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## SUMMARY

**Research title:** Professional Research on 'Marketing of Non Traditional Rural Products of Mongolia'.

**Research goal:** To support the activities of UNDP's Sustainable Grassland Management Project by providing the research on finding market opportunities for non-traditional and innovative rural products from Mongolia.

**Subscriber:** UNDP Sustainable Grass Land Management Project (SGMP)

**Executor:** Mongolian Cooperative Training and Information Center (MCTIC)

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## FOREWORD

The Professional Research on marketing of non traditional rural products of Mongolia is a component to support the Sustainable Grasslands Management Project implemented by the United Nations Development Program and the Ministry of Food and Agriculture.

The immediate effect is to support the activities of UNDP's SGMP by providing the research findings on market opportunities for non traditional and innovative rural products.

We are now delighted to introduce this report summarizing the results of our activities.

In recent years the severe weather conditions have declined the number of livestock considerable sharply reducing the income of herders' households. This makes clear, that the alternative livelihood project is an important policy response. This research has paid critical attention to the evaluation of market demand for rural products. In addition the ways how to introduce innovative and non traditional products were thoroughly examined to increase incomes of herders household and to protect them against vulnerability. So the research team has highlighted a number of recommendations based on the findings of the work.

The research was conducted between January and April 2005 and was carried out by a team of experts based at the Mongolian Cooperative Training and Information Center. The main findings of the research were discussed during the Round Table Meeting organised by the project on 20th of April 2005. All the recommendations from the round table discussion is included in the report.

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Management Project

## ACKNOWLEDGEMENT

I am pleased to introduce the research work and its results in this report on “Marketing of non-traditional rural products of Mongolia” conducted in the framework of the UNDP Sustainable Grassland Management Project.

The main objective was to support the activities of UNDP’s SGMP by providing this research on finding new market opportunities for non-traditional and innovative rural products.

The questionnaire survey was conducted among 528 residents of 9 soums of Bayanhongor, Uvurhangai, Selenge aimags and in the capital city of Ulaanbaatar. The research was divided into three parts: collection of information; training/transfer of marketing skills to herders; assessment/evaluation and analysis/recommendations.

The idea of non-traditional rural products is very new for Mongolians, especially for herders. So it took time to make herders and end customers understand the new terminology and collect their valuable comments on this new subject. In spite of all these difficulties the researchers worked hard to conclude the work successfully.

As a summary of my recommendations I would like to highlight the importance of the following issues: 1) to develop the herders’ knowledge of and the ability to live in a market economy; 2) to support the creation of efficient marketing channels to connect producers with end customer; and 3) to develop alternative ways according to the characteristics of each soum.

On behalf of the research team I would like to express my gratitude to the cooperative trainers, to the leaders and members of the herder groups in Jinst, Erdenetsogt, Bogd soums of Bayanhongor aimag, Hujirt, Sant, Togrog soums of Uvurhangai aimag and Mandal, Javhlant and Bayangol soums of Selenge aimag.

I would also like to send special thanks to Mr. N. Batjargal, National Project Manager, Ms. Jeanne Everett, Consultant on Alternative Livelihood Development and Mr. Ajay Upadhyay, Alternative Livelihood Development Specialist and all field staff of the Sustainable Grassland Management Project, UNDP for their help and support.

Last but not least, I wish the Mongolian herders success and happiness working hard to improve their lives and who have shared their ideas with us to further develop their local region.

S.Baigalmaa

Executive Director

Mongolian Cooperative Training and Information Center

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## LIST OF ABBREVIATIONS

MFA	Ministry of Food and Agriculture
UNDP	United Nations Development Program
UN	United Nations
SGMP	Sustainable Grassland Management Project
MCTIC	Mongolian Cooperative Training and Information Center
MSUA	Mongolian State University of Agriculture
SEB	School of Economics and Business
AG	Aimag Governor
SHC	Share holding company
LC	Company with limited responsibilities
NGO	Non governmental organisation
NBFI	Non banking financial institution
UH	Uvurhangai
BH	Bayanhongor
UB	Ulaanbaatar
AG	Agriculture
CDA	Community development advisors

## **CHAPTER ONE. RESEARCH APPROACH AND METHODOLOGY**

### **1.1 Background**

The research started on December 30th, 2004 when the contract of cooperation between SGMP and MCTIC was signed. MCTIC was selected as an implementor of the research when it submitted the technical proposal.

### **1.2 Research Approach and Methodology**

The research work was conducted in 6 stages in which the following works were performed:

- 1 Setting up a list of innovative non-traditional rural products that already have been developed and introduced in Mongolia by different projects and research institutes.
- 2 Development of a suitable questionnaire and of methods to conduct a successful research.
- 3 Collection of information through:
  - 3.1 Group discussions
  - 3.2 Structured interviews
- 4 Training on marketing skill development for herders
- 5 Data analysis/development of recommendations
- 6 Reporting

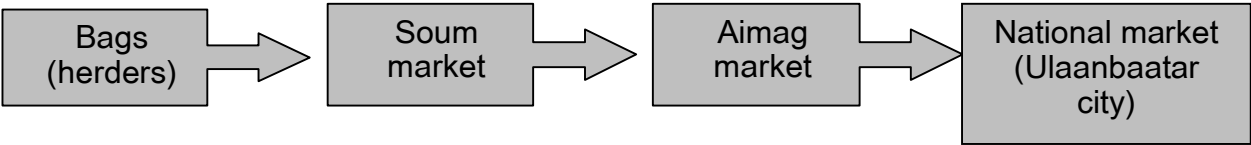
At stage one a list of 102 innovative and non-traditional products of 15 types was developed through discussions with 19 people of several projects like ADRA, World Vision, NLM, Milk association and dairy and meat product sellers of markets like Mercurii, Narantuul and Denjiin myanga.

At the second stage of the research the target groups were selected and appropriate questionnaires for each target group had been developed and improved in consultations with the project manager and the consultants. The target groups for interviews were identified as follows:

1. End customers
2. Retailers
3. Wholesalers
4. Processors of animal raw materials
5. Service businesses like canteens, hotels, restaurants, tourist camps, etc.
6. Exporters/importers
7. Aimag and soum officials and bank managers.

At the third stage of the research the data were collected in the capital city of Ulaanbaatar, Darhan, and in SGMP's 11 soums in three aimags: Jinst, Erdenetsogt, Bogd, Bayanhongor

soums in Bayanhongor aimag, Hujirt, Sant, Togrog and Arvaiheer soums in Uvurhangai aimag and Mandal, Javhlant and Bayangol soums in Selenge aimag. The data was collected in the following sequence:



Picture1.1

On soum level the research teams conducted group discussions with herders, soum residents, agricultural officers and specialists in order to identify the possibilities of herder groups to produce non-traditional rural products.

As shown in table 1.1 the structured interviews were taken from 528 people in 3 aimags and Ulaanbaatar city.

Table 1.1

#	Target groups	Bayan hongor	Uvur hangai	Selenge	Ulaan baatar	Total
1	End customers	90	93	90	30	303
2	Service businesses (hotels, tourist camps, canteens, restaurants, etc.)	11	10	10	5	36
3	Wholesalers	5	6	6	5	22
4	Processors of animal raw materials	3	5	5	5	18
5	Retailers	25	27	18	10	80
6	Exporters/importers	3	4	2	5	14
7	Aimag, soum officials, bank managers	18	21	16		55
	Total	155	166	147	60	528

Also data from the State Statistical Office, the General Department of Customs and from reports of previous research activities conducted by the Economic School of the Mongolian Agricultural University was used for the analysis.

At the forth stage of the research the teams organized one-day trainings on **Transfer market research skills for herders** in each soum. The main objective was to improve the herders’ understanding of market research. The following topics were covered:

1. Understanding of business and important factors for economic success.
2. Business types, which herder families can perform.
3. Understanding of marketing, SWOT analysis of herders’ businesses including income and expenditure of herder households.

4. Differences between NGO (herder group) and a cooperative, understanding of the cooperative ideas and principles.

At the fifth stage of the research the exploration of important factors and special characteristics of the conditions in the soums, the determination of strengths and weaknesses of each product, an analysis of the research findings and the selection of the most demanded products using EXCEL spread sheets were the main works carried out.

Based on this analysis the final recommendations were developed.

At the sixth stage the members of the research team discussed the structure of the report in four meetings during which the content and structure were agreed upon. Prior to the final report three progress reports were submitted to the project.

During the research three meetings were organised with the SGMP involving the leaders and members of the research team and Mr. Batjargal, NPD and Mr. Ajay Upadhyay, UNV. Also, a round table meeting was conducted in order to discuss the first draft of the report. Comments and suggestions from these meetings were considered in the final report.

**CHAPTER TWO: SOCIO AND ECONOMIC SITUATION IN AIMAGS AND SOUMS  
SELECTED FOR THE MARKET RESEARCH**

The market research was done in Jinst, Erdenetsogt, Bogd soums of Bayanhongor aimag, Hujirt, Sant, Togrog soums of UvurHangai aimag and Mandal, Javhlant and Bayangol soums of Selenge aimag, in Darhan city and in the capital Ulaanbaatar.



Picture 2.1

**2.1 Bayanhongor aimag**

Bayanhongor aimag is located about 630 km from the capital city of Ulaanbaatar. It comprises 20 soums and 100 bags and belongs to the Hangai area according to the regional development concept.

**2.1.1 Geography**

Its total surface amounts to 11588.6 thousands ha.

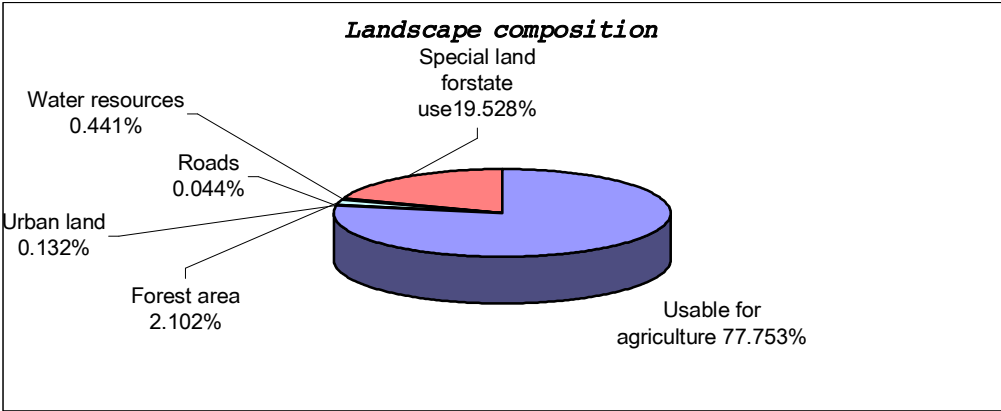


Chart 2.1

The chart above shows that 77.8 % of the total area is usable for agricultural purposes. 99.85 % of the agricultural land is used as pasture, 0.09 % is used for the cultivation of animal fodder plants and 819.4 ha of land or 0.013 % is used for crop production. Jinst soum has 3.9 ha, Bogd

soum has 2 ha and Erdenetsogt soum has 54 ha of land available for crop production. About 50.9 % of the total land has virgin soil.

**2.1.2 Demography**

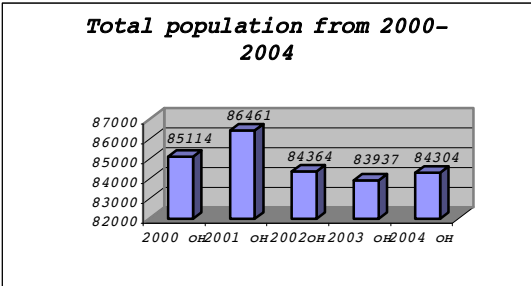


Chart 2.2

The total aimag population reaches 84,304 persons which is an increase by 0.4 % from the last year. 35.8 % of the total population are children under the age of 16 years, 58.4 % are people of working age and 5,8 % are retired people. 51 % are female and 49 % male. 70.2 % or 34,447 people are employed. 68.9 % of the employed work in the agricultural sector. There are 8,598 unemployed persons, out of which 2,733 are officially registered at the State Employment Regulation Office of the aimag. The unemployment rate is 7.8 %. Bayanhogor aimag is classified in the low group due to its human development rate<sup>1</sup>. (<sup>1</sup>Mongolian economical and social development direction for 2005, Development approach for 2006-2008, 2004, page 89)

30 % of the population lives in the aimag center, 56 % in the countryside and 14 % in soum centers. There are 21,357 households in total with one household consisting of 3.9 people in average which is 0.3 % lower than the national average. In the year 2004 the number of households increased by 1,048.

41.3 % of the people have less than 100 heads of livestock, 17.3 % of the herders have 101-200 heads of livestock, 40.7 % own 201-500 heads of livestock, 0.6 % possess 501-1,000 heads of livestock and 0.1 % have more than 1,000 heads of livestock.

**2.1.3 Agriculture**

**A. Livestock**

Bayanhongor aimag has 1,323,646 heads of livestock and 32.0 % of livestock graze within a distance of 100 km from the aimag center, 28.2 % within 200 km and 39.8 % graze beyond 200 km.

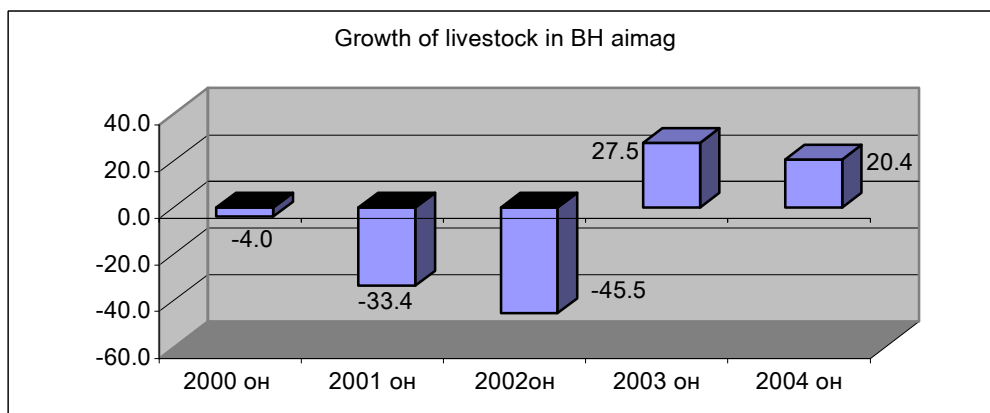


Chart 2.3

In 2004 the number of livestock increased by 20.4 % compared with the last year due to favorable weather conditions.

57.8 % of livestock are goats, 28.8 % sheep, 6.8 % cows, 5 % horses and 1.6 % are camel. 70 - 80 % of the income of herder households in the Gobi soums is earned with goat breeding.

### B. Crop Production and Fodder Preparation

The landscape in Bayanhongor aimag is divided into two major natural areas - Hangai and desert. Therefore, only few households in the Hangai area are engaged in crop production. But the number of vegetable growers increased as during the dzuds many people lost their livestock which was the only income source for their living. In 2004 in most soums, except Bayanbulag and Gurvanbulag, people grew vegetables.

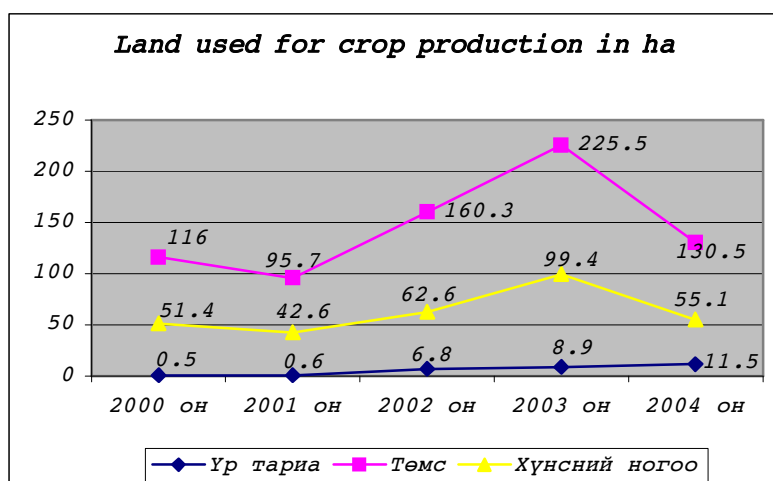


Chart 2.4

Although the number of people engaged in vegetable growing had increased in 2002, the yield of 4.1 to of potatoes and 28.3 hundred kilos of vegetable per ha was 48.1 – 72.1 % lower than

the national average. Reasons are a) droughts in 2002 and 2003, b) no experience in vegetable growing, and c) the poor suitability of the soil for vegetable growing.

The vegetable growing in 2004 has shrunk because of the poor harvest of the last year and the other reason was that the number of livestock has increased due to favorable weather conditions. But the harvest of this year has increased reaching yields of 6.7 to/ha potatoes and 10.1 to/ha other vegetables. In other words, crop production is not a traditional rural production in the aimag.

In average Bayanhongor aimag prepares 3.5 thousand to of hay and 0.6 thousand to of handmade fodder per year.

**C. Processing Industries**

The industrial sector in Bayanhongor is not very developed. In 2003 only such industries like energy supply, bakery, alcohol brewing and production of beverages were in operation and their total annual sales reached 7.7 billion MNT.

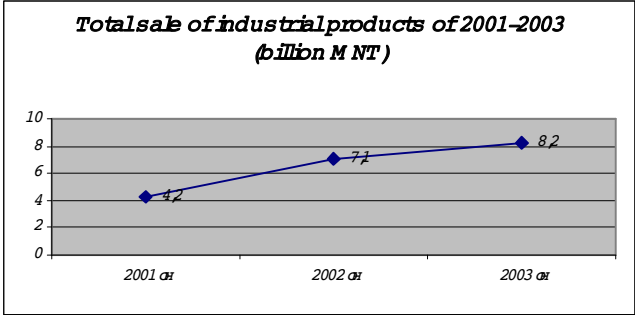


Chart 2.5

In the year 2003 the production of the following products like drinks, bread and cookies increased by 39.5, 18.9 and 41.7 % and the output of electrical energy, gold mining and alcohol distilling dropped by 4.5, 25.9 and 66.2 % accordingly. There are only two processing plants for animal raw materials. The one is ‘Hulman” enterprise, which is engaged in intestine processing and the other is ‘Hongoryn sor”, a cooperative engaged in sheep wool processing.

**2.1.4 Aimag Development Concept and its Output**

Beginning with December 2002, Bayanhongor aimag organizes every year a fair trade exhibition called “One village one product” in cooperation with Oyta province of Japan. The products recognized as the best ones during the exhibition are awarded with prizes and the producers are invited to Japan. The best products of the last two years were felt slippers made by Hongoryn sor cooperative, butter from Erdenetsogt soum, camel wool produced by students of Bayanlig soum and various products made of goat cashmere. The event has a great impact because on the one hand it is a demonstration training for other producers and on the other hand it also encourages competition to improve the quality, packaging and other marketing aspects. The quality of the exhibits is increasing year by year. In order to promote and expand the experience made in Bayanhongor aimag, the Mongolian government has set a goal to



promote the “One village one product” idea on its platform and supports the development, production and the internal and external sales of high quality domestic products<sup>3</sup> (<sup>3</sup> Main direction of economic and social development of Mongolia in 2005, development tendency in 2006-2008, 2004, page 134).

Besides that, the aimag bought 170 bucks from Dorvoljin soum in Zavkhan aimag and 20 rams and 80 ewes from Uench soum in Hovd aimag in order to build up the nucleus of a highbreed herd with a productivity much higher than the average.

The aimag introduced the following actions to support herders with few animals:

- Restocking programs with the support of international and domestic projects. The restocking program started in 2005 in cooperation with the Swedish Development of International Cooperation Agency (SIDA).
- Support of the establishment of cooperatives and herder groups and provide them with soft loans.
- Land grants to residents of soums for crop production where it is possible and provide them with seeds.
- Conduction of trainings in processing and souvenir making on the basis of sheep and camel wool and hairs, support in sales promotion.
- Creation of a favorable environment for the development of small and medium enterprises.
- Improvement of the breed of animals, having fewer but better quality livestock.

#### **2.1.5 Brief introduction of pilot soums**

##### **A. Bayanhongor Soum – the Aimag Center**

Bayanhongor soum has 8 bags, an area of 6.4 thousand ha, a population of 27,160 people and 6,671 households. 47.5 % of the population is male and 52.5 % is female, 62.1 % of the population are economically active people and 47.6 % of the people of working age have jobs. The official unemployment rate is 15.1 %. The soum's poverty and unemployment rate is very high as 48.1 % of households are poor and 30.0 % are ultra poor. The reason is that there are many immigrants from other soums, mostly herders that lost their livestock, i.e. their main means of living, during the last dzuds. Only in 2003, 1,127 people immigrated to the aimag center from others soums and 424 people left. The soum has in total 66,635 heads of livestock, out of which 4.4 % are camels and horses, 13.6 % cows, 26.6 % sheep and 55.4 % are goats.

##### **B. Bogd soum.**

Bogd soum is located about 130 km from the aimag center and 720 km from Ulaanbaatar. It has 6 bags and an area of 398.3 thousand ha, out of which 96.3 % is suitable for agriculture, 3.4 % are forests and water sources.

The soum has a population of 2,979 individuals, 48.1 % are male, 51.9 % are female. About 200 people emigrated to Ulaanbaatar and other places in 2001 –2002 due to the dzuds, when 52.2 % of the livestock got lost.

The population increased by 1.3 % or 40 people in 2004. 78.6 % of the population live in the countryside, 21.4 % live in the soum center. In average, a family consists of 3.9 people in rural areas, 4.1 in the soum center. About 28.9 % of households are poor or ultra poor and only 0.9 of the households are rich. The rest of 70.2 % are households with an average income. There are 1,348 employed people, of which 94.7 % or 1,277 are herders. The unemployment rate is 8.2 %.

Bogd soum has 73,340 heads of livestock. 2.9 % of livestock are camels, 2.7 % horses, 2.4 % are cows, 14.3 % sheep and 77.7 % are goats. The number of livestock has increased by 16,243 heads compared with last year. 38.3 % of livestock are dams.

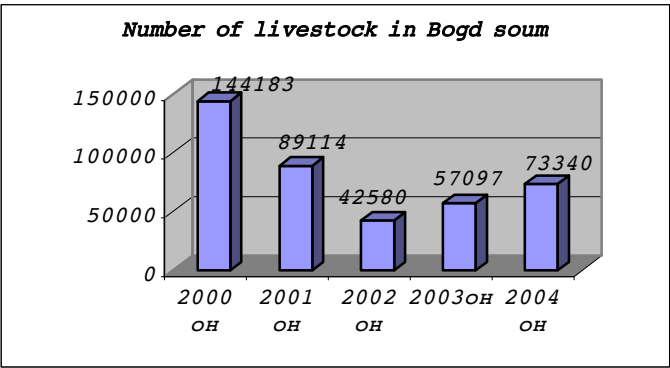


Chart 2.6

The main reason for the growth of the herds are the favorable weather conditions during the last two years. Besides that, the herders had learned painful lessons from the dzuds, becoming more motivated in the preparation of hay as winter feed for their livestock and intensifying their breeding efforts. For example, in 2004 herders prepared 1,532 tonnes or 49.5 % of the aimag’s total hay. Unfortunately, the Orog lake has completely dried up (this happened for the 9th time since 1890) as zegs is used as the main hay making resource. It has a negative impact on nature increasing desertification and sand movement.

As the percentage of big livestock decreased significantly, its price is very high. There are no other industries developed in the soum, except animal husbandry. There are 17 small shops with annual sales of 63.8 million MNT. All of them have the same size of turnover and they all sell the same assortment of goods like alcohol, flour, sweets, candies, cookies, bread, boots, socks, pants and school stationeries. There is not a single shop that sells rural products.

There is a private veterinary hospital, which provides very poor services to the herders. The reason for that is that the herders are not willing to pay as they were not used to pay for such services in the past. As a consequence, the veterinarians are not very interested in providing high quality services either.

There are two branches of financial institutions in the soum as a branch of HAAN bank and branch of Credit Mongol NBF. HAAN bank provides herders and herder groups loans upto 5.0

million MNT with the interest rate of 2.5 per cent per month. The herders should have more than 250 livestock or provide a collateral of 150% of loan value. The animal is valued as 50 per cent of its market price. Credit Mongol NFBI provides household loan with the interest rate of 3.5-4 per cent per month and herders loan of 2.5 per cent of interest rate. The conditions for collateral are same with HAAN bank. There is a savings and credit cooperative in the soum named Horiult that provides personnel loan of 500,0 thousand MNT and business loans of 2,0 million MNT with interest rate of 4 per cent, term upto 6 month and asks 200 per cent valued collateral. About 30 per cent of all loans are herders.

### **C. Jinst soum**

In 2004 the population of the soum was 2,053 persons, which is 0.3 % higher compared with last year. 45.8 % are people of working age and the official unemployment rate is 9.1 %. 82.4 % of the population live in the countryside and 17.6 % live in the soum center. There are 356 herder households, 115 households do not have animals at all. 824 people live in 187 households with an income below poverty level. 608 people even live in 133 ultra poor households. That means that 40.5 % of the population is poor or ultra poor.

Jinst soum has 45,341 heads of livestock which is 35.4 % higher compared with last year. 1.2 % of animal are camels, 1.3 % horses, 0.3 % cows and 81.8 % are goats. The living standard of the people dropped significantly when about 100.0 thousand animals were lost during the dzuds in 2001-2002.

Herders of Jinst soum produce about 11.1 to of cashmere, 5.0 to of wool and 2.1 to of camel wool in average per year.

There are two institutions that provide loan to herders. They are a branch of HAAN bank and mobile service of Mongol post bank. The conditions of loans of HAAN bank are similar with the conditions of Bogd soum. The mobile services of Mongol Post bank provides business loans and loans to support small scale businesses. It does not provide loans to herders considering it too risky.

### **D. Erdenetsogt soum**

Erdenetsogt soum is located about 28 km from the aimag center and is populated with 4,397 people. 2,159 people are employed, so the unemployment rate is 6 %. In total there are 1,124 households out of which 83 % belong to poor and 49 % belong to ultra poor households.

There are 46,603 heads of livestock, consisting of 11 camels, 7.46 % of horses, 30 % of cows, 33.4 % of sheep and 29 % of goats. Last year the soum slaughtered 3,220 animals for meat production.

Due to the composition of its livestock the soum is one of the biggest milk and dairy products producers. The main market place for those products is in the aimag center, to which the soum is closely located. It has a 24 hours electricity supply as it is connected to the central power line and 4 minibuses transport people and goods to the aimag center every day.

## **2.2 UvurHangai aimag**

UvurHangai aimag has 19 soums, 108 bags and is located about 420 km southwest from the capital city of Ulaanbaatar.

The infrastructure is well developed. The aimag is connected to the central power system, and the aimag center as well as Harhorin soum are connected with UB through a paved road. The communication and information network has been set up.

### **2.2.1 Geography**

UvurHangai aimag disposes of 4 % of the total Mongolian area or 63.5 million ha. 23 % of the aimag area belongs to the Hangai, 28.2 % to the steep and 48.8 % to the desert area. 3.4 % or 211.8 thousand ha of land are covered with deciduous forest of 17.5 million cubic meter. The total land reserve is 6,289.5 ha out of which 5,767.8 ha are usable for agriculture.

91.7 % of the total surface is usable for agriculture, 3.1 % are covered with forests, 0.05 % is water resources. There are 10 special protection zones of 104,419 ha recognized as national parks.

### **2.2.2 Demography**

At the end of 2004 the aimag population has increased by 688 people compared with the previous year and reached 108,489 people. 35.4 % of the total population are young people under the age of 15, 58.4 % are at the labour age and 10.5 % are people older than 60 years. 72 % or 45.6 thousand people have jobs. There are 9.5 thousand unemployed out of which 2.3 thousands are officially registered at the Labour Regulation Office in the aimag events.

21.5 % of the total aimag population live in the aimag center, 23.2 % in soum centers and 55.3 % live in the countryside.

The aimag has 28,429 households. In average, a household consists of 3.8 members which is 0.4 lower than the national average.

In 2004 the number of herder households decreased by 361. 62 % of all herder households have less than 100 heads of livestock, 22 % have 101-200, 14 % have 201-500, 1.1 % own 501-1000 and 0,2 % have more than 1,000 heads of livestock.

### **2.2.3 Agriculture**

#### **A. Livestock**

At the end of 2004, the aimag had 2,155,452 heads of livestock. The number of livestock in 2000-2004 by its types is shown in chart 2.11:

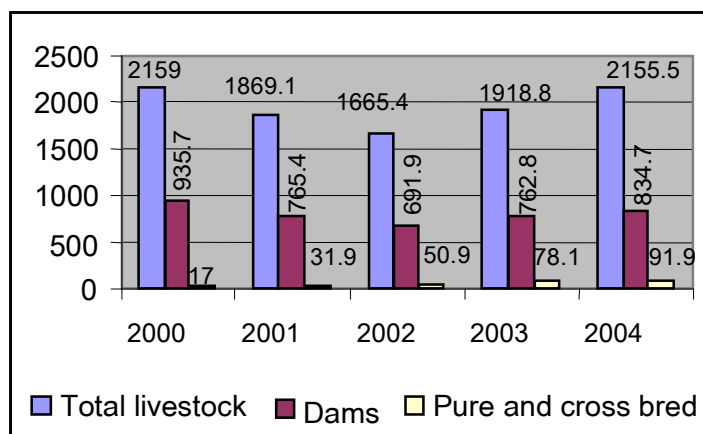


Chart 2.7

The number of livestock has increased by 236.6 thousand heads in 2004, which is the result of favorable weather conditions. 38.7 % of the total livestock is dams, 4.3 % is pure and elite animal breed.

