changes in the government's legislation and regulations regarding effluent disposal introduced in 2014 (effective from Jan. 1, 2015) 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. U.S. exports to China rebounded by 49.5 percent by volume in fiscal year 2014-2015 following a very large reduction (36.5 percent) in fiscal year 2013-2014. The strengthening of the U.S. dollar continued in 2015 and this situation impacted sales.



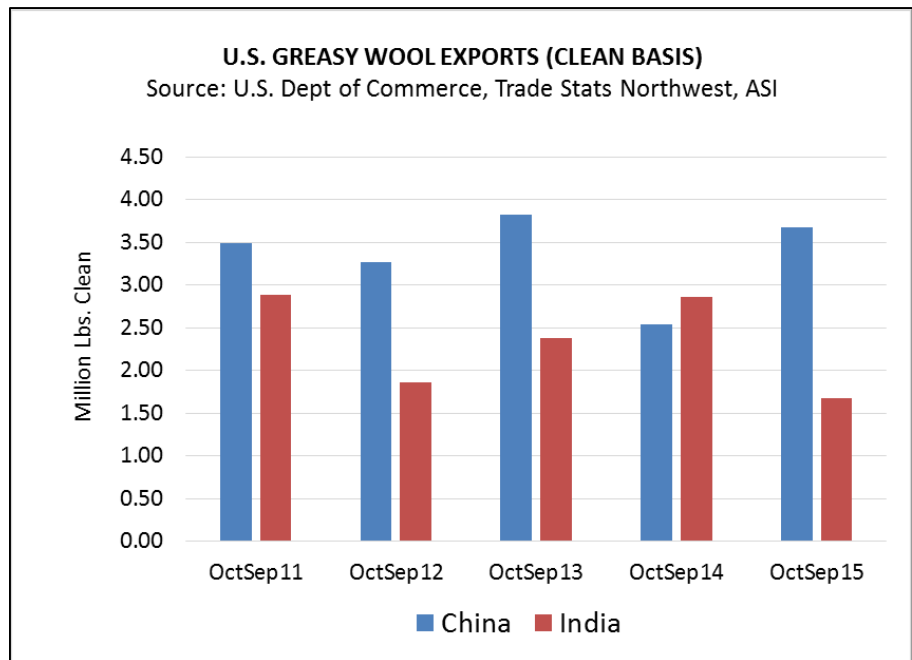


Wool production in Australia, the world's largest producer, is expected to drop substantially in 2015-2016. This lower production, plus a lower volume of inventory, will mean that available supplies of wool will be tight in 2016. In the first five months of the 2015-2016 Australian season, the volume of wool tested declined by 7 percent compared with the July to November period in 2014. In the West and Southwest United States – particularly California and New Mexico – extreme drought conditions have been experienced over the last couple of years, resulting in a reduction in both the overall sheep numbers and wool production.

As the wool industry has taken a more positive turn from the past couple of years' financial difficulties, ASI's international marketing program continued to be on the forefront of expanding foreign market access for U.S. wool. The maintenance of a diverse market has been a key to minimizing the effects of the financial condition by keeping markets open in a variety of countries.

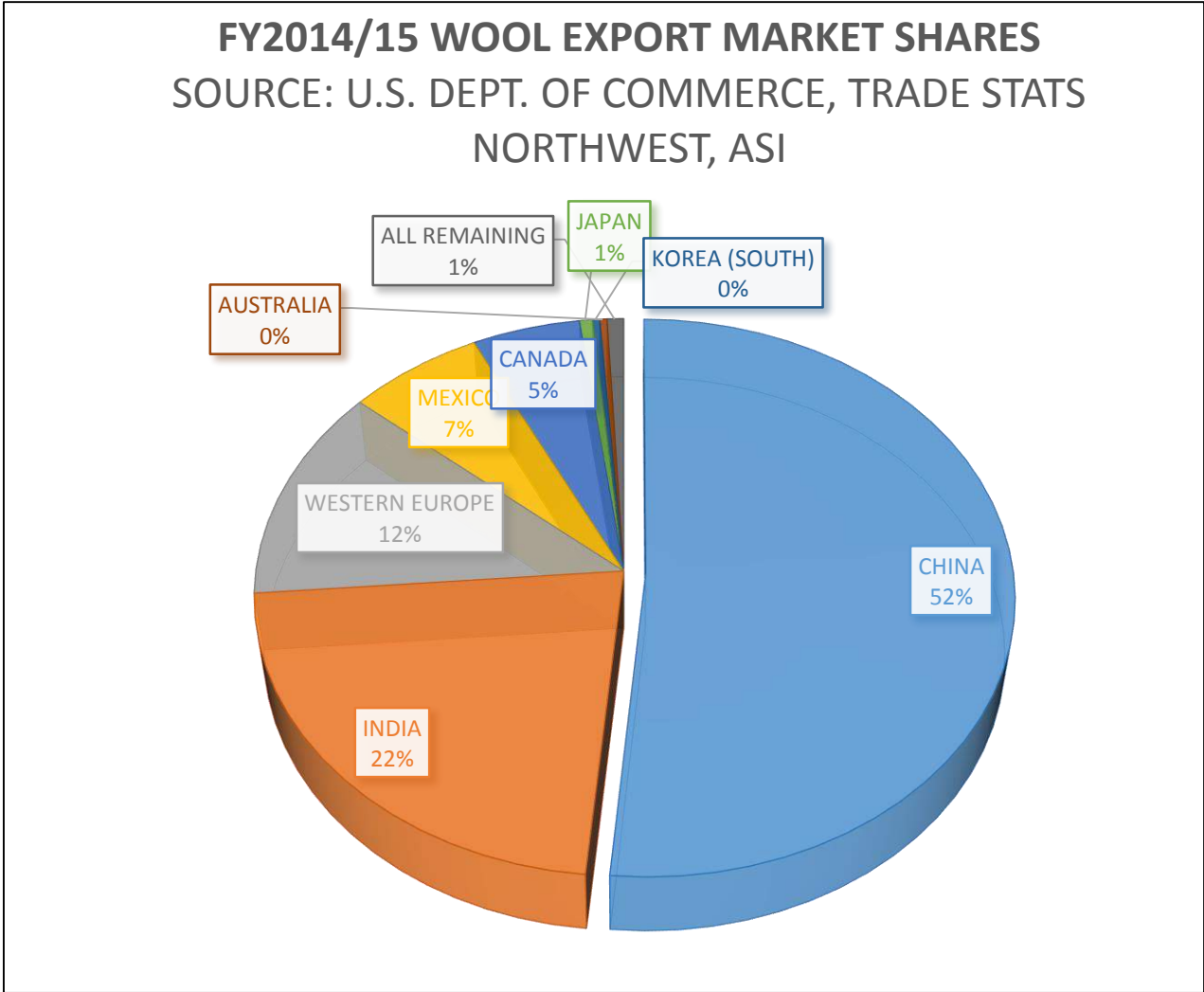
The reporting year for ASI's international programs is Oct. 1, 2014 – Sept. 30, 2015, therefore the 2014-2015 export numbers reported here reflect this period.

Exports to China rebounded in 2014-2015 with an increase of 49.5 percent by volume from a recent low in 2013-2014 to resume its position as the major importer of U.S. wool, taking 52 percent of all U.S. exports.



India reduced its U.S. wool imports by 41.4 percent (by volume) in 2014-2015 due to reductions in the domestic and export businesses. India's growth in this industry is expected to continue and is seen by ASI as an important market to balance the influence of the Chinese market. Marketing programs for U.S. wool were also carried out in Western Europe, South America, Mexico, Southeast Asia and Canada.

In fiscal year 2014-2015, China accounted for 52 percent of total U.S. exports followed by India (22.25 percent), Mexico (7 percent), Western Europe (12 percent) and Canada (5 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 U.S. wool industry continues to develop the ASI international programs. The U.S. industry's export expertise has been significantly improved. As a result of the expanded options and their own improved expertise, U.S. exporters have been able to locate and take advantage of the best market prices available, as opposed to having to accept the best price from a limited range of market options.
- Domestically, ASI continued to build its knowledge and work closely with the United States' largest domestic customer, the U.S. military. Over the past year, ASI worked with and expanded its contacts with military agencies, their textile suppliers and industry groups to develop new products, such as redesigned army combat gloves, flame resistant wool/Nomex fabric and non-chlorine shrink treatment for wool.
- ASI is continuously seeking new customers for American wool. In 2014-2015, ASI assisted several major sock and outdoor manufacturers with wool-sourcing needs to bring their production lines back to the United States from overseas locations.



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

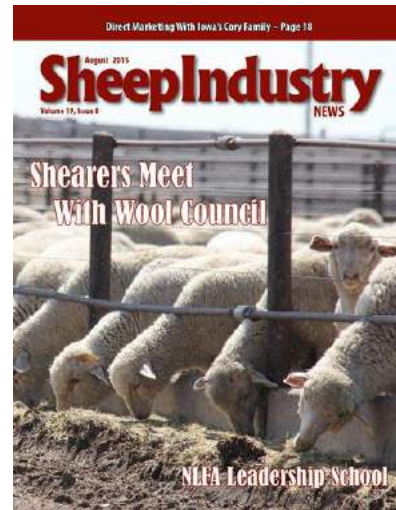
- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of Wool Trust programming. The goal was to expand prior and current databases so that at least a minimum of 10 years of data would be available for analysis. In many cases, 25 to 30 years of data were made available.
- Quality improvement activities continue to be on the fore-front of the work being done by ASI. Wool handling schools and certified classing schools are being used as a platform for increased wool quality education for producers and processors of wool fibers.

