

“CASHMERE VALUE CHAIN: PARTICIPATION OF WOMEN AND MEN” 2004

STUDY REPORT

TABLE OF CONTENT

INTRODUCTION

GLOSSARY

CHAPTER 1. THE METHODOLOGY OF THE STUDY

- 1.1. The rationale of the study
- 1.2. The scope of the study: objectives and methodology

CHAPTER 2. CASHMERE VALUE CHAIN

- 2.1. Mapping the cashmere value chain
- 2.2. Activities and participants of the stages in cashmere value chain
 - 2.2.1. Cashmere preparation or supply of raw materials
 - 2.2.2. Cashmere trade
 - 2.2.3. Cashmere production

CHAPTER 3. PARTICIPATION OF HERDER WOMEN AND MEN IN CASHMERE VALUE CHAIN: ROLE AND WORKLOAD

- 3.1. Characteristics of the region
- 3.2. General information on households
- 3.3. Role and time use of women and men in cashmere preparation
- 3.4. Participation of women and men in cashmere trade
- 3.5. Income from cashmere sale and its distribution
- 3.6. Business environment and challenges of cashmere production

CHAPTER 4. STATE POLICY AND MAIN DIRECTIONS FOR THE CASHMERE SECTOR

- 4.1. Government actions
- 4.2. International cashmere market trends

**CONCLUSION
RECOMMENDATIONS**

**LITERATURE
ANNEX 1.**

FOREWORD

The Cashmere production of Mongolia is the second largest in the world after China and it has an impact not only on the economy of our country but also to some degree, on the world market.

The role of the participants, both women and men, in the cashmere production process is expected to increase with the development of the cashmere sector.

UNIFEM's priority has been to ensure the economic rights of women, and to promote empowerment and the capacity of individual's to sustain their own livelihood. As a reflection of this priority, a report entitled "Women in Mongolia: Mapping the Progress under Transition" was published in 2000. This report underlined the fact that women's participation in cashmere production was an indicator of women's economic participation and that the economic empowerment of women was closely interwoven with cashmere production. Building on this research, the current survey on "Cashmere Value Chain: Participation of Women and Men" has been conducted and is presented in the following pages.

Privatization of the agricultural sector has brought livestock to the level of family production. Consequently, the scope of women herders' work has expanded and, in particular, the role of women and men involved in cashmere production has grown to an exceptionally high level.

"Cashmere value chain: Participation of Women and Men" was conducted by the research team from the Gender Center for Sustainable Development under the sponsorship of UNIFEM, within the framework of the UNIFEM project RAS/99/W05.

Surveys and studies on the cashmere sector conducted have so far focused mainly on its macroeconomic benefits and importance.

There is no research dealing with the cashmere value chain, which analyses the value-adding process at each of its stages, the role of women and men throughout its cycle, including their workload as well as the benefit they receive from a gender perspective at micro (household) and meso (local administration, trade network, market, and industry) levels. It is the lack of research in this field which has prompted the current survey.

On the other hand, it is believed that the use of the methodology of "Mapping cashmere value chain", to analyze the interdependence of participants and the factors that come into play, has advanced the application of research methodologies and strengthened the capacity of researchers. The research team believes that piloting the "Value chain" method was one of the factors which contributed to the successful completion of the survey.

The survey report consists of the following sections: methodology, the cashmere production value chain, the role of herder women and men in the cashmere value chain, state policy and the main directions for the cashmere sector, and recommendations. We are very pleased to introduce to you, our clients and users, the findings of this survey.

The importance of this survey is that it has examined, for the first time, participation in the cashmere value chain from a gender perspective and within the context of the factors which affect the value chain.

A document review, and both quantitative and qualitative research techniques were used in parallel, which proved to be very effective in obtaining detailed and realistic information on participation, economic benefit and the future interests of stakeholders in the value chain.

We would like to thank, most sincerely, the staff of the Gender Center for Sustainable Development and the research team for the successful completion of "Cashmere Value Chain: Participation of Women and Men".

Our special thanks go to mid-level policy makers, researchers and scientists working in the livestock and agriculture sector and experts of statistical organizations, whose contribution to this survey was of primary importance.

We would like to also thank L.Barkhas, for the translation from Mongolian into English, and Lois Lambert for editing the report.

We would like to express our thanks to the herders and authorities of Buutsagaan, Baatsagaan and Bumbugur soums of Bayankhongor aimag for their understanding and support and also for the reliable and practical information with which they provided us, and to Gombodorj, Director of Bayankhongor aimag Governor's Office for logistical support.

GLOSSARY

Wholesaler

An individual or a business entity that buys goods from the manufacturer and sells to retailers or directly to consumers.

Cashmere tops

Cashmere, scoured, dehaired and made ready to be spun into yarns.

Gross Domestic Product

Sum of added-values and final products newly created by domestic and foreign economic entities (enterprises, organizations and individuals) within the given geographical territory over the given period of time¹.

Subcontractor

This term refers to a person or a group of people given a task to perform on behalf of a contractor. They are answerable to and rewarded by the contractor, and not by the main client or giver of the task.

Input

Input refers to what goes into the production process, or any other process in a value chain.

Input-output structure

Input is resources for producing products and output is what comes out of the production process. Input-output structure refers to all the products, services or economic activities, that are part of the inputs or outputs throughout the chain. At each stage of the chain, outputs gain value.

Mapping

This is to draw a plan or diagram of how activities or processes are connected. The arrangement is a diagrammatic representation of the actual reality.

Traders/Change people

People who make profit by linking the producers with suppliers or customers.

Profit margins

This is the amount which the producer adds to costs when selling to the customer.

Gender analysis

This refers to different roles and places of women and men in a society. It determines the role of women and men in a value chain.

Gender relations

This term refers to the way people interact with one another, based on the expectations of women and men in that particular society.

Supplier

A person or organization that provides raw materials, machinery, or other inputs to an enterprise on the basis of an agreement, is the supplier.

¹ Statistical Yearbook of Mongolia, Ulaanbaatar, 2003

Mongolian goat

The Mongolian goat belongs to the Asian family of goats and produces fine and soft cashmere. Compared with other breeds, its body is of medium weight. The Mongolian goat is resilient, does not have body defects, and has a good bone development. In colour, it is mainly dark blue, red, black or white and, 90 per cent of the goats in the herd have horns. The Mongolian goat can graze the pastureland and by autumn, buck weighs 55-58kg, a doe 37-41kg, and male and female hoggets weigh 35-38kg and 29-31kg, respectively.

Local market

This refers to a place for exchanging or buying and selling goods locally.

Household

All the occupants of a home comprise a household.

Homeworkers

These are people who conduct their earning activities in the place where they live.

Value

The worth of something in terms of money or its quality, as measured by how desirable or wanted it is, is its value.

Value chain

This is the set of value-adding activities through which a product passes from goat breeding to the consumption stage.

Value-added

This term refers to the worth that is added to a product at each stage of its production or distribution.

Network

This is an arrangement in which independent people or enterprises share information, contacts and experience for or professional purposes.

Combed cashmere

Cashmere scoured and combed in a processing plant

Raw cashmere

Cashmere harvested from the body of goat by shearing.

Scoured cashmere

Cashmere scoured in a processing plant and cleaned from grease, minerals and other mixtures.

Producer services

Services offered to assist in the production of products including support, transport, quality testing, equipment repair, management consulting, advertising, plant design, engineering and many more. These services are offered to suppliers and distributors as well as producers.

Retailer

The person or firm that sells goods or services to the customer. Retailers can be a small corner shop or a department store or a chain of stores.

Incentive

This refers to measures for intensifying actions and using knowledge as a force.

Transition period

Since 1990 Mongolia has undertaken radical economic, political and structural reforms and has made a transition from a centrally planned economy to a market economy. Economic structural reforms have been implemented by privatization, price liberalization, removal of trade barriers and reduction of state interference and participation.

Cashmere

Cashmere is the finest, lightest, softest and the most elastic among the fleeces of the five types of livestock. Cashmere sells high on the international market and is the main goat product. Cashmere and coarse hair production from local mongolian goat averages 230.1g (210-360g) and 235g (215-285g) from buck, 224.0g (190-230g) and 231.2g (215-275g) from doe, 200g (180-220g), and 220g (180-245g) from hogget female, and 200g (170-210g) and 215.6g (190-240g) from hogget male, respectively. A male goat produces on average 235.g (215-370g) cashmere and 230g (200-330g) coarse hair. 47.3-66.71 mm in length, cashmere fiber from local mongolian goat ranges from 13.09 to 16.05 microns in diameter. Cashmere yield and quality depend to a large degree on goat colour, age, sex, genotype, harvest time and methods used for harvesting. The Mongolian goat produces 270-300g raw cashmere. This is enough for cashmere cloth of 110 sq cm. 750g raw cashmere is required on average to produce one cashmere sweater.

CHAPTER 1. THE METHODOLOGY OF THE STUDY

1.1 The rationale of the study

Cashmere production in Mongolia has expanded over the past few years in response to the growth of cashmere product consumption in the world market. The number of goats and the volume of raw cashmere production have also rocketed. The number of goats reached 10,603.4 in 2003, doubling the 1990 level. Thus, unprecedented opportunities to earn from cashmere sales have been created and at the same time, the work of women and men herding goats has been intensified. Interest in goat breeding and in enlarging the size of the herds has increased, and the number of cashmere dealers has multiplied.

Women play an enormous role at the primary stages of cashmere production, including breeding goats, preparing or processing wool and selling raw cashmere which enables the production of final cashmere products. Although women spend a lot of time on laboring, their work is undervalued. The UNIFEM funded 2001 study "Women in Mongolia: Mapping the Progress under Transition" points out that with the opening up of income earning opportunities from the sale of cashmere, women's labor has considerably intensified and women have taken a leading position in the process, yet the returns from cashmere trading are not likely to be appropriated by women producers.

Participants of the seminar on "Rural Development and Gender Issues" held in 2002 concluded that women play a major role in cashmere production and enterprises. Approximately 70-80 per cent of workers in cashmere factories operating in Mongolia are women.²

According to an NSO survey³ of 2002, women's participation is 2-11 per cent higher than men's in caring for new born goats and looking after goat herds while men's participation is greater at the stage when cashmere is being traded.

It is valuable that these studies have touched upon issues of women's and men's participation in the cashmere production. However, a comprehensive study that covers all the stages of cashmere production is required and such a study would be very useful for strengthening the economic capacity of women and men.

Taking into account the rationale of this study, the first part focuses on the cashmere value chain and the role of women and men in that chain, and suggests a set of recommendations for increasing women's economic power and capacity. The second part comprises a unit level survey conducted in three soums of Bayankhongor aimag, the largest cashmere supplier of Mongolia, in order to further investigate the roles and workload of women and men in the cashmere value chain.

Based on the results of this study on the extent of the participation of women and men in the cashmere value chain, necessary measures will be taken.

²B.Yondonjamts "Women's Role in Cashmere Trade", Seminar on "Rural Development and Gender Issues", Ulaanbaatar, 2002

³"Gender Sensitive Rural Sector Study", NSO, 2002

1.2. The scope of the study: objectives and methodology

Objectives

The main objective of the study was to map the cashmere value chain, analyze the interdependence of the participants in the value chain, identify the stages of the value chain in which women or men are most involved, and highlight the difference in participation, workload and the benefits received by women and men.

To achieve the main objective, the following objectives were set out:

- 1) To determine the cashmere value chain, the participants of this value-adding process, and the communications network;
- 2) To investigate the role that herder women and men play in the cashmere value chain;
- 3) To analyze the government policy on cashmere production; and
- 4) To issue recommendations for policy and activities to be carried out;

Methodology of the study

A document review was carried out and both quantitative and qualitative research methods were used in conducting the study on "Cashmere Value Chain: Participation of Women and Men".

The document review was used for analyzing government policies and programs towards the cashmere sector and for assessing the current situation of the cashmere value chain. Results of the analysis provided the basis for policy recommendations.

The following documents were analyzed in the course of document review:

- 1) Government policies and programs;
- 2) Research papers;
- 3) Media materials;
- 4) Statistical data and information;

Using the interview method, detailed information was obtained from local authorities regarding local policy on cashmere, support provided to herder families, relevant issues and problems to consider, opportunities for establishing women's "cashmere-based" production units and cooperatives.

A questionnaire method was used to obtain information on women's and men's roles, participation and workload in cashmere production, as well as benefits received by women and men throughout the cashmere value chain. 90 households from Baatsagaan, Buutsagaan and Bumbugur soums of Bayankhongor aimag, which is the largest cashmere producer in the western region of Mongolia, participated in the questionnaire.