The total livestock of aimag consists of 43.9 % goats, 45.1 % sheep, 4.2 % cows, 6.2 % horses and 0.6 % camels.

## B. Crop Production and Hay Preparation

In 2004 residents of all soums grew potatoes and other vegetables like cabbage, carrots and turnips.

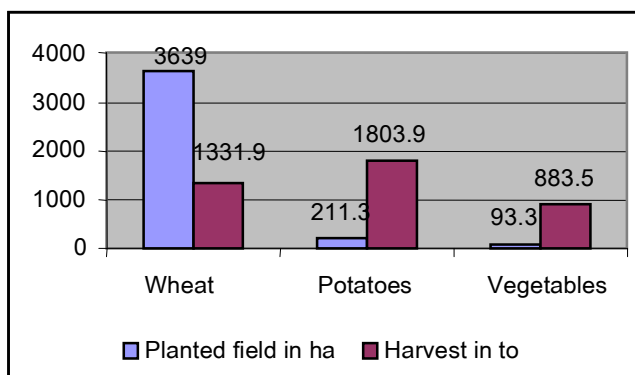


Chart 2.8

The aimag harvested 1331.9 to of wheat, 1803.9 to of potatoes, 883.5 to of vegetables, which is 49 - 190 % more compared with the harvest of the last year. Since the year 2002 the harvest is constantly rising and herder households realise that crop production can be a new source of income.

About 60 % of the harvest is sold on the market, 10 % is stored as seed for next year's planting and 30 % is consumed by the producers. There is a stable tendency in the production of potatoes and vegetables as the objective of the aimag development as well as the interest of the herders is directed to run an irrigated crop production.

Herders prepared 20,292.7 to of hay and 4,200 to of hand made fodder.

## C. Production of Main Consumer Goods

Table 2.1

Consumer Goods	Unit	2003	2004	Growth %
Flour	To	18.8	0	-100
Bread	To	220.7	320.7	45.3
Cookies	To	181.2	227.1	25.3
Alcohol	Thous. liters	146.1	170.1	16.4
Beverages	Thous. liters	159.5	204.7	28.3
Electricity coal	Thous.KW	151.3	143.1	-5.4
Heating coal	Thous.Gkal	40.6	41.5	2.2
Coal mining	Thous. to	34.1	34.4	0.9
Wood for ger making	Pcs	172	183	6.4
Boots	Pairs	478	207	-56.7
Sewed goods	Pcs	533	756	41.8
Candies	To	0.4	0	-100

The total production volume reaches 1,633,161.3 thousand MNT and it grew by 14.5 % compared with 2003, out of which the food production grew by 24.9 %. However the production of flour dropped 100 % due to the following reasons:

1. Harhorin soum lost almost its whole wheat harvest and the yield dropped to 40 kg per ha.
2. Supply rates and quality levels of imported flour from UB and abroad increased.

The production of candies also stopped as the products of local factories could not compete with imported and UB candies due to poor quality and inefficient and thus expensive production lines.

The sales of other items increased by 10.1 %. Construction enterprises built new houses and reconstructed old ones for 479.2 million MNT. Transportation businesses transported 9.3 thousand to of freight and 102 thousand passengers and declared an income of 437.1 million MNT, which is 71.9 % higher compared with last year.

Total sales have grown by 95.8 % compared with last year and reached 2,738,550.8 thousand MNT. Particularly, the sales of food items grew by 19 %, sales of wood and wooden items by 124.6 %, and sewing products by 55.8 %.

There are 376 business enterprises registered at the aimag tax office, including three factories owned by the local government, four stateowned industries, 18 shareholding companies, 182 companies of limited liability, 71 partnerships and 98 cooperatives. 61 % of them are engaged in some sort of trading business. The majority of companies is located in the most populated

soums as for example the aimag center, Harhorin and Hujirt soums, when cooperatives and partnerships are located in soums.

#### **2.2.4 Aimag Agricultural Development Policy**

The aimag citizens' hural approved the "2004-2008 Main Direction of Development" and the chapter covering the agricultural development includes the following objectives:

1. Establishment of an animal protection fund on aimag and soum level,
2. Implementation of the project "Green House" to prepare animal fodder on 200 ha, plant and grow potatoes and other vegetables with 100 % irrigation, and increase the yield.
3. Establishment of a poultry farm in Arvaiheer soum and improvement of the livestock's ability to stand natural disasters.
4. Organization of demonstration trainings in Hujirt and Togrog soums on their experience and methods of pasture management.
5. Announcement of a competition on strengthening the capacity to produce meat and milk and promotion of herder groups and execution of the assessment.
6. Preparation and implementation of a project to build a wholesale network.
7. Production of fire fuel – shahmal.
8. Renovation and repair of 25 construction wells and building of 50 traditional wells.

All those objectives are closely connected with the support of the traditional and non- traditional rural product development.

#### **2.2.5 Brief introduction of pilot soums**

##### **A. Togrog Soum**

Hoolt, the center of Togrog soum is located about 100 km south of the aimag center and in a distance of 520 km from capital city of Ulaanbaatar. It has 4 bags and an area of 5,467 square km, 97.4 % out of which is suitable for agriculture, 2.2 % is covered with forests and the rest is water surface. The soum is located in the Govi region.

The soum has a population of 2,839 people, 49.3 % are male and 50.7 % are female. The population grew by 201 people or 7.6 % in 2004. There are 784 households in total and 67.3 % out of them live in rural areas. 895 people live in the soum center and 1,944 people live in the countryside.

There are 1,170 employed people which is 94.5 % of the economically active people in the soum, 68 people or 2.4 % of the total population are unemployed, among them 38 persons or 56 % are female.

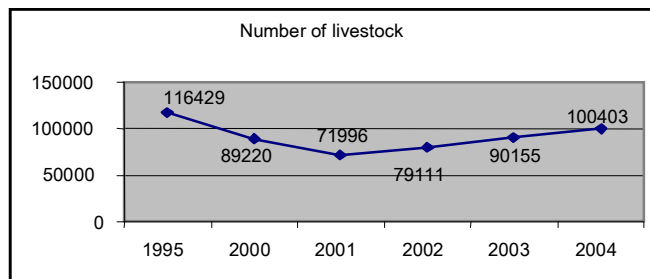


Chart 2.9

Togrog soum has 100,403 heads of livestock, of which 2.4 % are camels, 4.9 % horses, 0.8 % cattle, 42.6 % sheep and 49.2 % goats. The number of livestock has increased by 10,248 heads this year and 35.3 % of livestock is dams.

Herders could not prepare enough hay and fodder in this season as the yield was considerably reduced by mices, dragon flies and a lack of rain. For example, herders prepared only 34.3 to of hay and 31.1 to of fodder, which is 31 - 53 % less than last year.

The production of crops, especially of potatoes and vegetable is increasing in Togrog soum. In 2004 the soum residents planted potatoes and vegetables on an area of 14.3 ha and had 184 to of harvest, which is 42.6 to more compared to last year.

There are 12 business enterprises and nine out of them are cooperatives. Six cooperatives are engaged in agricultural production, one runs veterinary services.

There are 13 retail shops and kiosks, in 2004 their total sales reached 25,390.7 million MNT. They purchase meat, milk and dairy products from herders, whereas other consumer goods mainly come from the aimag center and from border posts.

## B. Sant Soum

Sant soum is situated in the Govi region and the soum center Maihan is located about 360 km from UB and 95 km southeast of the aimag center. The soum has 5 bags and an area of 2,586 square km, 99.7 % out of which is usable for agriculture, the rest is water pools.

The soum has 3,706 inhabitants and 49.9 % of them are male, 50.1 % are female. 648 or 21.1 % of the residents live in the soum center and 3,058 or 78.9 % of the people live in the rural. There are 1,119 households. The average number of members per household in the rural is 3.2 people and in the soum center 3.8. 1,615 people have jobs, 16 individuals or 0.4 % of the total population is unemployed, out of which 9 persons or 56 % are female.

Sant soum has 168,750 heads of livestock, which consists of 0.5 % camel, 2.1 % cows and cattle, 3.7 % horses, 44.2 % goats and 49.3 % sheep. The number of livestock increased compared with the last year by 17,480 heads. 40 % of the total livestock is dams. 81.7 % of herders have 51-500 animals and there are no herders owning more than 1,000 heads of livestock.

Herders prepared 590 to of hay and 202 to of other fodder crops which is 5.8 - 12.5 % higher compared with last year.

Still, the main source of income of the soum residents is animal husbandry. There are very few initiatives to start a crop production business. Residents of the soum planted potatoes and



vegetable on 1.9 ha only and harvested 17.4 to of crops. The soil in the soum is dry and contains hujir and shuu which is not favorable for crop production.

There are 9 business enterprises in the soum and 4 out of them are cooperatives, which are engaged in agriculture. There are 5 partnerships, one of them runs some veterinary services, all the others are engaged in retail trade.

There are 10 small retail shop and kiosks in the soum center, their total sale was 133,3 million MNT in 2004. They purchase meat, milk and dairy products from local herders, and other consumer goods mainly from Ulaanbaatar, the aimag center or from frontier-posts. Ms. Choisurengiin Delgertsetseg produces 200 loafs of bread per day, mainly during winter and spring for school children. There are several artisans who produce and repair Buriad boots and wooden craft. One of them lives in the countryside and makes cupboards, airag containers and other items ordered by the herders. In the soum center two children of Ms. Tulga make decorated wooden items. The businesses are just at survival stage due to few orders and lack of wood.

**C. Hujirt Soum**

Hujirt soum is located in the Hangai region and its center Haluun-Uс (Hot water) is located in the northern part of the aimag, 390 km from Ulaanbaatar. The soum has 5 bags, 1,663 square km of land and 75 % of land is usable for agriculture, 6.4 % is covered with forests and the rest is water pool. The soum has 126 thousands ha of pasture. It is rich of water pools like lakes, rivers and springs.

The soum has a population of 6,871 people, 48.6 % are male and 51.4 % are female. 2,843 people live in the soum center and 4,028 people live in the rural. 2,521 people have jobs, whereas 239 or 3.4 % of the total population is unemployed out of which 88 persons or 36.8 % is female. All in all, there are 2,836 households.

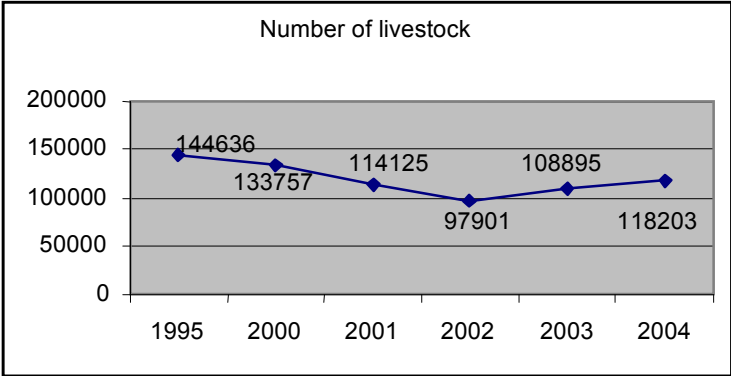


Chart 2.10

Hujirt soum has 118,203 heads of livestock, which consists of 0.15 % camels, 10.1 % horses, 6.7 % cattle, 50 % sheep and 40 % goats. 40 % of livestock is dams.

There are two households keeping more than 1,000 heads of livestock. 51.4 % of the total number of households with livestock have 51 - 500 heads of livestock. 22.5 % have 31 - 50 heads of livestock.

Herders prepared 2,112 tons of hay and 198 tons of fodder, which is 6 - 17 % more compared with last year.

Residents of the soum planted potatoes and vegetables in 44.8 ha and harvested 249.8 tons of crops. The herder groups already started to grow vegetables and had some good outcomes.

There are 23 business enterprises in the soum, out of which 12 are companies of limited liability, seven cooperatives and two shareholding companies. Cooperatives are mainly engaged in agricultural production, and three of them work as herder groups. Most of the companies are engaged in trading business however, two companies run hotels, one runs a children camp, another runs veterinary services, a company runs some tourism business and one company produces alcohol.

There are about 70 service businesses in the soum center including a trading center, a wholesale center, several retail shops, kiosks, tourist camps and hotels.

In 2004 total sales reached 127.8 million MN. The Hujirt recreation center welcomes visitors from the whole country and has a great impact on the marketing and supply situation found in the soum center. The service businesses purchase meat, milk and dairy products from nearby herders and all the other consumer goods mainly from Ulaanbaatar.

There are many individual artisans and several craftsmen cooperatives that make wooden ger furniture, other wooden items and crafts. Their decorated and coloured wooden ger items are very popular throughout Mongolia. The largest producer is Baynzuleg cooperative. But the production is shrinking as market demand for such gers decreased.

Hujirt soum has a well developed infrastructure and is connected to the central power system.

#### **D. Arvaiheer Soum**

The UvurHangai aimag center - Arvaiheer soum - is located 420 km southwest of Ulaanbatar and has 9 bags with 17,303 ha of land, 36 % of which is usable for agriculture. It has 6,365 ha of pasture.

The soum has 23,298 people, which is 21 % of the aimag's total population. 47.6 % are male and 52.4 are female.

The population increased by 404 people or 1.7 % in 2004. There are 5,289 households in total out of which 6.7 % or 155 households live in the countryside and the remaining 5,289 households live in the aimag center.

There are 7,916 persons or 28 % of the total people who have jobs and 893 or 3.8 % are unemployed. 597 or 66.9 % of the unemployed are female. The number of people who have a job increased by 218 or 2.8 % compared with 2003.

## Number of Livestock in Arvaiheer Soum

Table 2.2

	1995	2000	2001	2002	2003	2004
Total	82,130	36,669	23,785	27,663	36,527	42,447
Camels	18	4	1	3	0	5
Horses	2,860	1,662	8,217	1,348	1,744	1,664
Cattle	5,665	2,604	873	959	1,190	1,302
Sheep	57,452	21,755	13,652	15,210	18,814	21,521
Goats	16,135	10,644	8,062	10,143	14,779	17,955

Arvaiheer soum has 42,447 heads of livestock, which consists of 0.01 % camels, 3.9 % horses, 3.1 % cattle, 50.7 % sheep and 42.3 % goats. The number of livestock increased by 5,920. 43.3 % of it is dams.

There are no households with more than 1,000 heads of livestock. 74.2 % of all households with livestock have 10 - 100 heads of livestock. 18.1 % have less than 100 animals.

The quantity of hay and fodder which was prepared by the herders this year increased by 45.5 - 76 % compared with last year. In 2004 the herders prepared 422.1 to of hay and 160.8 to of fodder.

Residents of the soum planted potatoes and vegetable on 84.8 ha and harvested 802 to of crops which is 126.6 to less compared with the 2003 harvest.

There are 162 business enterprises in the soum, out of which 96 are stateowned companies, 22 cooperatives, 31 partnerships, and 9 shareholding companies. There are 4 state owned insititutions.

There are about 405 service businesses in the soum center including a trading center, wholesale centers, retails shops, kiosks, tourist camps, restaurants, canteens, cafñs and night bars. There are 4 big hotels working in the aimag center.

In 2004 the sales reached 703.3 million MNT representing about 25 % of the aimag's total sales. The service businesses purchase meat, milk and dairy products from local herders and all other consumer goods mainly from markets of Ulaanbaatar or the aimag center.

### 2.3 Selenge aimag

Selenge aimag is situated in the Hangai region covering 4,115.2 thousand ha and lies 331 km away from Ulaanbaatar. It consists of 17 soums and 49 bags.

#### 2.3.1 Geography

45.89 % of the aimags total area is usable for agriculture, 52.29 % is covered with forests and 0.5 % is water sources. Selenge aimag occupies 11 % of Mongolia's total forestry land.

Composition of land usable for agriculture

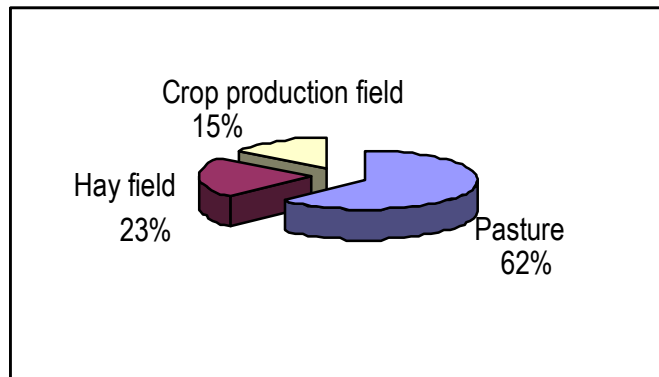


Chart 2.11

62 % of the agricultural land is pastureground, 23 % of the fields is bound for hay preparation and 15 % is arable land for crop production. Selenge aimag is the country's main crop production region, disposing of 41.9 % of the total crop production land of Mongolia.

### 2.3.2 Demography

The aimag has a population of 101.8 thousand people and regarding the number of the population the aimag is on the third place among all aimags. 31.8 % of the total population live in cities, 68.2 % live in the countryside. The population density is 2.48, which is 0.48 points higher than the national average.

In 2004 the number of registered unemployed increased by 45.6 % compared with the previous year.

### 2.3.3 Agriculture

#### A. Livestock

Due to the dzuds (harsh and snowy winters), the number of livestock decreased by 9.5 thousand in 2004 compared with the previous year. 46.1 % of livestock is sheep, 33.96 % goats, 12.38 % cattle, 7.43 % horses and 0.12 % are camels.

In 2000 - 2004 the aimag did some selection of 90 thousand small and 20 thousand big animals and as a result of this breed selection work the aimag has now a fresh breed of 51.3 thousand sheep and 16.3 thousand of goats.

Besides the traditional livestock breeding Selenge aimag has also poultry and pig farms. 42.3 % of the pigs and 79.7 % of the chicken population of Mongolia live in Selenge aimag. In comparison with the previous year the number of chicken and hen decreased by 20 % and 24.5 % respectively, while the number of pigs and female pigs increased by 28.3 % and 5.777777777777777y.

124.0 thousand to of hay, 5.9 thousand to of concentrated fodder, 10.0 thousand to of salt and sodium was produced which is 51 kg of fodder per single sheep.

## B. Farming and Fodder Production

Selenge aimag belongs to the forest-steppe region and is considered as a main region for crop cultivation. 41.9 % of all cultivated land of Mongolia is found in Selenge aimag. 92.7 % of all cultivated land in Selenge aimag is planted with grain, 1.5 % with potatoes, 1 % with other vegetables and 4.8 % with fodder grass.

Residents of the aimag actively grow vegetables in irrigated fields and in 2004 they planted wheat on 1,432 ha of land, potatoes on 560 ha and vegetables on 889 ha.

As a result of field irrigation the yield of potatoes reached up to 10,500 kg/ha, the yield of other vegetables was 9,940 kg/ha, which is 1,200-2,000 kg higher than the aimag's average. The irrigation is simply done by hand.

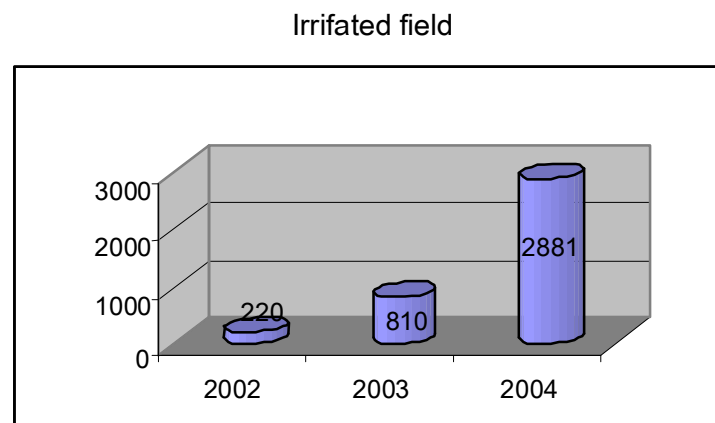


Chart 2.12

The production of wheat and vegetables dropped by 12.2 % and 7.1 % respectively, while the production of potatoes increased by 3.5 % due to the following reasons:

- 1 The size of land cultivated with wheat was cut by 18.7 % and the yield per ha increased only by 8.6 %.
- 2 The size of land cultivated with potatoes increased by 15.9 % and the yield per ha decreased by 10.7 %.
- 3 In the harvest 2004, a total of 6,444 ha of land yielded very poor as 2,242 ha were severely affected by hail storms, another 3,772 ha were affected by droughts and 430 ha were attacked by dragon flies.

In the end 5,864 to of harvest were lost due to the above mentioned reasons.

In 2004 the average yield of wheat all across the country was 800 kg per hectare, while the yield in Selenge aimag reached 880 kg, which is 80 kg or 10 % higher than the national average. Selenge aimag produces 52.1 % of the whole national wheat harvest, 18.2 % of the national potatoes harvest and 25.8 % of all other vegetable harvests.

### 2.3.4 Aimag Agricultural Development Policy

As stated in the action plan of the Governor of Selenge aimag the following programs are running to enhance the agricultural sector development:

1. High quality semen breeding sub program " Semen"

2. Food supply, food security and fodder program
3. Green revolution sub program
4. White revolution sub program
5. Veterinary preventive measures sub program
6. Protecting livestock from natural disaster sub program
7. Intensive livestock development sub program

Within the framework of the intensive livestock development sub program, the aimag is planning to support the establishment of dairy cattle farms in 8 soums, beef cattle farms in 13 soums, meat and wool sheep farms in 5 soums, pig farms in 4 soums, poultry farms in 2 soums, and a bee farm in 1 soum.

A milk collection structure, cooling systems and a milk processing factory is established in the soums of Baruunburen and Saihan.

In particular, the final processing and the marketing of meat and milk, as well as potato, vegetables, pig and poultry farming are seen to offer the main contributions to an increase in the herders' income by promoting non traditional products.

In total, 1,389 economic entities are registered in Selenge aimag. However, only 985 enterprises are currently in operation. 325 entities are engaged in farming, 10 in mining, 88 in processing, 13 in power, gas and water sanitation, 6 in the construction business, 202 in the wholesale and retail sector and 30 in the fields of hotel and dining.

### **2.3.5 Introduction of pilot soums**

#### **A. Javhlant soum**

Javhlant soum is located about 60 km south of the aimag center, and 280 km from the capital city and belongs to the Hangai region. The soum consists of 3 bag. The paved road Ulaanbaatar – Darhan, which can meet international standards, passes the soum center in a distance of 8 km. Javhlant soum is also connected to the central power system. Also the communication and information network is well developed.

**The population** of Javhlant soum amounts to 1,805 people, 51.5 % of which is male and 48.5 % is female. The average number of people per household is 4.0, which is 0.5 persons less than the aimag average. It has 450 households, 30.2 % do not have any kind of livestock and 69.7 % are herder households. There are 34 unemployed representing 2.6 % of the aimag's total unemployed.

## Livestock

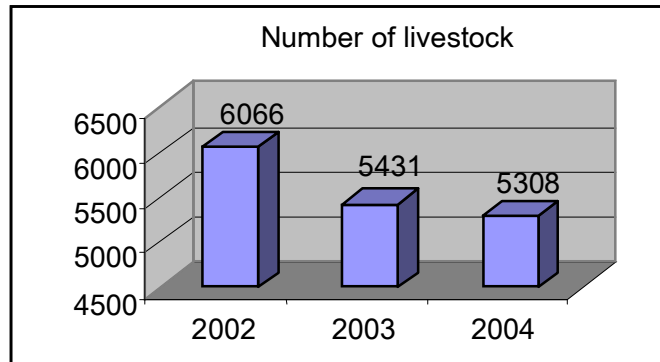


Chart 2.13

The number of livestock is decreasing year by year, mainly because of two reasons:

- 1) In 2003 only 46.0 % of all dams gave birth to a young.
- 2) 9.1 % of all livestock was stolen.

Javhlant soum has 53,083 heads of livestock, 4.7 % of which are horses, 6.5 % are cattle, 46.9 % are sheep, and 41.9 % are goats. 2.8 % of all animals are crossbred.

In average, 169 livestock are imposed in one household. However, 37.9 % of the herders have less than 100 heads of livestock and two herder households have even more than 1,000 livestock. There were also 253 chicken and 155 pigs in the 2004.

**Crop production:** The main production industry of the soum is crop production. 96.02 % of all cultivated land is planted with wheat, 2.48 % with vegetables and only 1.5 ha of land is planted with potatoes. These figures resulted in a harvest of 2,794 to of wheat, 1,210 to of vegetables and 466 to of potatoes.

Compared with the year 2003, the amount of cultivated land decreased by 36.2 %. However, the yield of wheat per hectare increased by 48.1 %, whereas the yield of potatoes and vegetables decreased by 28.6 % and 6 % respectively.

There are 28 companies and 1 cooperative engaged in the crop production business.

Currently 37 entities are operating in Javhlant soum, two of them are cooperatives, 28 are companies with limited liability, 6 are state organizations and 2 are providing veterinary services. In addition, 3 groceries, 1 small food shop and a branch of the Agriculture bank are operating in the soum center.

Most residents of the soum center purchase their commodities from markets in Darhan city, so that only retired and unemployed people and children are customers of the 3 groceries in the soum. There is a branch of HAAN bank in the soum.

## B. Mandal soum

Mandal soum is located 95 km southeast from the aimag center and 170 km from the capital city. It has a direct connection to the electrical power system, and the railwayline Darhan -

Selenge passes through this soum. Mobile phone, communication and information networks are quite well developed.

Mandal soum is one of the soums with the highest number of people. The population of Mandal soum is 22,864 persons. 91.5 % of the population live in the soum center and 8.4 % live in the countryside. 49.1 % is male and 50.9 % is female.

There are 13 secondary schools, 1 hospital, 5 household medical centers, 2 wholesale centers like Tenger and Bayalag, 14 retail shops, 5 hotels and branches of Zoos Bank, XAS Bank, Mongol Post Bank, Trade and Development Bank and of the Agricultural Bank.

In 2004 Mandal soum had 61,105 heads of livestock, of which 39.5 % or 24169 heads were dams.

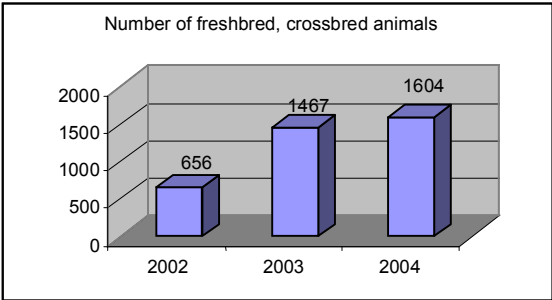


Chart 2.14

In 2004 the number of livestock decreased 4.1 % as herders decreased their livestock and preferred to herd a smaller number pure breed and crossbred animals because of overgrazing problems.

Consequently, the number of pure and crossbred animals increased in 2004 by 948 heads or 2.4 times compared with 2002, as well as by 137 heads or 9.3 % compared with 2003.

38 % of all livestock are sheep, 33.8 % are goats, 19 % are cattle, 9 % are horses and 0.2 % are camels. 33.75 % of all camels are found in Mandal soum.

The soum has a strong tradition to run poultry and pig farms. 48.8 % of the aimag’s chicken population and 13.8 % of all pigs in the aimag live here. Pig farms can be successfully developed as “Spirt Bal Buram”, one of the biggest alcohol and brewing factories, is located in the soum and the by-product of the factory is used for pig food.

**Crop production:** Mandal soum is one of the biggest producers of potatoes and vegetables. In 2004, Mandal soum cultivated potatoes on 500.3 ha and vegetables on 328.0 ha, which is 36.9 % and 23.5 % of the aimag’s total potato and vegetable fields.



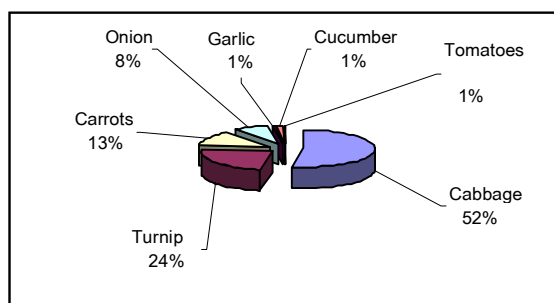


Chart 2.15

In 2004 the soum harvested 2,543 to of wheat and 6,351 to of potatoes, which is 41.3 % and 7 % of all wheat and potatoes harvested in Mongolia. Moreover, 4,117 to of vegetables were harvested, which makes 32.5 % of the harvest in Selenge aimag and 8.4 % of the whole national harvest.