1 Introduction to the Sheep Safety and Quality Assurance Program

- The implementation of the national Sheep Safety Quality Assurance (SSQA) program for producers continued. Several hundred producers have been trained and certified in SSQA Level I, and trainers are working with producers in several states on SSQA Level II processes.
- Sheep research in the directions of genomic solutions to disease reduction, improved sheep production efficiency, nutrition advancements and improvements in wool quality were carried out.
- The Wool Outreach Program expanded the reach of ASI's wool improvement and marketing activities by spurring state entities to develop wool programs. It is notable that with this fourteenth year of wool outreach funding, many states with prior participation are expanding their activities and conducting more projects with the same amount of funds. They are also carrying out a broader range of programs, which are more innovative.

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

- General areas of producer communications included wool quality improvement methods, new wool industry technology, animal health issues and their effect on wool, information on pricing and marketing opportunities.
- Producer communications included the production of ASI's monthly tabloid, the *Sheep Industry News*; the *ASI WEEKLY*, the association's weekly newsletter; press releases and other materials that were disseminated to producers and/or the public and media. Articles from both publications were routinely reprinted in livestock- and agricultural-oriented publications. In addition, this information was spread via the ASI website and the social media networks, Twitter and Facebook, which were incorporated in the communication plan to further disseminate wool- and industry-related information.
- As part of its strategic plan, ASI moved into the next phase of the Let's Grow Program where a project coordinator was hired to manage the grant funding and monitoring functions of this committee. A revised mission statement was created, grants were funded and the website and Facebook pages were updated.



- ASI's first mobile application continued to provide lamb and wool market information to anyone with a smartphone or tablet. In this fiscal year, enhancements were added to the ASI Market App that included a Wool Calculator, a Breakeven Calculator and a Gestation Calculator. More market information was also added.



Program Expenditures

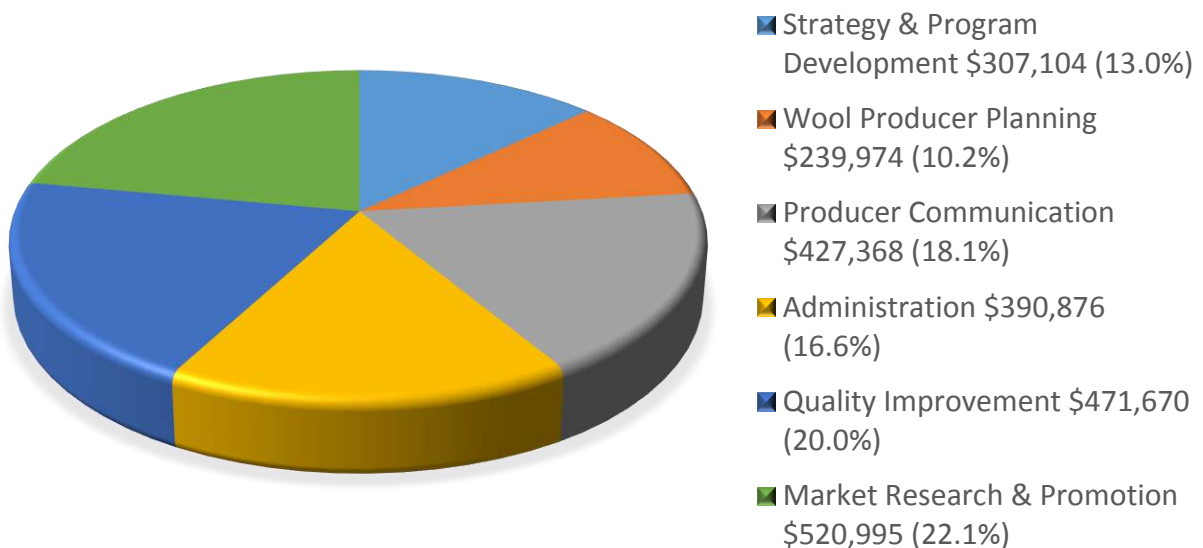
Summary

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

Wool Trust Goal Addressed by this Project

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

OCTOBER 2014 - SEPTEMBER 2015 WOOL TRUST EXPENDITURES



I. Market Research and Promotion

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

A. Market and 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 U.S. 28-32 micron clip through new customers and end-item applications
- Increase U.S. wool's visibility on the apparel insulation market
- Increase U.S. wool's visibility in the bedding market, i.e. mattress ticking applications
- Increase U.S. wool's visibility in non-woven batting insulations
- Leverage the American Wool Council's new logo and marketing message

Top Achievements in Fiscal Year 2014 - 2015

- The trend of increasing the use of wool-fiber applications in the outdoor apparel industry continued.
- Wool's performance, wearability, durability and natural biodegradable features have expanded wool's acceptance and continues to create new opportunities for wool.
- An industry partner was identified for the development and commercialization of wool battings.
- Presented U.S. wool-fiber battings to several major apparel brands.

Summary / Results

The wool insulation market continues to grow due to the demand for wool's intrinsic breathability performance, natural messaging and biodegradability. The American Wool Council's 2015 development of insulations using U.S. wool resulted in an outcome of an acceptable performance



product that will help grow the apparel wool-insulation market and place U.S. wool in a favorable position for increased demand.

Recommendations for Fiscal Year 2015 - 2016

- Expand wool development in the mattress ticking market
- Expand wool development into the acoustic panel market

B. Market Research and New Uses

Wool Trust Goal Addressed by this Project

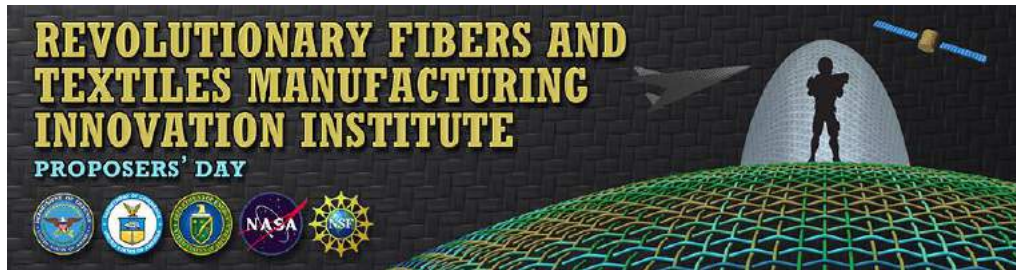
- Assist U.S. wool producers in the development and promotion of the wool market

Project Goals

- Identify new markets while maintaining primary markets

Top Achievements in Fiscal Year 2014 - 2015

- *Textile Institute for Manufacturing Innovation (IMI)*. On March 18, 2015, the President announced that \$75 million from the Department of Defense had been committed to an IMI competition in Revolutionary Fibers and Textiles. This completes the competition phase of this program in which the textile industry as a whole competed with seven other manufacturing segments for this IMI. The DOD then launched a competition within the textile industry to form a new manufacturing hub focused on revolutionary fiber and textile technologies. As this report is being written, the DOD is evaluating several industry proposals to determine which will be the best to lead this IMI. The formal award is expected in December 2015. ASI has supported and participated in this program to the maximum extent possible throughout its formation. The new RFT-IMI will open new wool research and development opportunities for the industry.



- *User Evaluations of Washable Wool Products*. In January 2015, the U.S. Army conducted a limited user evaluation of several washable wool base-layer garments. The evaluation was conducted in Vilseck, Germany, in very harsh winter conditions. Quoting from the report: "All test garments performed as good as or better than the currently-fielded garments. Test under-layer garments were preferred by soldiers more than the currently fielded garments." Based on this performance, the Army is now planning an expanded evaluation of these garments that could lead to a procurement decision to introduce these items in the near future.



- *Redesign Army Combat Glove (ACG).* Reported in last year's report, this project is now nearing successful completion. Several hundred pair of the newly redesigned gloves made from three different wool blends will be manufactured by late December 2015. These gloves will then be tested by the U.S. Army to determine the best version. If the best performing new glove is better than the current ACG in terms of cost, form, fit and function, it will be adopted to replace the current glove.



- *Treating Flame Resistant Wool/Nomex Fabric with an Insecticide.* This is another U.S. Army project initiated in 2014 that is still in progress and very successful. Permethrin treatment of the wool/nomex fabric has been proven to be effective and cost efficient. This project is continuing with a new blend of fibers intended to improve the base fabric's suitability for printing it with current camouflage patterns. This is a significant development success in that it will allow the U.S. military to have a more economical camouflage print, fire resistant and insect repellent uniform.
- *Non Chlorine Shrink Treatment.* The demand for a non-chlorine shrink treatment continues to grow and ASI has continued to seek alternatives. In last year's report, a potentially promising alternative to chlorine was reported. However, the treatment did not meet expectations and a planned mill trial was cancelled. Since then, another chemical alternative to chlorine has been identified. A trial using U.S. wool treated with this chemical is being planned. The process is successful in limited production offshore. A second non-chlorine shrink treatment is also being pursued that uses no chemical treatment and, thus, no water. As with the liquid treatment method, it is in limited production offshore and will be trialed using American wool.