CHAPTER 2. CASHMERE VALUE CHAIN

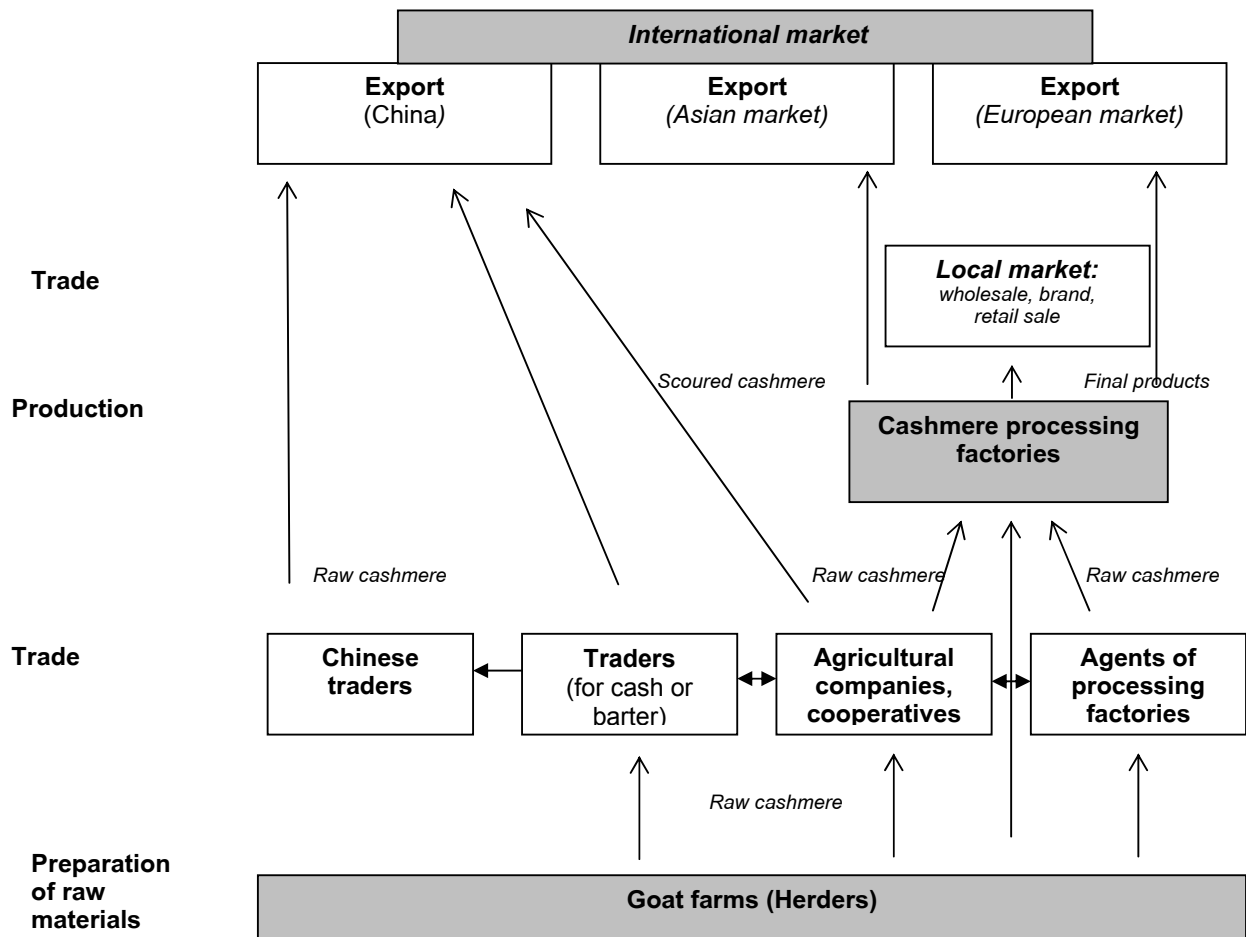
2.1. Mapping the cashmere value chain

Mapping the value chain is important in the process of describing interrelations between different stages of the value chain and among the various participants, identifying the links between the cashmere production stages, and proposing specific recommendations and alternatives for further increasing the efficiency of this process.

The objective of this aspect of the research study - "Mapping the cashmere value chain" - was to describe and determine the current situation, to analyze the interdependence of various players and the main factors that affect such interdependence, with a view to improving the conditions.

The cashmere value chain is described from a gender perspective to reveal who does what.

Figure 1. Map of the cashmere value chain activities and participants



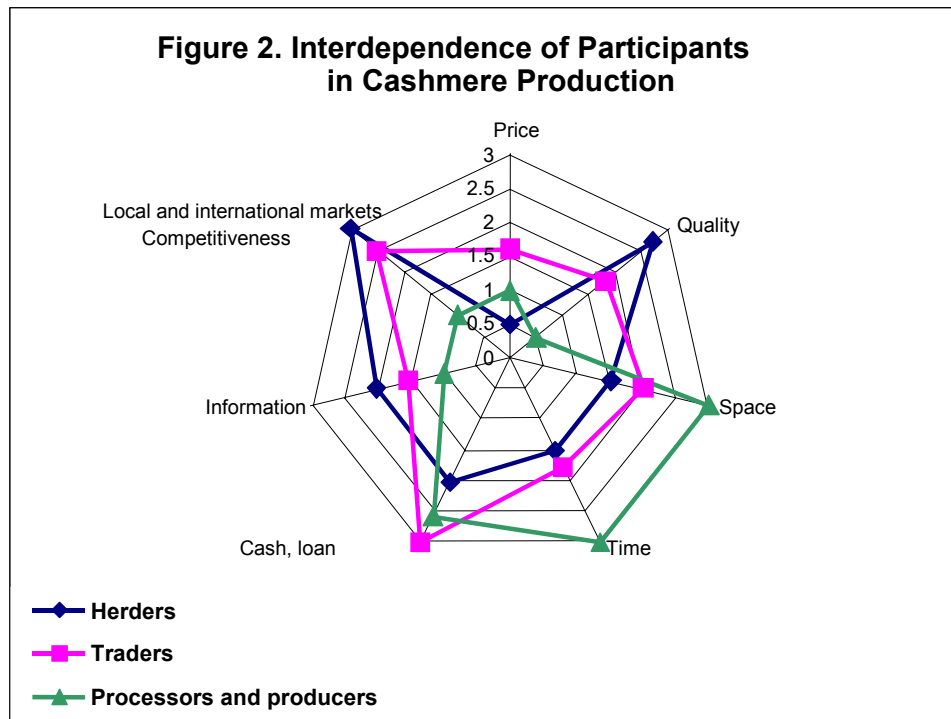
The map of cashmere value chain activities shows the interdependence of participants and the links to local and international markets and cashmere production process (Figure 1).

The stages of the chain are placed vertically on the left hand side of the map and include activities ranging from the preparation of raw materials through to the final trade or the consumer.

2.2. Activities and participants of the stages in the cashmere value chain

The participants of the cashmere value chain and the key determinants are depicted in Figure 2. Herders (women and men), traders and producers are the main players in this chain.

While herders dominate at the primary stage of cashmere preparation, herders and producers play an equal role in cashmere trading. Traders come in at this stage adding value through brokering between herders and producers. It is evident from the macro level studies that traders play only an intermediate role in the value chain.



An analysis was made to see the effects of key determinants, including cashmere price, quality, domestic and international market, cash, distance and timing on the participants of cashmere production and the links among them. This should allow us to determine the expectations of herders, traders and producers from each other and their specific interests.

An overlap of the above key determinants on one point would indicate a common interest of the three parties involved. On the contrary, distance from each other would point out to difference in interest and a weak link between the parties. As marked on the radar chart above, information is very important for herders, traders and producers and this is an area of common interest for all. In contrast, their points of view on quality are substantially different, as seen on the chart.

Figure 2 shows that price is the most important or relevant determinant for herders while quality and competitiveness are vital at the local and international markets, in other words, business sides of cashmere production are unknown to them. Herders do not think that quality, information and market environment can increase the share they receive from the cashmere value chain. This perception may well be the reason of why herders are losing the chance to create more added value..

Herders supply raw cashmere into the cashmere value chain. Traders make a profit out of herders, producers and the market, and do not themselves produce any tangible value. Therefore, the above determinants are intermediate factors for traders. For processors and producers, quality, price, competitiveness at domestic and international markets are critical. Producers are most concerned about the product quality, which stems from the cashmere quality, and profit margins.

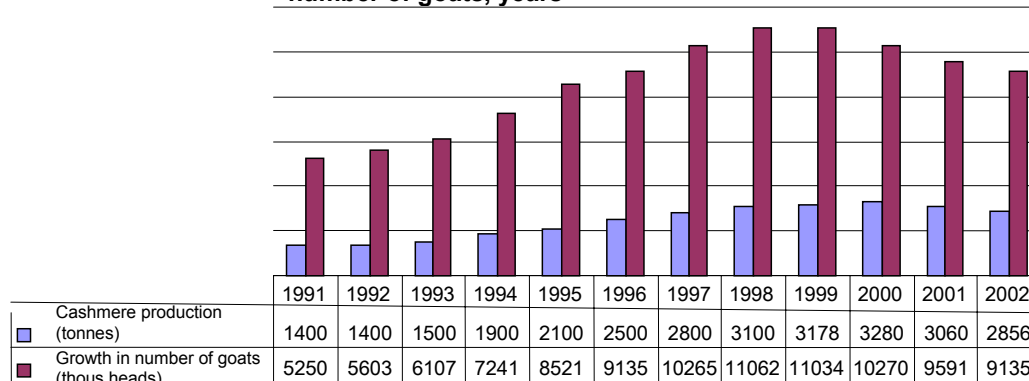
The closer the determinants of cashmere production to the center, the more important they are. In our case, the determinants are scattered, which means that interdependence of participants is varied. As explained earlier, traders link producers and herders, therefore, for 7 determinants shown in Figure 2, traders are situated between producers and herders.

Based on the analysis above, it can be concluded that cooperation and links between the participants of the cashmere value chain are not strong, and there is a lack of reliable information.

2.2.1. Cashmere preparation or supply of raw materials

The growth of cashmere production relative to the number of goats (Figure 3) reveals that the volume of cashmere produced increases with an increase in number of goats. At the beginning of 2004, there were 10.6 million goats, two times higher than the 1990 level. Cashmere production from one Mongolian goat averages 200-400g depending on age, sex and breed.

Figure 3. Cashmere production and growth in number of goats, years



Source: NSO, Statistical Yearbook, 2003

The world cashmere market produces around 150 thousand tons of raw cashmere a year. 67 per cent of the total amount is produced in China, 21 per cent in Mongolia and the remaining part is shared by other countries. Mongolia is considered as one of the main suppliers of raw cashmere in the world. For Mongolia, cashmere is the most important export commodity after copper and gold, and is considered as a strategic product. According to experts, the competitive advantage of Mongolia at the international cashmere market is its "low" cost of production.⁴ This can be attributed to vast range of pastureland and infinite labor of herders who produce raw cashmere.

Defining "who produces what for whom and where?" at first allows the calculation of economic efficiency of the cashmere value chain. The increased size of the goat herd over the last few years has resulted in more intense use of pastureland and women's labour. This is caused by, on the one hand, the increased demand for cashmere, driven by the price rise on the international market, and on the other hand, by the increased income earning opportunity from the sale of cashmere.

Many economic models generate information, only taking into account marketable products and do not take into account the human factor, time, labour and other resources. A clear example of this is that rearing livestock for own use is considered as an economically active activity and counted in GDP. However, processing livestock products, producing semi-processed and ready-made food products for own use and household work are not considered as economically active activities, hence, not included in GDP⁵. This not only negatively affects value-adding process at the cashmere preparation stage but also reduces the gains to be earned by herders out of the cashmere value chain.

Figure 1 shows that a herders' family farm is the primary unit that participates in the cashmere value chain. Preparing raw cashmere involves many various activities from goat breeding through to preparing for kids, raising and caring for kids, protecting them from diseases, taking them to pastures, building and repairing fences and preparing fodder. Thus, the results of herders' hard work throughout four seasons are seen only in the spring. Cashmere harvesting takes place in 3-4 phases including combing, dehairing, sorting and packaging⁶.

The research team estimated the profit from goat farming using the number of goats of a given family. According to Table 1, which compares the direct expenses of goat farming and the size of the profit gained from cashmere, herders do make some profit. However, it is profitable because pasture payment and herders' labour are not accounted for. Currently, goat farmers use pastureland free of charge. If payment for pasture and herders' labour were to be included in the production cost, the situation in terms of profitability might well be reversed.

Herders create values into cashmere through making the use of natural resources (pastureland, water, minerals, wood and others) and adding their efforts and labour. Herders normally do not account for the full cost of cashmere preparation and exclude the costs related to caring for kids, herding, using waterpoints and pasture, digging wells, preparing hay and building fences. They do not pay attention to the actual cost of cashmere.

⁴Nalini Bern, Oidov Oyuntsetseg "Women in Mongolia: Mapping the Progress of Transition", UNIFEM, 2001

⁵A Gender Lens on Rural Map of Mongolia: Data for Policy, Ulaanbaatar, 2003, UNIFEM, UNFPA

⁶"Cashmere Value Chain: Participation of women and men", UNIFEM, GCSD, 2004

If all of these items were costed and the personal income tax of herders, pasture charges, livestock tax and value-added tax were added, herders would not be able to add any value in the cashmere value chain.

Let's assume that one goat gets 1.9 kg grass a day in summer and autumn, 1.3 kg grass in winter and spring, then a goat takes 582.5kg grass a year in average... If one kg grass is to cost 28 tugrugs, one goat eats grass worth 6,310 tugrugs a year.

Using the above estimations, it can be calculated that a family with 10 goats uses 163,100 tugrugs, families with 40 goats and 400 goats use pasture grass worth 652,400 tugrugs and 6,524,000 tugrugs, accordingly.

Source: Estimations by Dr. B. Minjigdorj. Research team member

Nationally, Gobi-Altai, Bayankhongor, Umnugobi, Uvurkhangai, Khovd, Khuvsgul, Uvs and Bayan-ulgii aimags make up over 70 per cent of the total cashmere supply.

2.2.2. Cashmere trade

Cashmere buying and selling take place in general in line with the market supply and demand.

This part of the study aims to clarify who goes to which market and the size of the profit they make and the income dynamics across the stages of the value chain, It also aims to identify the weakest and strongest links of the chain. Mapping captures the value chain from local or primary units through to cashmere exports.

Mongolia exports unprocessed cashmere (*raw cashmere*), semi-processed (dehaired) and processed (cashmere tops) cashmere and final products. Raw cashmere makes up 16 per cent of the country's cashmere official export, semi-processed cashmere and final products make up 68 per cent and 16 per cent, respectively.

Although Mongolia supplies one third of the total world production of raw cashmere it does not influence either the price or the international market. As of December 2003, the world market price for dehaired cashmere was US\$46-48 as opposed to 23,000-25,000 tugrugs or US\$19-21 at the local raw materials' market and at Gobi Company depending on quality and colour. (US\$1 =1171 tugrugs)

As Mongolia cannot influence world cashmere market and price, for herders entering cashmere market as supplier, it is difficult to influence the market of raw cashmere. Because herders normally deal with traders and rarely communicate directly with buyers, it is hard for them to negotiate a price. Nevertheless, herders as cashmere producers should play an important role in setting the price. Therefore, it is useful to describe the value-adding process of cashmere trade by price fluctuations from herders' households to final consumers.

Cashmere price fluctuates depending on seasons, market supply and demand situation, and quality. Price formation in the cashmere market is a complicated process. One kilo of raw cashmere was 8,130 tugrugs in 1993 and reached 32,500-42,000 tugrugs in 1999-2000. 42,000 tugrugs is the highest price obtained for raw cashmere so far, making the years 1999-2000 as the peak years for domestic market price for cashmere.