Mandal soum also produced 16,150 to of hay, which is 13.2 % of the aimag's hay.

There are several small and medium sized industrial enterprises engaged in the production of bakery, soft drinks, ice cream, boards and planks. Those businesses produced 1.2 to of bred, 24.2 thousand liters of soft drinks, 104.9 thousand pieces of ice cream, 3.9 to of cookies, 311 and 169 cube meters of boards and planks in 2004 with a total sales volume of 26,865 thousand MNT, which is 0.06 % of the aimag's total production.

The soum had wood processing and alcohol brewing factories during the times of the centrally planned economy, but nowadays only the alcohol brewing factory "Spirt Bal Buram" is still in operation and produces 1,694 to of alcohol per year.

There are several financial institutions that provide loans to individual herders and herder groups like, for example, branches of Ag Bank, Mongol Post Bank, Zoos Bank, XAS Bank, Trade and Development Bank or the ADB funded Agricultural Sector Development Program.

### C. Bayangol Soum

Bayangol soum is located about 160 km from Ulaanbaatar city and 70 km from Darhan city. It has a well developed infrastructure, is connected to the central power system and has access to the railway line and the paved road connecting Ulaanbaatar, Darhan, and Selenge, railway as well as road both passing through this soum. Farming is also a well developed sector. Bayangol soum consists of 4 bags.

Total population is 4,827, of which 48.3 % is male, and 51.7 % is female. The soum has 1,116 households, each consisting in average of 3.8 persons. 27.7 % of the households are in the countryside and 72.2 % have their homes in the soum center.

## Livestock

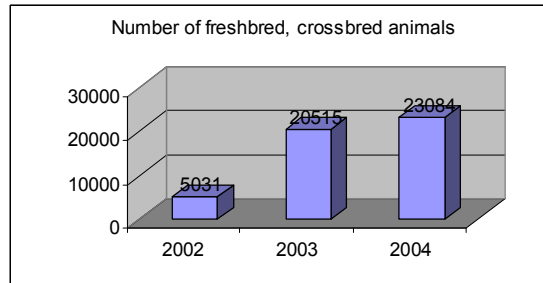


Chart 2.16

Bayangol soum has 53,785 heads of livestock, which is an increase of 2.4 % compared with last year. 42.9 % of total livestock or 23,084 animals are pure and crossbred animals, which is 20 % of the total pure and crossbred animals in the aimag.

48 % of livestock are sheep, 34 % goats, 9 % are cattle and horses. In other words 82 % of livestock belongs to the small animals.

Bayangol soum has 420 chicken and 255 pigs. There is also a bee farm in the soum. The pasture capacity is sufficient in Bayangol soum. Thus, the number of livestock is no limited. The improvement of breeding and the intensive livestock development are included in the action plan of the soum governor.

**Crop production:** Farming is a decreasing sector in Bayangol soum.

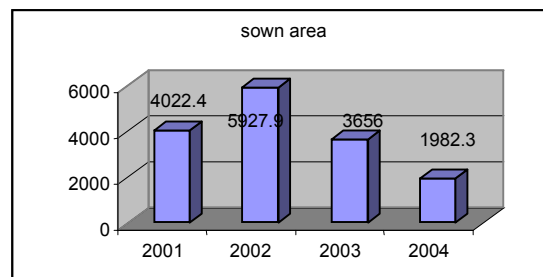


Chart 2.17

In 2004 only 10.7 % of all usable land was cultivated. Wheat was planted on 94.1 % of the cultivated field, potatoes on 2.5 % and vegetables on 3.4 %.

In the soum 1,825 to of wheat were harvested as well as 1,430.6 to of vegetables and 595.1 to of potatoes. Compared with the harvest of 2003 this is a decrease of 39.3 % of wheat, 1.3 % of vegetables and an increase of 3.8 % of potatoes.

The demand for vegetables and potatoes is high in the soum as the paved road connecting Ulaanbaatar, Darhan, and Selenge passes through its territory. Thus around 20 service outlets including caf ns, bars, bistros and small food shops operate along the road serving passengers and locals.

Small and medium enterprises in Bayangol soum produced 58.6 to of bred, 51.4 thousand liters of beverages, 65.7 thousand ice creams, 0.5 to of cookies of 27.7 million MNT and realized sales for 26.0 million MNT.

#### **D. Darhan Soum – Center of Darhan Uul aimag**

Darhan soum, the center of Darhan-Uul aimag, is located about 230 km away from Ulaanbaatar city. It is connected to Ulaanbaatar, Selenge and Orhon aimag by a paved road and the railway and covers its energy demand by using the central power system. The manufacturing sector is well developed in this soum - and this is the main feature of the soum. It consists of 16 bags. The communication and information network is well developed.

Population is formed by 74,295 people, 53.1 % is female and 46.9 % is male. The working population comprises 49,003 individuals and the number of registered unemployed people is 1,577.

7.7 % of all employees is employed in state organizations, 5.4 % in state owned companies, 40.1 % works in the private sector and 46.7 % is self-employed.

A total of 446 entities operate in the soum - 2 food markets, 2 merchandize markets, 21 cafes, one wholesale center, 35 grocery stores, 74 booths, 30 hotels, 2 meat processing factories, one sheep skin processing factory, one metal processing mill, one cement factory, 2 brickworks, one food processing factory, 11 pork and sausage factories, 22 bakeries and 19 ice cream workshops respectively.

## CHAPTER THREE: Current Marketing Situation of Non Traditional and Innovative Rural Products

### 3.1 Production of Meat and Meat Products in Mongolia

In accordance with the "Recommended Standards of Human Consumption of Nutritions" a Mongolian person should consume about 107 kg of meat per annum. Statistics show that Mongolia consumes 6 - 8 million heads livestock or 250,000 to of meat respectively, that means 100 - 120 kg of meat per person. Basically, our country fully covers its national meat consumption from local production.

There are 28 meat processing industrial factories throughout Mongolia. In this number 10 totally new units are included which had been established during the last few years and fully meet the international quality standards of technology. These factories supply their products mainly to the cities.

About 17.5 thousand to of meat were exported during the last three years. Alongside with the traditional Russian market, meat is also exported to Japan, Korea and Jordania. About 70 % of the exported meat is beef, 28 % is horse meat and 2 % is mouton.

Mongolia itself imports 0.2 - 1.3 thousand to of pork, pig fat, minced meat and fish in average per year.

#### Supply and Demand of Meat in Mongolia

Table 3.1

	Total Population	Standard Persons	Standard Consumption of a Standard Person kg	Total Demand to	Total Supply ton	Potential Meat for Export To
Mongolia	2504.7	2254.23	90	202.9	259.8	56.9

The meat supply level is 120 %, when the meat demand is 202.9 thousand to of meat.

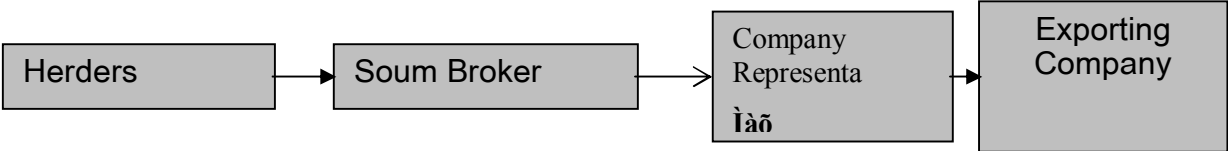
#### 3.1.1 Marketing situation of meat and meat products in Bayanhongor aimag

Bayanhongor aimag produces about 4646.7 ton of meat in average per year and exports 20.0 thousand cattle. This livestock is procured from eight Hangai soums like Galuut, Erdenetsogt and Baidrag. Main exporters are "Dornyn gobi", Max impex, Darhan max exspo, B&C Mongol, whose brokers are present in the aimag center and in the soums as well. The livestock is brought alive to Selenge aimag where it is slaughtered at the meat processing factory and the meat exported. The processing company has its branch in Dornogovi aimag.

Company Dornyn gobi can slaughter 400 big and 2,000 small animals in one shift and its warehouses can store 900 to of meat. Max impex company has a capacity to slaughter 400 big and 4,000 small animals and warehouses for 16,000 to of meat. Darhan max exspo company has a capacity to slaughter 300 big and 2,000 small animals and to store 3,500 to of meat in its

warehouse. B&C Mongol company is located in Darhan aimag and has a capacity to slaughter 300 big and 150 small animals with a warehouse storage capacity of 1,000 to of meat. They export mainly to Buriatia, Russia and the exporting price is 1.7 USD per kg.

Meat exporting channel:



Picture 3.1

The export price is 13,3 % higher than the local price. As the demand for yak meat is not very high on the Mongolian markets a lot of yak is exported. The main export meat is horse meat. Bayanhongor aimag will be able to export goat meat in future.

Besides the consumption of the local population and the export the demand of meat is also increased by temporary residents working at many new gold mining camps during the season.

The average meat consumption in the aimag center is 58.6 kg, residents of the soum centers and in the countryside consume 72.3 kg and herders consume in average about 65.5 kg of meat annually, which is 72.7 kg of meat transferred to a standard person. This is 13,4 % lower than the standard consumption.

The fact that the price of livestock was increasing during the last three years also had some influence on the level of meat consumption.

Meat price in Bayanhongor aimag in '000 MNT<sup>1</sup>

Table 3.2

Animal	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
Camel	85,0	90,0	100,0	105,0	150,0
Horse	80,0	70,0	66,0	78,0	100,0
Cattle male	70,0	80,0	80,0	95,0	130,0
Cattle female	60,0	70,0	60,0	80,0	100,0
Sheep male	16,0	18,0	22,0	24,0	32,0
Sheep female	13,0	15,0	15,0	18,0	28,0
Goat male	10,0	15,0	1,0	15,0	25,0
Goat female	8,0	12,0	10,0	13,0	20,0

The chart below shows how the interviewed persons answered the question, from where people buy their meat:

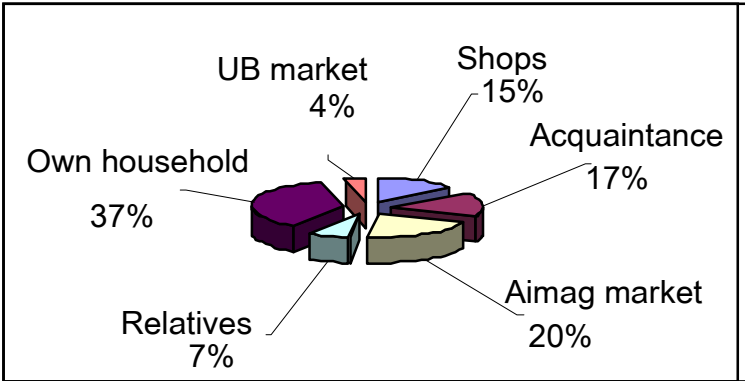


Chart 3.1

The above chart shows that 37 % of the interviewed people consume meat from their own household, and 63 % buy it on the market. 20 % of all people interviewed purchase meat in the aimag center, 4 buy it in Ulaanbaatar, 15 go to private shops and 24 buy their meat from individuals. 68.5 % considers that the quality of meat is satisfactory and the other 31.5 % thinks that the quality is not satisfying.

Answers to the question, why the customers are not satisfied with the quality of the meat:

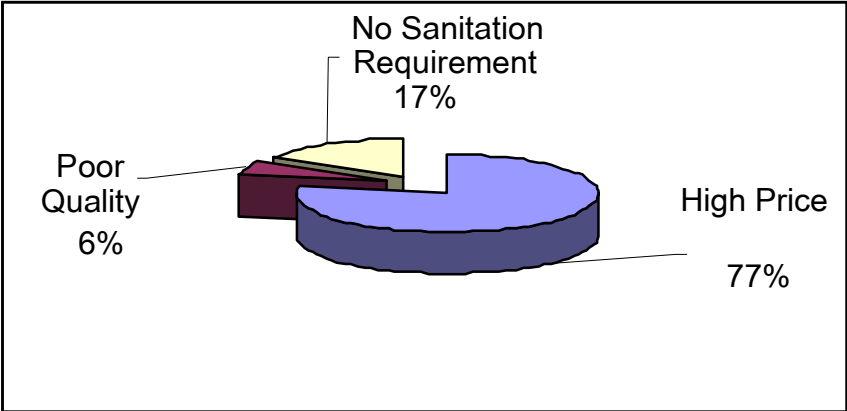


Chart 3.2

77 % of the interviewed considers that the price for meat is too high, 17 complains about sanitation and only 6 % thinks that the quality is of poor quality, too fat or not fat enough.

Price for mouton in Bayanhongor aimag:

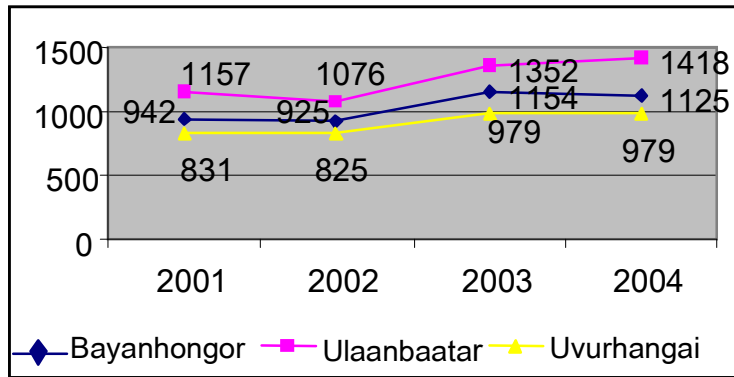


Chart 3.3

In Bayanhongor mouton is 20.6 % cheaper than on the markets in Ulaanbaatar but it is 14.9 % more expensive than on the Uvurhangai markets.

Besides that, the end customers consider it quite risky to buy meat on the markets as herders and merchants are supposed to sell meat from sick or already dead animals due to the absence of any kind of control mechanism.

While rural customers prepare borts from 50 - 70 % of their meat and consume it during the period between May and September, aimag center customers consume borts comparatively rarer.

85.3 % of the interviewed answered that the main selection criteria for meat is quality.

Answers to the question, what in meat production should be improved:

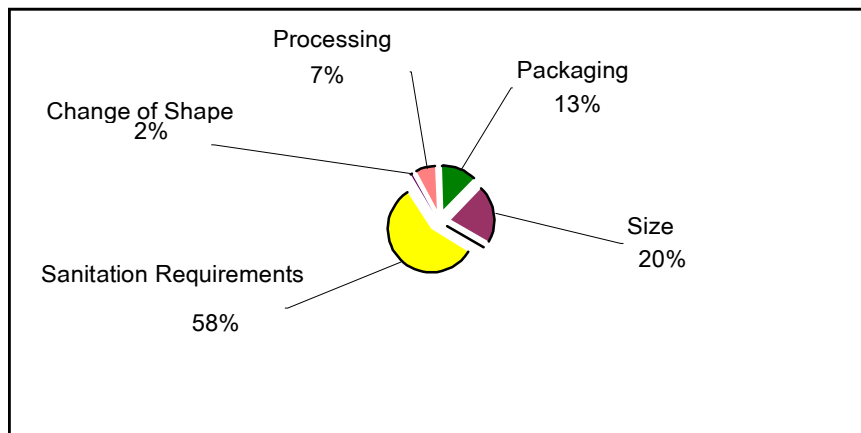


Chart 3.4

58 % of the interviewed thinks that the sanitation requirements for meat should be more strict, 20 % considers that correct and controlled weighing scales should be used, 13 % wants better packaging, 7 % better processing and 2 % would prefer debonned meat.

The issue of sanitation is the most important issue for the customers. This is why the improvement of the animal health through better veterinarian services is the most critical challenge in animal husbandry today.

When 70.4 % of the interviewed buy meat in accordance with their demand, 29.6 % cannot satisfy their demand because of either a too low income level or because of a too high price for meat.

55.5 % of consumers buy meat according to their limited purchasing power, whereas only 44.5 % of the consumers buy meat in the amount that is necessary to fully satisfy their needs. In other words, most of the customers cannot purchase enough meat to satisfy their demand.

68.8 % of the interviewed said yes to the question whether they would buy improved or non traditional meat and only 31.2 % rejected. Those who answered with 'no' explained that the herders produce meat at their own households.

Answers to the question, what the requirement are to buy meat:

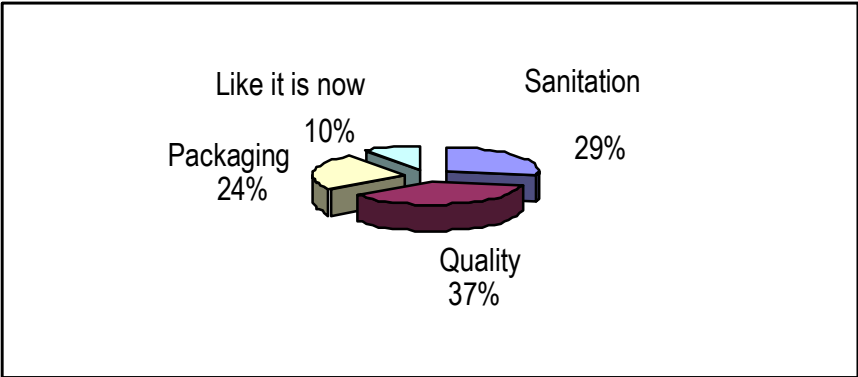


Chart 3.5

37 % of the interviewed wants to buy meat of good quality, 29 % wish some better sanitation, 24 % would like to see some better packaging and only 10 % of the people asked are satisfied with nowadays offer. From all these requests only packaging would require some expensive investments, but herders are not interested at all to invest in this sector as the current market price is the same for packed and unpacked meat.

Answers to the question, where people would buy their meat in future:

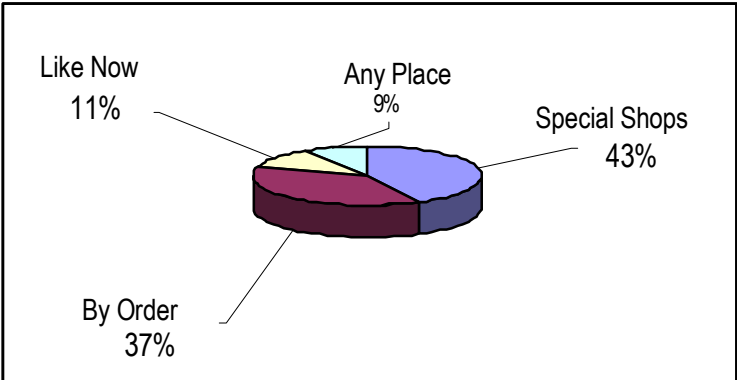


Chart 3.6

43 % of the customers wish to have special shops in the aimag and soum center, 37 % would prefer to buy meat directly from the herders, 11 % do not want any changes of the situation today and 9 % do not have special wishes. Almost half of the customers wish to have a special



shop for rural products in the soum centers and special shop for soum products in the aimag center. The main reasons are:

1. Nowadays, the meat price is too high because the marketing channel has too many intermediaries.
2. The quality of meat is very poor as there is no official distributor.
3. Neither the customers nor the herders are totally satisfied as there is no place where demand and supply can meet each other like, for example, in a specialized shop for rural products.
4. Producers do not care about quality at all.

The best seasons for selling meat are summer and spring and a minimum of sales takes place in winter. The average sales volume during the period of highest demand is about 4.8 to per day on the aimag market and the minimum of sales in winter is about 1.2 to per day. There are about 40 - 50 meat sellers on the aimag market and their average turnover is about 0.2 - 2.5 million MNT per month. People realizing a turnover of more than 5 million MNT play the role of a wholesaler, the others with smaller sales figures act as retailers.

### **3.1.2 Meat Market and Meat Production in Uvurhangai Aimag**

Uvurhangai aimag has a reserve of 11,283.9 to of meat, but its population's demand amounts only to 8,787.6 to, that means that the aimag has a surplus of 2,496.3 to of meat that could be exported to markets in Ulaanbaatar or delivered to military servants and army employees or to tourists and recreational camps. Also traders from Bayanhongor and Govi Altai aimag purchase meat in Uvurhangai. (Buyers and traders always find their ways; they go to the right place for the right product; that is how market economy works: my personal thought). The price for meat in the aimag center, in Hujirt and in Togrog soum is 10 - 15 % lower, in Sant soum it is 20 - 25 % lower than in Ulaanbaatar.

Togrog soum can produce 219.9 to of meat, but the herders are not willing to slaughter animals this year as they prefer to keep them, thus increasing the size of their herds. In most cases the herders bought meat in the aimag center (proactive action/better resource management/advance planning).

**Bataa, a school teacher in Togrog soum stated: 'The herders in our soum are very reluctant in selling their animals and they ask for very high prices as they want to increase their number livestock. The price for all sorts of meat, except camel, is the same or even higher than the price for meat in the aimag center. In general, meat is now too expensive and this has a considerable influence on the**

Togrog soum is connected to the central power supply system. It is now intended to open a special market for products provided by herders and some meat processing facility shall also be started.

Sant soum has comparatively many animals and therefore a bigger reserve of meat, too. Although the local soum consumption of meat is 300.2 to, the soum can produce 765.3 to. The price for meat is comparatively low and most of the meat is sold in the aimag center. The soum's agricultural cooperative, two trading companies and several 'changers' purchase living animals via barter trade. Few herders only sell their meat on Ulaanbaatar markets in late autumn.

Hujirt soum's local consumption of meat is 556.6 to, but it has a reserve of 777.7 to of meat. Extra meat can totally be sold to tourist and recreational camps. Usually, the demand for meat drops during winter when the camps are closed. In many cases the camps buy meat from Ulaanbaatar markets in wintertime. Therefore also the herders sell their meat in Ulaanbaatar during this period. Many herders sell their meat directly to 'changers', whereas the skins are sold in the soum or on the aimag market.

The demand for meat (1862.8 to) in Arvaiheer soum exceeds the available reserve of 201.2 to almost 9 times. Meat and livestock 'changers' play a crucial role in meeting the aimag's meat demand. Usually they bring the necessary amount of meat from southern and western soums. In winter and late autumn the herders sell meat and raw materials in bulks on the aimag market. Most of the clients are just intermediates, buying in the countryside and selling again on the urban markets.

Uvurhangai aimag has no meat processing factory, therefore meat products like sausage, smoked or canned meat are mostly purchased from Ulaanbaatar markets. The residents of the Govi soums consume more goat and camel meat, while residents of Hangai soums more prefer to eat beef.

**3.1.3 Meat Market and Meat Production in Selenge Aimag**

Selenge aimag produces 4496.9 to of meat per annum. The chart below shows the composition of the aimag's meat production:

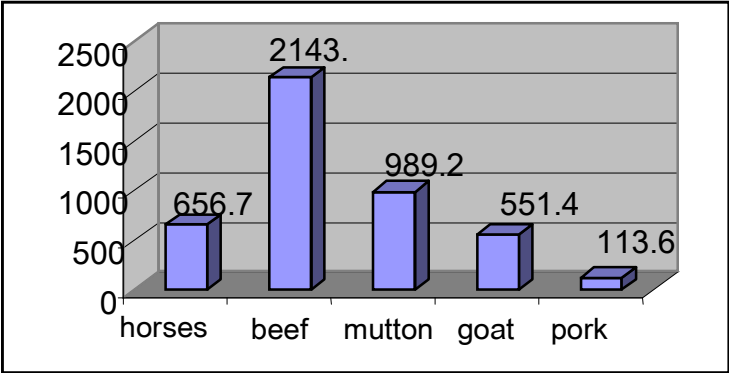


Chart 3.7

18.1 % of the total output is beef, 22.2 % is mutton, 14.7 % is horse meat, 12.4 % is goat and 2.3 % is pork.

The following questions were asked in order to identify the meat demand and current market tendencies:

1. How much money does your family spend for meat?

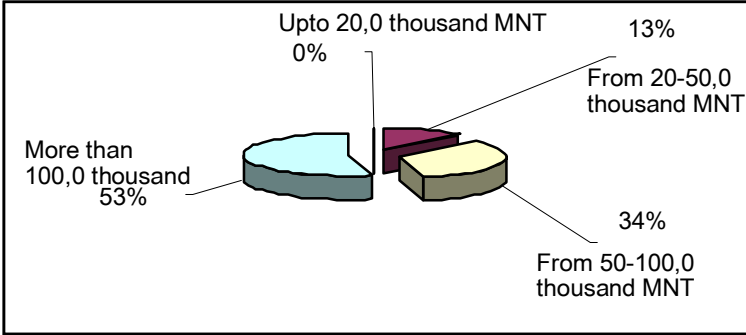


Chart 3.8

53 % of the interviewed persons spend more than 100.0 thousand MNT, 34 % spend less than 100.0 thousand MNT and 13 % spent 20 - 50.0 thousand of MNT to buy meat, which is comparatively close to the 12,650 MNT the average national household uses for the purchase of meat per month.

2. What type of meat does your family consume?

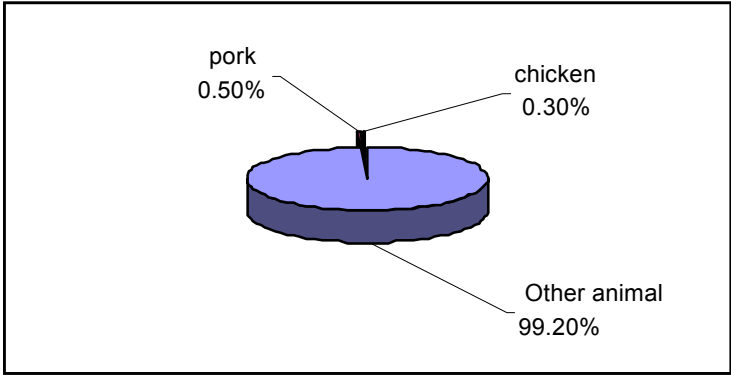


Chart 3.9

The fact that 99.2 % of the interviewed consume traditional livestock meat, and that 0.5 % and 0.3 % of the interviewed persons answered, that they consume pork and chicken indicates, that there are at least some changes in the meat consumption habits in Selenge and Darhan aimags due to the local poultry and pig farming industry. The pork is mostly consumed as smoked meat or as sausages. These types of meat products can be produced in the aimag itself as there are several meat processing factories working.

### 3. Where do you buy your meat?

82.3 % of the Darhan uul aimag customers replied that they buy their meat on the food market, 7.3 % produce it in their own household and 10 % bring it from markets in Ulaanbaatar due to the good communication means and roads.

The customers from Bayangol, Mandal and Javhlant soums in Selenge aimag buy meat mostly in Darhan and on Ulaanbaatar markets, but also on local soum markets. Meat merchants from Bayangol soum for instance purchase meat not only from nearby herders of the own and neighboring soums but they also buy different types of meat at wholesale prices from the Denjiin 1000 market in Ulaanbaatar. Later on this meat is sold on the soum market with a 20 – 30 % margin. Therefore, some customers buy their winter meat from UB markets.

The specific nature of Selenge aimag is that the residents run poultry and pig farms and that customers like to buy pork and chicken. The pork and egg production in Selenge aimag is shown in the chart below:

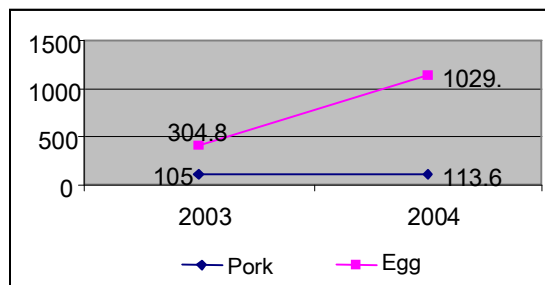


Chart 3.10

Selenge aimag produced 113.6 thousand of pork and 1029.3 thousand eggs in 2004.

### 3. How much do you spend for pork in one year?

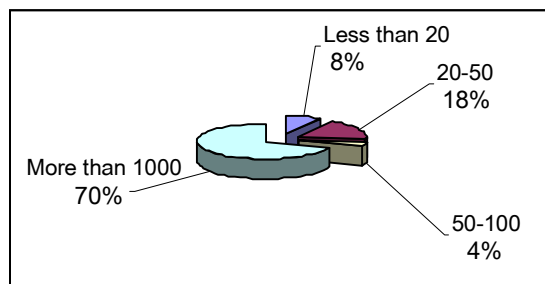


Chart 3.11

70 % of the interviewed spend more than 100.0 thousand MNT, 4 % around 50 - 100.0 thousand MNT, 18 % spend 20 - 50 thousand MNT and 8 % spend less than 20.0 thousand MNT per year to buy pork.

Customers are not satisfied at all with the quality and the taste of smoked pork. The customers usually buy pork from meat wholesale markets and special shops owned by meat processing companies.

There are two meat processing factories like “Darhan max expo” and “BTs Mongol” that export 100 % of their products to Russia and Korea. Therefore, they do not play any role in the supply of meat products for the local market. The following outlets supply meat to local customers:

1. Two specialized markets sell meat at retail and wholesale prices. The sales persons purchase livestock that was brought from Selenge, Bulgan, Huvsgul and Arhangai aimags at a wholesale price and sell at a price which is 5 - 15 % higher than the price on Shonhor market in Ulaanbaatar.
2. Grocery shops in ger and remote districts purchase meat from sales persons on the two above mentioned markets and sell it again with a 5 - 10 % profit.
3. 5-10 % of all Darhan city residents purchase meat from their relatives and friends.