Summary / Achievements / Results



uniforms that are being made available for optional purchase by sailors and airmen that prefer the classic look and feel of wool.

Wool consumption by the Department of Defense is vital to the long-term health and viability of the entire U.S. wool industry from wool producers all the way through the supply chain to completed garments. Since 2010, overall clothing and textile purchases by DOD have declined significantly from \$2.6 billion in 2010 to \$1.185 billion in fiscal year 2014. However, clothing and textile purchases during the fiscal year 2015-2018 time period are forecast to increase modestly to \$1.523 billion by 2018. Most wool garments and fabrics procured by the DOD are considered "dress clothing." As a result, the decline in procurement is mostly driven by the reduction in personnel and is not as drastic as the decline associated with withdrawal from specific theaters of operation. In 2015, wool's popularity was proven again when the U.S. Navy and the U.S. Air Force both introduced new 100 percent wool dress

ASI maintains contact with all of the services regarding their use of wool, as well as staying current with wool contracting trends in the DOD. Here are few examples:

- Defense Logistics Agency began buying the wool blanket again in 2015 using solicitations and contracts instead of GSA purchases. Two major contracts were awarded, calling for production of over 150,000 blankets over the next five years. One of the contracts was awarded to a resurgent blanket manufacturer significantly expanding the blanket manufacturing base.
- In fiscal year 2015, a new \$48 million contract was awarded for the continued production of the Navy Peacoat that will require one-million pounds of clean American wool for production over its five-year life.
- Two new wool beret contracts were awarded this year. While much smaller than the contracts they replace, the new contracts are a clear indication of the DOD's continued commitment to wool.
- In fiscal year 2015, the DOD awarded new contracts and purchased from existing contracts more than \$48 million worth of wool and wool-blend fabric, further proof of wool's importance to the U.S. military.

Recommendations for Fiscal Year 2015 - 2016

Continuing education of military acquisition professionals about the high performance characteristics of wool is essential for increased use of wool in the DOD. The DOD travel restrictions that largely prevented travel to ASI Wool Education Seminars over the last three years have been lifted. The time is right for ASI to re-introduce the educational seminar series as soon as possible.

C. International and 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

Top Achievements in Fiscal Year 2014 - 2015

With 2013-2014 being a difficult year worldwide in clothing retail sales, there was a considerable improvement in international retail-market conditions for clothing in 2014-2015. U.S. retail clothing sales grew by 4.7 percent – the fastest growth rate since 2010. Most other major retail markets also improved (China 9.7 percent; Europe 2-3 percent). The only major wool consuming country exception was Japan with a contraction of 1.5 percent.

Both the U.S. domestic industry sector and the international sector benefitted from these improved retail market conditions. Total U.S. wool exports increased by 3.8 percent by volume to 7.54 million pounds clean weight and 1.5 percent by value to \$20.04 million. Again, ASI's diversification strategy played an important role in ensuring a strong U.S. export performance despite a significant drop in exports to India.

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

- *Marketing Programs.* Marketing programs for wool were carried out in Western Europe, Eastern Europe, China, India, South America, Mexico, Southeast Asia, 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:
 - Arranged U.S. suppliers' missions to target markets during the off season (September – March) to familiarize U.S. companies with market opportunities and requirements.
 - Organized international buyers' missions (reverse trade missions) to major U.S. wool centers during the season (March – June) to enable potential customers to see U.S. wool potential for themselves and purchase wool.
 - 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.

- In key expanding markets (China and India), ASI has established an “on-ground” presence with a representative to assist U.S. exporters and international buyers to expand U.S. wool purchases. ASI has a representative in China and in India.
- *Customer Retention.* The United States continues to retain one-half of the approximately 30 customers cultivated in the past seven years as regular customers. Many were convinced to try additional wool types and to buy incremental volumes this past fiscal year.
- *Sales Volume.* U.S. wool exports from October 2014 to September 2015 were 7.54 million pounds, a 3.8 percent increase from the previous year. The major factor was the significant increase in demand from China, which offset a significant drop in demand from India.



- *Redistribution of Wool-Sales Base.* This ASI program is successfully achieving its objective of redistributing the U.S. wool-sales base. There is now a diverse customer base from various countries. For instance:
 - China increased its purchases of U.S. wool from 2.6 million pounds last fiscal year to 3.90 million pounds this year. This is an increase of 49.5 percent and amounts to 52 percent of total exports by volume. This re-establishes China as the largest single international market for U.S. wool. Greasy wool purchases continued to dominate with 95.7 percent of all exports to China in this form. This is expected to continue.
 - As part of the wool type diversification strategy, ASI continued a short-wool program for China to promote 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 now 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 2015. 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. In 2015, only 25.3 tons of clean U.S. scoured wool was exported to China.

- In 2014-2015, India was the second largest international market for U.S. wool, taking 1.68 million pounds of clean U.S. wool. This is a decrease of 41.4 percent over 2013-2014 and amounts to 22.25 percent of total U.S. exports by volume.
- ASI placed Chinese language advertisements in major Chinese wool textile magazines, *Wool Exporter* and *Twist*, to support the international advertising campaign to increase the awareness of U.S. wool.

The image shows a collage of Chinese-language advertisements for the American Sheep Industry Association (ASI). The main advertisement features a photograph of a sheep pen on the left and a man standing in a field with a dog on the right. The text in Chinese includes the title "美国绵羊业协会准备庆祝成立150周年" (American Sheep Industry Association preparing to celebrate its 150th anniversary) and a quote: "一个健康发展的绵羊业，不仅对牧民有利，而且对美国有利" (A healthy sheep industry is not only beneficial to herders, but also to the United States). Other smaller text and images are visible on the right side of the collage.

- Having a representation on the ground in India has improved ASI's contact and service in that country.
- *Exports.* Support from the U.S. wool industry continues to develop the ASI international programs. This constitutes the program's major strength. The U.S. industry's export expertise has been significantly improved. As a result of the expanded options and their own improved expertise, U.S. exporters have been able to locate and take advantage of the

best market prices available, as opposed to having to accept the best price from a limited range of market options.

Summary / Achievements / Results

The overall objective for the international programs was to expand U.S. wool and wool-product exports via diversification. This included:

- Diversification of markets – i.e., the identification of new markets not currently importing significant amounts of U.S. wool products. This would enable the United States to seek out the best buyers and best prices for its products.
- Diversification of customers – Historically, the bulk of U.S. wool exports have gone to a handful of customers. The goal was to locate new buyers in existing and new markets to diversify sales and reduce U.S. vulnerability to downturns.
- Diversification of U.S. wool types – i.e., find buyers for types of U.S. wool that do not have a good buyer base or have lost their domestic sales base, thus, enabling the U.S. industry to export a broader selection of its wool clip.

Given that the United States is a small-volume producer compared to competitors such as Australia and New Zealand that produce large amounts of wool, the goal has been to add one or two new customers or products a year for each target market. This is more than sufficient to counteract declines in customers and to create competition for U.S. wool.

ASI partnered with USDA's Foreign Agricultural Service, U.S. wool growers and warehouses to seek out new export opportunities for U.S. wool.

The international marketing program enables ASI to take wool-quality improvements and translate them into new sales for the U.S. wool industry.

Fiscal year 2014-2015 was notable because:

- Wool price and exchange rate (US\$/A\$) volatility. 2014-2015 was a very confusing year with wool prices peaking in Australian dollars on June 4, 2015, (EMI A\$6.23 per pound clean; US\$4.81 per pound clean) after a significant market rise in May and with the price relativities between wool grades (microns) narrowing greatly. Add to this the concurrent strengthening of the U.S. dollar against the Australian dollar and it was a difficult year to keep track of market values and conditions. The Australian market finished on Dec. 17, 2015, with the Eastern Market Indicator at A\$5.74 per pound clean and \$US4.12 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.
- Wool exports to India declined significantly in 2014-2015 to 1.68 million pounds clean from 2.86 million pounds clean. They are now the second largest export market for U.S. wool, importing 22.25 percent of U.S. wool exports.

- The renewed interest in U.S. wool by Europe shown in 2011-2012 was every bit as strong in 2014-2015. In 2014-2015, there was a slight increase in the volume of U.S. exports to this region (6.8 percent increase) with 1.06 million pounds exported, keeping the EU the third largest market for U.S. wool.
- The U.S. wool market continued to benefit from good domestic demand for the better style worsted combing wools.
- Wool inventory carryover in the United States as of Sept. 30, 2015, was very low, reflecting the very strong market prices in May/June 2015 and strong domestic demand. Assuming a 1 percent drop in U.S. wool production to 26.43 million pounds greasy, exports would amount to approximately 57.03 percent of U.S. wool production. (Note: This includes noils and wool waste exports.)