Today, there are many factors that affect the price for raw cashmere on the domestic market. So, the question is "how do herders and businessmen affect the cashmere price?"

Table 1. Cashmere price fluctuations and price changes on domestic and international markets

(thous.tug)

Year	Domestic market price	International market price
1993	2,000	-
1994	7,000	13,600
1995	9,700	11,500
1996	7,100	11,000
1997	8,900	14,600
1998	8,100	17,500
1999	15,600	18,000
2000	34,000	-
2001	20,500	-
2002	20,300	-
2003	20,000	-

Source: National Statistical Office, 2003

Table 2. Cost of 1kg cashmere at every stage of processing

Processing stages	Weight (kg)	Cost of cashmere (US\$)	
		1998	2003
Raw cashmere	1	15.00	20.0
Dehaired cashmere	1	40.00	45.0
Spinned cashmere	1	80.70	80.70
Cashmere garment	0.35	120.00	120.00

Source: National Statistical Office, 2003

Let's start with herders who create the first value in the cashmere value chain.

How, to whom and at what cost cashmere prepared by herdsman is sold?

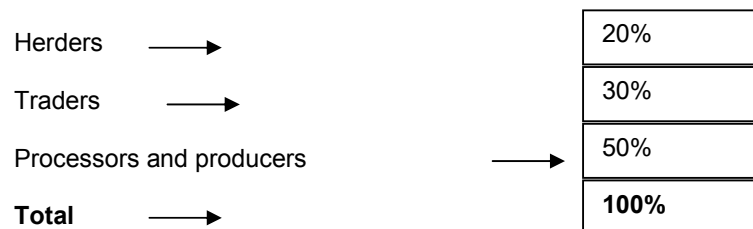
According to the value chain map, the relationship between herders and small traders is strongest. Herders mainly deal with traders on an individual basis. Therefore, herders are not able to set the price and they follow the price set by traders. Producers also obtain raw materials not directly from herders but through traders, who are referred to in Mongolian as "Change People".

The cashmere value chain consists of various phases in Mongolia and because of the actual disorderly market environment, sometimes cashmere is sold in an unfair manner. So the question is who are the winners and who are the losers from the cashmere value chain in which suppliers of raw materials, processors and final users all play a role.

The link between herders who collect raw cashmere and the producers of the final products is weak. More participants have emerged to take advantage of the gap that exists between those two main players, in terms of time, distance, access to information and price difference. These people gain more profit from the cashmere value chain while herders and producers do not get the amount of profit they deserve.⁷

⁷B.Bat-orgil. Organized market and its advantages. Gobi Business News. 2001, No.03

The cost of cashmere rises from one stage of the chain to the other and, assuming all prices are local, it can be estimated that the domestic market price for a cashmere sweater is on average 60,000 tugrugs (350g cashmere tops is required for producing one cashmere sweater) 350g cashmere tops is made out of 1 kilo of raw cashmere. One kilo of raw cashmere was 25,000 tugrugs in 2003 on average. Below is the allocation of benefits received by the players.



Cashmere is sold at border points, in Ulaanbaatar and aimag and soum markets. It is also sold to trading agents coming from Ulaanbaatar and other local areas, and sometimes used for repaying loans secured earlier. There is no mutual trust yet between herders, traders and producers in the cashmere value chain. Narrow-minded interest to gain unfair profit is widespread.⁸

Cashmere traders tend to underweight cashmere or set different prices because of waste mixed in cashmere or its colour. Or they offer the same wholesale price for all types of cashmere. All of this creates obstacles for participants in the cashmere trade.

Around 20 per cent of 2003 leftover cashmere is held by traders, 10 per cent is kept by herders and are sold up by the Mongolian New Year. Harvesting starts in March. In Khentii, Sukhbaatar and Dornod, the harvest period is from 1 March to 1 May and the cashmere yield is 60-80 per cent. Harvesting takes place from 15 April to 1 June in eleven aimags of the central region. In western aimags, including Khovd, Uvs and Bayan-ulgii, it continues from 1 June to 1 July and the cashmere yield is 42-47 per cent. Local producers cannot buy the quality cashmere produced in March and April because of cash problem and during this period the Chinese take away the cashmere to China.

Cashmere prices vary from region to region. This is related to the variety of goat breeds maintained in different regions.

A cashmere auction was organized in 2001 so that herders can sell directly to producers, bypassing traders. However, this was not successful, because producers buy only those which meet quality standards and pay a lower price while traders buy everything, including low quality cashmere. Therefore, the typical chain is HERDERS – TRADERS. Herders usually get some goods and cash in exchange for cashmere.

For example, a trader gets 1 ton of cashmere for 20 million tugrugs from herders, adds some mixtures on a ratio 1:0.1 and sells to producers, border agents or other traders. If cashmere is sold for 19,000 a kilo, the net gain is around 1-2 million tugrugs. At this stage of trading the herders do not incur losses; according to price fluctuations; it is the trader who takes the risk of making a profit or loss, depending on price variations. The price of cashmere would go down if there were no traders. Nowadays, herders are able to investigate the Ulaanbaatar price and sell cashmere at that price.

According to my estimates, approximately 1,000 tons of raw cashmere is exported to China. For example, the customs duty for 5 tonnes of cashmere is 20 million, so instead of paying this amount you pay 5-6 million tugrugs to customs officials and you are exempt of customs duty. This money does not go, of course, into government accounts.

⁸ A Gender Lens on the Rural Map of Mongolia: Data for Policy, Ulaanbaatar, 2003, UNIFEM, UNFPA

Our local producers buy low quality, cheap cashmere. They sell sub-standard cashmere to traders, but traders mix it 50:50 with other types of cashmere and sell it back to the "Gobi" Company. *Individual interview, Industrial goods analyst by profession, has been trading in cashmere for 10 years.*

It is undeniable that Chinese cashmere producers and businessmen control the Mongolian cashmere market, taking advantage of weak or distorted links between those participating in the cashmere trade, such as suppliers, brokers and consumers, and of the conflict of interests between the various players, and offering higher than the market price for raw cashmere. The Mongolian cashmere market price is actually set by Chinese cashmere traders and Chinese producers behind them. Therefore, the economic returns to the value chain participants is reduced, and local producers are particularly at risk of whether or not they would be able to survive the price competition and to prepare raw materials needed for their normal operation.

Although the cashmere market is regulated by the market demand and supply principle, a policy to create a sound and favourable business environment needs to be pursued in order to intensify the production of final outputs of this sector and to increase export volume which, in turn, would enable macroeconomic growth.

Export of cashmere garments

Cashmere is one of the main export items of Mongolia. According to specialists, the Government Resolution #64 in 1994 banning the export of raw cashmere gave rise in the international market price for dehaired cashmere. This resolution was cancelled in 1996 and starting from 1997 an export tax was introduced on raw cashmere. In accordance with the law on "Export Tax on Some Goods" approved in the same year by the Parliament, one kilo of raw cashmere is taxed 4,000 tugrugs (US\$5). At that time, the cashmere price in the domestic market was 10,000-12,000 tugrugs. By the end of 1999, the total amount of exports reached US\$65.5 million, out of which 18.37 per cent was earned from garments and 17.25 per cent from dehaired and raw cashmere. According to 2002 statistics, 30 per cent of all cashmere prepared was used for producing final products.

Last year Mongolia counted nine million goats. Specialists estimate that cashmere production per goat is 280g on average. According to this estimation, 2,600 tonnes of cashmere were expected to be prepared this year. However, local producers collected 1,040 tonnes and the customs registered 43.27 tonnes of cashmere for export, out of which 3.58 tonnes were scoured cashmere and 43.27 tonnes were raw cashmere. But, around 1,000 tonnes of cashmere are missing every year and professional authorities ascribe it to cashmere smuggling. Thus, as it is pointed out in the "Human Development Report, Mongolia 2003" (UNDP), the export of primary raw materials without or with initial processing results in the loss of value-adding opportunities by the country's final product producers.

Among the factories which process raw cashmere and produce final products, "Gobi" Ltd and "Buyan" Ltd are the largest in terms of production capacity. The foreign trade turnover of "Gobi" was equal to US\$25 million. With the production capacity of 1,000 tonnes of cashmere and 500 garments, it exports 90 per cent of its outputs. It employs 1,500 persons and is among the first five cashmere factories in the world. For over 15 years of its operation, it has generated revenue of more than US\$500 million.

Japan is the largest market for our cashmere products, buying around 2.0 million cashmere items. Products are sold in retail shops through sales representatives. The European Council, and Germany, France and Italy in particular, constitute the second largest market for cashmere.

In 1998, the foreign trade of Gobi Company amounted US\$16 million with Europe, US\$3-4 million with Japan and Asia and US\$6.0 million with the rest of the countries.

2.2.3. Cashmere production

Raw cashmere undergoes many different stages and incurs substantial expenses before it can go to consumers as a final product. The stages from raw cashmere to final product include:

1. Scouring raw cashmere, cleaning from grease and mixture, and dehairing;
2. Weaving threads from cashmere tops;
3. Producing knitted goods;

All expenses incurred during each stage of the process add their cost to the market price of raw cashmere.

Before 1990 there was only one cashmere processing factory. In 2003, 85 enterprises were registered as operating in cashmere processing. Five of them were domestic companies and 80 were companies with foreign investment. 42 of them were primary processing plants, 37 were knitting and the remaining 6 were integrated factories. Today, only 36 of the above mentioned factories are still operating. Cashmere processing factories obtain the required raw cashmere through contracting with aimags, soums and herders or buy directly on the domestic market. The above statistics show that the cashmere production in Mongolia has vastly increased over the last 10 years, which is believed to have affected the nominal price of cashmere.

The cashmere processing factories of our country have the capacity to process all the cashmere prepared (3,700 tonnes). According to some estimations, the country prepared around 3,000 tonnes of raw cashmere in 2001⁹ and domestic producers bought approximately 1,400 tonnes.

Out of 85 cashmere processing factories, six produce final products: "Gobi", "Buyan", "Mongol Amical", "Cashmere Fine", "Samshiro" and "Eermel". 90 per cent of cashmere joint ventures with foreign investment were Chinese factories which only scour cashmere for export.¹⁰

Table 3. Number of cashmere processing factories

Year	Domestic	Foreign investment	Total	Out of which:		
				Primary	Knitting	Integrated
1999	2	22	24	19	3	2
2000	5	43	48	39	7	2
2001	5	77	82	42	34	6
2002	5	77	82	42	34	6
2003	5	80	85	42	37	6

⁹ Kh.Tsendmaa, "Mongolia does not have extra cashmere for others", 13 January 2000, Zuunii medee, '10 (277)??

¹⁰ I.Otgonjargal, "Sleeping cashmere business" Unuudur, 11 December 2003, '289

Source: Ministry of Industry and Trade

Cashmere production consists of the following stages:

- buying;
- sorting and scouring;
- combing and dehairing;
- spinning and weaving; and
- knitting.

16 per cent of the total workforce is in the cashmere sector, of which 70-80 per cent are women.

Cashmere production contributes approximately 7 per cent of GDP.

Table 4. Percentage of women workers of "Gobi" Company

	Employees	women employees
Total number of employees	2095	79.30
Main occupations		
- Quality controller	147	100.0
- Sorter	90	100.0
- Operator of dehairing equipment	86	21.00
- Knitter	640	85.50
- Operator of sewing machines	601	100.0

As the cashmere value chain gets higher up the hierarchy, the scope and characteristics of women's participation change. Women producers do not get the due benefits from the sale of cashmere which is dependent on pasture, natural resources and women's labour. Yet women make up the majority of the workforce in the cashmere sector, and are thus the principal players in the value-adding process.

In the cashmere value chain, Mongolian cashmere would be able to overcome its limited position, if the cashmere market became more efficient, ensured fair competition and was oriented for ready-made products.

CHAPTER 3. PARTICIPATION OF HERDER WOMEN AND MEN IN THE CASHMERE VALUE CHAIN: ROLE AND WORKLOAD

In order to investigate the role that herder women and men play in the cashmere value chain, their workload and the gains they receive from this process, a quantitative survey was conducted in Baatsagaan, Buutsagaan and Bumbugur soums of Bayankhongor aimag.

The reasons for selecting the three soums of Bayankhongor aimag as research areas were: firstly, the aimag is the second largest supplier of cashmere in the country and has the second largest number of goats with Baatsagaan, Buutsagaan and Bumbugur soums as leaders in terms of number of goats, volume of cashmere prepared and cashmere yield; and secondly, they were among the main target units of the research study on "A Gender Lens on the Rural Map of Mongolia: Data for Policy".

The importance of the unit based survey is to have a closer look at the role of herder women and men at the micro level of cashmere production.

3.1 The characteristics of the region

In 2003, Bayankhongor aimag had 598.7 thousand goats (34.5 per cent of Mongolian goat population), and prepared 140.1 tonnes of cashmere.¹¹ Local leading breeds "Bumbugur red goats", "Zalaa jinst white goats" are maintained in Bumbugur and Shine Jinst soums without any crossbreeding. Baatsagaan, Buutsagaan and Bumbugur soums of Bayankhongor aimag are situated in the gobi eco system. Local breeds are resilient, adapted to gobi and steppe pasture grazing, large, mainly white, red and black and give high cashmere yield. Some herders keep crossbred goats.

Table 5. **General social and economic data of the soums**

	Baatsagaan	Buutsagaan	Bumbugur
Number of households	992	954	
Out of which: raising goats	618	540	415
Number of goats (thous)			
2000	117391	120297	57067
2003	41915	45942	24185
Cashmere prepared (tonnes)			
2000	32.9	32.7	13.9
2003	12.6	13.7	7.2
Cashmere yields (g)	300g	250-300g	300g
Fiber diameter (microns)	15-17.5 microns	15-18microns	13-14mocrons
Breed	Local mongolian, crossbred goat	Bayanburd black, Erchim black goat	Bumbugur soum, Ulziit river red goat
Colour	White, black	Black	Red
Number of cashmere traders	3	4	3

Source: Statistical Division of Bayankhongor aimag, 2003

Baatsagaan soum

The cashmere yield of the soum goats is good. Cashmere production is in average 600-1,000g from mature male, 300g from hoggets. Because of crossbreeding with Don goat and Gobi Gurvansaikhan, the diameter of the cashmere fiber has increased. Therefore, currently an attempt is being made to reverse this trend and renew the original local Mongolian breed.