Eggs are very popular food items for the customers in Darhan and neighboring soums. 98 % of people interviewed mentioned that they spend about 20 - 50 thousand MNT to buy eggs. 88.5 % of the people who buy eggs buy them during all four seasons. The most important selection criteria is the origin of the eggs. 79.4 % of the egg consumption is met by imports and 20.6 % by local production. The following chart shows the fluctuation of the egg prices in 2000-2004:

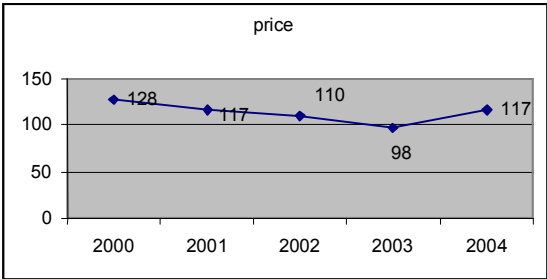


Chart 3.12

The chart shows that the price for eggs is quite stable and customers consider the price to be affordable.

4. Where do you buy your eggs?

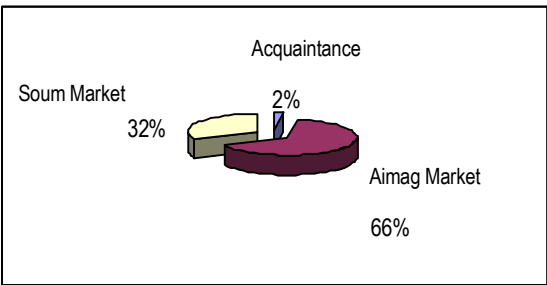


Chart 3.13

66 % of the interviewed buy their eggs on the aimag market, 32 on the soum market and 2 % from their friends and relatives. Poultry farms are common in all four soums covered by the research, that is why the consumption rate of eggs is higher than in the other two aimags of the research.

Regarding the quality of the eggs 100 % of the interviewed individuals answered that they are not satisfied with the quality, recognizing that an egg is a gentle product that spoils easily. That is the reason, why customers want to buy eggs with a 100 % freshness guarantee and, if possible, through orders. All of the interviewed will buy eggs also in future.

In regards to chicken the customers mentioned that there is no proper supply of that meat. Many customer are quite doubtful about the quality of the available chicken because the origin of the meat is not totally clear. So, most of them think that the chickens sold in Mongolia are mostly imported from China. Otherwise, many of them would buy chicken more often.

The best customers for eggs and chicken in the three target soums of Selenge aimag are canteens, cafñs, restaurants and factories in Darhan city.

There are 5,570 hens in the aimag and that can cover only 15-20 % of the total aimag demand, the remaining 80 % is met by Ulaanbaatar and other markets.

The gap between demand and supply is covered as follows:

1. Retailers sell eggs, which they imported from other aimags or from Russia. 40 % of the eggs on the Mongolian market is imported from Russia, 40 % come from UB and 20 % is produced locally.
2. Big supermarkets like for example “Nomin” sell eggs through the branches in the aimag.
3. The restaurants, canteens and cafñs purchase chicken from UB markets in bulks.

**3.2 Market for Milk and Dairy Products in Mongolia**

Mongolians traditionally respect milk and they are used to compare all our valuable and clean understandings with milk.

Traditionally, a Mongolian herder household is based on five types of animals and makes 30 types of dairy products using the milk of all these animals and consuming the products during winter and spring.

Although the number of livestock increased and reached 30,227.5 thousand heads in 2000, 23,897.6 thousand in 2002 and 27,966.8 thousand heads in 2004, the production of dairy products is dropping for the following reasons:

- Not all animals are milked today.
- The number of highly productive animals decreased over the last time.
- The yield of milk dropped due to droughts.

**Total milk production in Mongolia ‘000 liters**

Table 3.3

Animal Type	Number of Animals with Offspring	Number of Animals to be Milked	Milk per Animal liters	Total Milk Reserve ‘000 liters
Camel	31.7	24.1	300	7,230.0
Horse	306.3	137.8	250	34,450.0

Cow	512.8	435.9	450	24,8155.0
Sheep	3,761.0	1,692.5	8	13,539.6
Goat	3,273.7	1,558.3	10	15,583.0
Total				318,957.6

Mongolia has enough animals to milk 318.9 million liters of milk. But in reality only 290.0 million liters of milk are produced and the consumption of milk per person is 117.4 liters per year.

During thirty years before 1990 41 mechanized milk farms with an annual processing capacity of 54.4 million liters of milk were built in order to meet the demand of big cities like Ulaanbaatar, Darhan and Erdenet. That was an important step forward for the dairy production development as the annual yield per cow increased considerably and was more than 2,500 liters in the end.

When Mongolia shifted from a centrally planned economy to a market economy most of these farms stopped their activities and during the decade between 1990 and 2000 their production dropped from 61.5 thousand liters to 1.1-1.5 thousand liters. The situation began to improve again in 2001 and the number of small and medium enterprises involved in milk production and processing increased two times compared with the year 1999. In 2004 5.4 thousand liters of milk were processed.

Anyway, the number of enterprises engaged in butter production is constantly decreasing. Whereas in 1985 4317.6 tons of butter were produced, the production dropped to 500 tons in 1994, and in 2004 it arrived at 1.9 tons and the industry is almost at stagnation level.

Demand for Milk and Butter in Mongolia:

Table 3.4

	Type of Product	Standard Consumption of a Standard Person	Total Consuming Days a Year kg	Total Number of People '000	Standard Person '000	Consumption per Day to	Total Consumption '000 to
Mongolia	Milk, dairy products	380	138.7	2504	2253.6	856.4	312.6
	Butter	27	9.855	2504	2253.6	60.8	22.2
Ulaanbaatar	Milk, dairy products	380	138.7	893.4	804.06	305.5	111.5
	Butter	27	9.855	893.4	804.06	21.7	7.9

There is a demand of 312.6 thousand liters of milk and dairy products, 22.2 thousand tons of butter for the Mongolian population alone. Even only in Ulaanbaatar 115.6 thousand liters of milk and 7.9 thousand tons of butter are needed.

Mongolia has a reserve of milk that can meet only 85.4 % of the real national demand.

Therefore, as the real production of milk, dairy products and butter has decreased significantly the quantity of imported milk, dairy products and butter is growing sharply.

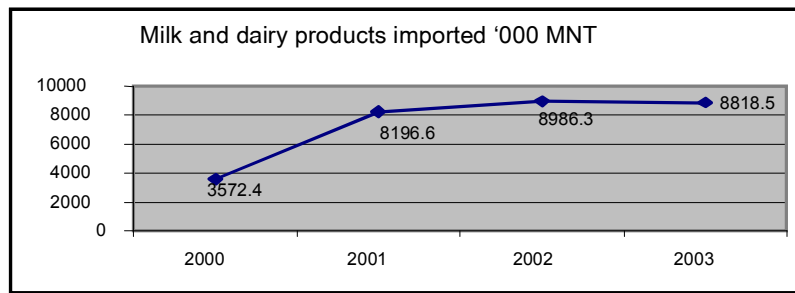


Chart 3.14

The import of milk and dairy products is increasing year by year. Converted to raw milk it amounts to 50 thousand liters. 95.2 % of it is milk of which 59.6 % is fresh milk, 24.7 % is concentrated milk and 10.9 % is milk powder.

There were 40 milk processing units, 22 dairy production sites, 273 ice cream production factories in the end of 2003. Out of this number 7 milk processing, 7 dairy production and 163 ice cream production factories are located in Ulaanbaatar. In average they process 15.0 to of milk per day and produce packed milk, different types of yogurt, cream, aaruul and sell it on UB markets occupying 20 % of the total UB market volume.

### 3.2.1 Market for Milk and Dairy Products in Bayanhongor Aimag

In Bayanhongor aimag a customer in the aimag center consumes 35.56 kg, and a countryside customer consumes 60.3 kg of milk per year.

Answers to the question, how much the family spends for milk consumption?

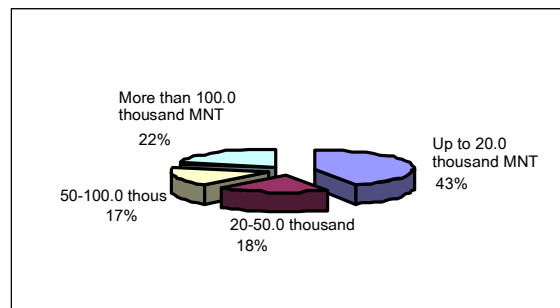


Chart 3.15

43 % of the interviewed spend less than 20.0 thousand MNT, 18 % spend between 20 - 50.0 thousand MNT, 17 % spend from 50 - 100.0 thousand MNT and 22 % spend more than 100.0 thousand MNT to buy milk, which is about 4.3 - 21.7 % of a household's total food expenditure.

About 57 % of interviewed persons answered, that they buy milk in accordance to their buying capacity and 43 % in accordance to their needs. That indicates that due to their low living capacity most of the customers cannot afford to buy enough milk to fully satisfy their demand.

The residents of the aimag consume only 31.5 - 53.4 % of the standard consumption figures for milk.

There are 102 outlets in the aimag center that purchase milk aside the residents like 2 restaurants, 11 caf ns, 2 bars, 49 canteens, 1 dormitory for pupils, 5 kindergartens and 4 hospitals. In addition, every soum has 3 outlets that purchase milk, except Bayanlig soum which



has 4 of these outlets. If we assume that each outlet consumes about 2-3 liters of milk per day all together they need 652 liters of milk a day.

But the majority of the soum kindergartens and hospitals purchases milk powder from the Ulaanbaatar market due to the following reasons:

1. Kindergartens usually operate from September to June when the production of milk is very low and milk is very expensive.
2. The managers and directors of these outlets have no initiative to establish contracts with herders of their own soum.

The consumption of milk in some Gobi soums has decreased significantly due to drought and dzuds which occurred in the last few years. In particular, the residents of the Bogd and Jinst soum centers have enough milk for preparing tea only during a few summer months. During autumn and winter they are forced to purchase milk from the aimag center.

Answers to the question, where people buy their milk:

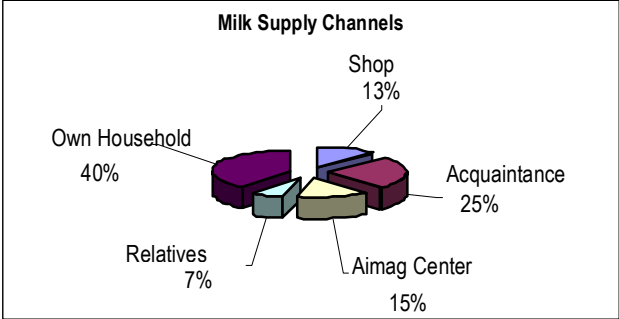


Chart 3.16

38 % of people interviewed purchase milk on the aimag market and in shops, 40 % get it from their own household, 25 % from acquaintances and 7 % from their relatives. When residents of the soum center purchase milk they order it from their acquaintances and relatives, residents in the aimag center simply purchase the milk on the market. 89 % of customers purchase fresh milk, 11 % purchase milk powder or pasteurized milk.

Answers to the question, what the main selection criterion for milk is:

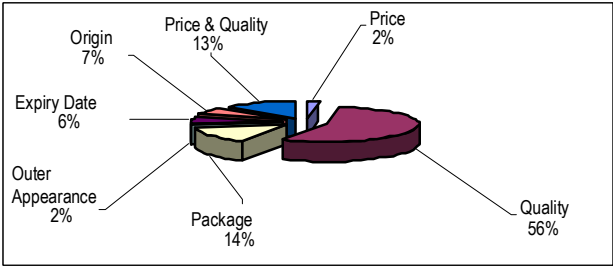


Chart 3.17

The fact that 56 % of all interviewed see the quality as the main selection criteria, and for 13 % it is price and quality indicates that customers pay the most attention on quality. 78 % of the interviewed answered that they are satisfied with the quality but 22 % answered that the quality is poor.

Answers to a question, what does not meet the requirements:

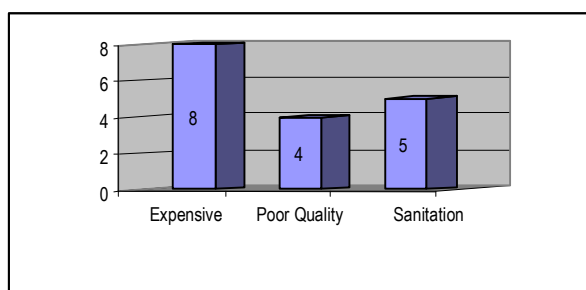


Chart 3.18

47.1 % of the interviewees who are not satisfied with the quality think, that the price is too high, 29.4 % that sanitation requirements are not met and 23.5 % believe that the quality is poor.

The price for 1 liter of milk:

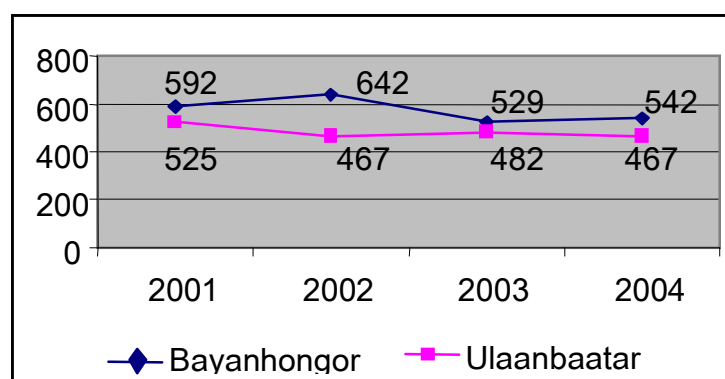


Chart 3.19

The chart above indicates that in the aimag the price for 1 liter of milk is 15.1 % higher than the price on the UB market.

Customers refer to such factors like dirty transportation and milk is spoiled, that some merchants add water to the milk or do not meet the necessary health and sanitation requirements.

It is very hard to purchase milk from the food market. Herders add different stuff when they freeze the milk. Often the milk is also very dirty as it is not packed at all.

*From the interview with an aimag center woman.*

However all interviewees agreed that the locally produced milk is much better than the imported one as it is a pure natural product. The table below compares pasteurized and fresh milk:

Table 3.5

	Type of Milk	Advantages	Disadvantages
1	Fresh milk /Mongolian/	<ul style="list-style-type: none"> <li>- Tasty, because it contains more fat</li> <li>- Cheap</li> <li>- Fresh</li> </ul>	<ul style="list-style-type: none"> <li>- Storage period is short</li> <li>- No sanitation guaranteed</li> <li>- Not packed</li> </ul>

		<ul style="list-style-type: none"> <li>- Can be used as raw material for dairy products</li> <li>- Pure natural product without any chemicals</li> </ul>	
2	Pasteurized milk and/or milk powder	<ul style="list-style-type: none"> <li>- Packed</li> <li>- Sanitation guaranteed</li> <li>- Longer storage term</li> </ul>	<ul style="list-style-type: none"> <li>- Not tasty because it has less fat</li> <li>- Expensive</li> <li>- Contains various chemicals that might be negative for health. For example, after drinking, stomach gets upset.</li> <li>- Can be used only for milk tea.</li> </ul>

Answers to the question, what should be improved:

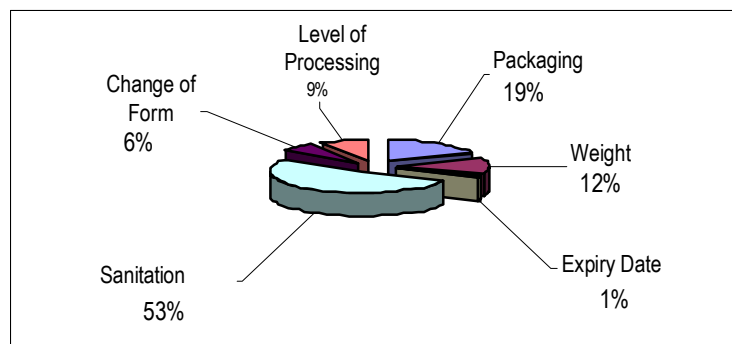


Chart 3.20

53 % of the interviewees think that the sanitation requirements should be stricter, 19 % want some better packaging, 12 % wish to have a guaranteed weighing scale, 15 % consider that processing should be improved.

Concerning the sanitation requirements the following should be improved:

- 1) Animal health
- 2) Herders' health.

Also a laboratory that controls the quality of milk, dairy and meat products should be established. The first step towards such a laboratory is already done by starting a cooperation with Oyto prefecture of Japan.

Probably only 50 % of our livestock is healthy.

*From the group discussion in Bogd soum*

When interviewees were asked whether they would buy milk which is improved or produced with non-traditional methods, 58 % agreed and 42 % rejected. Those who said no were herders or residents with livestock. Residents and service businesses from the aimag center answered that they would buy any product if they are at least satisfied with the quality.

The salesmen were asked whether they would like to sell high quality products or non traditional products and 100 % answered yes. However, retailers and salespersons set up the following requirements for non-traditional products:

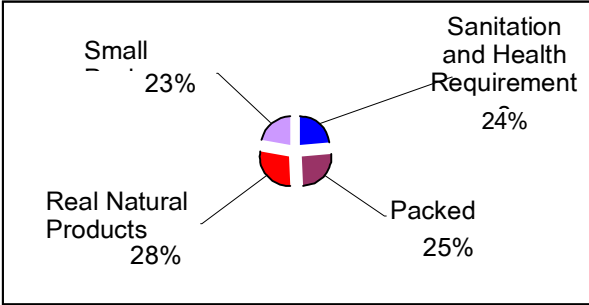


Chart 3.21

28 % of the retailers want to sell real natural products free of any kind of mixtures and additives, 25 % asked for packed products and 24 % want to sell products that fully meet sanitation and health requirements, 23 % of the traders want the products to be packed in small quantities. During the research both customers and sales persons stated that milk and dairy products should meet a minimum of sanitation and health requirements and that packaging is inevitable.

Answers to the question, from where people will buy milk in future:

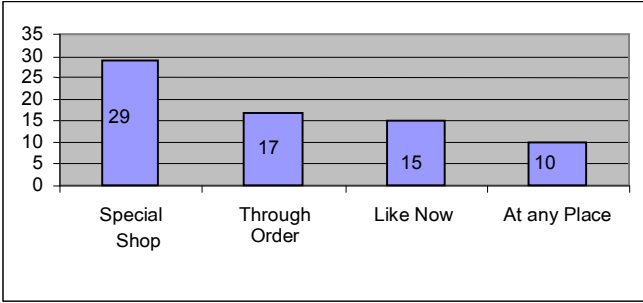


Chart 3.22

46.8 % of the interviewed persons think that it is better to have a special shop for milk and dairy products, 27.4 % consider that the products should be delivered through orders.

In general, aimag and soum center customers think that it is better to have special shops for all types of local agricultural products. As the existing marketing channels of any local product have too many intermediates, the quality issue is neglected, the product image drops and there is no promotion of high quality products. Those who buy agricultural products through orders complain about the poor quality of the delivered products. The herders do not take any action to improve the quality of the products as the prices are always the same no matter which quality levels the products meet.

**3.2.2 The Market for Dairy Products in Uvurhangai**

Already from ancient years residents of Ovorhangai aimag have a good tradition in producing and consuming milk and dairy products. The hangai soums has a lot of cows and yaks and their dairy products use to be very famous throughout Mongolia. Uyanga soum, for example, is

famous for its butter and the soum even organised the “Celebration of 20 thousand yaks”. Hujirt soum housed one of two specialized dairy production factories that existed in Mongolia and it was well known and even very famous for the quality of its products. The Gobi soums have a long tradition in milking small animals. About 60.7 % of the Uvurhangai cattle is yak. That means that the aimag has a big potential for milk production. Camel milk is an innovative milk product that is entering the aimag market. Camel milk and hoormog are traditionally produced only in Umnugovi aimag. They became popular on the Mongolian market only since 1990 when their nutritional value was recognized. So, these products are just at the stage of entering the market.

The customers consume milk and dairy products during all four seasons but due to the floating product price most of them can purchase milk only during summer.

Price for fresh milk (1 liter):

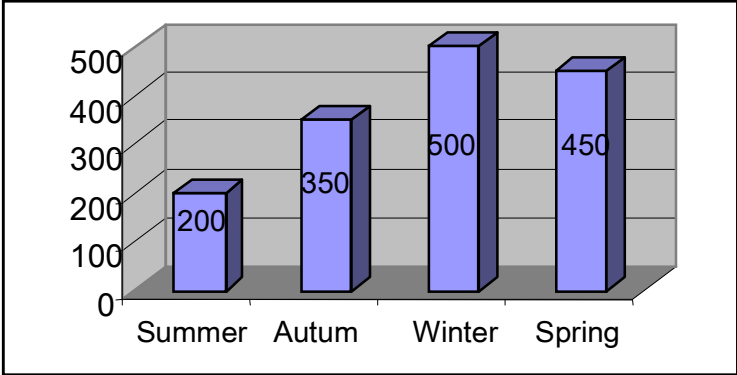


Chart 3.23

The chart above shows that the milk price in winter is 2.5 times higher than the price in summer. Therefore, households with a low income can purchase the necessary milk for milk tea only during summer time.

Herders sell their milk surplus in the soum center. Moreover, they make aaruul, eezgii and cream that can be kept for a longer period of time until they sell most of of their produce on the aimag and soum markets in autumn.

Answers to the question, what type of milk people consume:

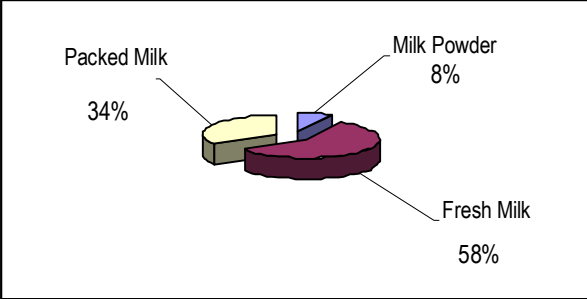


Chart 3.24

58 % of the interviewed answered that they prefer fresh milk, 34 % buy packed milk and only 8 % answered that they want to buy milk powder. The research results showed that canteens, restaurants and kindergartens prefer to use milk powder while tourist camps, bars and some restaurants prefer packed milk.

Our kindergarten purchases milk powder during winter because fresh milk is not available on the market at that time.

*Director of kindergarten in Sant soum*

One of the herder groups expressed its interest to purchase some small scale milk processing equipment.

**Togrog soum** has a milk reserve of 908.9 thousand liters but its consumption is only 587.7 thousand liters. During summer herders sell their milk in the soum center, they make aaruul, eezgii and orom that can be stored to be sold in autumn on the aimag and soum market. The price for milk is 250 - 300 MNT per liter in the soum center during summer but it increases to 350 - 400 MNT in late autumn and during winter. In some specific cases when the demand grows significantly the price even reaches the level of 500 MNT. One of the herder groups has some small scale milk processing equipment.

**In Sant soum** 1727.2 thousand liters of milk can be produced but the demand for local consumption is only 767.1 thousand liters or 60 % of the available milk. 37 % or 639.1 thousand liters of milk produced in the soum is goat milk. Goat milk is available even in very late autumn and it is mostly used to produce the local brand product "goat brown aaruul". The level of milk processing and market prices are the same as in Togrog soum.

**Hujirt soum** can produce 2202.7 thousand liters of milk but its consumption is only 1422.3 thousand liters. After satisfying the consumption needs of the nearby tourist and recreational camps there still remains an overproduction of about 2 thousand liters of milk. The soum used to sell fresh milk but the price is comparatively low, it is about 200 - 250 MNT/l during summer and 300 - 400 MNT/l during winter.

**Arvaiheer soum** produces 10.3 times less milk than it consumes. It can produce only 469.3 thousand liters of milk but 4,822.6 thousand liters are consumed. The demand is met through purchases of fresh milk from herders in neighboring soums and with packed and pasteurized milk from Ulaanbataar.

Aimag center residents consume milk powder as well. During winter intermediate sales persons purchase orom, white butter and aaruul from herders and resale them. Some retail traders bring in some high quality and especially shaped dairy products from Arkhangai aimag. These are mainly sweet aaruul and horhoi aaruul. The price for milk is 300 - 400 MNT during summer and 500 MNT during winter.

73.5 % of the persons interviewed want to buy pure natural products, 26.5 % of them want to buy products mixed with sugar and berries. The retailers and sales persons expressed their wish to market also sweet products packed in small quantities. The main customers for such aaruul are children.

The Mongolian population has a tradition to use fresh boiled milk. A household consumes about 300 - 670 liters of milk per year. But during winter households usually consume frozen milk. Some households even purchase milk for resale purposes. First they boil the raw milk, then they pack in small bottles and finally sell it on the market. Most of the interviewees determine that both fresh or frozen milk are of quite poor quality.

It is hard to purchase good milk from the food market. They add different stuff to the milk. That's why I am interested to buy milk from acquaintances.  
*Retired person from Arvaiheer soum.*

It is common practice that salespersons add different stuff to the milk. That is the main reason why most of the customers prefer to buy milk from their acquaintances and relatives. Although the packed milk which is sold in the shops can be kept for a long time it has sometimes a sweet taste and in some cases that even causes some stomach problems. Milk powder is usually consumed by aimag and soum center residents mostly during spring when fresh milk is not available. Their annual consumption of milk powder is around 2 kg.

During summer and autumn herders process milk at home making yogurt, aaruul, eezgii, white and mixed butter and later on sell these products during the winter. 86 % of the interviewees are satisfied and 14 % are not satisfied with the quality.

The households' expenditures for dairy products according to the research findings:

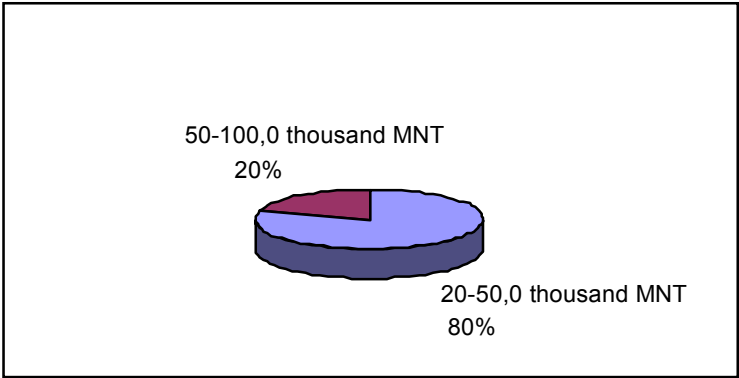


Chart 3.25

20 % of the households spend less than 50.0 thousand MNT for their dairy product consumption, which occupies a very small share of their total food consumption. Due to the fact that residents of soums do not calculate their revenues and expenditures it is hard to evaluate the exact share of their dairy product consumption.

Answers to the question, where people buy dairy products:

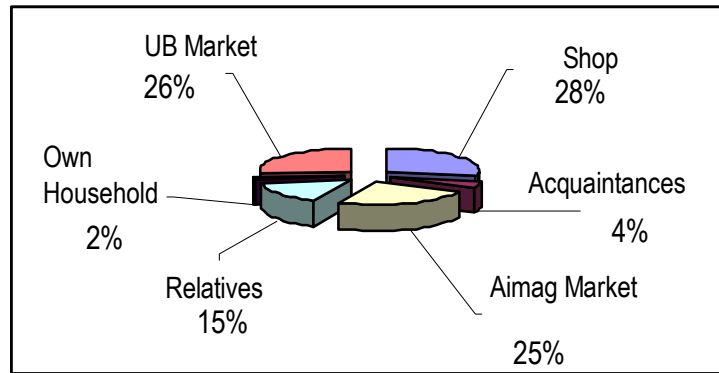


Chart 3.26

53 % of the persons interviewed buy dairy products in aimag shops and markets, 26 % bring them from markets in Ulaanbaatar, 19 % get them from acquaintances and relatives and 2 % produce them in their own household. Some customers prefer to buy imported or processed dairy products on Ulaanbaatar markets because they are not satisfied with the locally processed goods.

### 3.2.3 Market for Milk and Dairy Products in Selenge Aimag

Selenge aimag milks 14,039.6 thousand liters of milk per year from 75,598 animals. The majority of the milk is sold in Ulaanbaatar and on the markets in Darhan.