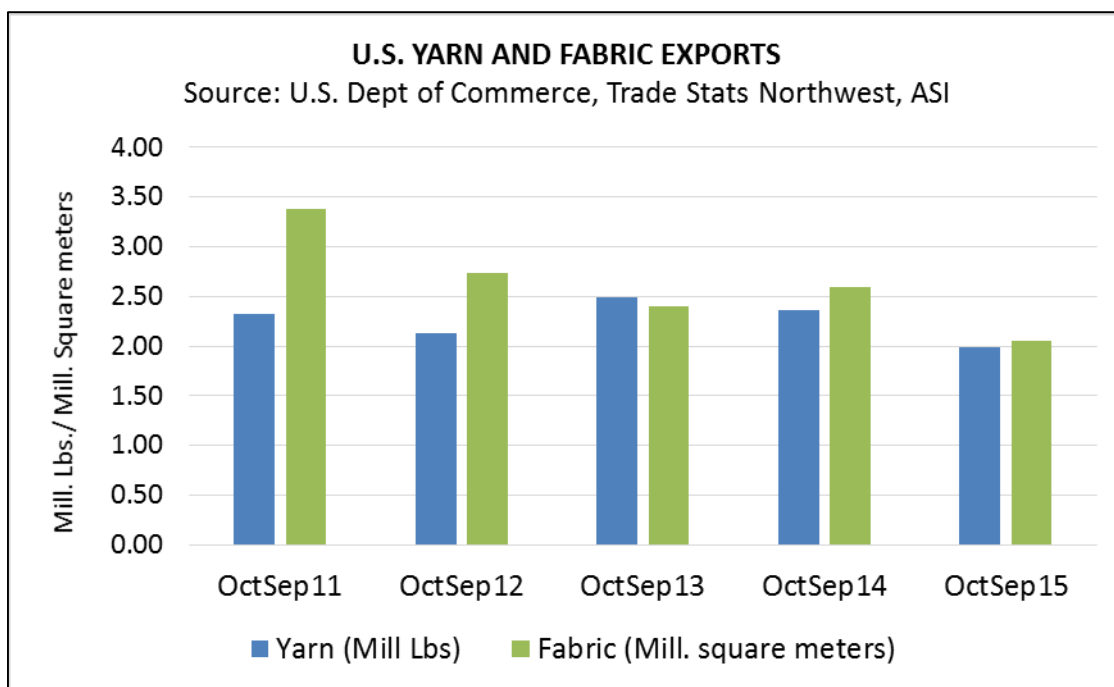
ASI has maintained diversity of markets as a fundamental strategy for its programs with a continued strong investment of resources in the domestic market (military and non-military) and the international market.

Total U.S. wool exports increased slightly by 3.8 percent by volume (to 7.54 million pounds clean) and 1.5 percent by value (to \$20.04 million).

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

China resumed its role as the major export destination for U.S. wool, taking 52 percent (3.90 million pounds clean) of all U.S. wool exports (7.54 million pounds clean).

India is the second largest export market for U.S. wool taking 22.25 percent (1.68 million pounds clean) of all U.S. exports – down 41.4 percent on 2013-2014. The Indian wool textile market was depressed in 2014-2015 with both domestic and export market reductions. The market was extremely price sensitive, especially given that, in soft consumer conditions, a significant number of mills sought military uniform business and consequently were purchasing lower priced wools. Additionally, the softer international business meant that export business throughout the wool textile supply chain was negatively impacted - semi-processed wool, yarn and fabric exports reduced along with garment exports.



In FY2014-2015, wool fabric and yarn exports were down 13 percent to 3.4 million pounds and down 25 percent to \$26.9 million.

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 over the last three years) and environment and other production costs also increase, India is becoming more competitive as a producer of wool-textile products for export, as well as having an expanding domestic market. As U.S. wools become more internationally competitive, it is expected that U.S. wool sales to India will increase again. ASI is continuing to work with U.S. exporters to expand sales to recently added customers in 2013-2014 and to new customers. Considerable work will be required to ensure that Indian customers' understanding of U.S. wool and how best to utilize it improves. ASI's on-site representative in India and increased focus of other ASI resources will assist U.S. wool exporters to expand U.S. wool sales to India.

Overall, fiscal 2014-2015 sales to target markets as reported by USDA and Trade Stats Northwest were 7.54 million pounds of clean wool, an increase of 3.8 percent from last fiscal year and were valued at \$20.04 million (up 1.5 percent from last fiscal year). This is after the removal of wool-top exports to Mexico of fine, very-high unit value wools of approximately 0.4 million pounds clean with a value of \$3.1 million (i.e., Australian wool, combed in the United States and re-exported to Mexico) were removed from the export statistics. Greasy wool accounted for 72.7 percent of the total exports.

Western Europe saw some resurgence in wool processing in fiscal year 2010-2011 – especially in Italy. However, this momentum has been lost, at least temporarily, due to the economic difficulties being faced in the European Union. This has dampened consumer confidence and spending and has led to still-weak spending at retail, although there are some signs currently that this may improve in the near future. It appears that this manufacturing was focused in the middle-upper priced end products. It will take another year or so to see if this can reestablish

Western Europe as an important processing and manufacturing base for these products. This situation did not change in fiscal year 2014-2015.

ASI has had a maintenance program in place in Western Europe for the last couple of years, just in case of a resurgence. In 2014, ASI had already expanded its program into Western Europe with supplier visits and trials there. ASI will continue to take a cautiously optimistic approach in this important target market as we see how it evolves, especially given the difficult economic and political environment currently existing in a number of Western European countries.

One other region that ASI is watching closely is the Southeast Asia region. With Chinese production costs rising, there is already evidence that China is losing textile production to such countries as Vietnam, Indonesia, Philippines and Cambodia, as well as to India. Additionally, a very large wool processing plant is under construction in Malaysia, so it is expected that opportunities may exist there. ASI personnel visits to China and India in late 2014 have confirmed that the Malaysia plant is now operational for scouring and will soon be combing and that Vietnam's expansion into wool (particularly knitwear) continues. ASI expects to resume market activity in Southeast Asia in 2016.

Recommendations for Fiscal Year 2015 - 2016

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

II. QUALITY IMPROVEMENT

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

A. Market Information

Wool Trust Goal Addressed by this Project

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

Project Goals

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

Top Achievements in Fiscal Year 2014 - 2015

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

Market Report



JULIE STEPANEK SHIFLETT, PH.D.
Juniper Economic Consulting

Stronger Markets Prevail Heading Into the New Year

- ASI maintained and expanded wool databases on production, prices, etc., built in the first years of 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 U.S. wool packaging and testing, as these are areas where U.S. wool is the weakest. It also helped ASI to pinpoint those international markets where U.S. wool is likely to find a receptive customer base.
- The data also aided in the implementation of actual programs, assisting in quality improvement and market development.
- It improved producer information about the market situation for wool, helping them to maximize their competitiveness through more-informed market decisions.
- It assisted ASI in evaluating progress made over the past year, including monitoring the closing price gap between the United States and Australian/international prices and analyzing the growth of U.S. exports.

Information collected covered wool, pelts and lamb because profitability in the lamb market is crucial to the continuation of wool production. Wool, lamb and pelts are the three centers of profit that bring revenue to producers. Producers must break even on their lamb or they will not produce wool. Because of this, the lamb and pelt markets are intrinsically tied to the profitability of the U.S. wool grower. Also, the U.S. industry wants one source of information and analysis for multiple areas, which eliminates searching and ensures consistency of data.

Summary / Achievements / Results

In its efforts to become more competitive, the U.S. sheep industry faces many challenges. To overcome them, a clear understanding of both the U.S. and global situation is necessary. Effective programs require knowledge of the strengths and weaknesses of U.S. wool and global and domestic opportunities. Without this, the United States cannot become a player in the world market. Under this market information program, ASI carried out year-round analysis of crucial wool-market indicators, both for the United States and competing suppliers. Numerous industry data sets were maintained and expanded, with new databases added. Besides strategic planning, these databases were used to monitor the effectiveness of the Wool Trust programs.

Recommendations for Fiscal Year 2015 - 2016

Knowledge is the first step toward effective action. Thus, this program forms a valuable base for ASI and the U.S. industry in improving its competitiveness. ASI needs to continue to update its industry data sets to ensure that the United States is well prepared to compete in the domestic and international arenas.

B. Quality Improvement and New Technology

Wool Trust Goal Addressed by this Project

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

Project Goals

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

Top Achievements in Fiscal Year 2014 - 2015

- Wool Handling Schools for Growers, Shearers, Wool Handlers and Hand Spinners

ASI provided two-day wool education workshops for sheep producers across the United States to broaden wool quality education and improvement programs. Wool education seminars were held in Washington, Wyoming, Colorado and Idaho, which provided wool quality improvement education and materials to producers, hand spinners, processors and fiber enthusiasts.



- Wool Quality Improvement Programs for Shearing Crews, Growers and Wool Handlers

ASI provided Certified Classing and Handling Schools for a wide variety of wool handlers who desire classing certification either on commercial shearing crews or producers on their own sheep operations. This includes both domestic and foreign classers who work with the larger crews in the western states and have a major impact on wool quality improvement. Three-day Certified Wool Classing Schools were held in North Dakota, Utah and California in 2014-2015, which included a total of 44 students all certified at

Level I. The wool improvement program also included 25-30 site visits to work with 10-15 shearing crews from January thru May, regardless of certification, in an effort to increase overall wool quality handling in the United States. Areas of concern were targeted to improve the knowledge of wool handling, importance of improving wool quality, including concerns of medulated and colored fibers. Producer and shearer meetings were held in several states, as well as thru two university sheep programs, to discuss wool quality improvement programs, wool handling and classing operations provided by ASI. OFDA 2000 equipment is often used in educational programs for both shearing crews and growers.