¹¹ Source: Statistical Division of Bayankhongor aimag, 2003

Buutsagaan soum

The soum maintains basically red goats which provide good cashmere yield of light colour. An average herding family has 30 goats at the soum center and 40-45 goats in rural areas. Cashmere yield has increased because of crossbreeding with Don goat and Gobi Gurvansaikhan, but the fiber diameter has also increased. Therefore, the tendency is to keep a local breed so that the fiber diameter is reduced. Black bucks of Zavkhan aimag's "Buural", Khuvsgul aimag's "Erchim" breeds are used for selection and breeding. The cashmere yield per goat averages over 300-350g. The soum supplies 14 per cent of Bayankhongor aimag total cashmere production.

Bumbugur soum

Bumbugur soum maintains "Bumbugur red goats" of Ulziit river, which have a lower rate of coarse hair and a higher cashmere yield. Its cashmere is of high quality.

During the pre-Dzud years in which cashmere production was flourishing, representatives from Gobi, Buyan and Tuul Cashmere companies used to work in Baatsagaan, Buutsagaan and Bumbugur soums to provide herders with general consumption goods and to buy cashmere in return at the market price. This was the first organized action after the collapse of the integrated system of raw material collection.

Table 6. Livestock population of the three soums surveyed, by type of livestock, 2003

Livestock	Soums		
	Baatsagaan	Buutsagaan	Bumbugur
Goat	41915	45942	24185
Sheep	8732	17105	4909
Cattle	738	857	436
Horse	1021	3454	1952
Camel	1139	1230	231
Total	53545	68588	31713

Source: Statistical Division of Bayankhongor aimag, 2003

3.2. General information on households

More than half of family members participating in the survey are herders from former cooperatives and state farms while the remaining part comprise young people with incomplete secondary education. These young people have become herders by their own choice. There are a few families which became herders after they had been allocated livestock in privatization.

Table 7. Social and demographic indicators

Indicators	Percent	Number
Number of household members		
1-3	27.8	25
4-6	56.7	51
7 and over	15.6	14
Household structure		
Husband and wife	4.4	4
Husband, wife and children	80.0	72
Woman and children	8.9	8
Woman, children and relatives	2.2	2
Woman, children and grandchildren	1.1	1
Woman, parents, relatives	1.1	1
Man, parents, relatives	2.2	2
Occupation		
Both herders	77.8	70
Husband herder	6.7	6
Wife herder	5.6	5
Husband or wife has other occupation	10.0	9
Total	100.0	90
Children's education, economic activeness (multiple choice)		
Pre-school	33.3	30
Primary and secondary school	65.6	59
Higher education institutions	15.6	14
Livestock herding	50.0	45

The number of years herders have spent raising livestock varies. Around 47.8 per cent of the families have been herding for up to 10 years, 29 per cent for up to 30 years and 25.2 per cent for over 30 years.

An analysis of the years of herding and experience in correlation with the number of goats and the size of income reveals that those with the most goats were earning more revenue and were actually the most experienced herders.

Herder families had on average, 4-6 children. Every third respondent said his/her child herds livestock, which demonstrates that child labour is an important input for family business.

Livestock composition of herder families

The study of livestock composition, the situation with livestock products, income from sale of livestock products and its spending pattern was based on the views and opinion of herders.

Goats make up 68.7 per cent, sheep 24.7 per cent, horses 3.2 per cent, camels and cattle make 1.8 per cent and 1.6 per cent, respectively. Two thirds of the families studied do not have any cattle at all, half of all families do not have any horses or camels. It is obvious that goats and their cashmere are the economic base of the three soums and the main source of livelihood.

Table 8. Number of herder families participating in the survey

Number of livestock heads	Types of livestock									
	Goat		Sheep		Cattle		Horse		Camel	
	No of families	%	No of families	%	No of families	%	No of families	%	No of families	%
0	-	-	18	20.0	57	63.3	38	42.2	38	42.2
1-10	17	18.9	41	45.7	33	36.7	49	54.3	52	57.8
11-30	29	32.3	17	18.9	-	-	3	3.3	-	-
31-50	10	11.1	2	2.2	-	-	-	-	-	-
51-70	10	11.1	4	4.4	-	-	-	-	-	-
71-100	12	13.3	2	2.2	-	-	-	-	-	-
101-150	6	6.7	2	2.2	-	-	-	-	-	-
151-200	1	1.1	2	2.2	-	-	-	-	-	-
201-250	4	4.4	1	1.1	-	-	-	-	-	-
251 +	1	1.1	1	1.1	-	-	-	-	-	-
	90	100.0	90	100.0	90	100.0	90	100.0	90	100.0

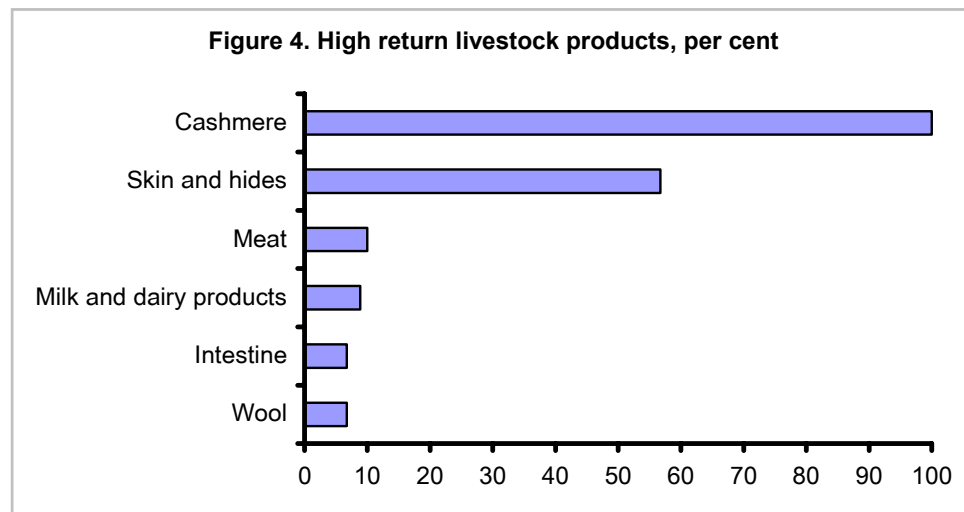
An average family has 40-50 heads of livestock.

Within the surveyed families, there are 17 families with up to 10 goats, 39 families with 11-50 goats and 29 families with over 51 goats. The smallest goat herd owned by one family consists of 5 goats and the largest has 450 goats.

High return livestock products, their sale and distribution of its income

a) Raw materials

Figure 4 ranks the high return livestock products based on the frequency observed in herders' answers given in this regard. Cashmere was named as an absolutely important livestock product as most herders of these soums make their living from goat and its products.



b) Cashmere trade and income from cashmere sale

Table 9. Sale of livestock products, by location and by sex (%)

Location	No. of families selling livestock products	%	Out of which:	
			Women	Men
Aimag center	29	32.2	17.8	14.4
Soum center	58	64.4	33.3	31.1
Through someone else	3	3.3	1.1	1.2
Total	90	100.0	53.3	46.7

The above data reveal that most families transport the cashmere to soum or aimag center. Half of the families which give their cashmere to soum center cashmere traders have a goat herd of 10-30 goats. Women mainly sell cashmere to visiting traders or ask the other people to sell as opposed to men who would usually sell themselves.

The livestock population of our soum has decreased and a herding family on average has only 30-40 goats. This is a subsistence level. Herders with more goats who prepare 60-80kg cashmere go to the city or aimag center to sell cashmere. Those who prepare 10-20 kg would give it to local cashmere traders. It is not worthwhile for them to go to the city or aimag center. Families with fewer goats usually buy foodstuff in advance, promising to give cashmere in exchange.

Individual interview. Buutsagaan soum. Soum Deputy Governor

The main source of cash for herder families is livestock raw materials and products. The size of income from the sale of livestock products is as follows:

- 17.8 per cent of herders get 20,000-100,000 tugrugs a year which means around 2,000-8,300 tugrugs a month. This is below the poverty line.
- 60.1 per cent get 100,000-500,000 tugrugs a year or 10,000-30,000 tugrugs a month.
- 17.1 per cent earn over 500,000 tugrugs a year or 42,000 tugrugs in month.

The smallest amount of earnings from the sale of livestock products is 20,000 tugrugs and the highest is around 2 million tugrugs.

In response to questions about additional sources of income, herders named pensions and allowances (34.5 per cent), vegetable growing for own use (13.3 per cent), working at gold mining sites (10.0 per cent), wages 4.4 per cent). One third of herders did not have any additional income sources. It is common that male members of families which have lost all or almost all livestock in dzud go to nearby gold mines for their livelihood. Buutsagaan soum has experience of crop production and vegetable growing, and thereby providing support to family needs. Herders usually do not acquire livestock insurance policies,

a) Spending and distribution

therefore no compensation is paid if herders lose livestock in dzud or drought.

The decrease of livestock heads has made the living of herder families extremely vulnerable. The income from livestock herding is sufficient only for the most basic needs, and cannot cover livestock production related expenses. Cash spending of herder families reveals that it is mostly spent on daily necessities such as food, flour and rice, and clothing:

- 98.9 per cent of herders replied that they spend their income on food, flour and rice;
- 85.6 per cent on clothing, daily necessities (including candles, matches, soap etc);
- 31.1 per cent on children's education related expenses (children's clothes, school items, tuition fee, housing and transportation); and
- 3.3 per cent on livestock hay and fodder.

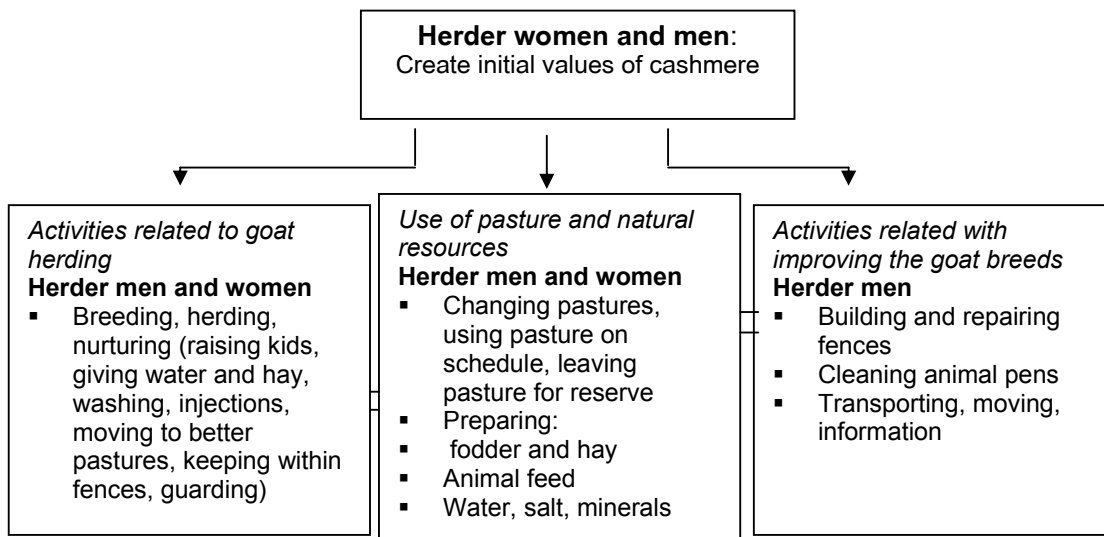
3.3. Role and time use of women and men in cashmere preparation

The main economic activity of herder families is livestock; therefore herders create the primary values in the cashmere value chain through herding, preparing and processing livestock products, and trading.

Although it appears that cashmere preparation takes place in spring and requires only a short period of time, in fact, it is hard and labour-intensive work throughout the four seasons involving breeding and herding of goats.

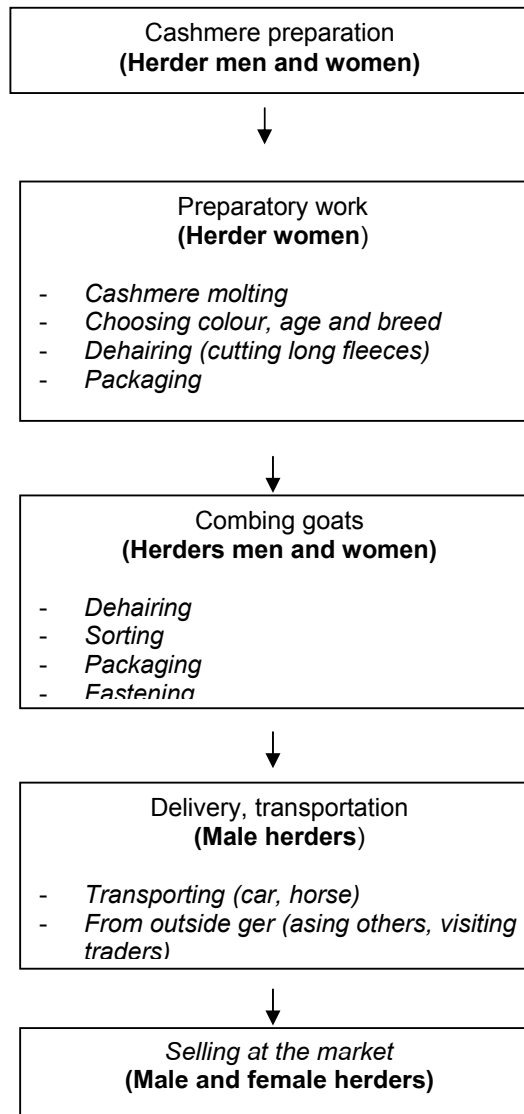
Figure 5. Role of herder women and men in the cashmere value chain

Stage I: Creation of initial values in the cashmere value chain



Families owning goats breed and herd them throughout the year, thus adding values. They create values in two forms: firstly, through the herders' labour, and secondly, through building fences, using pasture, preparing salt and animal feed, buying medicine and paying tax. While creating values they also meet their own needs.

Stage II: Cashmere preparation:



Differences in the participation of women and men in the cashmere preparation stage of the cashmere value chain is depicted.