Milk prices are as follows:

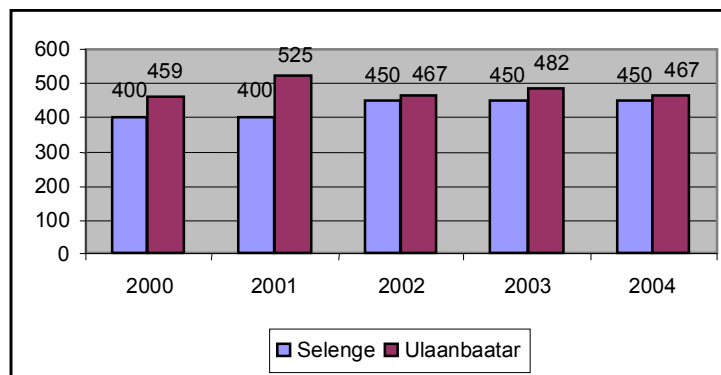


Chart 3.27

The chart above shows that the price of milk in Selenge aimag is 3.7 % lower than it is in Ulaanbaatar. However, herders of Bayangol and Mandal soum sell their milk on Ulaanbaatar markets and some soum herders from Bayangol soum have signed a contract with Suu company. They sell milk at a price that is 31.4 % lower than the market price. Those who sell milk in the capital come to the Ulaanbaatar market by the early morning train, sell their milk and use the money for the purchase of consumer goods.

Baruun buren and Saikhan soum in Selenge aimag have built up a structure for milk collection, chilling and primary processing shops. The products of these shops are sold on Darhan and Orhon aimag centers' markets. There is also a milk and dairy production company called Darhan hunts that utilized only 20 % of its total capacity and produced 2 types of products like ice cream and yogurt in 2004. The company is losing more and more of its competitiveness



year by year, as its equipment is outdated and the production costs are much too high. The company established a contract with 5 - 6 herders to purchase raw milk during summer time. During winter the company imports milk powder to keep its operation running. According to Mrs. Chimedmaa, an accountant of “Darhan hun”, the company occupies a 10 - 15 % share of the aimag’s total milk market.

There are 30 sales persons on two special food markets in the aimag center selling traditional dairy products like fresh and frozen milk, aaruul, aarts, melted butter, etc.

In Darhan the Nomin wholesale center and several retail shops sell pasteurized milk, butter and cheese purchased from domestic producers and importers. The Nomin wholesale center alone purchases 20 - 30 to of these products from importers and producers in Ulaanbaatar every month.

70.9 % of the interviewees consume pasteurized and dried milk and only 29.1 % consume fresh or watery milk. Those who consume pasteurized milk are 100 % satisfied with the product quality and 80.9 % of those who consume fresh milk are satisfied with the quality, too.

Answers to the question, where people buy their milk and dairy products:

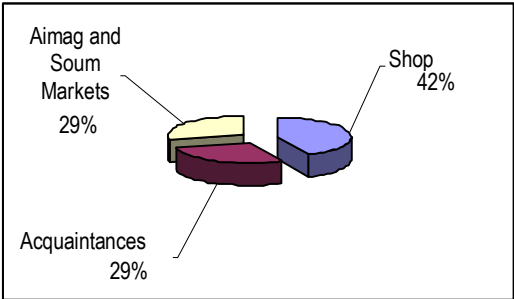


Chart 3.28

42 % of those answering the question, purchase milk in shops, 29 % on aimag and soum markets and 29 % buy milk from their acquaintances. This indicates that the residents of aimag and soum centers prefer to purchase their consumer goods in supermarkets and shops that can insure the sanitation requirements. This is valid for the aimags Bayanhongor and Uvurhangai as well.

What are the main selection criteria for milk? 33.3 % of those who prefer to buy fresh milk named price and quality, 66.7 % emphasize the expiry date and 100 % of those who buy pasteurized milk said that the expiry date is their main criterion. That indicates that customers want to buy only high quality products.

Answers to the question, what should be improved in milk production in future:

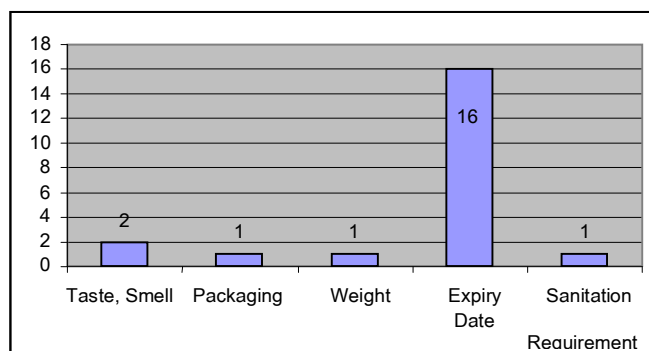


Chart 3.29

The fact that 76.2 % of the interviewed persons concentrated on the validity date indicates that most of the customers want to consume milk that has undergone some kind of processing as for example, pasteurization or chilling.

100 % of the customers agreed when they were asked whether they would accept a moderately higher price for milk, which is already chilled or pasteurized by herders or herder groups.

Answers to the question, what product people will buy:

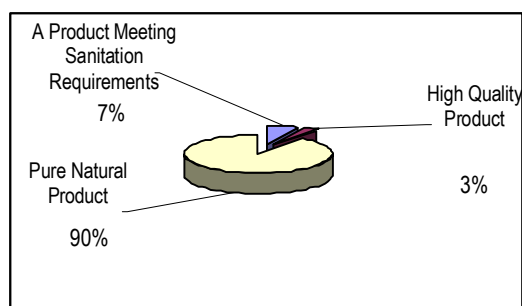


Chart 3.30

The fact that 90 % of all interviewees answered that milk should be a pure natural product is connected to the wish of the customers to consume real natural products without any mixture although many of them think that packed or pasteurized milk is of good quality, too.

96.6 % answered that there is an urgent need for special shops selling milk and dairy products and 3.4 % answered that milk should be sold through order.

### 3.3 Market Situation of Dairy Products

In this chapter dairy products like butter, yogurt, aaruul, cheese, airag and aarts are studied.

Mongolia produces about 23.9 thousand to of aaruul, 40 million liters of airag and 678 to of white cream and butter per year.

According to our research an average herder household consumes about 20 – 50 kg of aaruul, 40 kg of white cream, 120 liter of camel milk per year, while an aimag or soum center household annually consumes in average about 5 – 10 kg of aaruul and 5 – 25 kg of white cream and butter. Based on these assumptions Mongolia needs 59.5 to of aaruul, 1,284 to of white cream and butter. However, Mongolia imports in average about 265.7 thousand to of yogurt, 34.1 thousand to of butter and 110 thousand to of cheese and cheese products per year.

### 3.3.1 The Market for Dairy Products in Bayanhongor Aimag

At the current stage most of the Bayanhongor dairy products are produced in Galuut, Erdenetsogt, Ulziit and Gurvanbulag soum, due to the high concentration of milking cows there. Soums like Jinst and Bogd produce special goat and camel aaruul and camel milk, which are very popular and strongly demanded on the markets but quite rare compared with cow milk products. Galuut, Erdenetsogt, Ulziit, Gurvanbulag and Jargalant soums represent 66.8 % of the total cow population in the aimag.

The customers named camel milk, aaruul and goat aaruul as the best dairy products. The chart below shows how much money a family spends to buy these products:

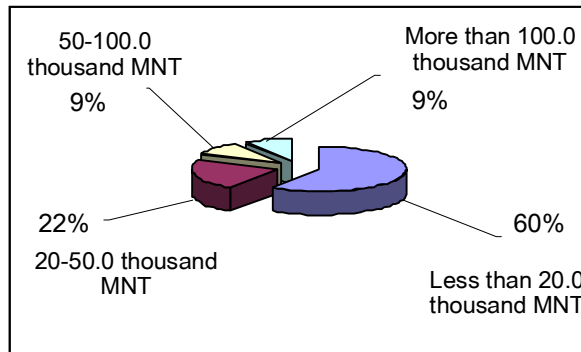


Chart 3.31

60 % of the interviewees spend less than 20.0 thousand MNT to buy dairy products, 18 % spend about 20 - 50.0 thousand MNT and 18 % spend more than 50.0 thousand MNT, which is about 1.5 % of a herder household's expenditure for food.

59.7 % of the consumers prefer aaruul made of cow milk, 11.3 % of camel milk, 29 % from goat milk. When they purchase aaruul made of cow milk they are mainly concerned about quality and origin, when they purchase camel aaruul they are mostly concerned about quality and price and 41.3 % of those who buy goat aaruul are just concerned about its origin. This is connected with the fact that different soums use different technologies in the production of their local dairy products.

The customers evaluate camel and goat aaruul as the products with the best quality.

Answers to the question, what should be improved in the production of dairy products:

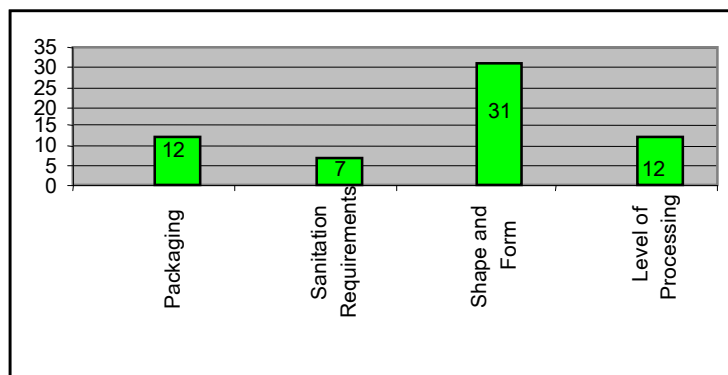


Chart 3.32

31 people or 50 % of the persons interviewed answered that they want a change in shape and forms, 19.5 % ask for another packaging, 19.5 % would like to see processing to be improved. Under the term “shape and form” people understand that aaruul should have a softer taste just like yogurt.

76.7 % of the persons asked would accept a higher price for aaruul with better shape, form and packaging whereas 23.3 % of the interviewed would reject.

Answers to the question about distribution channels:

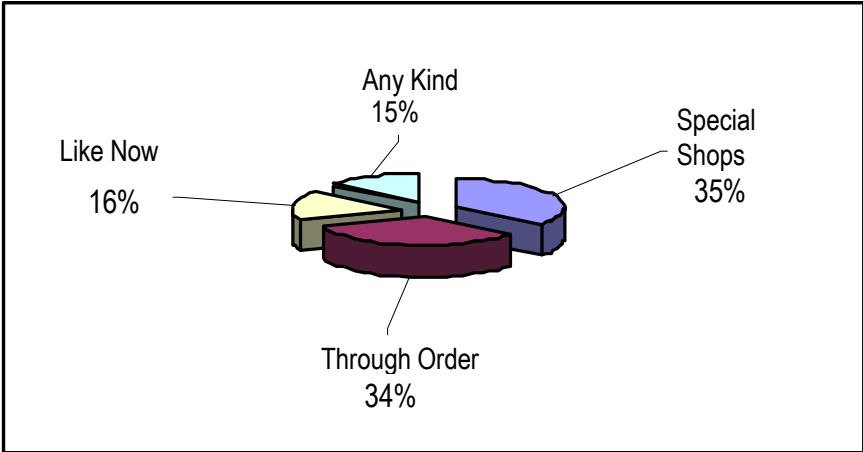


Chart 3.33

35 % of the interviewees answered that they would like to buy dairy products in special shops, 34 % through order, 16 % is satisfied with nowadays distribution channels and 15 % do not have any special requirements. These findings are again connected with quality and price of the products.

Aimag and soum center customers consume more cheese. But as cheese is rare especially during summer time they do not consume as much as they wish. A few customers, especially people over the age of 60, mentioned that they produce the cheese themselves.

There are 40 sales persons in two aimag markets. In average a sales person sells about 550 kg of frozen milk and 2,250 liters of fresh milk per year. The total annual turnover of all merchants together amounts to 22.0 to of frozen and 90.0 to of fresh milk.

The chart below shows the answers of participants in an exhibition named “Dairy Products of Hangai Soums in Bayanhongor Aimag” conducted in Ulaanbaatar during January 24 – 28, 2005:

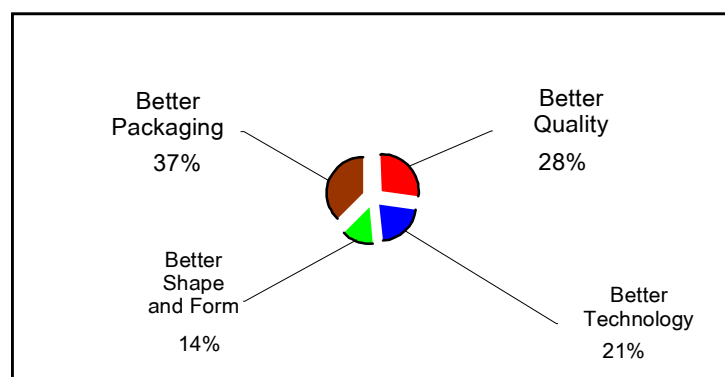


Chart 3.34

37 % of the people interviewed answered that packaging should be improved, 28 % see some deficits in quality, 21 % want a more developed technology and 14 % asked for changes in shape and form. So the requirements of local and Ulaanbaatar customers are the same, they all wish that rural products should change their nowadays still traditional form. In order to achieve this the mentality of the herders producing these food stuffs should be changed through different training activities.

When the customers were asked whether they would buy improved products at a higher price 73.6 % said yes whereas only 26.4 % said no. Those who rejected explained that products of better quality are available in other aimags and soums and that they are normally sold on the aimag market.

About 100.0 tons of cream, white cream and melted butter, 50 tons of frozen milk and 2.5 tons of aarts is sold at Ulaanbaatar market every year in average.

### 3.3.2 The Market for Dairy Products in Uvurhangai

Customers of UH aimag prefer to buy imported or processed dairy products on Ulaanbaatar markets because they are not satisfied with the locally processed goods.

Answers to the question, what should be improved in the production of dairy products?

Table 3.6

Total %	Taste and Smell	Shape and Form	Packaging	Smaller Size	Sanitation Requirements
100	11	14	26	26	23

Let's review the customers' demand for each type of product:

Customers like to buy Mongolian yogurt considering that it is a pure natural product. But at the same time they complain that it spoils quickly, that the sanitation during the production process is doubtful, that packaging is poor and that the taste is worse than that of imported goods. In order to increase the sales figures of domestic yogurt the following actions should be taken:

- 1) Improvement of the taste by adding sugar, berries and other mixtures
- 2) Packaging of yogurt in small quantities of 100 - 500 g or 1 liter
- 3) Prolongation of the validity period

4) Production of frozen yogurt.

Some herder groups in Togrog and Sant soum already successfully tested the production of concentrated yogurt.

In regards to fresh orom customers think that it should be packed in smaller quantities of 100 or 200 g. Regarding white and mixed butter the customers want them to be free of any mixtures and produced in accordance with the sanitation requirements.

The consumption of cheese is very low. In average a household consumes about 2 - 5 kg per year, and customers wish to buy high quality cheese with a sanitation guarantee. Moreover, a lot of customers do not buy traditional cheese any more; those who still like it do it at home. Most of the customers who buy cheese made with new western technology are foreigners and tourists coming to the aimag center or Hujirt. It is still not a commonly used food product yet.

The best selling season for aaruul in the soums are summer and autumn but in the aimag centers it is late autumn and winter. Customers in the aimag center and in Ulaanbaatar gave the impression that they would like some special types of aaruul, for example sweet aaruul with a nice shape in small packages like horhoi (worm), aaruul with cream, aaruul made of goat or aaruul made of camel milk, but again all of them in packs of small quantities. But the customers in the soum do not want any changes in aaruul production.

When the customers were asked whether they would buy improved dairy products at a higher price they answered as follows:

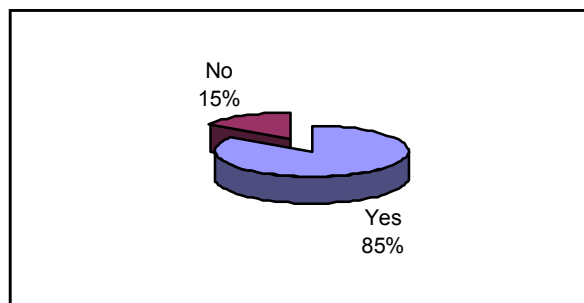


Chart 3.35

85 % of interviewees answered yes.

If herders would produce really high quality products I would buy them because I want to support our domestic industry and our own products, our pure ecological products.

*From the interview with an Arvaiheer soum customer*

Those who rejected remarked that there are many other products of better quality even at a cheaper price than herders' products. But anyway, herders need to improve the quality of their products. The uniqueness of herders' products in a so-called "perfect market" is quality. As the herders have only very limited possibilities to set up a price the only way to compete on the

market and to attract customers is the quality aspect. The most crucial point now is to make herders realize and understand this situation.

I think that we can make some of the products that herders produce. Nowadays, the market is full of different products so you can buy the one with the best quality.

*Teacher from Sant soum*

So, some residents from the center can produce most of the products themselves and competition on the market is very tough. Dairy products' sales persons are quite interested to purchase dairy products from herders directly but they set up the following requirements for the products:

Table 3.7

Total %	Quality	Sanitation	Packaging	Guaranteed Weight
100	25.3	35.3	15.9	23.5

35.3 % of the intermediate sales persons put sanitation requirements at first priority. This indicates that customers' demand changed towards reliable and ecologically sane products.

### 3.3.3 The Market for Dairy Products in Selenge Aimag

Selenge aimag produces about 90.5 thousand liters of airag, 54.4 thousand kg of aaruul, 27.0 thousand kg of cream and 10.9 thousand kg of butter. That means that the consumption of dairy products reaches 290 kg per person and year, which is 2.47 times higher than the national consumption in average. Herders in Selenge aimag produce dairy products only for their own consumption. The demand of the customers in Darhan and Selenge soum are met by herders and sales persons from Bulgan, Arhangai and Huvsgul aimag. The interview concerning the butter consumption was done with customers in Selenge aimag.

The herders from the Selenge soums covered by this research, do not execute any kind of processing so they sell the fresh milk directly on the market. They produce aaruul, melted butter and cream only for their own consumption and are not engaged in any butter production.

As butter production is a very labor intensive procedure and the technology in the soums is outdated and worn out, the costs for making butter are very high. Butter made in Mongolia is not competitive at all as the final price for butter made in the herders' households is higher than the price for the imported product.

Prices for butter (1 kg):

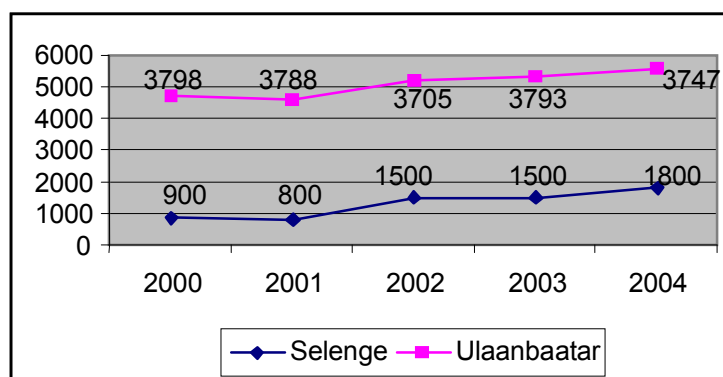


Chart 3.36

The price for butter in Selenge is only half the price charged in the Ulaanbaatar markets. Imported butter contains less fat and is packed in smaller quantities therefore it is easy to supply in accordance with the client's real demand and purchasing power. Customers complain that butter produced in Mongolia contains a lot of fat and salt, that the taste is not good and that it is not packed at all. Thus, the main consumers for Mongolian butter are bakery shops.

Some of the imported butter is made from plant oil or contains chemical additives. Mongolians are just not aware about this.

100 % of the interviewees answered that they would buy butter, if the herders or the herder groups would produce it as a completely new, pure natural product with a lower fat content and packed in small portions. Thus, Mongolia has enough market potential that could be used if herders would only start producing the type of butter consumers are asking for.

### 3.4 Market Situation for Potatoes and Vegetables

In 2004 Mongolia produced 80.2 thousand to of potatoes and 49.2 thousand to of vegetables, while the country's whole demand for potatoes and vegetables is 249.4 thousand to according to the consumption norma. Thus, only 51.9 % of the total demand is met by the own domestic production, 18.0 % by import and 30.1 % is not met at all.

#### 3.4.1 The Market for Potatoes and Vegetables in Bayanhongor Aimag

Bayanhongor aimag produces 800 - 900 to of potatoes and 300 - 560 to of vegetables which covers only 10.5 % of the real demand for vegetables calculated according to the nutrition norm. The lacking 89.5 % is purchased on markets in Ulaanbaatar. The countryside residents consume very little vegetables. According to our research the consumption of one person is only 25.8 kg of vegetables per year. They explained the situation with the following reasons:

1. The market does not offer enough vegetables.
2. They do not have any possibilities to grow potatoes as they are engaged in animal husbandry. And animal husbandry is a very time consuming business.
3. The soil is not suitable for the cultivation of vegetables and there are not enough resources of water.
4. Most of the vegetables available on the markets are from China, so they are not interested to buy them.



5. Only during autumn people buy vegetables when they have their own local harvest. As most of the vegetable growers do not have enough storage space they sell their produce at a very cheap price.

### **3.4.2 The Market for Potatoes and Vegetables in Uvurhangai Aimag**

Uvurhangai aimag produces 1,800 to of potatoes and 800 to of vegetables per year. The average annual consumption per household amounts to 100 - 180 kg of potatoes and 80 - 140 kg of vegetables. So the missing rest of 2,180 to of potatoes and 2,384 to of vegetables is purchased on Ulaanbaatar markets or imported.

Although people prefer purchasing vegetables cultivated from Mongolian seed most of the consumers buy Chinese vegetables simply because of the lower price and the supply situation in general. There is no processing factory for vegetables in the aimag. Most of the cutomers noticed already that Chinese vegetables are of poor quality.

Chinese potatoes are of a very poor quality as Chinese people use chemical fertilizers for many years already. Therefore, their potatoes contain a lot of chemicals. That is why I prefer to buy Mongolian potatoes which are cultivated from Mongolian seed. Unfortunately this produce is very rare.

*Retired person of Arvaiheer soum.*

Generally, Mongolian vegetables are available only during autumn and winter. Thus, most of the customers consume Chinese vegetables in summer and spring.

Vegetable traders remarked that the majority of vegetable growing people and companies sell their harvest at a cheap price in autumn as they do not have warehouses with enough capacity to store the whole harvest.

### **3.4.3 The Market for Potatoes and Vegetables in Selenge Aimag**

Selenge is the only aimag that can fully fulfill its population's norm of consumption. Moreover, it could even sell an extra 4,512 to of potatoes and 6,648 to of vegetables in 2004.

So, in theory the aimag harvests enough potatoes and vegetables to feed its own population. In practice however, 60 -70 % of the harvest was not sold locally but transported to Ulaanbaatar and Erdenet, where it was sold in autumn at cheap prices. There are two reasons for this phenomenon: A lack of cash, forcing the producers to sell their goods at once and an insufficient warehouse capacity. That of course results in sharply increasing prices during winter when the demand for potatoes and vegetable grows.

In order to meet the local demand during winter sales persons from the Darhan market import large quantities of potatoes, onions, carrots, cabbage, turnips and pepper from Russia and China. Garlic and pepper are not planted at all in the aimag.

In average one businessman who is in vegetables sells 4 - 5 to of potatoes, 1 -2 to of onions, 1 to of cabbage and 1 - 2 to of carrots. In autumn and winter they purchase vegetables locally in Selenge. In spring and summer however, they import potatoes, carrots and turnips from China

and onions from Russia. Alone in this year in average 60 to of potatoes, 12 - 24 to of onions, 12 to of cabbage and 24 to of carrots were sold.

There are six vegetable wholesalers on the Darhan market, so the retailers purchase vegetables from them during summer and spring. Owners of canteens and restaurants purchase imported green and red pepper.

**Mandal Soum**

Table 3.8

Population ('000 persons)	Sample Population ('000 persons)	Norm per Person (kg)	Annual Demand (to)
22.8	20.5	99.6	2041.8

The soum has a demand of 2,041.8 to of vegetables but harvested 4,117.1 to and sold 60 % of the harvest on Ulaanbaatar and Darhan markets. The reasons of selling the vegetables were

- 1) The soum does not have enough warehouses to store all vegetables.
- 2) Herders do not have space to store the harvest, either.
- 3) The producers are in need of cash money.

It is very common that sales persons from the soum sell vegetables to neighboring soums at wholesale prices. There are 14 persons (wholesalers and retailers) who permanently sell vegetables on the soum market and the price for vegetables from local origin are 100 - 200 MNT more expensive than those imported from China. The canteens and restaurants of the soum buy green and red pepper, mushrooms, and onions from Ulaanbaatar markets.

**Therefore, there is a good market for special vegetables if some herder groups would specialize on growing red and green pepper, onion, and garlic. The most crucial issue is the lack of seeds and storehouses in the soum.**

Answers to the question, when people sell their vegetables:

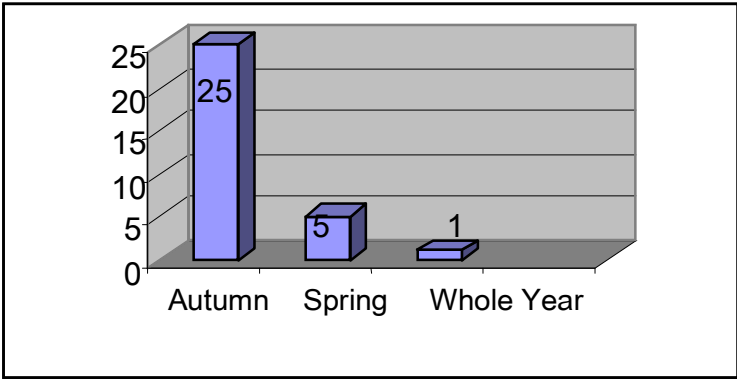


Chart 3.37

80.6 % of the producers sell their vegetables in autumn, 16.1 % in winter and only 3.3 % sell them during the whole year. Therefore, most of the customers consume vegetables mostly in autumn and winter.

Many customers like to consume canned vegetables but the demand for such products is very low. The majority of the interviewed persons consume 1 - 3 bottles of canned vegetables of 700 g. The best consumer of canned vegetables used 180 bottles in one year. People cannot consume as much as they want due to high prices and low incomes. So they purchase canned vegetables only during their holidays and for special events.

60 % of interviewees answered that they will buy home made canned vegetables at a cheaper price and 40 % answered that they will not buy them at all.

Customers recognized already that canned vegetables imported from Poland especially have a very good quality compared with those produced in Mongolia.

**3.5 Marketing situation of fruits and berries**

**3.5.1 The Market for Fruits and Berries in Selenge Aimag**

The demand for berries and fruits in the soums covered by the research:

Table 3.9

Soum	Population	Sample Population	Norm per Person (kg)	Annual Demand (to)
Javhlant	1,804	1,623.6	10.8	17.5
Mandal	22,864	20,577.6	10.8	222.2
Bayangol	4,827	4,344.3	10.8	46.9
Darhan City	74,295	66,865.5	10.8	722.1

Javhlant, Mandal and Bayangol soums satisfy the demand for fruits and berries with natural berries and fruits. The residents of these soums pick berries in the forests and process them manually making jams. The shop owners in the soum mentioned that sales of berries are not good because people buy this product only in small quantities during holidays and for special events.

There are many berries and fruits from Selenge, Huvsgul and Arhangai aimags on the Darhan food market. Most of these berries are semi-processed.

About 70 - 80 % of the berry and fruit demand of the Darhan population is met with imported products by the Nomin wholesale center and other retail shop.

Answers to the question, what people think about the quality of domestic jam:

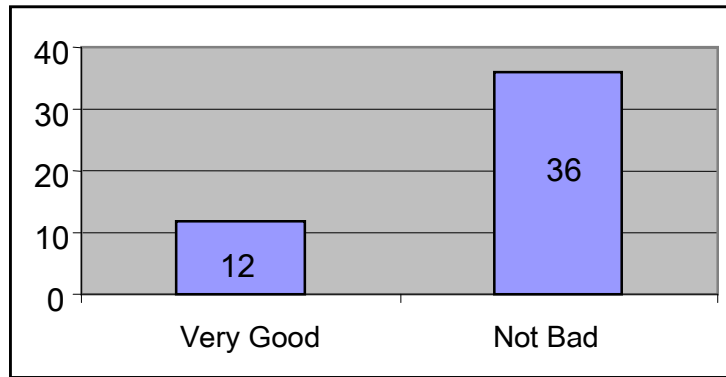


Chart 3.38

25 % of all customers are satisfied with the quality of the berries because:

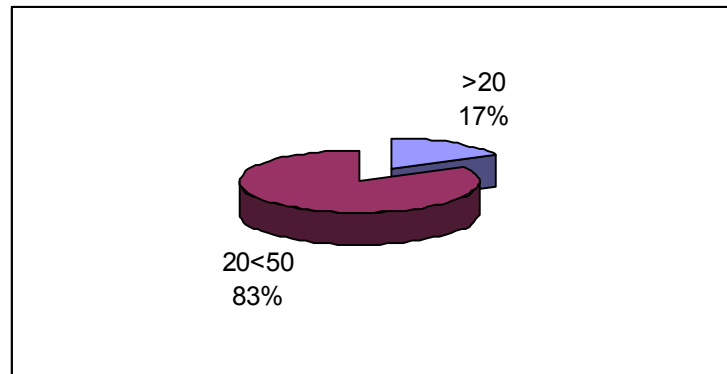
1. This is a natural product without any chemicals.
2. It is easy to sell as it is fresh and made at home in small quantities.