Foreign wool handlers from Australia and New Zealand indicated their interest in a regional school in preparation for working with U.S. shearing crews. This would serve to introduce new wool handlers to U.S. wools and show how these wools are prepared in the United States, thus, eliminating potential issues for processors, wool warehouses and wool exporters.

Not only were shearing crews less available in 2014-2015, the lack of certified wool handlers and classers proved to be a challenge as well. Additionally, less U.S. shearers have been available to maintain U.S. shearing crews. In an effort to assist, ASI is working with international shearing training groups to provide additional training to U.S. shearers to allow more rapid advancement in both quality of shearing and speed of shearing to help fill the void of less overall shearers in the industry.

As part of the overall wool quality improvement program, 18 new vinyl tarps (20 feet by 30 feet) made from non-contaminating material, were placed with certified shearing crews this year for their participation in wool quality programs. These long-life tarps will reduce potential contamination at the shearing site as the wool is handled.

Due to the lack of shearing trailers in some areas of the United States, ASI is exploring the option of cost sharing new, more efficiently designed sheep shearing trailers, which will allow wool to be worked, graded and classed on the shearing floor. If completed, this would allow more efficient wool handling with less people at the shearing site and increase the amount of contaminants removed, thus improving the overall quality level of wool, whether processed in the United States or exported.

In support of shearing crews, warehouses, exporters and processors who need consistent size, shape and weight of wool bales, ASI is exploring the possibility of helping the industry source and procure new wool presses to replace many older, worn out presses that do not consistently make standard bales. This would increase the efficiency of the entire wool harvesting segment while reducing freight costs, both domestic and export costs of transportation. ASI's Wool Council hosted a meeting of its members and key members of the shearing industry in the United States to identify key issues and challenges for the coming years. This interaction and exchange of information and challenges facing the sheep and wool industry is instrumental in efficient wool harvesting and marketing in the United States for the future.

- OFDA 2000 Training, Testing and Outreach for Genetic Wool Improvement

The OFDA 2000 continues to be used to identify fine wool that can be utilized in specialty domestic wool programs, including both the military and commercial outlets. It is also used to improve overall wool genetics in the United States and to identify replacement quality ewes within herds specifically for producing replacement ewe lambs and to assist in the herd rebuilding effort in the United States. The OFDA 2000 is also used to test wool quality of rams in order to more rapidly improve wool genetics.



Outreach included working with breed associations and livestock shows to educate that segment of the sheep industry on the importance of genetic improvement of wool. Increased use of the OFDA 2000 equipment was noted in 2014-2015, especially among smaller producers moving into niche marketing of fibers produced on their operations. Increased interest of OFDA 2000 generated data was seen by a variety of fiber festivals, as well as small farm-flock operations providing wool for niche markets and by the users of hand-spinning type wools. The OFDA 2000 equipment was also utilized in selecting wool for the National Western Stock Show Wool Show and the National Intercollegiate Wool Judging Contest.

The most rapidly growing use of the OFDA 2000 equipment is full-herd testing of fine-wool producing purebred flocks in order to establish EPD and EBV data for replacement ewes and rams. An increased number of on-site visits were done this year so that they could be included in the National Sheep Improvement Program and ultimately, provide more rapid genetic improvement, not only in their flocks, but in flocks that purchase these animals. Commercial ram buyers are requesting more data when purchasing rams, not only wool information, but growth and reproductive data as well, so that more rapid genetic improvements and increased production will result.

A new OFDA 2000 was purchased this year and two older machines were sent to Australia for software upgrades and maintenance. Staff members and OFDA 2000

operators at Utah State University and North Dakota State University received basic training on the use of the OFDA 2000 machines and are now available for full-time testing of wool for producers.

- Shearing and Wool Handling Contests and Shearing Educational Meetings

Contests provide an opportunity to connect with sheep shearers, crew bosses and wool handlers to provide educational information on proper shearing, wool handling and general encouragement of wool quality improvement throughout all states. The national contest was held in Rapid City, S.D. In cooperation with the American Sheep Shearers Council, ASI will continue to host an educational meeting and exchange of information for a wide variety of contestants immediately prior to the contest at Rapid City.

ASI continued to provide funds for regional shearing contests (money allocated to states conducting shearing programs -- Iowa, Illinois, Indiana, Kansas, Maryland (program is every other year), Michigan, Montana, North Dakota, Ohio and South Dakota) that promote wool quality as part of their competition. When practical, an ASI wool quality representative will attend these shearing schools to discuss wool quality improvement, handling, labeling and provide information to the new shearers in order to continue to make wool quality improvement a top priority.

Work continued to address the issues of wool preparation levels and standards necessary for the marketing of feedlot-lamb wool in the United States. Also, it is used to identify the current and potential market outlets and products for feedlot wool and to work in cooperation with the wool mills and marketing agents to help establish guidelines for wool preparation. Conducting educational programs for lamb feeders and their shearing crews on wool quality and wool marketing issues helped to increase their income from wool.

Wool programs were provided at shearing schools in South Dakota, North Dakota, Colorado and California this year.

- Wool Description and Wool Marketing Reporting System

In co-operation with USDA's AMS Market News, ASI was instrumental in developing a Wool Description and Pricing Tool that is available to producers, warehouses, buyers and processors of wool who own a smartphone or tablet. This tool is available free by downloading the ASI Market App on Android or Apple operating systems. It provides U.S. producers with the ability to compare wool types and descriptions of Australian and U.S. wools, incorporating AWEX descriptions and processing terminology. This assisted in providing additional market information to producers, allowed more transparency in the market place and provided educational descriptive terms of wool for the entire sheep industry.



Work continued to assess the AWEX-ID program and determine the best arrangement to serve the U.S. wool industry. ASI and AWEX created a new market report specific to U.S. wools in order to provide more valuable market information tailored to the U.S. wool industry and provide more transparent market information. ASI encouraged the wool infrastructure to utilize the AWEX system when participating in the ASI international wool programs and combine AWEX-ID with the use of objective measurement of wool in marketing. At state and regional sheep producer meeting, ASI continued to educate producers in how to best utilize this information in their sheep operations.

Summary / Achievements / Results

- Upgraded the OFDA 2000 equipment needed to provide wool evaluation and education within the wool industry.
- Cooperative meetings between ASI's Wool Council and key members of the shearing industry to address challenges with the wool industry today and in the future.
- Continued interest and enthusiasm of wool industry members in attending Certified Wool Classing or Handling Schools in the United States providing wool education.
- ASI provided non-contaminating work-area tarps for certified shearing crews, which improved wool quality in the United States.
- Built a Wool Description and Pricing Tool for the ASI Market News App.

Recommendations for Fiscal Year 2015 - 2016

- Schedule a wool quality meeting in California for shearing crew managers and wool producers to encourage the use of upgraded wool-testing equipment and improved wool-handling techniques in that area.
- In 2015-2016, Certified Wool Classing schools should be scheduled in North Dakota, Utah, Colorado, Washington, New York and California.
- Site visits are a great way to increase overall wool handling to make an impact on the wool quality so should be continued.
- Plans to augment shearing-day activities in 2015-2016 include establishing a "mentor" program utilizing Level III and IV classers working one-on-one at shearing sites with Level I and II Classers in order to provide more experience and rapid advancement in a shorter time frame in the certified classing programs.

C. Quality Assurance

Wool Trust Goal Addressed by this Project

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

Project Goals

- Improving and ensuring the highest U.S. quality wool and improving U.S. wool competitiveness

Top Achievements in Fiscal Year 2014 - 2015

The importance of animal health, animal production and risk management in wool and lamb marketing cannot be overemphasized. The regulatory and export crisis in the U.S. beef industry due to the identification of cattle infected with bovine spongiform encephalopathy (BSE), as well as the impact of the H1N1 virus on the swine industry and the devastation caused by HPAI in the poultry industry serve as examples of the significance of this issue. The health and care of the animal is the starting point for any strategic plan to make U.S. wool more marketable. Sheep nutrition, reproduction, genetics, handling facilities, behavior, predator management and good health care all work together to create a high-quality, uniform U.S. wool clip.

Likewise, the ability to manage some of the risk factors inherent to sheep and wool production and marketing is essential to keeping the production unit on solid financial ground so that production-quality issues can be addressed adequately and improved.

Following is a list of the major issues, initiatives and activities that ASI was able to implement during fiscal year 2014-2015:

- 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.
- 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.



- ASI cooperated actively with APHIS to increase the number of slaughter surveillance samples submitted for diagnostic evaluation from small processing plants.
- ASI, through APHIS, provided funding to state sheep associations to implement educational programs on scrapie eradication.
- *Research.* Worked with USDA's Agricultural Research Service both at the national program staff level and at various research stations, including the Animal Disease Research Unit, Meat Animal Research Center and the U.S. Sheep Experiment Station on appropriate sheep-research direction and funding levels including genomic solutions to disease reduction, improved sheep production efficiency, nutrition advancements and improvements in wool quality.
- Worked with the ASI Bighorn Sheep Task Force to bring researchers, state affiliates and veterinarians together to discuss new or improved approaches to land management and disease conflicts at the state and national level.
- *Emergency Response.* Participated in the National Animal Health Emergency Management Steering Committee (now a committee under the U.S. Animal Health Association) - a group of federal and state government officials, as well as industry representatives, who are coordinating a strategy to more effectively and efficiently deal with animal health emergencies.
- Participated in a cross-species Foot and Mouth Disease team to prepare steps for disease containment and communications in the event of an outbreak.
- Assisted with the ongoing development and enhancement of USDA's Emergency Response Plans.
- *New Drugs.* Worked with CVM and USDA's Cooperative State Research, Education and Extension Service on seeking label approval of several new drugs and expiring labels for sheep.
- *LRP-Lamb.* Enhancements to the LRP-Lamb plan of insurance were approved in 2015 and the web-based training course was updated. Since the beginning of this program, over 2 million lambs have been insured.