According to the responses of herders, the cashmere preparation stage is composed of 3-4 phases.

Herder families buy string, bags and other items used for harvesting cashmere.

This picture shows that gender division of labour reflects the traditional nature of the business in question.

Figure 5 reveals who participates more at each stage of the cashmere preparation by gender.

Cashmere preparation is the main stage of the cashmere value chain in which male and female herders participate. It should be noted that although the cashmere industry is currently assessed by the volume of final products and export size, cashmere preparation is largely dependent on the primary activities of herders.

Table 10. Cashmere preparation: participation of family members in combing, dehairing and packaging of cashmere, (percentage)

	Combing	Dehairing	Packaging
Men	45.6	44.4	47.8
Women	44.4	46.7	43.3
Children	6.7	5.6	5.6
With family members	3.3	3.3	3.3
Total	100.0	100.0	100.0

Women and men play the major role in cashmere preparation, but child labour also contributes to some extent. For instance, children's participation is 6.7 per cent in combing and 5.6 per cent in dehairing and packaging.

Men's participation is slightly greater (1.2 per cent) in combing. There are three reasons for this. Firstly, combing goats is hard physical work. In most cases, men comb hogget males, and women comb hogget females. Secondly, women are usually busy with other livestock and household work, and care of children. Thirdly, both husband and wife do the job together, for example, if there are 10 goats, the wife combs 4 and the husband combs the remaining 6 goats.

It is interesting to note that male respondents said the participation of men is a bit higher but both men and women comb goats almost equally while women said women participate more in combing than men.

130 goats prepare 26kg cashmere a year and earn 450,000 tugrugs. The wife spends 40 minutes for combing one goat and 15 minutes for dehairing. Not much time is spent for packaging. Before combing, goats are separated by colour, so there is no need to sort afterwards.

Household questionnaire, *Herder woman of Baatsagaan soum*

400 goats yield 115kg cashmere a year and earn 2,300,000 tugrugs. The husband spends 30 minutes in combing each goat, 10 minutes for dehairing and 4 minutes for packaging. Before combing goats are sorted by age, gender and colour, so no more sorting is required before packaging.

Household questionnaire, *Herder man of Bumbugur soum*

Both husband and wife participate in cashmere preparation. Men and children usually do combing. Around 20-30 minutes is required for combing one goat. Cashmere production from one goat is over 350g.

Individual interview, Buutsagaan Soum Deputy Governor

At the cashmere preparation stage, combing is the most labour intensive activity, compared to dehairing, sorting and packaging.

Dehairing: Women's participation in dehairing is slightly higher than men's. 24.4 per cent of men thought that men participate more in cashmere dehairing while 28.9 per cent of women thought that women participate more.

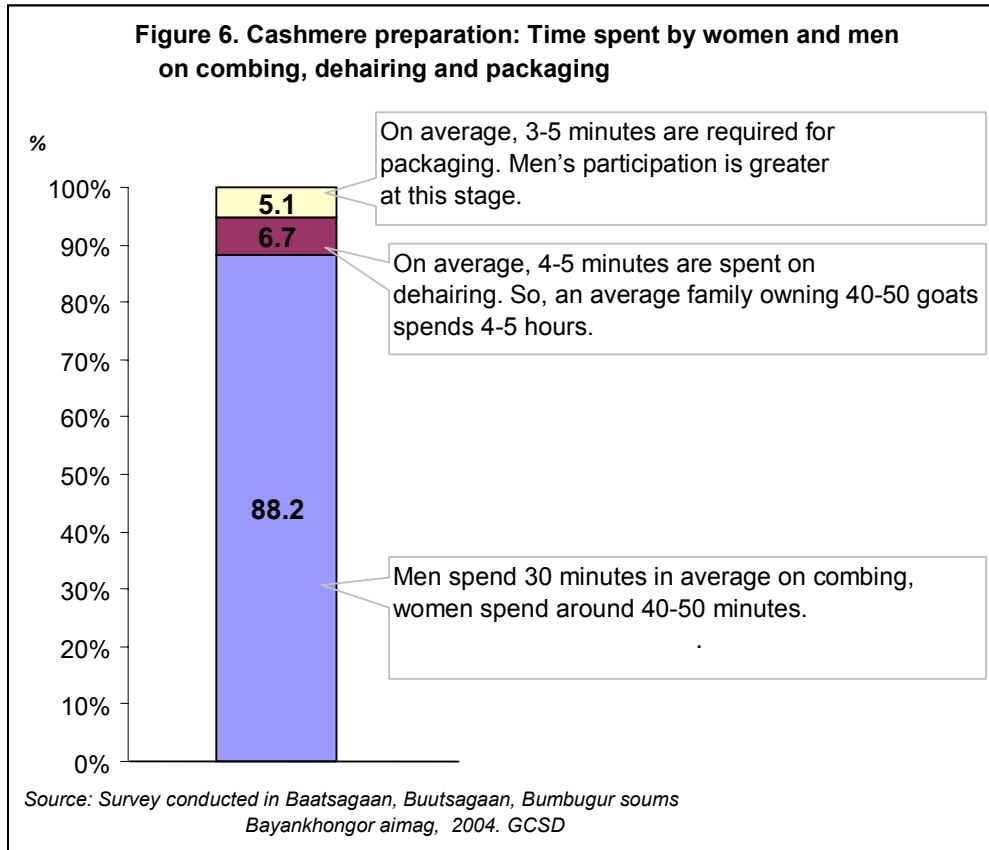
Sorting: It can almost be said that herders do not do sorting by colour. The herders of three soums divide the goats by age and colour (black, white and red, etc) before combing and think that no further sorting is required after combing. In general, women's participation is higher in sorting cashmere.

Packaging: Men play a greater role in this activity.

It is revealed from the survey that labour division of female and male herders is based on the difference of gender roles.

Cashmere preparation: Time use of women and men in combing, dehairing and packaging

The use of time that women and men spend in the preparation stage of cashmere was measured by the amount of time spent on combing one goat and the amount of time spent on dehairing, sorting and packaging.



Women are more involved in dehairing and sorting while men do mostly combing and packaging. There is also a difference in the amount of time use. Men spend less time and women spend more time.

A family with 20-30 goats prepares over 10kg of cashmere and spends one or two days in combing while a family with over 200 goats prepares more than 60kg of cashmere and spends one month in combing.

After cashmere is prepared, the following table is drawn to show the volume of cashmere prepared by herder families of these three soums. The smallest volume ranges 1-9kg and the highest reached 80-115kg. As seen on the Table below, the volume of cashmere prepared is directly linked to the number of goats.

Table 11. Cashmere preparation, by number of goats, (%)

Volume of cashmere (kg)	Number of goats				Total
	Up to 10	11-30	31-50	51 and over	
1-9	18,9	23,3	5,6	1,1	48,9
10-25	-	8,9	4,4	17,7	31,1
26-60	-	-	1,1	15,5	16,6
61+	-	-	-	3,3	3,3
Total					100,0

Almost the half of the survey participants prepare up to 10kg of cashmere from 10-30 goats. According to the survey estimations, families preparing more than 61kg of cashmere have an income exceeding one million tugrugs. The volume of cashmere prepared increases with the number of goats.

3.4. Participation of women and men in cashmere trade

All goat herding families sell the cashmere they have produced. At this stage herder women and men participate in the process of getting cash for the products they sell.

Cashmere is sold through two channels: soum and aimag. Cashmere purchasers are soum or aimag traders. Our soum has 500 families herding goats and 300 of them are of low income. Most of them buy goods in advance from soum traders and in spring pay in cashmere for the goods. In general, families with less than 100 goats sell to traders. Traders take cashmere across the border at Shivee khuren-Gashuut sukhait border points (Umnugobi).

Individual interview, Head of Buutsagaan Soum Governor's Office

Earlier in this document, the location of the sale of livestock products was discussed. A chart depicting where cashmere is sold can be seen below:

- 62.2 per cent sell to local cashmere traders or make a "barter" deal;
- 32.2 per cent go to the aimag center;
- 3.3 per cent sell to visiting traders or make a "barter" deal; and
- 2.2 per cent ask someone to sell for them..

The higher the volume prepared, the more likely that people would go to the aimag center to sell cashmere. In contrast, families with fewer goats tend to get food and other necessary consumption items from soum cashmere traders on loan and pay back in spring when they produce cashmere. This can be seen not only from the household questionnaire but also from individual interviews conducted with soum authorities.

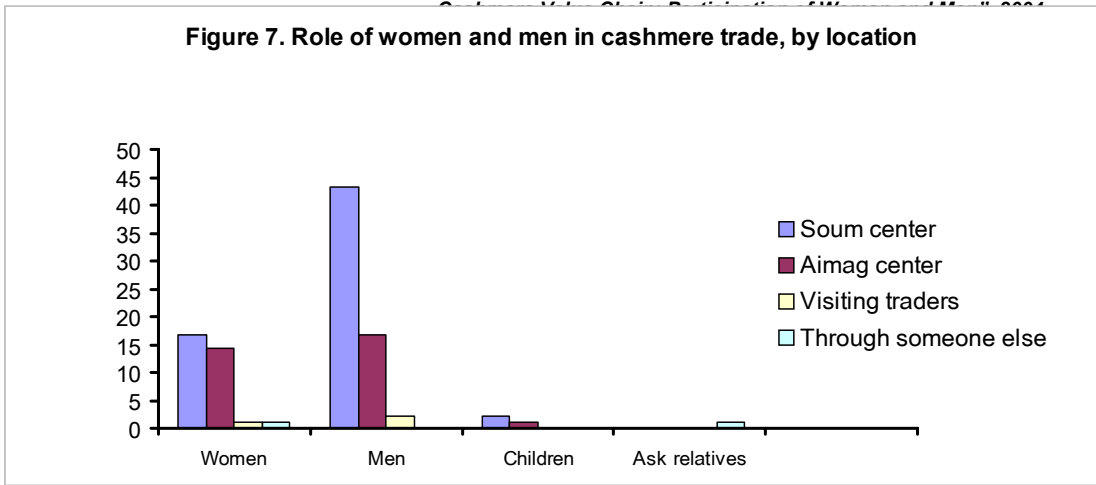


Figure 7 compares the participation of women and men in cashmere with respect to the location in which the sale takes place. Women mostly sell to local traders. Men’s domination in cashmere trade is more prominent during the price negotiation in which men have more authority. They also sell to local traders.

The correlation analysis of the two indicators – women and men shows that 76.2 per cent of male respondents think that male members participate in cashmere trade more than female members. On the other hand, a high percentage of women respondents replied that women participate more than men. This demonstrates that although men participate more in cashmere sales, women are interested in taking part and are confident that they can do it.

Herders do not understand the importance of national production. They sell to whoever pays more. They are concerned only with today’s gain. Actually, the traders’ layer between herders and producers should be eliminated. Greedy agents, traders and representatives buy cashmere. The local factories cannot afford now, but it would be useful to create a system where producers get cashmere directly from herders at market price. We put our efforts in this regard and search for enterprises, cooperatives and companies.

Individual interview, Head of Buutsgagaan Soum Governor’s Office

With every layer of cashmere production, cashmere price is increased. Price increase is directly attributable to intermediate layers of traders and visiting traders who mix some stones and ground in cashmere. Therefore, it is important to deliver cashmere to state enterprises directly in an organized manner.

Individual interview, Bumbugur Soum Governor

Chinese traders offer higher prices than state enterprises, so cashmere is taken across border to China. Trading cashmere “in bags” like today is not in the interests of the country, the soum or herders.

Individual interview, Buutsagaan Soum Governor

3.5. Income from cashmere and its distribution

Income from cashmere sale

18.9 per cent of all herder families earn 100 thousand tugrugs a year, 48.9 per cent 101-400 thousand tugrugs, 21.1 per cent earn 401-700 thousand tugrugs and the remaining 11.1 per cent earn 701 thousand tugrugs.

The breakdown of the annual cashmere income is listed below:

- 10,000-50,000 tugrugs (8.9 per cent);
- 51,001-100,000 tugrugs (10 per cent);
- 100,001-160,000 tugrugs (20 per cent);
- 160,001-200,000 tugrugs (8.9 per cent);
- 200,001-300,000 tugrugs (13.3 per cent);
- 300,001-400,000 tugrugs (6.7 per cent);
- 400,001-500,000 tugrugs (13.3 per cent);
- 500,001-700,000 tugrugs (7.8 per cent);
- 700,001-900,000 tugrugs (3.3 per cent);
- 900,001 tugrugs and over (7.8 per cent).

According to 73.3 per cent of the survey respondents, cashmere accounts for up to 80-100 per cent of family income. In other words, this confirms that cashmere is the main source of livelihood for herders. Among the respondents, there were seven families which earn more than 1 million tugrugs a year and they were the ones who maintain a larger goat population and prepare more cashmere than the others.

In the previous section, 34 families responded that they do not have any additional income other than livestock earnings. 14 of them are fully dependent on livestock and 18 families make 80 per cent of their income from cashmere. In a very few cases, cashmere earnings make around 10-30 per cent, where the additional income are pensions and allowances, and income from gold digging.

Distribution of cashmere income

The previous section discussed the spending of income from the sale of livestock products. This section will review the income spending from the sale of cashmere and its distribution among family members, in particular between women and men.

Below are listed the responses given to the multiple choice question "What do you spend on the income you have earned from cashmere sales":

- 91.1 per cent on food;
- 28.9 per cent on clothing for family members;
- 26.7 per cent on children's clothing;
- 18.9 per cent on preparation for Mongolian New Year;
- 15.6 per cent on children's tuition;
- 13.4 per cent on family consumption items (soap, candles, matches, ger items);
- 7.8 per cent on medical services, TV set, children's marriage;
- 5.6 per cent on petrol;
- 3.3 per cent on livestock hay.

Most of the income earned from cashmere sales is spent on daily consumption items, such as food and clothes. Children's education also is a major spending item.

An analysis was conducted to see for whose needs the income from cashmere is spent, and to clarify the share received by women from this income.