Those 75 % who answered that the quality is not bad gave these reasons:

1. The product does not have any label, it is not clear at all who the producer is.
2. The packaging is very poor.
3. Products do not have any sanitation analysis.
4. The price is too high.

Most of customers think that berries from Mongolia are picked up in the forests, therefore it must be a real natural product with a much better taste and a higher quality.

Answers to the question, how much money people spend for jam:



53 % of the persons interviewed spend from 20 to 50.0 thousand MNT per year.

Answers to the question, where people buy their jam:

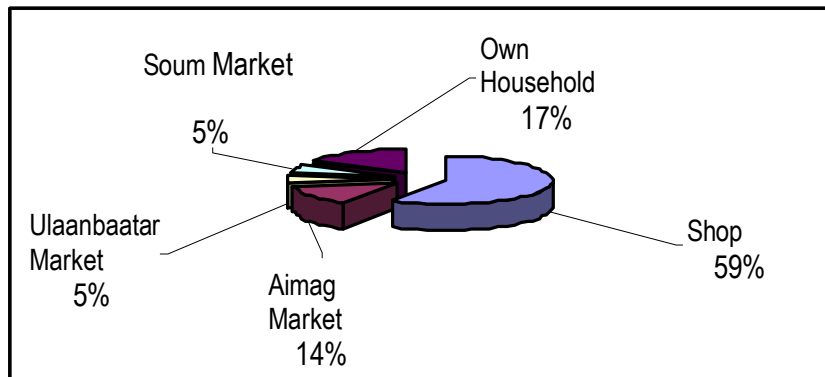


Chart 3.39

59 % of the interviewees buy jam from shops, 17 % produce it in their own household, 14 % take it from the aimag center market, 5 % from the UB market and 5 % from the soum market. But sales persons mentioned that the sale figures for jam are not good as people buy it only during holidays and for special events.

Answers to the question, what should be improved in jam making:

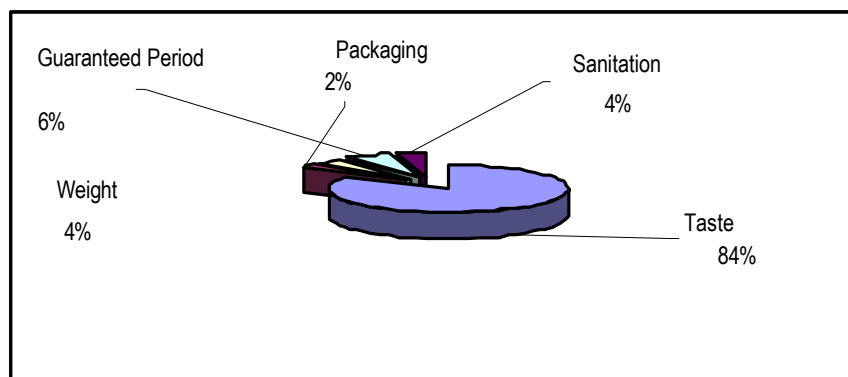


Chart 3.40

84 % of the interviewed persons complaining about the taste clearly indicates that customers are not satisfied with the taste of jam made by local households. About 90.8 % of the customers purchase jam just according to their purchasing power and 100 % of the persons interviewed would buy jam made by local households.

Answers to the question, what people's requirements will be to buy locally produced jam:

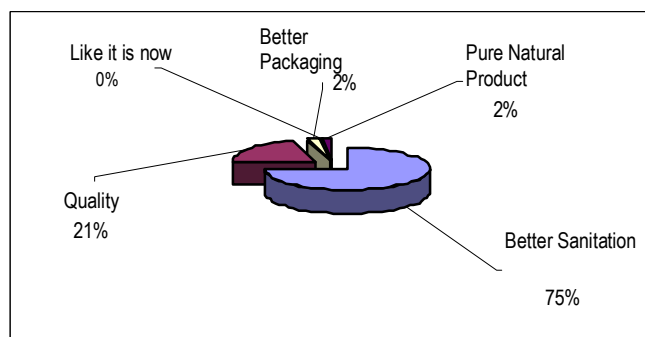


Chart 3.41

The fact that 96 % of the interviewees named better sanitation requirements and quality and 2 % better packaging clearly outlines that customers want to have an improved level of processing and packaging.

### **3.5.2 The Market for Fruits and Berries in Bayanhongor Aimag**

Although Bayanhongor aimag residents produce considerable quantities of different jam such as from harmag, buils and jigd trees, they do not sell it on the market. That is why the Tenger wholesale center is the only supplier of berries and fruits for the aimag population's whole demand. The center sells imported jams and stewed fruit.

### **3.5.3 The Market for Fruits and Berries in Uvurhangai Aimag**

Uvurhangai aimag has a comparatively low harvest of berries and fruits. Therefore, the consumers buy jam on the Ulaanbaatar market which is imported or produced in other aimags. The consumption rate is very low. Aimag center residents do not buy these products due to high costs and herders and soum center residents answered that they would not need them. In some cases they pick berries themselves. And kindergartens and hospitals purchase berries on markets in Ulaanbaatar.

## **3.6 The Market for Medical plants and Natural Vegetables**

### **3.6.1 Situation in Bayanhongor aimag**

Bayanhongor aimag residents preserve tsulihir, taana, homuul only for their own home consumption. Mrs. E. from Jinst soums made 25 bottles of preserved homull and reached good sales in 2005. But only a few people from the soum and aimag center bought them as the majority of herders and soum residents pick homuul and preserve it themselves. A plant seed tsulihir is used for preparing tea. Tea made of tsulihir is very tasty. Unfortunately the tsulihir plant is quite rare as it grows only once in two years.

### **3.6.2 Uvurhangai aimag**

Residents of govi soum collect homuul for their consumption as well for the sale. They tested to preserve and pack homuul in 500-1000 grams in bottles and plastic bags. The price of one bottle was 600-800 MNT. Residents of Hujirt soum collect wild onions and mangir for their household consumption.

### **3.6.3 Selenge aimag**

In Selenge aimag 1 to of fruits and berries is picked up and consumed, 0.5 to of wild onions, mangir and juutsai, and 0.2 to of mushrooms.

The residents of Mandal soum have a good tradition to preserve vegetables and to make salads. They learnt the technology from the Russians and the Chinese that lived in the soum in the beginning of the 20<sup>th</sup> century.

### **3.7. The Market of Canned and Preserved Vegetables**

Mongolia imports 2800 tons of preserved cucumbers and salads from Poland, Vietnam, China and Russia in average in a year. There are several companies engaged in preservation of vegetables, but the best sellers are the products of “Gazar shim” Co., Ltd and “Zaya” Co., Ltd.

#### **3.7.1 The market in Bayanhongor aimag**

There are only few people in BH aimag that preserve vegetables. From the other hand the consumption of such products is very low. The residents of BH aimag purchase 2-3 bottles of preserved vegetables during national holidays or family celebrations. The customers prefer to buy imported products as they are not satisfied with the quality of domestic products. The reason is that the price of such products is comparatively high.

About 10 per cent of interviewees of BH aimag purchase few bottles of preserved vegetables from local producers.

When the customers were asked whether you will buy preserved vegetables made by herders group, they answered they will buy and taste but if the taste is not good they will not buy more. Most of herders of BH aimag are not used to plant and grow vegetables.

#### **3.7.2 Market in UH aimag**

Customers of UH aimag consume preserved vegetables in small quantities. Most of interviewees consume about 1-3 bottles of preserved vegetables in a month. The best consumers purchase about 180 bottles of preserved vegetables in a year. However, most of customers do not consume this product in accordance with their demand as most of them are low income people.

60 per cent of customers answered that they will buy preserved vegetables made by herders groups locally. During last two years residents of Togrog soum preserve vegetables that they grow.

Most of the customers answered that imported preserved vegetables, especially Polish have better taste than locally produced ones.

#### **3.7.3. Market of Preserved Cucumber and Salads from Selenge Aimag**

The residents of the soums which were covered by this research are used to preserve cucumbers and tomatoes from their own cultivation for their own consumption. Restaurants and canteens purchase imported cucumbers and salads. The reason why those outlets prefer to purchase imported products are:

1. Domestic products are not tasty.
2. The packaging is bad.
3. In some cases the technological requirements are not met.

About 90 % of the residents of Mandal, Bayangol and Javhlant soum consume their own preserved products. 60 % of the customers of Darhan city purchase preserved vegetables on the aimag market, 25.8 % get it from relatives and 14.2 % preserve vegetables themselves in autumn when vegetables are cheap on the market.

### **3.8 Market for Felt and Felt Products**

Felt, hand made carpets, felt boots and socks are traditional products that Mongolian used to produce for many years. From 2000 a new production of goods made of felt spread in Mongolia very fast and many projects like Norwegian Lutheran Mission, Poverty reduction Project of KAS supported the expansion of the production. SGMP supports the business as well and supported herders groups with skill trainings and equipment.

#### **3.8.1 Market in BH aimag**

The cooperative “Hongoryn sor” from Bayanhongor aimag center is engaged in felt production and sells its products to the aimag administration offices like the governor’s and the health protection offices. The customers in the aimag center would buy more felt slippers if the cooperative could improve the quality. In 2004 the cooperative did a sale of 1.0 million MNT.

65.8 % of the interviewed persons think that the processing of wool should be improved and 34.2 % is satisfied with the quality of felt products.

Besides herders herder groups of Bogd and Jinst soum make felt socks and slippers for their own demand. As a tourists’ camp of Mongolian Research Institute is based in Bogd soum, some of the products are sold to the tourists. But the sale is very limited as the quality of the products is not satisfactory, design is not good and contain a lot of hair. Therefore the market demand is very limited in the soums.

#### **3.8.2 Market in UH aimag.**

The felt production in UH aimag is the same with BH market. The herders of UH aimag produced comparatively large amount of felt of 26.8 thousand meters. However, the fact that herders prefer to sell raw wool as the price of one meter of felt is increased by 100 MNT negatively influenced on felt and felt production. About 1-2 groups in each 3 target soums are engaged in production of such felt products like boots, hats, jackets and slippers, which are sold to tourist, but the volume of sale is very small.

#### **3.8.3 Market in Selenge аймаг**

The residents and herders of Mandal, Bayangol and Javhlant produce felt goods for their own consumption. The main buyers of felt slippers, socks and other products are in Ulaanbaatar, Darhan and Erdenet. The main advantage of Selenge aimag is that herders can produce best quality products as they breed sheep with fine wool of good quality. The customers of UB recognize that the slippers made of felt are warm, ecologically clean and good for health.



65.8 per cent of persons interviewed answered that processing of wool should be better, for instance take off all hair and make felt soft and make slippers with rubber sole. 34.2 per cent are satisfied with the quality of current product.

### **3.9 The Market of Wooden and Skin Products**

The aimags and soums covered by this research do not have unified producers of wooden or skin items although people living in the Govi soums have a demand for such products. Herders of Hangai soums who are located next to forests and water resources with a sufficient number of cattle are engaged in the production of wooden and hide items. But as their production capacity is very limited they can supply only very small quantities to the neighboring soums.

There is an informal marketing channel that supplies customers in the Govi soums with such items through border trade or by ordering items at artisans in Ulaanbaatar and other aimags. Nowadays, herder groups from the above mentioned aimags do not have the necessary resources to develop such a business.

**CHAPTER FOUR: CONCLUSIONS AND RECOMMENDATIONS:**

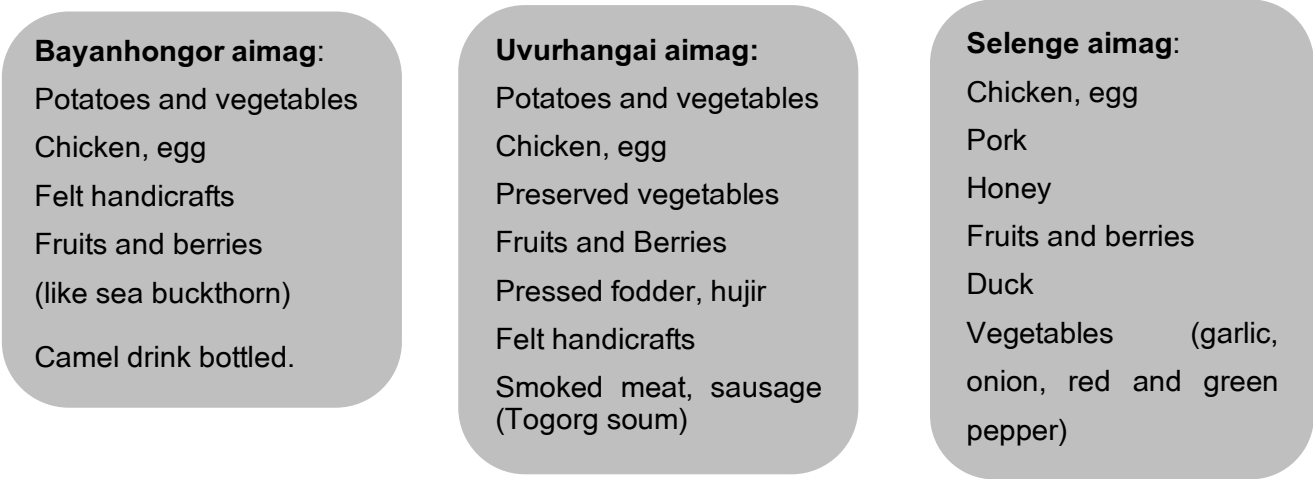
**Conclusion 1. On possibilities to produce non-traditional rural products.**

Traditional animal husbandry is a very time consuming job. That is why it is very difficult to introduce a new job. Therefore, herders can start the production of non-traditional products through a formal or informal group or a cooperative.

Based on the results of this research, we have identified non traditional and innovative products for pilot aimags as follows:

**1.1 Non traditional products**

The products that the herders group of the particular soum and aimag can produce locally but were not introduced earlier are recognised as non-traditional rural products. Products like felt handicrafts, pork, chicken, eggs, honey, canned or preserved vegetables and fruits are recognized as non-traditional products for the target soums in the pilot aimags. The picture below shows non-traditional products by the pilot aimags:



Picture 4.1 Non-traditional products of pilot aimags

**1.2 Innovative products**

The innovative products are defined as products which are derived from traditional products of particular soum by either improving their taste, form and/or quality or reproducing them by new advanced technology. Innovate products for each pilot aimag in the picture below:



Picture 4.2 Innovative products of the pilot aimags.

**1.3 Brand products** – products that are well recognized by customers and have good image and stable sale in the market. Brand products for each soum are identified as follows:

Bayanhongor aimag:	Bogd soum – brown aaruul Jinst soum- brown aaruul, camel milk and hoormog Erdenetsogt soum – butter
Uvurhangai aimag:	Sant soum – brown goat aaruul Togrog soum – one extra vertebrated sheep Hujirt soum – decorated ger wood
Selenge aimag:	Mandal soum- cabbage Javhlant soum – carrots Bayangol soum – not identified

**Recommendation 1.1. Improvement of the technological and business skill of herders.**

Although the herder groups are interested to introduce the production of non-traditional and innovative products they are lack of organizational capacity, understanding on technological requirements, business efficiency and market trend analysis. Therefore, continuous training, consultation as well as information are required.

List of trainings and necessary activities that would create awareness on new businesses:

- 1.1.1 To improve the responsibility of CDAs and leaders of herders group giving clear TOR.
- 1.1.2 Provide CDAs with handouts and brochures on new products, make them available for interested herders.

- 1.1.3 CDAs should collect business ideas from herders and herders group and support those that are identified as potential by the research by providing consultation on business efficiency and business plan development. This is rather in-service consultation than classroom training. Cooperative trainers can be mobilized for the job.
- 1.1.4 Conduct technological and skill training to herder groups on products that are identified as promising. For instance, conduct a skill training how to produce ash-bricks and construction materials for herders group in Togrog soum Ovorhangai aimag and Jinst soum Bayanhongor aimag.
- 1.1.5 Organise demonstration trainings at groups that produce best selling products.

### **Recommendation 1.2.**

There is a market demand for the products that are identified and introduced in Annex 6.

## **Conclusion 2. On market demand of non traditional and innovative rural products**

- 2.1 Majority of Mongolian population prefers to buy imported products than locally produced traditional and non-traditional products, especially pasteurized milk, butter, cheese, preserved and canned vegetables, fruits and berries, mushroom, egg, chicken and pork. The main reasons are:
  - Poor quality and processing;
  - High price;
  - Poor taste, outer appearance and packaging of local products.
  - Those products are not produced or produced in very limited quantity in Mongolia.

For example, a large %age of consumer goods is imported. 18 % of the potatoes and vegetables, 17.2 % of milk and dairy products and 90 % of canned and preserved food is imported. The consumption demand for pork, chicken, fruits, fish and mushrooms is almost purely met by imports.

- 2.2 Never the less the demand for local products is comparatively increasing as customers start to recognize local products as pure natural or ecological products.
- 2.3 The demand for non-traditional and innovative products is high in Selenge, Darhan and Ulaanbaatar, while the demand for these products is very low in BH and UV. Customers of Ulaanbaatar, Darhan and Selenge prefer to buy low fat, sugar free products, which is an international trend in change of customers demand.
- 2.4 Most of the consumers of rural products in Darhan, Ulaanbaatar and Selenge aimag are ready to pay more for value added products, but the consumers of BH and UH aimags are not willing to pay more for such products. Besides, the fact that the buying power of a majority of customers is very low had a negative impact on market demand and future growth of the production.

### **Recommendation 2.1. Cooperation with Government is required.**

SGMP should introduce the results of the research to the Government and its respected organizations in order to get a government support on promotion of local production.

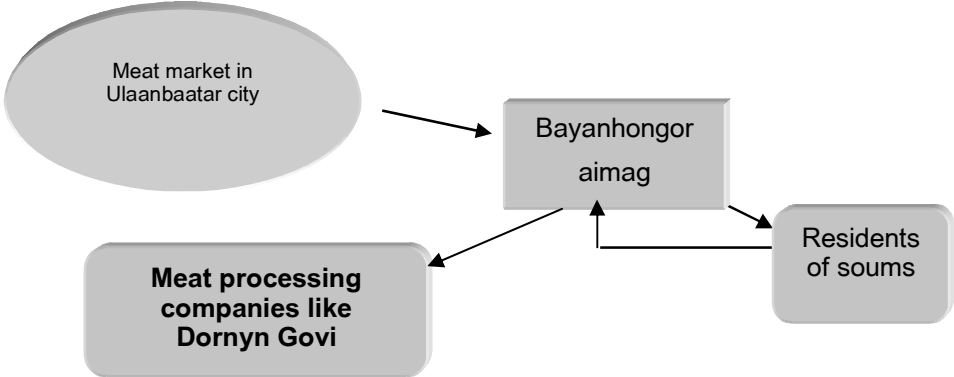
### **Recommendation 2.2 Intensive promotion and advertisement is required.**

A lot of promotion and advertisement should be done in local and urban places, in order to improve the marketing of traditional and non-traditional products as well. The research team proposes the following activities that can be implemented by the project and became a marketing pilot case:

- 2.2.1 The project should pay attention to familiarize producers with needs and wishes of urban and local consumers, discovered during the survey. For example, CDAs can introduce the results of changes in the customers demand to herders especially main producers, housewives.
- 2.2.2 TOR of CDAs should include a point to organize, once a year in cooperation with local governments, special “trading day” to promote non-traditional and innovative products In future herders group should pick up the role of CDAs.
- 2.2.3 Introduce and advocate “One soum – one product” fair’s experience of Bayankhongor Aimag to other aimags and soums. Encourage the best selling products of groups and individuals with awards of the herders group or soum.
- 2.2.4 The project should support activities of developing, printing and distributing promotional materials reflecting advantages of non-traditional and innovative products such as its benefits and nutritional value, technology advance, etc to consumers.
- 2.2.5 Develop, print and distribute instructions, recipes and handouts on how to prepare and consume non-traditional and innovative products in local communities. For example, how to make jams, drinks and juices from pumpkins, which have recently been grown and had good yield.
- 2.2.6 The quality of some products and goods such as bridle, halter, hide rope and skin containers are deteriorating because of poor skin and hide processing. Therefore, the day “Let learn from elders” on the best methods and technologies can be organized in the soums and bags on the occasion of elders’ day, October 1<sup>st</sup>.
- 2.2.7 The CDAs should promote non-traditional and innovative products produced in their own soum on mass media or otherwise once a month.

**3. Conclusions on Marketing and supply channels for rural products**

- 3.1 Herders fully sell all their products through marketing, granting or barter trade; but the marketing channel is not supported by any regulation.
- 3.2 The existing marketing and supply channel which consists of producers – traders – processing factories/wholesalers - retailers – customers is limiting the possibilities of the producers to increase the prices of the products on the one hand and it also makes the products too expensive for the customers on the other hand.
- 3.3 The specific inter-aimag, inter soum marketing channels for different products are already established. For instance, residents of Bogd soum purchase potatoes and vegetables grown by herders groups of Jinst soum Bayanhongor aimag, residents of gobi soums of Bayanhongor and Uvurhangai aimags purchase dairy and leathers products and animal fodder from hangai soums, Arhangai and Huvsgul aimags sell dairy products in Selenge aimag. This marketing structure is built by real market need and it is expected that the structure will become more strong in future.
- 3.4 Herders do not utilize the possibility to sell their products on the market either together, through their cooperatives or through herder groups because the volume of their business is very small and they do not trust each other. The rights and responsibilities of herders organized in groups are not clear.
- 3.5 Herders do not have an understanding or knowledge about marketing. For example, most of the herders are interested in selling their products in Ulaanbaatar or, at least, on the aimag market, although there is also a demand for these products in their soum centers. See the picture 4.3.



Picture 4.3 Meat marketing channel in Bayanhongor aimag

Explanation: Herders in the soums sell their animals to meat processing companies or sales persons at aimag market with wholesale price, while of residents of the soum purchase meat with retail price from aimag and Ulaanbaatar meat markets. It doubles their expenses and plus, the customers pay the transportation cost.

3.6 The existing marketing channel does not support promotion price system for the quality. Therefore herders are not interested in improving the quality of their products through primary processing and classification.

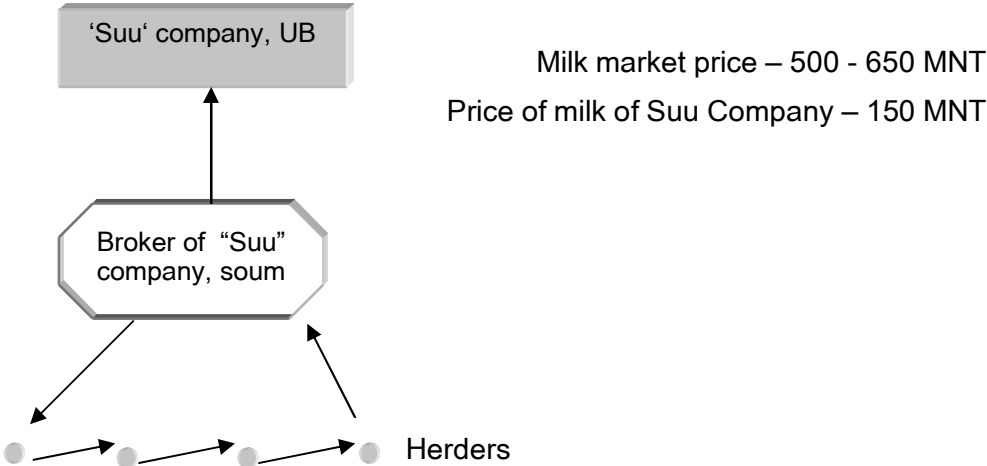
3.7 46.5 % of the customers want to have “Special shops of the soum” in the central market places.

3.8 Producers sell their products at the worst selling season as there are no processing factories and warehouses to keep stocks in the target aimags and soums.

**Recommendation on improvement of supply and marketing channels:**

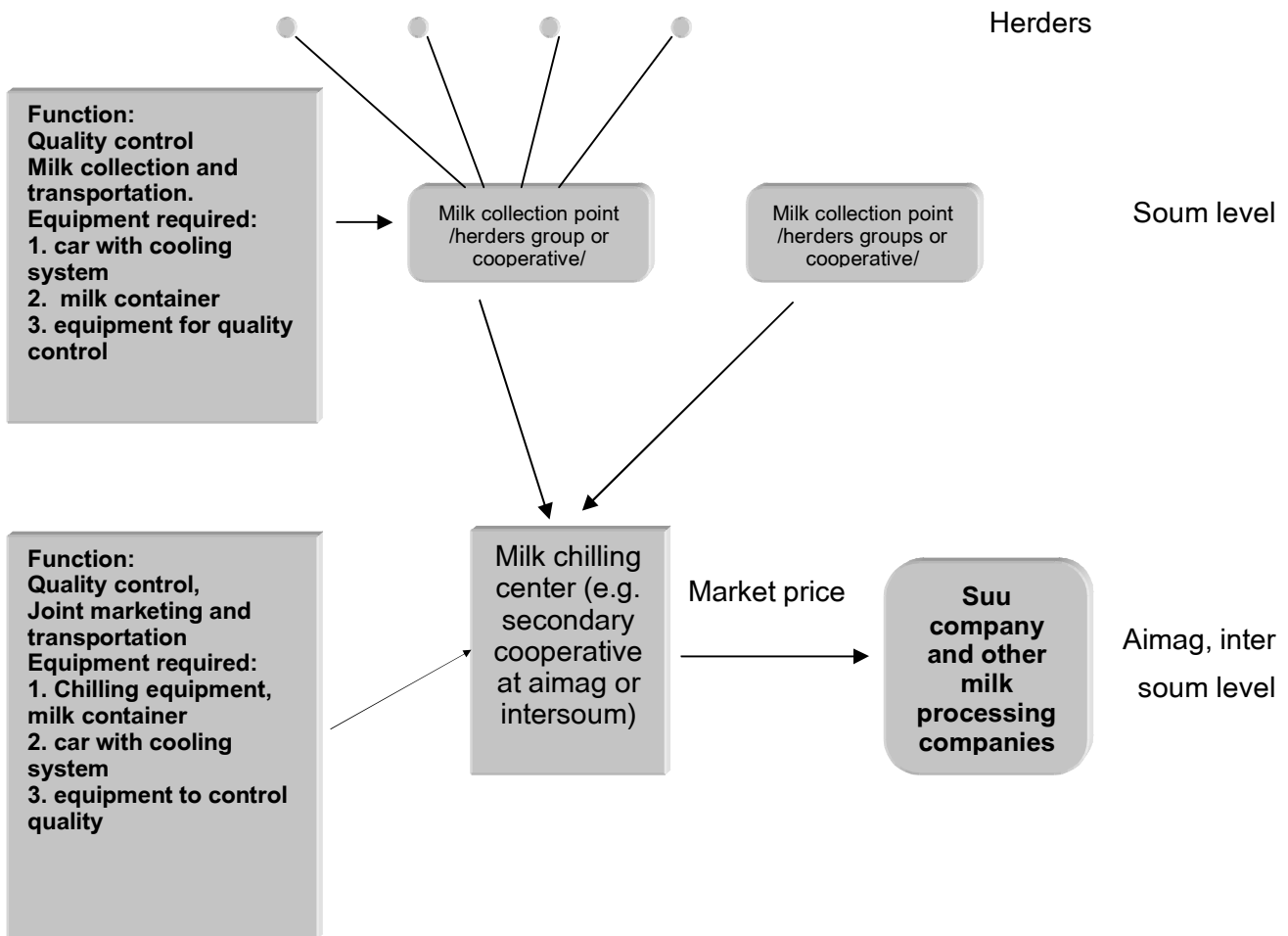
3.1 Organise marketing and supply through herders groups or cooperatives, support herders group to transform to cooperative. Then the roles and responsibilities of every member become clear, motivation and discipline within the group will increase.

The picture below introduces the existing milk marketing channel in Mandal soum Selenge aimag.



Picture 4.4 Milk marketing channel in Mandal soum Selenge aimag – 2004

The picture below shows an alternative marketing channel that would be beneficial for herders.



Picture 4.5. Recommended structure of milk marketing

In the case of recommended structure the herders will be able to fix the price of milk close to the market price. Although the structure is shown based on milk case, the marketing of all products that produced by herders including cashmere, meat, wool, hides and skin can be introduced with the same structure.

3.2 At aimag level the herders groups together with cooperatives can build a joint business unit in order to increase their bargaining power and business volume and decrease the cost per unit product. The unit can do joint marketing, supply, transportation, storage, processing and packaging and as well as run a shop of local products – specialised shop as customers want. The joint business unit can and should be in form of secondary cooperative. Therefore training on secondary cooperative should be conducted for leaders of herders groups and chairpersons of cooperatives.

3.3 The possible volume of each product should be estimated by every herder group. Then the CDAs can support herder groups to establish a supply contract with kindergartens, schools, and hospitals in the soums. For example, organise meetings with treasures of the organisations.



3.4 Advise herders groups and members to have devirification and specialization that every herder group produces the goods that it can do the best.

3.5 CDAs should provide legal advises and training on forms of cooperation. In order to provide such consultation CDAs need more training handouts and materials.