- Provided recommendations to USDA/APHIS/VS on specific subject-matter chapters under consideration by the World Organization for Animal Health (OIE).
- Worked with industry and academic representatives from Australia, New Zealand and the United States on the prioritization and implementation of sheep genomics research.
- Participated in several formal and informal coalitions and allied industry organizations relating to animal health. The formal ones include:
 - American Veterinary Medical Association’s Food Animal Medicine Consortium
 - Animal Agriculture Coalition
 - National Institute for Animal Agriculture
 - United States Animal Health Association
 - Council on Agriculture, Science and Technology
 - Animal Agriculture Alliance

Summary / Achievements / Results

The assurance of a quality product to buyers begins with the health of the animal that produces it. Without a healthy animal, all other wool-improvement programs would not make an impact. Unless the United States can assure buyers of its commitment to high quality, it will find its product at a disadvantage in the marketplace. A key factor in providing this assurance is to show potential buyers that uniform high standards and procedures for animal health and production are observed, implemented and enforced.

Managing risk is also a necessary component of producing high-quality wool and lamb. Sheep production and marketing is inherently full of risk. The animals are reared under extensive production systems that can include very harsh environmental (weather, topographical, etc.) conditions that expose them to hazards.

Sheep and other small ruminants are also near the bottom of the mammalian food chain, so they are almost always under threat or risk of predator attacks. Certain periods within the 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 try to manage. Because the pricing and marketing of sheep and sheep products occurs only once or twice a year for most producers, effective management of cash flow means that producers use borrowed operating capital on a regular basis. Unlike other livestock species, few, if any, financial marketing or price-risk management tools are available to sheep producers, to date. Over the past nine years, ASI has worked with other industry and academic partners to investigate, develop and implement price-risk management tools.

Thus, ASI carried out ongoing work during the year on sheep production, research and health with the goal of ensuring a healthy and marketable product for U.S. wool growers. This included

active participation with 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 2015 - 2016

- 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" will be updated and distributed broadly to industry and the public during 2016.
- ASI expects the number of producers who will be certified SSQA Level I and SSQA Level II to continue to increase. Also, producers are being trained in and encouraged to implement SSQA Level III. 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 to be completed in 2016.

- The National Scrapie Eradication Program is entering its sixteenth year with nearly all flocks having a national premise identification number, regulatory slaughter surveillance is being implemented, sheep are being sampled at a higher rate each month and a new, scientifically sound, live-animal test was approved and a genetic-based approach to scrapie risk reduction implemented. ASI will actively participate in education and outreach programs designed to help producers reduce the risk of scrapie occurring in their operation through cooperative programs with APHIS and state animal health officials and state affiliates. Regulatory enhancements to the National Scrapie Eradication Program were proposed in 2015, ASI submitted formal comments and recommendations directly and from a coalition of industry and allied-industry stakeholders. A final amendment to the regulation is expected in 2016
- Additional research and the dissemination of findings will be needed to advise land and wildlife managers on domestic/wild sheep health and interactions. Resources have been awarded to a major U.S. university to fully sequence the sheep genome. The outcome of this effort has the potential of revolutionizing genetic selection, as well as disease diagnostics, control and treatment. ASI will continue to work with university and industry collaborators, both in the United States and abroad, to affect the appropriate and efficient utilization of this research for the U.S. sheep industry. Thus, product safety, animal health and welfare, risk management and quality assurance are key to the overall package in coming years to improve U.S. wool quality and competitiveness.

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

Wool Trust Goal Addressed by this Project

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

Project Goals

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

Top Achievements in Fiscal Year 2014 - 2015

The Wool Outreach program funds local wool projects administered by state sheep associations and affiliated organizations to support the overall Wool Trust program. A total of 45 associations were invited to participate in Round 15 of ASI's Wool Outreach Program, which began Oct. 1, 2014, and ended on Aug. 31, 2015.

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

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

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



Each state sheep association submitted an application for approval prior to receiving its funding – 40 states and one organization participated in this round of funding. All organizations also submitted a final written report detailing their Wool Outreach Program activities and associated costs.

In addition, some organizations used their own funding to supplement funds awarded to them by ASI for Wool Outreach. In all, the total amount of funding spent by organizations on Wool Outreach-related projects, including both ASI's and individual organizations' funds, was \$347,619.85.

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

Summary / Achievements / Results

The Wool Outreach Program enlisted support at the state and county level to maximize Wool Trust funding and create greater participation in Wool Trust goals. State sheep organizations were encouraged to develop their own programs for improving U.S. wool quality and competitiveness. Funding was supplied to groups on the condition that the program addressed the three specific goals of the Wool Trust. As a result, this year, 40 organizations carried out programs that worked to meet one or more of the three goals, and all submitted reports on each of their programs. It should be noted that in the fifteenth year of this program, states have steadily expanded their wool activities creating a greater synergy for achieving Wool Trust goals.

Total Monies Spent on Wool Outreach during 2015

Alabama \$1,003.75	New York \$2,919.52
Arizona \$4,487.85	North Carolina \$1,345.77
California \$55,791.86	North Dakota \$2,800.00
Colorado \$8,307.77	Ohio \$6,223.66
Connecticut \$3,090.00	Oregon \$6,500.47
Florida \$5,195.97	Pennsylvania \$6,561.89
Georgia \$1,003.00	South Carolina \$3,396.47
Idaho \$11,923.76	South Dakota \$20,155.79
Illinois \$1,852.00	Tennessee \$3,176.80
Indiana \$2082.95	Texas \$37,591.64
Iowa \$6,204.00	Utah \$14,473.40
Kansas \$3,090.34	Vermont \$1,112.41
Kentucky \$35,691.69	Virginia \$2,478.00
Maine \$1,000.00	Washington \$5,028.33
Maryland \$1,994.41	West Virginia \$1,905.31
Massachusetts \$4,658.56	Wisconsin \$2,847.87
Michigan \$5,112.69	Wyoming \$15,116.00
Minnesota \$12,973.77	NLFA \$1,395.00
Montana \$23,285.15	
Nebraska \$2,510.00	
New Hampshire \$11,475.00	
New Jersey \$3,400.00	
New Mexico \$6,457.00	
	TOTAL: \$347,619.85

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

Recommendations for Fiscal Year 2015 - 2016

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

III. Producer Communications

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

A. Producer Publications

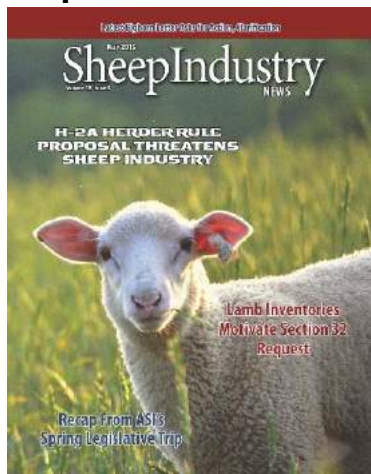
Wool Trust Goal Addressed by this Project

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

Project Goals

- Keep U.S. sheep producers informed of the activities of ASI in regard to the programs and issues of interest to producers and the sheep and wool industries
- Disseminate information to producers on programs and improvements in the wool industry
- Provide producers with new ideas and expose them to new methods of growing sheep in efficient and cost-effective ways
- Collaborate with producers, industry partners and government agencies to enhance communication on topics of mutual interest, including accomplishments and challenges facing the sheep industry
- Maintain ASI as the chief source of information during an emergency with continued updating and testing of a Crisis Management Plan that can be accessed in the event an industry issue arises

Top Achievements in Fiscal Year 2014 - 2015



Fiscal year 2014-2015 was filled with challenges to the sheep industry, including changes to the H-2A shepherd program, public land grazing issues, bighorn sheep issues, threats to close the U.S. Sheep Experiment Station, continued pressure from predators and engagement with Wildlife Services. ASI's producer publications kept U.S. sheep producers and related industries informed of major industry issues and helped the U.S. industry become more responsive to market situations.

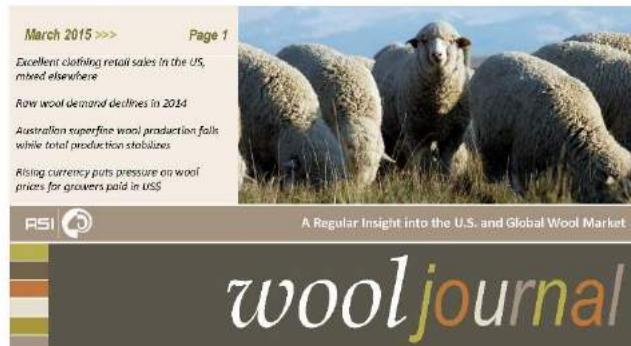
ASI published 12 issues of the *Sheep Industry News*, which contained numerous articles of interest regarding the viability and profitability of the sheep industry. Various issues contained articles

about ways producers can improve wool production profitability or current developments and changes in the wool industry. Articles also were published updating readers on the status of programs being conducted through the Wool Trust. The *Sheep Industry News* is mailed to approximately 7,500 individuals and businesses combined, with the main audience consisting of U.S. sheep producers.