Table 12. Spending of income from cashmere sale, by gender

	Number	Percentage
For woman	27	30.0
For man	16	17.8
For both woman and man	20	22.2
For children	27	30.0
Total	90	100.0

Because a herder family's income consists of livestock products and cashmere sales and all income is basically spent on daily consumption items, there is no spending preference for anyone. There is no account kept of family budget and of the consumption by women and men. There is no division of ownership over the goats, and income from cashmere is spent to meet the needs of all members. In addition, the fact that the majority of the survey participants have 40-50 heads of livestock, shows that it is not possible to make income distribution from a gender perspective.

Nevertheless, one third of respondents said "For women" to the question "For whose needs is the major part of the cashmere income spent?" Such a reply may have originated from the perception that women need more. As seen in Table 12, those responding that cashmere income is spent more on children's needs and that it is enough only for food, make up 30 per cent.

Man spends a lot of time outside the home, so perhaps a bit more is spent for the man, cigarettes or petrol etc.

Household questionnaire, Herder woman, Buutsagaan soum

Income from cashmere mainly goes to children: Children's clothes, school items.

Household questionnaire, Herder man, Baatsagaan soum

Both women and men think that income from cashmere is spent more to meet women's needs (30 per cent), but the frequency of women giving such answer is higher than men's. A higher percentage of men among the respondents think that income is spent equally for both women and men. The majority of respondents saying that cashmere income is spent more on children were women. The fact that family cash receipts and expenses are mainly made by the wife may have provided an impression that money is spent on meeting women's needs.

It was also observed that income from cashmere sales is mostly spent for common needs of family members. However, every respondent agrees that this situation is caused by a drop in livestock heads due to dzud and the consequent decrease of income from cashmere.

The goods purchased or exchanged over the last year using income from cashmere is divided into four groups as shown in the table below:

Table 13. Goods purchased using the income earned from cashmere, (percentage)

Women	- Cloth, silk, cotton cloth (4.4 per cent)
	- Wife's clothes and shoes (3.3 per cent)
	- Earring and ring (1.1 per cent)
Men	- Car (russian jeep, van) (3.3 per cent)
	- Khuurug (snuff container made of precious stone) (1.1 per cent)
	- Silver belt (1.1 per cent)
House furniture, items	- Ger wooden furniture, ger items (30 per cent)
	- Satellite antenna (16.7 per cent)
	- TV set (7.8 per cent)
	- Carpet (4.4 per cent)
Other	- Only for food (48.9 per cent)
	- Children's clothes, tuition fee, school items (16.7 per cent)
	- Petrol (10 per cent)
	- Repay Mongolian New Year loans (8.9 per cent)
	- Medicine, purchase of goats, marriage of children etc (3.3 per cent)

The percentage of herders who bought expensive items is very small, but as the number of goats and volume of cashmere prepared increase so does the amount of families which possess expensive consumables such as cars, precious stones, snuff container and jewelry.

The two families, which have bought a car, have a herd of 250-450 goats and prepare over 60kg of cashmere a year, earning over 1.000.000 million. They also acquired satellite antenna on hire purchase and will repay in spring.

Household questionnaire

The income from livestock products and cashmere can cover nothing more than food and clothes. Herders are unable to spend anything on improving the goat breed (for cashmere purposes), obtaining veterinary services, pasture and natural resource management activities, income generation activities and other measures that are vital for herders' livelihood, and it can be said that there is no chance for them to do so.

In general, goat herding families can only sustain themselves with cashmere income and cannot go beyond it. It is understandable that the above situation is related to a nomadic style of goat herding that is directly dependent on nature and climatic conditions. In addition, there are other factors which contribute to this situation, including lack of entrepreneurship skills of herders, lack of profit and loss estimations and failure to do primary processing to a standard that meets the market needs (grading cashmere by quality, cleaning from mixtures etc). In particular, quality classification is not adequate.

Household and livestock related work

Research was carried out on the division of labour between livestock related work and household work during the cashmere harvesting period and the role women and men play in these activities. The growth in number of goats and other heads of livestock represents successful progress, but women continue to do time-consuming and never-ending household work, such as processing dairy products and caring

for other members of the family on top of their participation in cashmere preparation. A clear example of this is that women's "household" work was given as an explanation for women's participation being slightly less than men's in cashmere combing.

Table 14. Household and livestock work, by gender

	Woman	Man	Both	Children	Total
Preparing food	87.8	-	-	8.9	3.3
Washing dishes	84.4	-	1.1	13.3	1.1
Cleaning house	82.2	-	1.1	14.4	2.2
Washing clothes	78.9	1.1	5.6	14.4	-
Caring for children	77.8	-	3.3	2.2	-
Assisting children with homework, taking to school	41.1	14.4	2.2	4.4	1.1
Caring for the sick and the elderly	38.9	1.1	3.3	3.3	-
Preparing fuel	13.3	46.7	14.4	14.4	11.1
Fetching water	21.1	25.6	15.6	30.0	7.8
Milking	91.1	-	1.1	6.7	1.1
Processing dairy products	96.7	-	-	3.3	-
Sewing	100.0	-	-	-	-
Cleaning fences and pen	8.9	40.0	21.1	18.9	11.1
Building, repairing fences and house	4.4	12.2	26.7	1.1	31.1
Making felt	2.2	33.3	32.2	4.4	27.8
Moving	4.4	56.7	12.2	24.4	2.2
Herding	40.0	46.7	4.4	8.9	-
Harvesting fleeces from sheep and goats					

The prevailing type of work done by women, men and other members of a herder household is shown below:

Women are more involved in preparation and processing of livestock raw materials, household work and in caring for others while men participate more in livestock herding, livestock infrastructure related work and in trade of livestock products. Boy child's help is significant in herding livestock, giving water, bringing the herd back to home, moving to better pasture, preparing fodder and hay, cleaning the fence and pen, fetching water and preparing fuel. Girl child helps with cleaning the house and doing the washing. All members of family and neighbours assist and contribute to the accomplishment of more complicated and demanding work such as felt making and moving.

In general, women's workload increases in spring, summer and early autumn. In spring, they prepare for new off-spring in the herd, feed them and comb the goats. In summer they are mostly involved in milking and processing milk products. Winter is the quietest time for women, they do sewing and prepare for the Mongolian New Year.

This leads to a conclusion that women participate in all stages of the cashmere preparation on a par with men and at the same time, accomplish other duties including livestock related as well as household and care work, that are undertaken as part of gender roles. Because of nomadic livestock herding, labour division of women and men is different depending on sex, but with the move to a market economy, women have assumed more roles and duties, thereby increasing their workload.

3.6. Business environment and challenges for cashmere production

An earlier section of the study analyzed the participation of herder families at the cashmere preparation and trade. This part looks into the support provided to cashmere production and the opinions and needs of women and men herders in this respect.

First of all, herders suggested that local authorities should provide assistance in an accessible manner to all herders who participate in primary processing of the cashmere value chain.

Respondents criticized the fact that local authorities were not more efficient in organizing the implementation of government programs and projects on pasture management, wells and water sources, goat breeding and in delivering information.

Over the last few years, the cashmere sector has become a more substantial part of the country's GDP and in herders' income. However, implementation of Government measures at the local level would foster the social and economic development of Mongolia, lead to cashmere becoming on even higher proportion of a herder's income and could affect the world cashmere market and price changes.

It was agreed by 81.1 per cent of the respondents that much support needs to be given to herders in the cashmere sector. The types of support they suggested were needed are described below:

- 1) 27.8 per cent – to acquire goats (to participate in and implement stocking projects, to get small loans to buy goats or to increase the number of goats and improve livelihood, assistance is needed from the Government, NGOs and international organizations)
- 2) 23.3 per cent – to raise the cashmere price (pursue a policy to maintain a stable price for cashmere)

"We would like to increase the cashmere price. But the price of other products would also increase. Cashmere is the means of livelihood for us. Therefore, the Government should set the price for cashmere and acquire cashmere in an organized manner. Sheep wool and camel wool do not cost much."

Although herders cannot fix the price for cashmere, they are interested in selling their cashmere to the local factories at a high price. However, the factories are interested in buying raw materials cheap, thus creating a conflict of interest. Herders are unable to stay firm on the price for cashmere and they need to learn not to under-price the cashmere they sell.

In most cases, herders sell cashmere to traders on an individual basis and accept the traders' price. The local factories, whom the herders want to sell cashmere, do not buy directly from herders, but from the traders.

- 3) 8.8 per cent of respondents said they need support in creating an organized cashmere procurement system (to have permanent contractors, to sign contracts to buy at the market price, build centralized cashmere collection networks in rural areas and make contracts with domestic factories)

"We wish to have a permanent partner who would be buying our cashmere at a high price."

Household questionnaire, Bumbohur soum.

It was clear that herders are more interested in selling to large national producers without an intermediary stage, in other words, bypassing traders. There are some attempts to change the current system of cashmere supply and to organize it in a way more beneficial to herders.

- 4) 6.7 per cent of respondents said they need support to build small plants and provide herders with information and training (on cashmere semi-processing, primary processing, establishing cooperatives, information on cooperatives, training on increasing the returns of livestock products)

"Soum authorities should assist and train herders on how to improve the cashmere yield and how to produce products."

Household questionnaire, Buutsagaan soum

"We wish we could sell to our domestic factories and contribute to the revival of national production. Instead of selling raw cashmere, we should be giving as much priority as possible to primary processing in small plants.."

Household questionnaire, Buutsagaan soum.

"Bayankhongor aimag is relatively under developed in terms of industrialization in comparison with other aimags. Infrastructure is a problem in rural areas. A small scale plant is needed to do primary processing, such as scouring and collecting cashmere from several nearby soums. Herders would benefit more from such an initiative than from selling raw cashmere. Transporting raw cashmere to the border point is very risky. Currently, the beneficiaries of cashmere production are Chinese factories. The Mongolian Government aims at developing small and medium sized enterprises, but when it comes down to it, there is a financial problem. Installing equipment would require funding."

Individual interview, Buutsagaan Soum Governor

"Instead of taking cashmere directly to Ulaanbaatar, it would be efficient to do processing at the aimag level, as is done for wool. Building a small cashmere processing plant at the soum level is not feasible because of the lack of water and electricity supplies. A cashmere scouring plant could be established at the aimag center. Bayankhongor aimag has a road that links Gobi-altai, Khovd and Uvurkhangai, so cashmere from these aimags could also be processed in our aimag".

Individual interview, Bumbohur Soum Governor

- 5) 5.6 per cent of respondents said they needed support to improve the goat breed (increase yield and microns)

"We need red bucks for crossbreeding."

Household questionnaire, Buutsagaan soum

"Cashmere quality standards should be set and more information needs to be given to herders on quality standards". *Household questionnaire, Baatsagaan soum*

- 6) 3.3 per cent of respondents said they needed support to introduce new technology and equipment in cashmere preparation, provide loans using cashmere as collateral

"We do not have enough people to help, so we need special technology that would facilitate the cashmere preparation process." Bumbugur soum

"Combing cashmere is a demanding work which is hard both for the persons and the animal. So, this work has to be automated."
Individual interview, Baatsagaan Soum Deputy Governor.

- 7) 6.7 per cent – do not know what support they needed..

In addition, 17.8 per cent of all respondents considered that no support was needed for herders in the cashmere sector. Below is their rationale.

- There are only a few goats, and the amount of cashmere prepared is small
- Herders can manage themselves
- Herders do not happen to meet the local authorities, and the authorities do not go to herders' families that often
- We live far away from the soum center, so we cannot leave our livestock behind and go to the center or to attend meetings
- Our suggestions are ignored

"Herders sell cashmere themselves, so they do not need support".
Household questionnaire, Buutsagaan soum.

"We do not have many goats that require extra support".
Household questionnaire, Bumbugur soum

"We live in a remote place and have almost no visitors. We are not sure if our suggestions will be supported".
Household questionnaire, Buutsagaan soum

"It is difficult to expect support from the authorities. Now it is not like in old days, and it is hard to organize this way."
Individual interview, Buutsagaan Soum Governor

The findings of the survey reveal that herders do need more support in the cashmere sector but they do not know how and where to ask for assistance. In particular, herders need to increase the goat population and to maintain the price for raw cashmere.

For most respondents (88.9 per cent), drought and dzud are the most difficult problems they face followed by reduced yield from livestock (36.7 per cent), breeding issues (14.4 per cent), well and water problems (8.9 per cent), overgrazing (3.3 per cent) and veterinary services (3.3 per cent).

Herders' income was reduced and their livelihood deteriorated as a direct consequence of drought and dzud. According to herders, the reason that overgrazing accounts for such a small proportion in the list of constraints is that the reduced number of goats after dzud has allowed pasture to renew itself to some extent.

The survey investigated the parties who provide the most useful support of herders and their livelihood. This is a useful information source for our survey. Below are the answers given by surveyed herders to this question.

Table 15. Parties providing support to herder families, (%)

	Very important	Important	Not so much important	Almost no support
Aimag, Soum Governors	-	2.2	-	97.8
Bag Governors	-	5.6	12.2	82.2
Community herders	11.1	54.4	20.0	14.4
Traders	1.1	30.0	22.2	46.7
Vet, specialists	-	28.9	46.7	24.4
Non-government organizations	-	2.2	1.1	96.7
International organizations	-	18.9	6.7	74.4

According to respondents, community herders and traders are the most influential stakeholders who provide support and assistance. Veterinarians also provide support to some extent, but come only during spring injection time. The support from soum and bag governors - two stakeholders who should be working closely with herders - does not look strong. Respondents who had earlier participated in project activities implemented by international organizations appreciated that pasture management and livelihood support activities were most useful.

Support and assistance are of two kinds in the eyes of the respondents. Firstly, support to livestock herding (vet, international organizations), secondly, support to the living conditions of the herder family as represented by traders.

The link between herders and the respective mid-level organizations dealing with herders has been destroyed since privatization and filling this gap is an important issue for herders.

Need to change the current situation of cashmere preparation and trade

Studying the situation of cashmere preparation and trading, and the views of herders on future needs is important for drawing up recommendations to make cashmere production more herder-friendly.

For this purpose, the question "Do you think the current situation of cashmere preparation and trading should be changed?" was asked. 97.8 per cent of all respondents said it should be changed.