3.6 The project can support the building of joint store and ware houses for potatoes and vegetables by consulting the herders groups on business plan development and helping them to get access to available credit lines from different projects that are in existence in the soums.

3.7 CDAs and the project should cooperate with other project like Sustainable livelihood, World bank sharing the experience. The projects can jointly develop necessary marketing materials and booklets on DVD and/or CD.

#### **Conclusion 4. On the issues of improving agricultural products' quality**

Major factor, which influences on consumers' purchase is the product quality, livestock and herders hygienic issues. 50-79% of those involved in the survey considered enhancing product hygiene and quality as the most serious issue to resolve.

#### **Recommendation 4.1. Improvement of products quality**

4.1.1 The most urgent and crucial issue is the improvement of vet services. Vet doctors should be promoted through business training for veterinary doctors, and official contract with herders groups on services.

4.1.2 Establish funds devoted for purchase of good quality vaccines and other medicines required to sanitize livestock. There are 2 methods to establish the fund:

- a. To allocate certain percentage of mutual funds for veterinary services for the members,
- b. To fix a fee for group and non-group herders in order to build the fund. The fees can be collected during cashmere and meat sell period. The fund will be administered by herders groups and used only for vet services for those who paid the fees.

4.1.3 To give advice on establishment and operation of a slaughterhouse at centralized and local markets, assist in preparing a business plan and implementing it in cooperation with local governments.

4.1.4 To cooperate with local governments and agricultural authority to establish a fixed and movable laboratories to make hygienic certification of agricultural products.

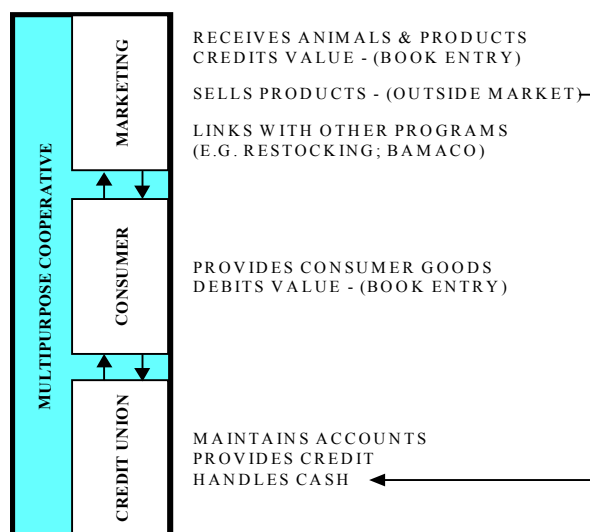
- 4.1.5 To fix the price of the products which fully meet hygienic requirements 10% higher. To do so, it is needed to open up and operate specialized “brand store” at centralized markets, in the first order at aimag center.
- 5. To spread initiatives to pack and label products produced by herders, and to cooperate with local government agents.

**Conclusion 5: On the issues of financial needs**

Although some herders involved in the survey produce within households or have an interest in producing non-traditional products, they lack financial and technical reserves. Herder groups lack financial resources to produce and improve non-traditional products, and loan terms issued by commercial banks do not suit herders’ group production cycle.

**Recommendation 5.1. Access to financial services**

5.1.1 The survey showed that some members of group have excess money but cannot circulate it, and others lack financial resources to organize production. Therefore, the project can spread the awareness on the idea that using these resources, groups may have an opportunity to establish a multi-purpose cooperative and carry out savings and credit activities. A multi-purpose cooperative will be responsible for marketing of products produced by herders. The members should save a certain portion of cash from product sales at their own cooperative. The other activity of the cooperative is supply members with consumer goods. Some members can buy goods on credit. A savings and credit unit is responsible for keeping records of savings and credit transactions and managing cash flow as well as carrying out lending activities according to members’ needs. The terms and conditions of savings and loans will be determined by the members.



Picture 4.6 Structure of the multipurpose cooperative

- 5.1.2 Organize training on savings and credit activities for the groups.
- 5.1.3 The groups lack of equipments and have very limited access to leasing services. For example, herders group of Jinst soum in Bayankhongor aimag and Sant soum in Uvorkhangai aimag need bakery equipments and wool combing machine. Therefore the project should support groups in having acces to the services in cooperation with other projects.
- 5.1.4 The project can support the initiative to build vegetable storehouses at Bayangol and Mandal soums of Selenge aimag, Hujirt and Togrog of Uvorkhangai aimag, as well as Bayankhongor soum of Bayankhongor aimag. To do so: 1) organize training on building a storehouse and provide with manuals; 2) assist in developing a business plan; 3) assist groups to get loans from financial institution and other projects.
- 5.1.5 The project should support herders' groups of Mandal soum, Selenge aimag, in building a milk chilling.

**THE MAIN CONTENT OF THE QUESTIONNAIRE:****1. Questionnaire for end customers:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, number of members of the household, average monthly income of interviewee and list of non-traditional products consumed in his/her household.
2. Demand for non-traditional rural products: monthly, quarterly and yearly demand for non-traditional products in quantity and MNT, what are his/her requirements on quality, price, packaging and sanitation of non-traditional products, the places where he/she purchases them, proposals how to improve them.

**2. Questionnaire for retailers:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, type of business, average monthly turnover in quantity and MNT, and list of non-traditional products that he/she sells.
2. Demand for non-traditional rural products: years engaged in trading business, main competitors, main customers, market share, supply channel, monthly, quarterly and yearly sales volume of non-traditional products in quantity and MNT, seasonal fluctuation of sales, what are customers' requirements on quality, price, packaging and sanitation of non-traditional products, proposals how to improve them.

**3. Questionnaire for wholesalers:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, type of business, average monthly turnover in quantity and MNT, and list of non-traditional products that he/she sells.
2. Demand for non-traditional rural products: years engaged in trading business, main competitors, main customers, market share, supply channel, monthly, quarterly and yearly sales volume of non-traditional products in quantity and MNT, seasonal fluctuation of sales, promotion and bonuses for customers, what are customers' requirements on quality, price, packaging and sanitation of non-traditional products, proposals how to improve them.

**4. Questionnaire for exporters/ importers:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, type of business, average monthly turnover in quantity and MNT, and list of non-traditional products that he/she sells.
2. Demand for non-traditional rural products: years engaged in trading business, main competitors, main customers, market share, supply channel, monthly, quarterly and

yearly sales volume of non-traditional products in quantity and MNT, seasonal fluctuation of sales, promotion and bonuses for customers, what are customers' requirements on quality, price, packaging and sanitation of non-traditional products, proposals how to improve them.

#### **5. Questionnaire for processors of raw materials:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, type of business, average monthly turnover in quantity and MNT, and list of non-traditional products that he/she sells.
2. Demand for non-traditional rural products: years engaged in trading business, main competitors, main customers, market share, supply channel, monthly, quarterly and yearly sales volume of non-traditional products in quantity and MNT, seasonal fluctuation of sales, promotion and bonuses for customers, what are customers' requirements on quality, price, packaging and sanitation of non-traditional products, main problems and proposals to improve them.

#### **6. Questionnaire for service providers:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee, type of business, average monthly turnover in quantity and MNT, and list of non-traditional products that he/she sells or purchases.
2. Demand for non-traditional rural products: years engaged in trading business, main competitors, main customers, market share, supply channel, monthly, quarterly and yearly sales volume of non-traditional products in quantity and MNT, seasonal fluctuation of sales, promotion and bonuses for customers, best selling products, what are customers' requirements on quality, price, packaging and sanitation of non-traditional products, main problems and proposals to improve them.

#### **7. Questionnaire for aimag and soum governors:**

1. General information: name of aimag, soum and bag, name, profession, occupation, education, age and sex of interviewee.
2. Demand for non-traditional rural products: support for the increase in herder incomes on aimag and soum governors' platforms, actions to support the market development, financial support for herders, real demand and need for non-traditional products in the aimag and soums.

#### **8. Questionnaire for officers of banks and NBFIs:**

1. General information: name of aimag, soum and bag, profession, occupation, education, age and sex of interviewee.
2. Access to loans: years of existence in the soum, types of loans, criteria for loans, conditions of loans, share of herder and small business loans.

## LIST OF PEOPLE ATTENDED THE TRAINING ON MARKET RESEARCH SKILL

List of participants of the trainings in BH aimag

Soum name	Participants	
Bogd soum	<ol style="list-style-type: none"> <li>1. Naran-member of Hamtyn huch herder group</li> <li>2. Enkhbaatar-member of Bugiin Gezeg herder group</li> <li>3. Tomorbat-members of Shine Bogd herder group</li> <li>4. Batsaihan – member of Bugiin gezeg herder group</li> <li>5. Jargal-member of Bugiin gezeg herder group</li> <li>6. Enhjargal –member of Orog nuur herder group</li> <li>7. Bujin - herder</li> <li>8. Enkhtsetseg -herder</li> </ol>	<ol style="list-style-type: none"> <li>9. Nyamjargal – herder</li> <li>10. Dulamjav - herder</li> <li>11. Handmaa-member of Shine bogd herder group</li> <li>12. Tsemuunmaa- member of Orog nuur herder group</li> <li>13. Amarjargal-member of Hamtyn huch herder group</li> <li>14. Dulamjav - entrepreneur</li> <li>15. Dulamdorj- the soum deputy governor</li> <li>16. Batsuuri-CDA</li> <li>17. Gandold –a staff of Sustainable Livelihood Project</li> </ol>
Jinst soum	<ol style="list-style-type: none"> <li>1. Dolgormaa – member of Bodi herder group</li> <li>2. Tungaa-member of Devshil herder group</li> <li>3. Batsuren - member of Devshil herder group</li> <li>4. Battsetseg – member of Orgil herder group</li> <li>5. Monhjargal- herder</li> <li>6. Ravjih – member of Ravjih herder group</li> <li>7. Janchiv – member of Janchiv-Sharhad herder group</li> <li>8. Bazarsadi – a member of Sharhad herder group</li> <li>9. Dembee – herder</li> <li>10. Galbayar – a herder</li> </ol>	<ol style="list-style-type: none"> <li>11. Boldbaatar – a member of Devshil herder group</li> <li>12. Ganbayar – a member of Orgil herder group</li> <li>13. Chuluuntsetseg – a member of Bodi herder group</li> <li>14. Ganchimeg – a member of Devshil herder group</li> <li>15. Oyuntsetseg – a member of Sharhad herder group</li> <li>16. Mongontsetseg – a member of Sharhad herder group</li> <li>17. Dolgordulam – a member of Devshil herder group</li> <li>18. Banzragch- a member of Orgil herder group</li> <li>19. Gerelmaa - a herder</li> </ol>
Erdenetsogt soum	<ol style="list-style-type: none"> <li>1. B.Chimedmaa – a member of Nuramt herder group</li> <li>2. Jujgaa – a member of Nuramt herder group</li> <li>3. H.Monhsaihan - a member of Nuramt herder group</li> <li>4. P.Togooch – a member of Nuramt herder group</li> <li>5. P.Yanjin – a member of Saya sureg herder group</li> <li>6. G.Tsedevbalam – a member of Ulziit herder group</li> <li>7. S.Erdene-Ochir – a member of Zurhairhan herder group</li> <li>8. R.Dashdava – a herder</li> <li>9. N. Enhbaatar – a herder</li> <li>10. S.Lhagva – agricultural specialist</li> <li>11. S.Erdenechineg - a herder</li> </ol>	<ol style="list-style-type: none"> <li>12. B.Tungalag – a herder</li> <li>13. Ts. Dorjbat - a member of Shinehoroot herder group</li> <li>14. G.Dolgorsuren – a member of Oziit herder group</li> <li>15. S.Ser-od – a herder</li> <li>16. H.Lhagvajav – a herder</li> <li>17. V.Olziibat – a herder</li> <li>18. H.Sampildendev – a herder</li> <li>19. L.Doljinsuren - CDA</li> <li>20. D.Tsevegдорж - CDA</li> <li>21. L.Pagjaanbuu – a member of Saya sureg herder group</li> <li>22. H.Begz- a herder</li> <li>23. N.Enhtuvshin – environment inspector</li> <li>24. Batsuh – a herder</li> <li>25. Ochir - a herder</li> <li>26. Ganzorig – a herder</li> </ol>

List of participants of the trainings in UH aimag

Soum name	Participants	
<b>Togrog soum</b>	1. H.Lhagvaa – a herder (Leader of the group) 2. D.Doljidsuren – a herder 3. D.Batdorj - a herder 4. Ch. Otgontsetseg – a herder 5. D.Batsuren – a herder (Leader of the group) 6. Ch.Pagamsuren – a herder 7. S.Altansukh – a herder 8. S.Choidog – a herder 9. B.Shiirev-Arildii - a herder 10. A.Dulansuren – a herder 11. Ts. Dorjeveg – a herder 12. P.Nangildulam –a herder 13. D.Chuluunbat – a herder (Leader of the group) 14. S.Altantsetseg – a herder (Leader of the group)	15. S.Suhbaatar – a herder 16. Ts. Monhbayar – a herder 17. D.Altangerel – a herder 18. D.Erdenetsetseg –a herder 19. Ya. Dugerjamaa – a herder 20. A.Bat uul – a herder 21. D.Enhbaatar – a herder 22. D.Tsetsgee –a herder 23. S.Erdenetogtoh – a herder 24. D.Lhagvasuren – a herder 25. D.Munhtogtoh – a herder (Leader of the group) 26. D.Yanjindulam – a herder 27. D.Sandagdorj – a herder 28. Ouyungerel - CDA 29. Batbayar - CDA
<b>Sant soum</b>	1. D.Togtoh – a herder (Leader of the group) 2. M.Monhdalai – a herder 3. G.Gantulga – a herder 4. S.Tsend – a herder 5. B.Enhtuya – a herder (Leader of the group) 6. J.Sumiya – a herder 7. Ch. Hatanbaatar – a herder 8. D.Nyamsuren – a herder 9. N.Puntsag – a herder (Leader of the group) 10. Ch. Tserenbandi – Agricultural specialist	11. V. Buyntogtoh – Chairman of the municipality 12. Ch.Dolgorsuren - entrepreneur 13. T.Oidov – Soum vice governor 14. U.Monhtogtoh – a herder 15. Ch. Tsogzolmaa – a herder 16. P.Duvjir – a herder 17. P.Anhbold – a herder 18. D.Adiya – a herder 19. M.Erdenetsetseg – a herder 20. Pagamjav - CDA 21. Saranchimeg -CDA
<b>Hujirt soum</b>	1. S.Battsengel – a herder (Leader of the group) 2. J.Batbayar– a herder 3. Ts. Zundui – a herder 4. D.Batbold – a herder (Leader of the group) 5. L.Ouyntsetseg- a herder 6. Yu. Oroolonbuu – a herder 7. P.Baldandorj – a herder (Leader of the group) 8. U.Batbaatar – a herder 9. J.Purevdagva – a herder 10. B.Seded – a herder 11. B. Lhagvadulam – a herder 11. A.Tuya – a herder	13. D.Purevdorj – a herder (Leader of the group) 14. L.Urjinlham – a herder 15. B.Tsrenlham - a herder 16. D.Erdenebaatar – a herder 17. D.Nergui – a herder (Leader of the group) 18. S.Rentsendondiv – a herder 19. D.Bathuyag – a herder 20. D.Javzandulam – a herder 21. P.Gereldari – a herder 22. D.Dashzeveg – a herder 23. B.Dolgor – a herder 24. N.Tserensonom – CDA 25. N.Narantuya - CDA

List of participants of the trainings in Selenge aimag:

Soum		Participants	Sex	Occupation
	1.	Ts. Erdene	F	Herder

Javhlant suum	2.	K.Jazira	F	Herder
	3.	N. Tseveendorj	M	Herder
	4.	G.Baasanhuu	M	Herder
	5.	Bat-Olzii	M	Herder
	6.	Serchmaa	F	Herder
	7.	Bat orshih	M	Herder
	8.	Batnasan	M	Herder
	9.	Tseveendulam	F	Herder
	10.	Enhtor	M	Herder
	11.	Tsendhuu	F	Herder
	12.	S.Erdenedalai	M	Herder
	13.	S. Altangerel	M	Herder
	14.	Z. Batzorig	M	Herder
	15.	Avgalii	M	Herder
	16.	E. Baurjyan	M	Herder
	17.	J. Altanzul	F	Herder
	18.	H. Telekei	M	Herder
	19.	D. Damsguli	M	Herder
	20.	H. Augali	M	Herder
	21.	M. Avdugani	M	Herder
	22.	S. Manet	M	Herder
	23.	Chapi	M	Herder
	24.	B. Amangelid	M	Herder
	25.	H. Janchiv	M	Herder
	26.	D. Batsaikhan	M	Herder
	Mandal	27.	Tuya	F
28.		Molom	M	Herder
29.		Chojjilsuren	M	Herder
30.		Narmandah	M	Herder
31.		Lhamsuren	M	Herder
32.		Tserenbaljir	M	Herder
33.		Tuya	F	Entrepreneur
34.		Ulzii	M	Herder
35.		Ariunbold	M	Herder
36.		Derem	M	Herder
37.		Ganbold	M	Herder
38.		Gunsen	M	Herder
39.		Baigalmaa	F	Herder



soum	40.	Chinbat	M	Herder
	41.	Bolormaa	M	Herder
	42.	Jukovbat	M	Entrepreneur
	43.	Anigaan	M	Herder
	44.	Tsogsuren	M	Herder
	45.	Enhtsetseg	Эм	Herder
	46.	Mongonhuleg	M	CDA
Bayangol soum	47.	Erdenebolor	M	Herder
	48.	Puntsagnorov	M	Herder
	49.	Dorjsuren	M	Herder
	50.	Jiguusen	эм	Herder
	51.	Sainnyam	M	Herder
	52.	Otgoo	M	Herder
	53.	Batsuuri	M	Herder
	54.	Altai	M	Herder
	55.	Tsedenbal	M	Herder
	56.	Davaasuren	M	Herder
	57.	Bold	M	Herder
	58.	L. Ganbold	M	Herder
	59.	A. Ganbold	M	Herder
	60.	Bataa	M	Herder
	61.	Nyamsuren	M	Herder
	62.	Togmid	M	Herder
	63.	Bathuu	M	Herder
	64.	Baasanjav	M	Herder
	65.	Otgonbayar	M	Herder
	66.	Badrah	M	Herder
	67.	Naranchimeg	F	Herder
	68.	Delgertsetseg	F	Herder
	69.	Batbold	M	Herder
	70.	Otgonjargal	M	Herder
	71.	Narangerel	F	Herder
	72.	Shagdar	M	Herder
	73.	Altanchimeg	F	Herder
	74.	Chultemjamts	M	Herder
	75.	N.Enhbayar	M	Herder
	76.	D.Davaasuren	M	Herder
	77.	Ch. Baasanjav	M	Herder

	78.	Ichinnorov	F	The bag governor
	79.	Gansolongo	F	Herder
	80.	Narantuya	F	Herder
	81.	Tserendolgor	F	Herder
	82.	Yanjmaa	F	Herder
	83.	Byambajav	M	Herder
	84.	Batjargal	M	Herder
	85.	Olziimaa	F	Herder
	86.	Dolgorsuren	F	Herder
	87.	Otgonchimeg	F	Herder
	88.	Altantuya	F	Herder
	89.	Batnyam	M	Herder
	90.	Serchmaa	F	Herder
	91.	Altanchimeg	F	Herder

## TRAINING HANDOUTS

### WHAT IS A BUSINESS?

Within legal framework

- the process of earning income by
- Providing services

### What is a herder household's business?

<b>Animal husbandry</b> <ul style="list-style-type: none"> <li>• Pasture</li> <li>• Water sources</li> <li>• Fences</li> <li>• Herder</li> <li>• Cash</li> </ul>	<b>Sale of animal products and raw materials</b> <p>PRICE – EXPENDITURE = ?</p>
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### What are the types of businesses

- Trade
- Services
- Animal husbandry
- Production
- Finance and insurance
- And etc

### The goal of herders business

<b>For animal husbandry</b> <ul style="list-style-type: none"> <li>• Do a good production</li> <li>• Best quality products</li> <li>• Good price</li> <li>• Right marketing place</li> <li>• Right marketing channel</li> </ul>	<b>Inputs for animal husbandry</b> <ul style="list-style-type: none"> <li>• Right inputs</li> <li>• Right raw materials</li> <li>• Chip price</li> </ul>
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### WHO IS A BUSINESSMAN?

Any person who engaged in production, service or trading can be called as a business man.

- *Whether a herder is a businessman?*
- If yes, why?

### HOW TO IMPROVE EFFECIENCY OF THE BUSINESS?

- Quality products
- Meet market demand
- Increase the volume of the production or sale
- Get a proper access to a market
- Purchase of inputs in bulks
- Have a proper business plan discussed with all members

### GOLDEN GOAL OF A BUSINESS

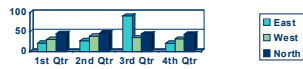
Any business in the market economy should bring a surplus in order to cover expenses and ensure sustainable development in future.

### A BUDGET OF HERDER'S HOUSEHOLD

<ul style="list-style-type: none"> <li>• Projection of household income</li> <li>• Projection of household expenditure</li> <li>• Projection of cash flow</li> </ul>	<p>Any household should do the estimation of revenue and expenditure at the beginning of the year.</p>
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### HERDERS GROUP BUSINESS PLAN DEVELOPMENT

- Estimation of members production
- Estimation of members consumption and demand
- Estimation of members cash flow



### UNDERSTANDING OF A COOPERATIVE

- Individuals form a cooperative
- Members manage a cooperative
- Members control a cooperative
- A cooperative serves its members
- A cooperative is a members oriented entity
- A cooperative is a non profit organization

### WHAT TYPE OF BUSINESS ENTITY IS A HERDERS' GROUP?

A herders' group should decide itself what type of legal entity to choose: NGO, a cooperative or partnership. As a herder is a business man the business that supports it activity should be a business entity.

### STEPS TO FORM A COOPERATIVE

- Form a group of interested people
- Identify the business idea
- Organize a preparation meeting
- Develop a business plan
- Develop a bylaw
- Organize a foundation meeting
- Register a cooperative
- Start a business
- Join a cooperative union

### TYPES OF BUSINESS ENTITIES



### SWOT ANALYSIS

	Positive	Negative
Internal factors	Strengths	Weaknesses
External factors	Opportunities	Threats

### Principles of a cooperative

- Open and voluntary membership
- Democratic control
- Members economic participation
- Autonomy and independence
- Education, information and training
- Cooperation among cooperatives
- Care for society

### ANALYSIS OF A COMPETITOR

- Compare your business with the business of a competitor in regards of
- Market share
  - Quality of products
  - Image
  - Number of customers
  - Location
  - Price
  - Marketing channel
  - Strengths
  - Weaknesses

## WHAT IS A MARKETING?

IT IS A COMPLEX OF ACTIVITIES THAT AN ENTITY OR A PERSON RUNS IN ORDER TO FULFILL THE GOAL THAT HE/SHE SET UP.

## LIFE CYCLE OF A PRODUCT

- *Introduction phase*
- *Development phase*
- *Expansion phase*
- *Deduction phase*

## MARKETING AND SALE

### Sale concept

Based on a approach that you produce first then try to sell using different methods.

### Marketing concepts

Based on an approach when you do a marketing study then produce goods in accordance with market demand.

## MARKETING STRATEGY

- Old product at the old market
- Old product at the new market
- New product at the old market
- New product at the new product
- Improved products at the old market
- How to fight with a competitor – chip cost, best location, specifics of products, good promotion

## MARKETING MIXTURE

- Product - meet market demand
- Price - reasonable and affordable
- Promotion - right introduction
- Distribution - right channels

## PRICING POLICY

The price should be sufficient

- for expansion of business
- For income generation
- For sustainability
- For efficient competition

- Cost+margin = price Principle
- Based on competition
- Create a margin
- Based on demand and supply
- Based on a closed trade

## PRODUCT

- PRODUCT
- SERVICE
- TECHNOLOGY
- CREATIVITY

## MARKET SEGMENTS

Market segmentation is the method to select the target groups based on a location of business and differences of market demand of each target group.

### Principles of identification

- Demographical principles
- Geographical conditions
- Climate conditions
- Cycological principle
- Character of a buyer

## SOURCES OF CAPITAL

**Any business requires a certain amount of investment at an appropriate time in order to fulfill the planned activities.**

*Possibilities to mobilize necessary capital:*

- Mobilize own capital
- Use an external capital (Loans from banks, NBFIs, savings and credit)
- The advantages and disadvantages of two approaches

## Standard consumption of consumers goods /per person per year/

• Meat, meat products	90 kr
• Milk and dairy products	111.6 kr
• Flour products	110.4 kr
• Butter	8.4 kr
• Rice	13.4 kr
• Sweets, sugar	39.6 kr
• Potatoes and vegetables	99.6 kr
• Fruits and berries	10.8 kr

## BUSINESS IS A COMPETITION In order to fight your competitor you should

**Be different from other**

- You can sell better quality products with the same price with others
- or**
- You can sell the best quality product with higher price.

**Produce a goods with less cost**

- Offer same products with the same price
- or**
- Offer same products with chipper price

## MARKETING STEPS

- Planning stage
  - 1- SWOT analysis
  - 2- Define the objective
  - 3- Estimate income and expenditures
- Implementation stage
- Monitoring and control stage

## Calculation of a standard person coefficient-0.9

• Age of 0-1	0.30	• Mentality Workers	1.0
• Age of 1-3	0.57	• People having easy job	1.03
• Age of 4-7	0.68	• People working with equipment	1.27
• Age of 8-11	0.79	• People having physical hard job	1.48
• Age of 12-14	0.96		
• Age of 15-18	1.10		

## THANKS FOR ATTENTION

**WE WISH A SUCCESS YOUR BUSINESS !**

## OUTLINES OF GROUP DISCUSSIONS CONDUCTED IN THE TARGET SOUMS

### 1. Group discussions in BH aimag

Group discussions were organized in accordance with the guidelines given by the project. The soum government actively attended in the discussions. The discussions were conducted by facilitation of the team members with the aim to collect business ideas from herders based on the assessment of:

- Production capacity
- Availability of raw materials and inputs
- Technological requirements
- Human resource availability
- Market demand

Group discussion in Bogd soum: 17 people attended the discussion, 9 herders, 4 soum center residents, 2 SGMP officers of the soum, 1 well operator and 2 public officials.

The following products were identified as innovative products:

1. Preparation of animal fodder made by using reed near Orog lake
2. Camel milk drink – boz (consumed hot) – packed
3. Felt handicrafts - decorated
4. Combing of camel wool, knitting
5. Production and repair of buriad and leather boots
6. Bakery
7. Souvenirs made of animal bones
8. Processed skins/bags, processed skin for deel
9. Improved goat breeding
10. Potatoes, vegetables, hay and fodder
11. Vegetables tinned,/packed
12. Milk and dairy products, sweet aaruul, jam and drinks made of whey, horhoi aaruul, packed yogurt
13. Fire fuel like argal bound for the delivery to soum centers
14. Goat milk alcohol
15. Vine made of goyo-cynomorium and harmag
16. Wooden ger furniture
17. Establishment of a milk farm
18. Develop elite breeds of animals

The soum has not asked for equipment and technology for vegetable tinning and the packaging of camel milk drinks. Small-scale equipment is required in order to establish a fodder plant in the soum and, in addition, the people should be trained.

Group discussion in Jinst soum:

In total 12 people attended the discussion including 1 non-group herder, 5 herders from groups, 4 soum center residents, 2 soum public officials. The following products were identified as innovative:

1. Animal fodder- goyo, agrophyllum arenarium - plants
2. Vegetable growing
3. Tinned vegetable
4. Food salt
5. Goat aaruul
6. Yogurt
7. Camel airag
8. Goat milk alcohol
9. Camel hoormog
10. Felt boots
11. Camel wool products
12. Leather items like ties, inventories for animal husbandry
13. Ger wood, wooden furniture, souvenirs
14. Clothes, coats, deels, jackets, bags for hoorog, other decorated national costumes
15. Buriad and Mongol boots, socks
16. Bread, cookies
17. Borts
18. Tourist gers

The herders have some experience in growing plants and in producing animal fodder as there was a fodder plant near Orog lake, but the herders would need some additional equipment for fodder processing. Plant resources are available in big quantities.

The consumption of milk is very low because of the small amount of cows and the low yield of milk. The soum has electricity only for 3 hours a day and it is very hot in summer. In order to overcome the problems, the following is required:

1. Chilling equipment
2. Milk and dairy shop
3. Small scale packing equipment

There is no public service center and the herder group Bodi initiated to offer different services. They sew national clothes and make Buriad and Mongol boots. They plan to start the production



of bread and cookies, but they cannot start yet due to the limited electricity supply and the absence of an own office.