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

- The *Sheep Industry News* reported on tours of textile mills and garment manufacturing companies in Nevada, Washington state and Wisconsin. 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 20 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 *Sheep Industry News* updated producers and the sheep industry on various prospective new uses for wool, along with future demand for end-products such as military uniforms, gloves and furniture.

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



- The *Sheep Industry News* is accessible from the home page of ASI's industry/consumer website, www.sheepusa.org. All the information published in the hard copy of the *Sheep Industry News* is also available to a much wider audience through this medium.

ASI continued the digital PDF format of the *Sheep Industry News* for its readers. This file is emailed to approximately 3,000 producers monthly as another vehicle to access the information found in the magazine. A digital version of the magazine is also available and can be accessed from the association's website, www.sheepusa.org.

- ASI produced 48 issues of the *ASI Weekly* newsletter. This newsletter contained a wide variety of articles of interest to the wool and sheep industries, including developments in the U.S. and worldwide market for the wool and textile industries. The publication updates producers about the availability of wool programs coordinated by USDA. It also provides updates on Wool Trust programs and how they benefit the wool and sheep

industries. *ASI Weekly* is distributed to more than 5,000 producer and industry affiliates via e-mail and is also accessible from ASI's industry/consumer website, www.sheepusa.org.

ASI Weekly is the industry's most timely publication in that information is disseminated in the same week it occurs. Producers, industry affiliates and educational facilities utilize and disseminate this current information to make production decisions as well as for teaching tools. Other agriculture publications frequently reprint the information from the *ASI Weekly* as it is considered to be the voice of the sheep industry.

- Press Releases remain an important way for the industry to communicate with multiple media outlets. This program included the distribution of press releases on a variety of topics, including those related to the wool industry and to the proceedings at the annual wool convention. Multiple lists are used in an effort to get the widest distribution of sheep industry news.

Summary / Achievements / Results

ASI disseminated information on quality improvement methods and new technology available to the industry, kept producers informed of animal health issues, provided educational programs, disseminated information on wool and lamb prices and sales and solicited participation in marketing programs. Also, under the Producer Communications Program, ASI kept producers informed of activities and programs carried out under the Wool Trust, 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 tabloid, *Sheep Industry News*, ASI's weekly newsletter, *ASI Weekly*, and press releases.

Recommendations for Fiscal Year 2015 - 2016

As the sheep industry meets new challenges, ASI's producer publications will continue to provide education and communication. The primary goal of the Wool Trust and producer publications is to disseminate information to its membership. New story ideas for the *Sheep Industry News* are always being reviewed for relevancy and currency.

B. Media/Public Relations/Promotional

Wool Trust Goal Addressed by this Project

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

Project Goals

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

Top Achievements in Fiscal Year 2014 - 2015

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



- Radio Spots -- An annual event that ASI participates in is the National Association of Farm Broadcasters convention. Through this event, many radio spots concerning the issues relevant to the sheep industry are taped and utilized throughout the year across all U.S. markets. At the 2014 annual meeting, ASI recorded more than 25 radio interviews and a couple television spots.

- Print Media -- Getting the wool and sheep industry story out to the nation continues to be an important step in maintaining the infrastructure of this industry. With the increased visibility of ASI, each year, more and more reporters contact the office for information ranging from story background or history to modern trends, as well as to get industry perspectives and quotes. Daily, ASI monitors the pick-up of industry stories. Several publications re-print articles about the industry and the programs important to wool and sheep.
- Social Media -- To more efficiently communicate with members and the media, ASI is active on Twitter with more than 700 followers and on Facebook with more than 3,500 likes. These mediums allow for two-way communication providing sheep industry members a way to directly interact with ASI. It is also a tool for producers to interact with each other. ASI's Facebook page is at www.facebook.com/sheepusa and the Twitter page is at www.twitter.com/sheepusa. The association also maintains a growing Instagram account. In the year to come, separate social media and websites devoted strictly to promoting wool to American consumers are in the works.



- State Association Annual Meetings -- A primary goal of ASI continues to be the education and outreach to its members and others involved in the sheep industry. One

of the many ways this is accomplished is through participation at member state association meetings. To provide the most concise and organized approach to the dissemination of ASI's activities, a PowerPoint Presentation was developed containing a brief description of the programs, accomplishments and future goals of the organization. This presentation is designed to be utilized by leadership and staff alike.

Summary / Achievements / 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 2015 - 2016

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

C. Printed Materials

Wool Trust Goal Addressed by this Project

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

Project Goals

- Keep U.S. sheep producers informed of the activities of ASI in regard to the programs and issues of interest to producers and the sheep and wool industries
- Disseminate information to producers on programs and improvements in the wool industry

Top Achievements in Fiscal Year 2014 - 2015

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

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

- Fast Facts

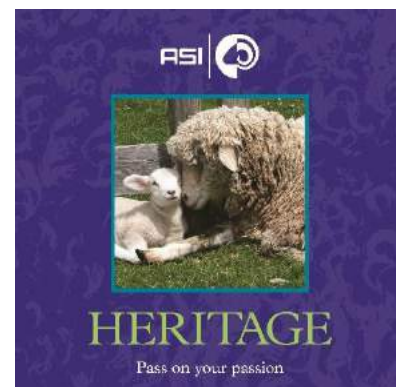


The one-page industry Fast Facts – Sheep Production in the United States was updated to incorporate the most current information as reported by USDA and other reliable sources. The current fact sheets are posted on the ASI website for wider accessibility.

- State-Specific Newsletters and Presentations

Also continued this year were industry newsletters geared toward each state association. ASI produced a state specific, low-cost, two-page newsletter designed to be utilized at state association meetings to inform producers in that state of the current wool and lamb programs and the benefits received by producers in that state. These state-specific newsletters were individually produced for more than 40 states. PowerPoint presentations were also produced to address the topics that most affect each state. ASI annual highlights and current issues were included in the presentation.

- Sheep Heritage Brochure – The sheep industry is steeped in tradition. Honoring these traditions while investing in the future of the industry is a major goal of the Sheep Heritage Foundation. A new brochure reinforcing this strategy was developed.
- Material Distribution -- ASI continued to disseminate educational materials to industry groups. Groups that



requested information ranged from state and breed associations to youth groups, such as school programs and FFA and 4-H groups.



- Convention Materials -- Convention materials were produced and distributed to support the convention's goal of bringing wool industry leaders together to define strategies to strengthen U.S. wool competitiveness. Comprehensive preparation is completed prior to the annual convention to provide attendees with the most current information and data as it relates to the specific areas of the industry affected by each council and committee.
- Calendar -- A 2016 calendar was produced in conjunction with the Let's Grow initiative, which highlights photos from ASI's photo contest in addition to sheep production efficiencies for producers.



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

Summary / Achievements / Results

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

Recommendations for Fiscal Year 2015 - 2016

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

D. Website

Wool Trust Goal Addressed by this Project

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

Project Goals

- Maintain ASI as the chief source of information for the industry and consumers looking for information about wool and sheep
- Plan and prepare to be the major source of knowledge during an emergency situation with continued updating and testing of a Crisis Management Plan that can be accessed in the event an industry issue arises

Top Achievements in Fiscal Year 2014 - 2015

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 year, enhancements were added to the *ASI Market App* as requested by producers. A live-link to all of the auction barns was included with each of the nine auction reports from across the nation. Hay reports were also a new addition.

A Breakeven Calculator to determine profit or loss at a particular moment in time was added so producers can easily calculate all production costs into the sale of their animals.

A Wool Description and Pricing Tool provided U.S. producers with the ability to compare wool types and descriptions of Australian and U.S. wools, incorporating AWEX descriptions and processing terminology. This assists in providing additional market information to producers, allows more transparency in the market place and provides educational descriptive terms of wool for the entire sheep industry.

A Gestation Calculator was also a producer recommended addition. Lambing and return dates can be easily visualized with this add-on.

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

www.sheepusa.org -- The ASI website continues to be the conduit for state associations, wholesalers, producers, consumers and the media to gather information about the wool, pelt and lamb industries. It remains a goal of ASI to keep the site a vital source of industry information. Continuous updates are made keeping the content fresh and current. Contact



information for industry leaders and council and committee memberships offer reliable sources for obtaining information.

Summary / Achievements / Results

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

Recommendations for Fiscal Year 2015 - 2016

Continued updates of the industry's website and the ASI Market App are encouraged for the next fiscal year.