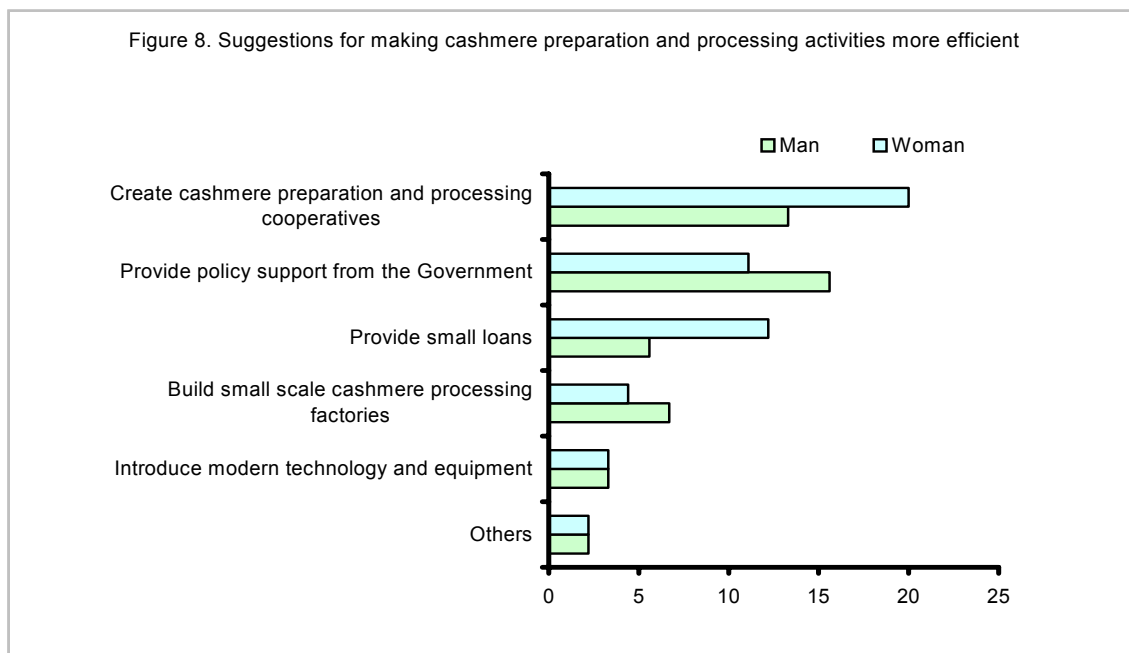


Figure 8 describes the suggestions made by herder women and men concerning what should be done in order to improve the cashmere preparation and processing activities. Based on the results of this survey, the following conclusions can be drawn.

Female herders propose small loans and cashmere preparations and processing cooperatives as most needed while male herders give more priority to Government policy support and cashmere processing factories. The other ideas constantly mentioned are the need for cooperation, acquiring knowledge for cashmere processing and access to information and training.

Herders' opinion on opportunities for increasing income from cashmere

One of the objectives of the study is to investigate the herders' opinion on how to improve the benefits to be received by herder women. The following actions were suggested by herders:

- Raise high yield breeds and increase animal performance (65.6 per cent);

It is a high time to treat goats as capital and to conduct breeding and selection on a scientific basis. Emphasizing only cashmere yield and relying on middlemen-traders is not in the interests of either the country, soum or herders. The Chinese give higher prices for Mongolian fine cashmere than Mongolia state enterprises and a significant volume of cashmere goes across the border. Chinese producers use Mongolian cashmere to improve the quality of their cashmere and export it, thus earning the real values. Therefore, a special policy should be pursued to change this situation. In this case, risks would also need to be accounted for. Our soum pursues a strategy to encourage organized herders' groups, collaboration in preparation of raw materials, organized processing cooperatives and adheres to the principle of "from quantity to quality".

Individual interview, Chairman of Buutsagaan Soum Citizens' Representatives' Meeting

- Sell cashmere at the highest possible price (53.3 per cent);
- Conduct training in the market economy, increasing cashmere yields, means of collaboration, and on cashmere processing and producing cashmere products (30 per cent);
- Improve health of herds (8.9 per cent); and
- Protect pastureland (8.9 per cent).

Many respondents considered that moving in search of better pasture, allowing herds to gain more weight, increasing cashmere yields, improving the quality of cashmere preparation and primary sorting to remove wastes were also important.

It is clear from the responses that benefits from cashmere can be increased through retaining and breeding high yield indigenous goats and through getting a good price for cashmere. Up until recently, there has been a widespread understanding in society that herders already know how to herd livestock. But according to the survey, herders (30 per cent) increasingly understand that knowledge, education and information are very important for maintaining a livestock business in a competitive market economy.

As the number of stages increases, the value-adding process becomes more intensive with each of the stages adding value. One has to be sensitive to market needs and have better economic education to fare well in the competition. Herders now recognize this need, but the government and international organizations also need to provide support in this direction.

Herders' concern over breeding issues was obvious in the survey. After livestock privatization, herders have had to manage themselves for some time. However, within a few years, local herders have noticed that body weights are becoming smaller and there are some problems with the timing of maturation. Therefore, herders are fully aware that selection and breeding need to be conducted in an organized manner. Herders also agree that preventing and protecting herds from animal parasites would favour the quality of cashmere.

"We, the soum authorities and herders, noticed that livestock suffers from parasites, needs some new blood and lacks survival capacity, so we brought 20 bucks of Zavkhan "Buural" and Khuvsgul "Erchim". In the soum, the veterinary cooperative conducts the selection and breeding of livestock and recovers its cost from herders.
Individual interview. Chairman of Buutsagaan Soum Citizen's Representatives' Meeting

Herders views on the potential opportunities for improving the income from cashmere are shown in the table below:

Table 16. Opportunities for increasing income from cashmere, by gender

	Women	Men
Raising high yield goats	37.8	27.8
Improving healthiness of herds	4.4	4.4
Protecting pastureland	5.6	3.3
Bargaining the highest possible price for cashmere	24.4	28.9
Herders' training	16.7	13.3
Others	2.2	2.2

The survey results show that women prefer breeding high yield goats to increase their income while men are interested in bargaining higher prices for cashmere to do so.

“Herders sell cashmere without sorting and grading (1, 2, 3 grades). Traders and the Chinese offer high prices and buy cashmere of all grades and standards without distinguishing between 1st, 2nd and 3rd grades. The Chinese use high technology, so it is not risky for them. The Chinese also sell the products they produce for high prices.”
Individual interview, Buutsagaan soum, Livestock specialist

CHAPTER 4. STATE POLICY AND MAIN DIRECTIONS FOR CASHMERE SECTOR

4.1. Government actions

Agriculture is the main sector of the Mongolian economy and almost half of the workforce works in this sector. Livestock has a special place in the agriculture sector. The proportion of agriculture decreased from 36.3 per cent in 1994-2000 to 26 per cent in 2001 and down to 20.1 per cent in 2002. Such a decline is related to consecutive droughts and dzud that took place in those years.

Table 17. Share of livestock in the GDP of agriculture sector

Indicators	Years									
	1991	1994	1995	1996	1997	1998	1999	2000	2001	2002
Share of agriculture in GDP	16.2	37.1	38.0	36.8	34.6	37.5	37.0	33.4	26.0	20.1
Share of livestock in agriculture	80.0	85.7	85.2	86.8	86.5	87.7	89.8	87.6	82.7	79.9

Source: *Statistical Yearbook of Mongolia, 2003*

In recent years, the effects of the cashmere sector on GDP and herders' income has increased. For instance, cashmere exports doubled from 1993 to 1996 reaching US\$33.5-71.2 million, thus increasing its share in the total exports from 9.2 to 16.8 per cent. However, it was reduced in 1997-1998 and after a slight increase in 1999-2000 it decreased again in 2001, amounting to US\$67.8 million, which equals to 13 per cent of the total exports.

The peak of Mongolian cashmere production was between 1991-1996 which is explained by several factors. The macroeconomic stabilization policy along with structural reforms over the first years of economic transition, stimulated the development of the agricultural sector during this period.

In 1994, the Government of Mongolia banned the export of raw and scoured cashmere to protect local factories from foreign competition and to increase the price of locally produced goods. After the ban many foreign companies located their processing plants in Mongolia. As a result, the price of raw cashmere has increased, though there has been no quality improvement. The Government measures taken in 1992-1994 resulted in:

- increased foreign investment;
- improved production outputs of processing factories;
- reduced benefits for herders; and
- increased illegal export of raw cashmere.

The cashmere export ban imposed in 1996 was lifted in 1997 and replaced by an export tax of 4,000 tugrugs or US\$5 per kilo. This tax is still valid now, but hinders official cashmere exports and contributes to the increase of illegal exports. This has made the collection of the tax inefficient. The other highlights of this period are Mongolia's accession to WTO, decline of local producers' capacity, a rise in price for cashmere and reduced rate of illegal exports. With the export tax on raw cashmere of 4,000 tugrugs, competition for raw cashmere intensified and the Chinese traders started to offer higher prices to herders.¹²

¹² Ralph A. Van Gelder, Livestock products marketing sector analysis, Ulaanbaatar, 2000

Initially, the primary processing factories operating in Mongolia were buying cashmere of different qualities for the same price. Therefore, herders were more interested in cashmere yield than in its quality. This has resulted in low quality of cashmere. The Government of Mongolia approved a program on "Cashmere" by its Resolution #114 in 2000 which was later amended by Resolution #199. The objective of this program is to raise the competitiveness of Mongolian cashmere products.

The following objectives are pursued under this program and are being implemented step-by- step:

- To improve the goat breed and the cashmere quality;
- Expand the domestic production of final products through increasing knitting and weaving capacity; and
- Improve quality and design of products, expand product ranges and increase exports.

There are several projects and programs which aim at increasing the goat breed, improving livestock outputs, protecting the health of the goats and improving the conditions for herding goats. These include:

"National Program for Improving Livestock Quality, Breeding and Services": was approved by Resolution #105 of 30 April 1997. Objective: To conduct selection and breeding in line with the market requirements and to improve yields and quality of livestock products, to create conditions for implementing the provision of the Constitution which says "Livestock will be under the protection of the State". The program will be implemented until the end of 2005.

"Program on Livestock Health": was approved by Government Resolution #64 of 21 April 1999. Objective: To ensure that the livestock of Mongolia is free from livestock and animal infectious diseases, to protect and prevent livestock from infectious parasites harmful to the country's society and economy, to reduce the prevalence rate of communicable diseases to a secure level and to enable conditions for raising exports. The program will be implemented in three phases until 2010.

"National Program for Providing Support in Protection of Livestock from Dzud and Drought": was approved by the Government Resolution #47 from 13 March 2001. The objective of the program is: to protect livestock from drought and dzud, to strengthen the system of measures to be taken in dzud and drought situations and of recovery from disaster situations, to create a support network, to determine the role of herders and public agencies at all levels and to provide policy and coordination support for enhancing sustainable development of livestock production. The program will be implemented in 2001-2005.

"National Program on Water": was approved by the Government Resolution #43 of 10 March 1999. Objective: To provide rural residents with reliable water sources, to rehabilitate water resources, to protect water sources from degradation and reduction, and thereby, to contribute to the economic and social sustainable development. The program consists of three stages to be implemented until 2010.

"National Program on White Revolution": was approved by the Government Resolution #105 of 30 June 1999. Objective: To improve the provision of population with daily products through mobilizing internal resources of livestock production, reviving the tradition of dairy production and establishing small processing plants, and increasing herders' income and generating jobs in rural areas. This two-phase program will be implemented until 2006.

Program on “Wholesale Trade Network”: was approved by the Government Resolution #219 of 2001. This program aims at providing the population with quality consumer goods, supplying the industries with raw materials, creating adequate procurement system of raw materials, improving storage and transportation of goods and raw materials and thereby reducing the actual market cost and minimizing rural and urban price differences.

4.2. International cashmere market trends

Cashmere is a billion US dollar industry, considered as a luxury sector. The demand for luxury goods is increasing worldwide and except for the drop in 1997-1998, its development has been stable. Demand and consumption of luxury goods is prompted by the population growth and increase of income level.

Consumers have become more knowledgeable lately about the quality and brands of cashmere. They prefer to buy quality goods and are prepared to pay a higher price. This is a trend relatively common in Asia. Japanese consumers buy 30-40 per cent of luxury products produced worldwide.

Demand for cashmere as luxury goods is dependent on income size. The purchasing capacity of buyers of this product is recovered within a short period, so the cashmere sector can recover from economic crisis more quickly than the other traditional sectors.

The demand for raw cashmere is expected to grow and Mongolia, as the second largest supplier of raw cashmere, has to take advantage of its position and to pay special attention to increasing cashmere production as well as to improving cashmere quality.

The People's Republic of China is the largest supplier and processor of raw cashmere in the world. Its larger companies like Kiang Diar and Erdos process almost 20 per cent of the total raw cashmere in the world. Over the last years, these companies have been very influential in setting the market price for cashmere.

With the accession of China to WTO, Chinese cashmere producers have been presented with opportunities to widen their market presence and to significantly increase the volume of garments exported to developed countries. After China's accession to WTO, some European companies of luxury goods have shifted some of their production lines to China.

The world cashmere demand is likely to exceed the capacity of China to supply raw cashmere and cashmere final products. It is known that due to environmental issues the cashmere production in China has a tendency to decline.

Thus, the increasing demand of Chinese processing factories coupled with the decline in its own supply of raw cashmere is likely to increase the demand for Mongolian cashmere. Mongolia has to manage this situation to its advantage.

In order to reap the benefits of positive trends of the world market, Mongolia needs to improve the efficiency of its domestic processing factories and eliminate the adverse effects of free trade.

CONCLUSION

This study on "Cashmere value chain: Participation of women and men" was conducted by a research team on the initiative of UNIFEM.

The survey investigated the participation of women and men at each stage of the cashmere value chain and in all cycles of cashmere production, in particular, the role and workload of women and men as well as the benefits they receive from a gender perspective both at micro (household) and meso levels (local administration, trade networks, market, factories). It was complemented by research studies, documents and papers focusing on macro level efficiency and importance.

At the macro level

Mongolia produces 3,500 tons of cashmere every year, out of which 40-50 per cent is exported unprocessed and around 30 per cent is exported with primary processing (dehaired or tops). The remaining 20-30 per cent is used for producing final products. Mongolia supplies one third of the world raw cashmere market. The main export directions are Japan, United Kingdom and USA.