E. Convention

Wool Trust Goal Addressed by this Project

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

Project Goals

- Keep U.S. sheep producers informed of the activities of ASI in regard to the programs and issues of interest to producers and the sheep and wool industries
- Disseminate information to producers on programs and improvements in the wool industry

Top Achievements in Fiscal Year 2014 - 2015

ASI celebrated its 150th Anniversary in 2015. ASI is the oldest livestock association in the United States and has been an advocate for the industry since 1865. Additional events, speakers and activities were incorporated into the annual meeting to commemorate this achievement. Some of the information coming out of the 2015 ASI Annual Convention included:

- Adding to the excitement of the organizations longevity, the Sheep and Goats report released during the meeting recounted that the sheep and lamb inventory was up 1 percent and the lamb crop was up 2 percent from the previous year.
- More than 40 young entrepreneurs from 12 states attend the sessions. Participating in age-specific meetings, as well as in the general sessions, these participants brought with them an energy level that could be felt throughout the event.
- The Animal Agriculture Alliance encouraged all producers to take a critical look at their operations and policies to identify vulnerabilities, find solutions to animal handling concerns and train all employees on policies and proper handling procedures. Holding employees accountable for their actions and proactively preparing for a crisis are steps that can be taken now to avert a disaster in the future.
- The ASI Board of Directors was reassured by Edward Avalos, under secretary for USDA's Marketing and Regulatory Programs, that the long anticipated scrapie rule would indeed be finalized in 2015. The proposed rule would be published for public comment with the purpose to amend the scrapie eradication components in the Code of Federal Regulations to, among several things, make identification requirements more uniform and bring certain categories of goat identification in line with sheep requirements.



- The Let's Grow Committee continued to make headlines. The \$500,000 annual budget will be utilized to fund projects at the local, state and national level to assist in supporting networks of commercial sheep producers.
- Two members of the U.S. wool industry were recognized for their years of service during the Wool Excellence Awards lunch. This award was developed to recognize those that have made a lasting impact on the U.S. wool industry and paved the way for those in the wool industry today.

Summary / Achievements / Results

Each year, an annual convention is organized to bring sheep industry leaders together to discuss industry issues, elect leadership and create/modify the policies that serve as the foundation for ASI and the American Wool Council.

Celebrating 150 years as an industry advocate, sheep producers, feeders and affiliated businesses from across the nation gathered in Reno, Nev., to celebrate. 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 2015 - 2016

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

IV. Wool Producer Planning

A. Industry Meetings

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

A. Industry Meetings

Wool Trust Goal Addressed by this Project

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

Project Goals

- Provide strategic direction to programs carried out under the Wool Trust
- Solicit input for programs to better meet industry needs
- Keep U.S. wool growers informed of program direction, development and results

Top Achievements in Fiscal Year 2014 - 2015

The primary strength of ASI's wool competitiveness program continues to be the synergy of the individual components – i.e., the fact that individual projects are strategically designed to work together to attain the goals of the Wool Trust. The fact that the United States has been successful in obtaining and maintaining new customers for its wool – and helping to make U.S. wool more competitive against other foreign wool – speaks to the success of this approach. Under this project, funds were used to cost-share strategic planning meetings that enabled ASI to review the appropriateness of its current strategic direction, given changing market conditions.

These included:

- ASI Board of Directors meeting
- Meetings of the ASI executive board
- ASI officer travel
- Meetings of ASI councils (such as the American Wool Council and Wool Foundation Board), committees and task forces
- Volunteer travel

Summary / Achievements / Results

The U.S. wool industry is the driving force behind all Wool Trust-funded programs. Its input is essential in all planning and to ensure that programs work toward achievement of the three goals of the Wool Trust. 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 2015 - 2016

Strategic planning is perhaps the most important part of any major industry initiative. Only a well-planned strategy will be able to bring the results that are hoped for under the Wool Trust. Thus, wool producer planning needs to remain part of the overall program package.

V. Wool Strategies and Program Development

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

Wool Trust Goal Addressed by this Project

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

Project Goals

- Hire Let's Grow Project coordinator
- Establish Let's Grow grant funding priorities
- Award Let's Grow grants to producer groups
- Communicate Let's Grow activities to sheep producers nationwide



Top Achievements in Fiscal Year 2014 - 2015

- Hired Let's Grow project coordinator
- Developed Let's Grow project grant application forms
- Established Let's Grow grant funding priorities
- Let's Grow Mission Statement Developed – 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
 - Develop a long-term plan for U.S. sheep research and producer education
 - Promote widespread producer use of quantitative genetic selection
 - Support a national initiative to establish and support producer groups who are committed to improving productivity and profitability.
- High Priorities for Grant Funding
 - Projects and programs that support designated goals
 - Projects and programs that have national, multi-state and regional impact and have long term productivity advancing implications
 - Promote concepts that contribute to strengthening industry infrastructure needs

- 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
 - Round One Grants
 - 43 applications submitted requesting \$1.4 million
 - 11 grants awarded totaling \$273,306.25
 - Round Two grant application period scheduled
- Communicated Let's Grow Activities to Sheep Producers Nationwide.
 - Internalized Let's Grow webpage within www.sheepusa.org giving it a new webpage link: http://www.sheepusa.org/Growourflock_Home
 - Established Let's Grow page on Facebook: [Facebook.com/LetsGrowASI](https://www.facebook.com/LetsGrowASI)
 - Published articles about Let's Grow in the *Sheep Industry News*
 - Presented to national and state producer groups



Summary / Achievements / Results

Fiscal year 2014-2015 was launched with the announcement of the Let's Grow coordinator position. One of the first assignments of the new coordinator was to develop a grant application to facilitate the submission of Let's Grow Grant proposals. In February 2015, the ASI executive board appointed the Let's Grow committee. With this group in place, a mission statement was adopted and priorities for the use of funds were put into place.

May 1 was the deadline for the first round of Let's Grow project funds. Forty-three proposals were submitted requesting \$1.4 million in funding. The Let's Grow committee met in May and selected 11 projects to fund awarding a total of \$273,306.25. Many of these projects focused on the use of quantitative genetics to increase the quality and consistency of the U.S. wool clip. One of the projects funded was equipment to be used in multi-state shearing schools to train sheep shearers in harvesting of wool in the most efficient and quality conscience manner.

The Fine Wool Consortium was held in fiscal year 2014-2015. It was attending by leading fine-wool breeders with the goal of increasing the use of quantitative genetic evaluations through

the National Sheep Improvement Program. Many of the other funded grants will occur in fiscal year 2015-2016 due to the timing of grant awards.

Recommendations for Fiscal Year 2015 - 2016

The Let's Grow committee scheduled the second round of grant funding totaling \$325,000 with a November 2015 deadline. The group will meet in Denver to select proposals to fund.

Fiscal year 2015-2016 will see a continuation of the plan of action set forth in 2014-2015 that worked to increase the productivity, efficiency and profitability of the U.S. sheep industry.

VI. Administration

Wool Trust Goal Addressed by This Project

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

Project Goals

- Provide appropriate administrative support necessary to carry out programs to meet the goals of the Wool Trust Fund

Top Achievements in Fiscal Year 2014 - 2015

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

It should be noted that ASI undergoes external audits by both the USDA's FAS and independent auditors. Monthly financial statements complete with all time-records and budget variance explanations are reviewed by USDA and the executive committee of ASI.

Independent auditors, as well as FAS, review management practices and internal controls related to the financial statements and compliance with the laws, regulations and the provisions of contracts or grant agreements. Noncompliance could have a material effect on the financial statements in accordance with the *Government Auditing Standards (GAS)*. As well, there are internal controls related to major programs, negative assurances on lobbying activities and an opinion on compliance with laws, regulations and the provisions of contracts or agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Summary / Achievements / Results

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

Recommendations for Fiscal Year 2015 - 2016

Administrative costs are an intrinsic aspect of program implementation. They provide the personnel and resources necessary to not only carry out activities but also to carry them out effectively. It is recommended that this line-item be continued.

VI. 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 (AMS) to ASI, which maintains a contract with AMS. ASI then obligates those funds to the Wool Trust Foundation, which contracts with ASI to carry out the programs. The oversight by the Foundation's Board of Directors, who are chosen for their ability to represent wool interests, helps to ensure U.S. wool interests are well served. Three key things are achieved with this:

- The establishment of a foundation isolates and identifies the organization responsible for implementing the program.
- It also isolates the accounting function for the funds.
- It allows a wool organization to manage the Wool Trust program.

Appendices

Files are all electronic and included on attached flash drive

Market Research and Promotion

ASI's Unified Export Strategy
ASI's Country Progress Report
ASI's Quality Samples Program Evaluation
Representative Trip Reports
Evaluative Surveys by Reverse Trade Mission Participants
American Wool Council Ad – *Twist*
American Wool Council Chinese Ad and Story – *International Wool Record*
Wool Journal, March 2015
Wool Journal, April 2015
Wool Journal, September 2015
Wool Journal, December 2014

Quality Improvement

Wool Outreach Final Report

Producer Communication

Sheep Industry News, August 2015
Sheep Industry News, December 2014
Sheep Industry News, February 2015
Sheep Industry News, March 2015
Sheep Industry News, October 2014
ASI Weekly Newsletter, August 25, 2015
ASI Weekly Newsletter, December 12, 2014
ASI Weekly Newsletter, January 23, 2015
ASI Weekly Newsletter, July 17, 2015
ASI Weekly Newsletter, June 12, 2015
ASI Weekly Newsletter, March 13, 2015
ASI Weekly Newsletter, November 21, 2014
Press Releases
ASI Banners
Production Fast Facts
State Specific Brochure
Convention Registration Form
Convention Onsite Brochure
2015 Calendar

Wool Producer Planning

Wool Council Meeting Minutes
October 29, 2014
January 29, 2015
July 8, 2015

Wool Strategies and Business Development

2015 Mentor Report
Let's Grow Power Point Presentations