- The cashmere sector employs 16 per cent of the total workforce and makes up approximately 7 per cent of GDP. Around 60 per cent of all cashmere is processed by the factories "Gobi", Mongol Amical, Buyan and MonForte.
- The main players in the cashmere value chain are herders, traders and producers. Although they have a common interest in supporting "national industries", their approach to cashmere price and quality is different.
- An adequate market structure has not yet been formed among the main players of the cashmere value chain – herders, traders and producers. This means someone in the chain has to be disadvantaged.
- The main problems for cashmere producers are price change, inability to control price for cashmere and dependence on Chinese producers and traders.
- The main criterion for the cashmere quality is fiber diameter. However, the participants of the cashmere value chain lack collaboration, knowledge and information needed to enable them to upgrade cashmere quality and standards.
- Quality and market efficiency at each stage of the value chain are the issues that require attention. A secondary source of research study underlined that around 40 per cent of Mongolia cashmere is thicker than the world standards.
- Although Mongolia is among the leading countries of the world cashmere market, it is clear from the research findings that illegal exports of raw cashmere adversely affects not only the cashmere value adding chain but also the economic interests of Mongolia.

There is basically no sectoral business plan for the cashmere sector. The legal environment that protects the cashmere industry and its players from risks has yet to be created.

The research shows that participants of cashmere preparation and trade need a differentiated tax rate based on cashmere quality.

The cashmere sector also needs a banking system that supports cashmere production because due to high interest rate, it is not always feasible to secure loans.

At the meso and micro levels

Goats were the prevailing type of livestock for all families participating in the survey. Cashmere is a livestock raw material of high return for the household economy. Cashmere is sold mainly through local raw material collection points. Men play a leading role in the sale of cashmere.

Cash income of herder families depends on the number of goats. The majority of the income earned from the sale of livestock raw materials is spent on food, clothing and items related to children's education.

Women participate in all activities of cashmere preparation and at the same time they continue to do time-consuming day-to-day work such as household chores, dairy processing caring for other members of the family that are based on traditional gender roles. Household work of herder women is perceived as not creating any value and not related to the market while, in accordance with traditional gender roles, men are involved in activities which are regarded as creating productive values (livestock herding, selling livestock products).

Herders of the three soums of Bayankhongor aimag participating in the survey harvested 1-9kg of cashmere a year as a minimum and 80-115kg of cashmere as a maximum. The average cashmere yield per goat was approximately 300g and the findings of the survey show that it is in direct proportion with the number of goats.

Participation of women and men in cashmere preparation

Cashmere preparation is the most important stage of the cashmere value chain and consists of 3-4 basic phases, including combing, dehairing, sorting, and packaging. Women do mostly dehairing and sorting while men in most cases do the combing and packaging. Child labour is also used to some extent in cashmere preparation. As seen from the survey responses, children's participation is 6.7 per cent in goat combing and 5.6 per cent in dehairing and packaging.

Participation of women and men in cashmere trading

According to the survey, herders sell the cashmere they prepared through four channels with 62.2 per cent of herders selling to local traders or trading in barter and 32.2 per cent going to the aimag center to sell the cashmere.

As the volume of cashmere for sale increases, herders tend to go to aimag and other urban centers. Vice versa, with the decline of cashmere for sale, they tend to sell locally or from outside their *gers*.

Women participate almost equally with men during the cashmere preparation stage, but men's participation prevails in cashmere trading (62.2 per cent) which means that men possess more economic power.

Income from cashmere and its distribution

Income from cashmere sales makes up most of the income of herder families. 73.3 per cent of respondents said that income from cashmere equals to 80-100 per cent of the household total income. With the growth of the goat population, income and profit also increase.

The total cashmere earnings of the families which participated in the survey is 31 million tugrugs a year. This means an average of 350,000 tugrugs a year and 30,000 tugrugs for one family. The survey results show that herders do not calculate the full cost incurred for preparing cashmere and neglect labour costs, pasture costs, veterinary service charges and the expenses related to improving the infrastructure.

Lack of adherence to quality standards for cashmere and neglect of primary sorting affects the cashmere price and, consequently, herders' income from cashmere.

Another finding is that herders erroneously think that they can increase their profit only from an increase in the price for cashmere.

Most of the income earned from the sale of cashmere is spent on daily necessities, such as food and clothing. No specific allocation of income is made based on gender, which is explained by the fact that livestock related work is closely shared by members of the family. A reduction in number of goats has left herders at the subsistence level.

Herders views on business environment for cashmere production and priority needs

Herders as the main participants of the primary stage of the cashmere value chain are not satisfied with the support from local authorities. In particular, assistance and support on pasture management, wells and water sources, goat selection and breeding and information distribution are not commonly accessible to herders. 81.1 per cent of herders acknowledged that herders do need assistance to operate in the cashmere sector.

According to the survey, assistance is needed for acquiring goats (27.8 per cent), increasing the price of cashmere (23.3 per cent), establishing an organized cashmere trade system (8.8 per cent), building small scale cashmere processing factories and conducting training for herders on primary and semi-processing techniques, setting up cooperatives and increasing the productivity of livestock (6.7 per cent). Herders noted that assistance from the Government and international organizations is critical for implementing Stocking Programs.

Need to change the current situation of cashmere preparation and trade

Approximately 97.8 per cent of participants agreed that the current system of cashmere preparation and trade should be changed. Women prefer support in getting loans and setting up cashmere preparation and processing cooperatives while men opt for Government policy support and assistance in setting up local cashmere factories. The necessity for cooperation and information on cashmere processing and producing products was also commonly mentioned.

Herders views on opportunities for increasing income from cashmere

In order to increase benefits for women from cashmere sales, the following suggestions were made: to improve the goat breed (65.6 per cent), get better prices for cashmere (53.3 per cent), and to conduct training for herders on market workings, increasing yields, processing cashmere and producing final products (30 per cent).

As seen from the survey results, herders think that breeding high quality, high yield goats and getting better prices for cashmere would lead to increased income level.

- While women and men participate in the cashmere value chain they are unaware of the full cost of cashmere and the overall structure of the value chain. In other words, herders do not estimate the cost per one kilo of cashmere. Currently, pasture and natural resources used for cashmere preparation are free of charge.
- Although herders are interested in increasing the price for cashmere, they cannot exercise any influence over it.
- While herders are interested in getting higher prices for cashmere, local producers seek to buy cheap, so one of the parties in the value chain is going to be disadvantaged.
- One of the factors that influence the quality of cashmere is non-adherence to quality standards and lack of sorting and grading at the primary level. This affects the income of herders as well.

It should be noted that the Government provides pastureland free of charge, pays for one child's tuition fee to study at higher education institutions, pays dormitory fees for students studying in primary and secondary schools, and allocates some funds for repairing wells and water points, for fighting pasture rodents and for some veterinary services. It is questionable however whether these services are widely accessible to herders.

RECOMMENDATIONS

Based on the survey results, the following recommendations are made:

At the policy level

- To take measures so that Government macroeconomic policy, especially cashmere policy is favourable and supportive to local producers and equal and accessible to the parties involved in cashmere production and to create a legal environment that protects participants from risks;
- To develop a business plan for the cashmere sector;
- To strengthen the banking system that supports the cashmere sector and enhances its development;
- To review and improve the taxation policy on raw cashmere;
- To undertake differentiated taxation measures for participants of cashmere preparation and cashmere trade;
- To provide policy support to women and men herders who create the primary values of cashmere, and for this purpose, to enable the implementation of the National Program on Cashmere which reflects the role of herder women and men;
- To promote and allocate donor grants and loans for primary production of cashmere handled by herder women and men;
- Because the livelihood of herders is directly dependent on the number of goats, to implement a "Goat Stocking" project in the selected three soums of Bayankhongor aimag, which have lost 70-80 per cent of the total herd in the dzud;
- To improve the livestock insurance system;
- Because cashmere preparation is hard work which requires substantial physical labour, to introduce cheap and convenient labour saving technology, and draw the attention of international organizations and donors to this issue;
- In order to support women working in the cashmere sector and increase their economic power, to provide soft loans under the "Sustainable Livelihood Program" and the "Rural Growth and Poverty Reduction Program";
- In the area of increasing the cashmere yield, to undertake special selection and breeding activities, to reduce the number of intermediate steps between herders and producers, to set up a business and information network between them and recognize herders as important beneficiaries of the cashmere value chain;
- Two kinds of activities are required to be undertaken for women and men creating values in the cashmere value chain. Firstly, to train herders in sorting cashmere by quality standards and in market workings, and to provide them with business information. Secondly, to make initial investments in small and medium enterprises in order to increase the return of cashmere to herders;

At the activity level (UNIFEM)

- In response to the need for herders to be more sensitive to market demands and to have economic education in order to benefit more from the cashmere chain, to provide support and assistance from Government and international organizations;
- To implement projects on primary processing of cashmere as proposed by women respondents;
- To create teams or cooperatives of women and men and provide both training and other kinds of capital and technical support to them. The survey reveals that women are more interested in scouring and producing cashmere products than in selling raw cashmere;
- To provide short-term and step-by-step training to women and men herders so that they can use cashmere as capital in doing business;

In the future, interdependence of various other factors in the cashmere value chain, including a value-added tax, pasture charges, and personal income tax for herders need to be investigated. Also a comprehensive study that integrates the various targeted studies with limited scope, needs to be undertaken. Marketing and sectoral studies, which are considered as critical for the cashmere sector, are urgently required.

REFERENCE

1. National Program on Gender Equality, Ulaanbaatar, 2002
2. National Program for Improving Livestock Quality, Breeding and Services, Ulaanbaatar, 1997
3. Program on Livestock Health, Ulaanbaatar, 1999
4. National Program for Protecting Livestock from Drought and Dzud, Ulaanbaatar, 2001
5. Briefing on the Food and Agriculture Policy and Directions of the Government of Mongolia and the Results and Achievements, Ministry of Food and Agriculture, 2001
6. Wholesale Trade Network, Ulaanbaatar, 2001
7. Statistical Yearbook of Mongolia, NSO, 2001
8. Statistical Yearbook of Mongolia, NSO, 2002
9. Population and Housing Census of Mongolia, 2000. Statistical Compilation: Bayankhongor aimag, NSO, 2001
10. Dorothy McCormick & Hubert Schm. Manual for Value Chain Research on Homeworkers in the Garment industry
11. The Study on Strengthening of Agricultural Cooperatives in Mongolia. Main Report, Ministry of Agriculture and Industry, Government of Mongolia, JICA, 1997
12. Ralph A. Van Gelder, Livestock Products Marketing Sector Analysis, Ulaanbaatar, 2000
13. Human Development Report, Ulaanbaatar, 2003
14. Women in Mongolia: Mapping the Progress under Transition, UNIFEM, 2001
15. A Gender Lens on the Rural Map of Mongolia: Data for Policy, Ulaanbaatar, 2003, UNIFEM, UNFPA
16. Consequences of the export ban on raw cashmere, Gobi Economic Development Initiative, Ulaanbaatar, 1999
17. Conference on Cashmere, Ministry of Food and Agriculture, Gobi Economic Development Initiative, Ulaanbaatar, 2000

ANNEX 1.

Aimags	Average price	Volume of cashmere prepared, tonnes			
	1986-1990	1999	2000	2001	2002
Arkhangai	38.4	213.6	219.8	161.6	151.8
Bayan-ulgii	101.7	179.9	181.2	155.2	162.9
Bayankhongor	135.8	319.1	320.2	354.3	239.0
Bulgan	23.0	58.1	73.5	101.7	112.2
Gobi-altai	136.6	293.7	294.3	298.8	261.7
Dundgobi	53.4	81.5	89.8	102.6	94.9
Dornod	10.7	23.1	25.3	39.7	45.5
Dundgobi	100.2	256.9	258.6	131.4	164.1
Zavkhan	84.1	208.5	223.5	174.2	157.9
Uvurkhangai	100.4	213.3	233.5	217.5	209.4
Umnugobi	122.5	257.6	259.8	258.6	219.4
Sukhbaatar	36.5	76.3	78.4	107.5	115.6
Selenge	5.1	26.1	27.7	49.4	55.4
Tuv	43.3	117.4	123.4	144.0	136.4
Uvs	81.6	171.2	176.2	155.4	170.0
Khovd	130.1	283.3	284.1	236.5	205.2
Khuvsgul	64.6	184.5	187.6	200.7	183.2
Khentii	40.1	169.8	176.3	109.8	112.5
Darkhan	1.1	17.4	19.6	16.0	15.7
Ulaanbaatar	2.7	3.6	3.8	17.6	18.9
Orkhon	0.5	15.1	15.4	15.0	16.6
Gobisumber		7.7	7.9	11.3	8.1
TOTAL	1312.4	3177.7	3279.9	3058.8	2856.4

Annex 2. Export of cashmere, by countries

Code	Name of goods	Unit	Price US\$ thous
5102.11.10	Cashmere non-scoured China	Kg	67100,0 67100,0
5102.11.20	Cashmere scoured China Japan	Kg	185753,2 180549,8 5203,4
5105.31.10	Cashmere combed Nepal Italy UK United Arab Emirates Hong Kong Germany Japan	Kg	516668,2 399,2 153469,4 26434,6 1019,0 36000,0 266,7 218132,3
5105.31.20	Cashmere tops USA UK United Arab Emirates Japan	Kg	24045,4 426,6 11322,2 486,0 11810,6
5105.31.30	Cashmere sorted for re-processing China Japan	Kg	940,4 779,0 161,4
6101.10.20	Cashmere coat, jacket South Korea Japan	Piece	369 289 80
6102.10.20	Cashmere items for women and girls, those not indicated in 6104 USA Italy UK Russian Federation	Piece	896 444 3 377 72
6104.41.20	Cashmere coat USA South Korea Italy Canada Czech Republic	Piece	213 100 47 57 4 5
6104.51.20	Cashmere skirt USA South Korea Italy Canada Czech Republic Japan	Piece	1832 1049 674 1 1 52 11 44
6104.61.20	Women' cashmere trousers USA Russian Federation Czech Republic	Piece	2297 2248 48 1

Source: Customs General Office of Mongolia, Customs Statistics of Foreign Trade, Ulaanbaatar, 2003