#### Group discussion in Erdenetsogt soum:

The following products were identified as innovative:

1. Butter
2. Hides, skins
3. Butter with polygonum alopecuroides (meheer)
4. Cheese
5. Aarts
6. Melted butter

### **2. Group discussions in UH aimag**

The group discussions were conducted in all target soums in order to identify innovative rural products and herders' initiatives. The discussions were organized with the participation of the soum government using the participatory approach. The discussions were held in two stages. At the first stage herders identified a list of products that herder groups could produce in the nearest future in order to increase their income. At the second stage the herders assessed the list of products in terms of:

- Market demand
- Technological requirements
- Investment requirements
- Availability of raw materials
- Production capacity
- Human resource availability
- Local market size

After the assessment the herders ranked the products and selected the top 10. The composition of people attending the group discussions by soums was as follows:

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6. Bakery
7. Souvenirs made of animal bones
8. Processed skins/bags, processed skin for deel
9. Improved goat breeding
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11. Vegetables tinned,/packed
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16. Wooden ger furniture
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18. Develop elite breeds of animals

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3. Tinned vegetable
4. Food salt
5. Goat aaruul
6. Yogurt

7. Camel airag
8. Goat milk alcohol
9. Camel hoormog
10. Felt boots
11. Camel wool products
12. Leather items like ties, inventories for animal husbandry
13. Ger wood, wooden furniture, souvenirs
14. Clothes, coats, deels, jackets, bags for hoorog, other decorated national costumes
15. Buriad and Mongol boots, socks
16. Bread, cookies
17. Borts
18. Tourist gers

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- Investment requirements
- Availability of raw materials
- Production capacity
- Human resource availability
- Local market size

After the assessment the herders ranked the products and selected the top 10. The composition of people attending the group discussions by soums was as follows:

	Total participants	Togrog soum	Sant soum	Hujirt soum
Total herders	16	5	6	5
Of which: herders from groups	11	5	1	5
Residents of soum centers – end customers	11	4	4	3
Representatives of soum municipalities	9	3	2	4
Total	36	12	12	12

Group discussion in Togrog soum: At the first stage the following 24 innovative products were identified and listed:

1. Concentrated fodder “Doloots”
2. Packed camel milk
3. Concentrated fodder
4. Wool combed
5. Felt products /ger felt, felt carpet, blankets and others)
6. Felt boots, saddle /saddle for racing horse/
7. Leather ties made of big animal hide
8. Processed sheep skin /different types of bags/
9. Construction materials like bricks
10. Potatoes, vegetables and hey
11. Tinned vegetables /packed vegetables/
12. Dairy products /ice cream, sweet aaruuls, jam, drinks, horhoi aaruul made of whey, packing of yogurt/
13. Poultry and pig farming
14. Souvenirs /made of wood, felt/

15. Concentrated fire materials
16. Camel and goat milk alcohol
17. Wine made of goyo and harmag
18. Bottle spring /uushig spring/
19. Recreational camp
20. Meat production workshop
21. Veterinary services
22. Animal breeding services
23. Production of drinks made from whey /cleans your body/
24. Milk oriented breed of cows

After the second discussion the following innovative products were left in the list:

Product	Market demand (ranked)	Who can produced and how much	Existence of technology	Required investment	Availability of raw materials	Availability of human resources	Availability of local market
Milk, dairy products like whey, ice cream, packed yogurt/	1	1 group – 4 to	+	- three cows	- 3 cows	+	1tn
Wool, felt products	2	In 3 groups - 10 to	+	+	+	+	yes
Planting and processing of potatoes and vegetables	3	8 groups – 180 to, can process 3 groups - 5 to	-	-	+	* Need training	90tn 2tn
Concentrated fodder	4	2 groups – 5 to	+	+	+	+	yes
Sheep, goat skin products	5	2 groups – 300 pcs	+	+	+	+	yes
Meat products	6	1 group -300-500kg	-	- equipment	+	*training	200kg
Recreational camp	7	1 group – 30-50 patients	+	-	+	+	15-25
Bricks made of ashes	8	1 group – 3000-5000 pcs	-	+	+	* need training	yes
Wine, bottled	9	1 group 150 liters	+	+	+	+	-
Souvenirs	10	2 groups – 50 pcs	+	+	+	+	25

The soum has sufficient human resources and raw materials to process vegetables, but the groups do not have the proper technology and equipment for the packaging. They also will require some additional training in the technological field.

In order to improve the processing of milk three cows are required. The groups have some small scale processing equipment provided by the SGMP and the three additional cows would provide enough raw materials to maintain a sustainable production.

In order to operate a recreational camp at the Uushig spring the renovation of the old building and the construction of an additional one is required. The herders need some kind of financial support for this. For the production of sausage and smoked meat small scale production equipment and training in technology will be required.

The herder groups are interested in producing cenderelle bricks as raw materials are available in the govi region.

In terms of market demand vegetables, processed meat and dairy products can be sold in the aimag center and in neighboring soums.

The special type of sheep with the additional back bone is recognized as the soum brand product.

Group discussion in Sant soum: The following 28 products were identified as the innovative products that the soum can produce:

1. Fodder made of different plants and grass with salt, some are pressed and baled
2. Goat aaruul
3. Yogurt
4. Sheep milk eezgii
5. Cheese
6. Govi airag
7. Alcohol made from goat milk
8. Camel milk hoormog
9. White felt
10. Boots made of white felt
11. Camel wool products
12. Lamb wool gloves, hats and sweaters
13. Leather containers, ties and other inventories for animal husbandry
14. Intestine, stomach
15. Ger wood, furniture, souvenirs
16. Traditional clothes
17. Buriad and Mongol traditional boots
18. Bread, cookies, Sant cookies
19. Bricks, chalk, ground color
20. Dried meat without bones, dried 5 entrails
21. Hats, purses and bags made of felt
22. Service center for tourists
23. Stoves, vehicle loads
24. Vegetables, green house vegetables, animal fodder

25. Bottled spring water, white goat milk, and camel milk that all have medical values.

The list of the top 10 market products out of the above mentioned list of products:

Product name	Market demand	Availability to produce	Technology	Required equipment capital	Availability of raw materials	Availability of human resources	Local demand	Leading herder group
Dairy products, goat aaruul, yogurt, eezgii, cheese, brewed camel milk, airag, butter with eezgii	1	1 group 2 to yogurt, 100 kg of cheese	No know how	+ Packing equip- ment	Packing equip- ment	+	Market	Bumba
Meat products, dried meat without bones and 5 entrails	2	1 groups 2 to	+	+	+	+	Market	Holboo
Flour products, bread, cookies, Sant's cookies	3	1 group 10 to	+	+ Need for loan	Need for loan	Local training	Yes	Hondiin zaraa
Animal fodder, livestock forage made of plants like wild leek, pressed, baled, concentrated	4	5 groups 11.2 to	+	Need for equip- ment	+	+	Yes	Sonor
Boots, Buriad and Mongol boots	5	1 group 40 pairs	-	Need for equip- ment	+	Local training	Yes	Sonor
Felt, felt products, white felt, white felt boots, camel wool sweaters, lamb wool sweaters	6	5 groups +	+	Need for combing machine ry	+	+	market	Erdene ovoo
Skin and leather products, leather ties, bags, containers, other items	7	1 group	+	+	+	+	market	Holboo
Crop production, vegetables, animal fodder	8	5 groups 2 to	+	-	Need for irrigatio n	Seeds, fertilize r	Local training	Bumba
Traditional inventories like intestine, stomach and others	9	1 group 50pcs	+	+	+	+	Local training	Hondiin zaraa
Sewed products, deels, coats, jackets	10	1 group	+	Sewing machine	+	+	Local training	Erdene ovoo

**Group discussion in Hujirt soum:**

The following 24 products were identified as innovative products that can be produced locally:

1. Small woolen items like slippers, hats, socks, gloves, bags and mobile phone bags
2. Potatoes and vegetables like carrots, turnips, onions, tomatoes and cucumbers
3. Milk and dairy products like candies, marmelade made of whey, condensed yogurt, yogurt with berries, cheese, milk aaruul, yak clotted milk skin, airag, saam
4. Leather ties
5. Hay and fodder preparation
6. Salt, pressed and concentrated animal feed
7. Tourist services like renting of horses and yaks for riding, ger exhibition, testing of airag
8. Fire wood preparation, cleaning of forest
9. Wooden products, axe handles, ger walls, uni
10. Berries from the forests, their processing, blueberries, strawberries, medical plants, Siberian cedar
11. Ger wood, colored, decorated, different types of ger furniture
12. Packing of milk alcohol
13. Concentrated fire materials
14. Elite animals, race horses, sheep with additional nugalam, brown goat of bayandelger
15. Dried beef and dried goat meat, packed in portions of one meal of 500 g or 1 kg
16. Meat prepared for Horhog, horhog
17. Felt , felt boots, ger covers, carpets, blankets, and other items like camel saddles, saddle buffers, mats, horse nemnee -cover sheets
18. Tea bags, cup bags, small bags, student bags
19. Poultry farms
20. Dried mushrooms
21. Wooden containers
22. Milk oriented cow breed
23. American sheep
24. Brick production

After the assessment of the above mentioned products the following 10 products were left in the list:

Product name	Market demand	Availability to produce	Technology	Required capital	Availability of raw materials	Availability of human resources	Local demand	Leading herders group



Dairy products	1	+ 3то	semi	Some equipment	+	+	Yes	Hangi most Bayanzulegt
Potatoes and vegetables	2	+ 20 to	+	+ seed, machinery	+	+ local training	Yes	6 groups
Wool small items for tourists like slippers, socks and gloves	3	+ 500pcs	semi	+ equipment wool combining	+	+ Skill training	Yes	-Ih burd -Hangi most
Hay, fodder	4	+ 50 loads	+	+ fuel	+	+	Yes	Sant bayan bulag
Breed elite animals, milk cows, meat sheep and cashmere goats	5	+	+	Need 15 milk cows	+	+	Yes	4 groups
Wooden products	6	+ 20 ger wood	+	+	+	+	Half sent to UB and govi soums	Bayanzulegt, Sant bayan bulag, Hadan gol
Traditional clothes like deel, coat and jackets	7	+	+	+	+	+	Yes	Bayanzulegt, Hangi most
Tourist services	8	+ seasonal	+	+	+	+	Yes	Sant bayan bulag, Bayanzulegt, Hadan gol
Fire wood, cleaning of forest, collection and processing of berries and medical plants	9	+ 20 cars	+	+	+	+	Yes	Sant bayan bulag, Hadan gol
Hides and leather ties and products	10	+ 50pcs	+	+	+	+	Yes	Hadan bulag

As Hujirt soum has a comparatively large amount of people and as there are several camps it is considered to be a soum with a high market capacity. This is approved by the number of retail shops and service businesses

### 3. Group discussion in Selenge aimag

#### Group discussions in Javhlant soum:

In total 15 individuals participated in the group discussion. 12 persons were members of herder groups, 1 veterinarian, and 2 project staff.

After introducing the objective of the group discussion, we distributed a piece of paper and requested to write down their own opinion and to name traditional and untraditional

products which herder groups are able to produce and which can also compete with imported goods. There was no limit in the number of product types named. Each participant wrote down more than 5 products. On the flip chart the names of the products were visualized and new comments were added.

Named products classified as traditional, non – traditional or new. The table below shows the result:

Non traditional products	Traditional products	New products
Sterilized milk	Orom	Pork
Cream butter	Uvs province brown aaruul	Chicken & egg
Homemade jam	Smoked horse meat	Goose meat
Stewed pumpkin	Airag	
Whey candy	White mare milk	
Whey wine	Mongol cheese	
Hippophae oil	Orom packed in stomach	
Sunflower oil	Aarts	
White aaruul		
Aarts with fruit		
Orom with fruit		
Canned cucumber		
Bee		
Fodder		
Leather producing		

During the first discussion, participants named 15 non-traditional, 6 traditional, and 3 new products. After the second discussion the following innovative products were left in the list:

Products	Demand	Investment	Technology	Raw material reserve	Labor	Institutional capacity	Profit
Milk & milk products - Sterilized milk -Yogurt milk fruit -Cream butter -Aarts (with yogurt) -Whey wine	+	+	+	+	+	+	+
Canned vegetables - Mixed salat - Cucumber - Garlic - Carrot juice	+	+	+	+	+	+	medium
Red & green pepper	+	+	+	Good quality pig is unavailable	+	+	+
Processing ham and	medium	+	+	+	+	+	+

sausage							
Chicken & egg	medium	+	Medium	medium	+	+	+
Europe cheese	+	+	Medium	Seed availability is limited	+	+	medium
Sun flower oil	+	equipment	Need equipment	+	+	+	+
Fertilizer (using manure dung)	+	+	package	+	+	+	+
Fodder - Corn - Raps - Medicago							
Airag							

## 2. Group discussion in Mandal soum

16 individuals participated in the group discussion including 10 members of herder groups, 3 businesspeople, 1 agricultural specialist, 2 soum residents and 1 local staff of the project. After introducing the objective of the group discussion, we distributed a piece of paper and requested to write down their own opinion and to name traditional and untraditional products which herder groups are able to produce and which can compete with imported goods. There was no limit in the number of named product types. Each participant wrote down more than 5 products. On the flip chart the names of the products were visualized and new comments were added.

The named products were classified as traditional, non-traditional and new. The table below shows the result:

Non traditional products	Traditional products	New products
Sterilized milk	Orom	Pork
Cream butter	Uvs province brown aaruul	Chicken & egg
Homemade jam	Smoked horse meat	Goose meat
Canned garlic	Airag	Fertilizer
Stewed pumpkin	White mare milk	Wooden furniture
Whey wine	Cheese	
Europe cheese	Orom packed in stomach	
Sunflower oil	Aarts	
White aaruul		
Aarts with fruit		
Orom with fruit		
Canned cucumber		
Bee		
Fodder		
Canned nuts		
Ketchup		
Red and green chilli		
Carrot juice		

After the second discussion the following innovative products were left in the list:

Products	Ddemand	Investment	Technology	Raw material reserve	Labour	Organization capability	Profit
Milk & milk products - Sterilized milk -Yogurt milk fruit -Cream butter -Aarts (with yogurt) -Whey wine	+	+	+	+	+	+	+
Canned vegetables - Mixed salat - Cucumber - Garlic - Carrot juice	+	+	+	+	+	+	Med-ium
Red & green pepper	+	+	+	Seed availability is limited	+	+	+
Processing ham and sausage	+	+	+	Good quality pig is unavailable	+	+	+
Chicken & egg	Med-ium	+	+	+	+	+	+
Europe cheese	+	+	Adopt technology	+	+	+	+
Sun flower oil	+	big	Adopt technology	+	+	+	+
Fertilizer (using manure dung)	+	+	Med-ium	+	+	+	Seasonal
Fodder - Corn - Raps - Medicago	+	+	Med-ium	Seed is unavailable	+	+	Med-ium
Airag	+	+	Need technology	+	+	+	+

### Group discussion in Bayangol soum

26 individuals participated in the group discussion. After introducing the objective of the group discussion, the participants named the following products as possible alternatives for production:

1. Fresh milk
2. Cream butter
3. Hay, baled and unbaled hay
4. Friut jam
5. Felt products
6. Kaz – horse meat dried

7. Leather ties
8. Skin products
9. Honey
10. Potatoes, vegetables
11. Canned vegetables (packed)
12. Dairy products, cream butter, dried sweet curd, whey jam, soft drinks, small aaruul and packed yogurt with concentrates
13. Pig and poultry farming
14. Souvenirs made from wood, wool etc.
15. Airag
16. Cow milk nermel vodka
17. Packaging boodog meat
18. Pumpkins
19. Silaging garlic
20. Soup made of dried meat (borts) for travel
21. Advanced sheep breeding
22. Whey drink production (cleaning bile)
23. Breeding milk cattle

After the second discussion the following innovative products were left in the list:

Products	Degree of demand	Producing availability	Technology	Asset availability	Raw material reserve	Human resource	Domestic use availability
Pig breeding	+	+	+	+	+	+	+
Chicken, egg	+	+	+	+	+	+	+
Hay making	+	+	+	+	+	+	+
Milk and milk products (sterilized milk, cream butter, ice-cream, packed yogurt)	+	+	+	+	+	+	+
Cultivating and producing potato and vegetables	+	+	+	+	+	+	+
Silaging garlic	medium	+	Seed availability	+	+	+	Medium
Packaging dairy vodka (nermel vodka)	medium	+	Finding technology	+	+	+	-
Honey	+	+	-	+	+	Train people	Medium
Hide tanning and leather processing	+	+	Hide tanning technology	-	+	+	medium

			gy				
Breeding mutton sheep	+	+	Finding foreign sheep semen	+	+	+	+
Packaging boodog meat	+	+	+	Equipment	-	-	-

## LIST OF ORGANISATIONS VISITED

	Direction of activities	Name of organization
1	Retailers	Sale persons of dairy products at Narantuul open market
		Sale persons of vegetables at Narantuul open market
		Market of Uvurhangai aimag <ul style="list-style-type: none"> <li>• Sale persons of dairy products</li> <li>• Sale persons of vegetables</li> <li>• Sale persons of meat products</li> </ul>
		Market of Bayanhongor aimag <ul style="list-style-type: none"> <li>• Sale persons of dairy products</li> <li>• Sale persons of vegetables</li> <li>• Sale persons of meat products</li> <li>• Sale persons of animal raw materials</li> </ul>
		Market of Darhan aimag <ul style="list-style-type: none"> <li>• Sale persons of dairy products</li> <li>• Sale persons of vegetables</li> <li>• Sale persons of meat products</li> <li>• Sale persons of pork and chicken</li> <li>• Sale persons of eggs</li> </ul>
		Market of Mandal soum of Selenge aimag <ul style="list-style-type: none"> <li>• Sale persons of dairy products</li> <li>• Sale persons of vegetables</li> <li>• Sale persons of meat products</li> </ul>
2	Souvenirs	Souvenir shop in Darhan
		“White gold” a specialized shop of felt produces in Ulaanbaatar
		A shop “Anod” in Mandal soum Selenge aimag
3	Hotel	A hotel Darhan
		Negdelchin hotel in BH aimag
		Orgoo hotel in BH aimag
		Nomin shree limited company in UH aimag
		A hotel of SHC Spirt Bal Buram company in Mandal soum
		“Olzii” Co., Ltd in Bayangol soum
		“Ortoochin” hotel in Darhan
		A hotel in Togrog soum
		A municipal hotel in Sant soum
A recreational camp in Hujirt soum		
4	Food outlets	Cafñ Mongol zoog in Darhan
		Canteen Enhjin in UH aimag
		Canteen Bambaruush in UH aimag
		Chonos cafñ in UH aimag
		A bar Non stop in UH aimag
		Canteen Hus amralt in UH aimag
		A Cafñ Zaluus in Darhan
		A cafñ Odod in Darhan
		A cafñ Hos bagana in Mandal soum
		Chinese restaurant in Mandal soum
		A cafeUran togoo in Bayangol soum
		A canteen ANU in Bayangol soum
		A canteen in BH aimag
		Ulaanbaatar restaurant in UB
		A cafñ Classic in UB
A cafñ Lavanda in UB		
5	Tourist camp	A tourist camp Bayan govi
	Wholesalers	A wholesale center Tenger in BH aimag Baruun Shand Co., Ltd

6		Mandal sum of Selenge aimag
		<ul style="list-style-type: none"> <li>• Wholesale center Tenger</li> <li>• Food wholesale market Bayalag</li> </ul>
		Wholesale center Darhan-Nomin
		Nomin wholesale supermarket in UB
		Tenger wholesale network
		Bayasah trade Co., Ltd
		Bishrelt Co., Ltd
		Sky shopping center
		Everyday food supermarket
		Food wholesale center in UH aimag
		Bayannaiman Co., Ltd
		Em goo Co., Ltd, UH aimag
		Altan Orgoo Co., Ltd
		Network of food supermarkets Minii zah
7	Processors	Darhan meat expo Co., Ltd
		Darhan nehii Co., Ltd
		Darhan huns SHC
		Ganguush Co., Ltd
		Altan orgoo Co., Ltd
		Intestine processing Hulman company in BH aimag
		Felt production Hongoryn sor cooperative in BH aimag
		Baruun Shand Co., Lts in BH aimag
		Dornyn govi meat processing Co., Ltd
		Delgereh huns SHC in UH aimag
		Sarlag Erdene NGO in UH aimag
		Uvurbayan burd Co., Ltd in UH aimag
		Bayanhovch Co., Ltd in UH aimag
		Mon zah C., Ltd in UH aimag
Mon suu Co., Ltd in UB		



## The conclusions and recommendations for non-traditional rural products.

Table 4.1

Product name	Conclusions	Recommendations
<b>1. Meat and meat products</b>		
Pork	There is a market demand for pork in Ulaanbaatar, Darhan and Selenge aimags. And only a very limited market demand in Bayanhongor and Uvurhangai	<ul style="list-style-type: none"> <li>• If herder groups in Javhlant, Mandal, and Bayangol take actions to run pig farms the project should provide assistance in organizing training and introduction brochures on pig farming.</li> <li>• Although some herder groups in Bayanhongor and Uvurhangai are interested to run pig farms a detailed estimation of forage and efficiency should be done in advance.</li> </ul>
Smoked meat and sausage	Same situation as with pork. Although there are no sausage making shops in the soums, some herder groups are interested to start such shops.	<ul style="list-style-type: none"> <li>• Herder groups in Mandal soum can establish a sausage making shop as raw materials are available and the market is close.</li> <li>• A herder group in Togrog soum of Uvurhangai aimag is interested to establish a sausage making shop. The soum electricity around the clock, it is connected with UB and tourist camps by paved roads and there are enough reserves of raw materials.</li> <li>• All other soums cannot start a production yet.</li> </ul>
Chicken and eggs	Market demand is large in Ulaanbaatar, Darhan and Selenge aimags, there are several other companies that produce such products. Customers in Uvurhangai and Bayanhongor aimag mostly consume imported products. There is a market demand in every soum and aimag.	<ul style="list-style-type: none"> <li>• Poultry farming does not require expensive investments and forage is available in soums. Therefore, all soums could start running poultry farms. The project can support a pilot poultry farm in herders groups with few heads of animal.</li> <li>• A household in Togrog and another household in Hujirt soum in Uvurhangai aimag have chicken and sell eggs to the neighbors for 80 - 100 MNT.</li> <li>• The project should learn the experience of ADRA with pilot poultry farm in Zavkhan aimag.</li> </ul>

<b>2. Milk and dairy products</b>		
Aaruul, eezgii,	<p>Most of the aaruul which is for sale on the markets is produced with traditional technology.</p> <p>Customers want to buy pure ecological products.</p> <p>Demand for eezgii is very low</p>	<ul style="list-style-type: none"> <li>• Advice in the production of aaruul – change of size, improvement of drying technology, addition of cream and butter - should be given to herders.</li> <li>• Milk collection and chilling center can be established in Mandal soum of Selenge aimag for herder groups.</li> </ul>
Cheese	<p>The market demand for traditional cheese is very low. The demand for non-traditional cheese is slowly increasing. Before starting these activities the experience of the project “European cheese” implemented in Uyanga and Hairhandulaan soums of Uvurhangai aimag should be carefully studied. The cheese making factories were closed when the project ended because of a lack of finance and administration. There is one good point - that the technology of making Holland cheese is developed and successfully tested.</p>	<ul style="list-style-type: none"> <li>• Based on the availability of raw materials and the market demand non-traditional cheese can be produced in Hujirt soum of Uvurhangai aimag and in Erdenetsogt soum of Bayanhongor aimag.</li> <li>• Introduce the cheese making technology to herder groups in those two soums that have large amount of yaks and cows.</li> <li>• Support the interested group with business plan development, provide with information on costs of equipment for smallscale shop that would process about 50-100 liters of milk per day.</li> </ul>
Butter	<p>98.5 per cent of butter is imported. Customers prefer to buy imported butter as Mongolian butter is salty and cannot be kept for long time. The butter that was produced in Erdenetsogt soum of Bayanhongor aimag won the best production prize during the fair exhibition “One product – one soum” organized by aimag Governor’s office in</p>	<ul style="list-style-type: none"> <li>• There are limited possibilities to start butter production in Erdenetsogt soum of Bayanhongor aimag and Hujirt soum of Uvurhangai aimag.</li> <li>• Support the experience of herders groupo in Erdenetsogt soum that is engaged in butter production providing the consultation on estimation of business effectiveness.</li> <li>• The production of 1 kilo of butter in Selenge aimag is more expensive than the price of imported butter.</li> </ul>

	cooperation with Japanese province.	
Camel milk and hoormog	The demand of camel milk and hoormog is growing.	<ul style="list-style-type: none"> <li>• Herders of Bogd, Jinst soum of Bayanhongor aimag, Togrog soum of Uvurhangai aimag can have small packaging shop of camel milk and hoorog for tourists' and recreational camps and shops.</li> <li>• There is no need for any improvement of the product.</li> </ul>
<b>3. Felt products</b>		
Felt slippers and souvenirs.	<p>There is a market demand of some felt products like slippers, souvenirs, but the quality of products is still very low and price is high.</p> <p>Demand of felt products in soums is very low.</p> <p>The fact that good quality wool is not available in Bayanhongor and Uvurhangai soums, badly influence on the quality of products.</p>	<ul style="list-style-type: none"> <li>• The wool used for felt production should be free of hairs.</li> <li>• Better design and technology should be developed.</li> <li>• Assist the herders and herders group to have a connection with exporters and traders experienced on marketing of felt products like Norwegian Lutheran Mission, Labor Fund; assist them to cooperate with Government policy "Discover Mongolia"; assist them to develop a product catalogue to use as a marketing tool, in this regard the cooperation with project with similar activities can be introduced.</li> <li>• Support some herders group to obtain combing machine through leasing</li> <li>• Promote herder groups in Bayanhongor and Uvurhangai aimag to improve the ship breed, breed ship with fine wool,</li> </ul>
Hand made carpets, saddle cover, and mattress	Rural residents produce such items at home the quality is very good, they sell in small quantity by order.	<ul style="list-style-type: none"> <li>• Support the existing structure promoting the herders to have official contracts with clients, assist with development of training handouts on new designs and technology.</li> </ul>
<b>4. Potatoes and vegetables</b>		
Potatoes and	18 % of the total consumption	<ul style="list-style-type: none"> <li>• There are several regions where crop</li> </ul>

vegetables	<p>demand is met by imports, 51.9 % is met by local production.</p> <p>Customers prefer to buy local products considering that they are pure ecological products.</p>	<p>production can be increased including Selenge aimag, Hujirt soum of Uvurhangai aimag, Jinst soum of Bayanhongor aimag. The herder groups in these soums already started to grow vegetables; they need more technological training and field advice by agronomists.</p> <ul style="list-style-type: none"> <li>• These groups are able to grow more vegetables and sell it in local places and aimag centers. The project can support them with the provision of seeds and the construction of warehouses.</li> </ul>
Canned or preserved products	<p>Herders in Selenge aimag and in Togrog soum of Uvurhangai aimag have some experience in canning or preserving vegetables. They also sell the surplus and earn a little income.</p> <p>But still the quality of the products is low.</p>	<ul style="list-style-type: none"> <li>• Training in vegetable canning and preserving is required.</li> <li>• Support for groups in the soums of Selenge aimag in growing new varieties of vegetables like green and red pepper, garlic, cucumber and tomatoes through technological training and provision of seed for new vegetables. Cooperation with ADRA projects possible.</li> <li>• Herder groups in Togrog soum of Uvurhangai aimag expressed their interest in building a small-scale vegetable canning shop. The project can support the group by providing the necessary equipment and training.</li> <li>• Plant and grow droug.</li> </ul>
<b>5. Fruits and berries</b>		
Sea-buckthorn	<p>The demand for this product is increasing.</p> <p>The target soums in the target aimags did not yet try to grow chatsargana.</p> <p>The Shine Bogd herder group in Bogd soum and another herder group in Jinst soum expressed their interest to start with the cultivation.</p>	<ul style="list-style-type: none"> <li>• Provide herder groups with information about the possibility to plant these trees, and based on their interest provide them with trees that grow in the same weather conditions.</li> </ul>

Canned and preserved fruits and berries	75 per cent of customers in Ulaanbaatar, Darhan and Selenge aimag assessed the quality of local products as very poor. 84 per cent of people covered with research asked the taste of the product should be improved.	<ul style="list-style-type: none"> <li>• Develop a catalogue of different berries, fruits and mushrooms</li> <li>• Develop a training handouts on how to preserve fruits, berries and mushrooms</li> <li>• Give consultations</li> </ul>
Fodder and forage	The herders had learned painfull lessons from the dzuds, becoming more motivated in the preparation of hay as winter feed for their livestock and intensifying their breeding efforts.	<ul style="list-style-type: none"> <li>• Support herders group to obtain hey making equipment through leasing</li> </ul>
<b>6. Other products</b>		
Leather products	Some herders produce leather products at home. Those who cannot produce themselves purchase the products by ordering them from experienced producers. Herders of govi region who have few heads of cattle purchase leather products from herders in hangai soum.	<ul style="list-style-type: none"> <li>• Support the existing structure providing the consultation to make official contracts on delivery terms and quantities between the producers and users.</li> <li>• Support the production of handouts on making of leather products for young generation and sales catalogue on products</li> </ul>
Honey	The demand for honey produced in Mongolia is growing. About 40 % of the market demand is met by imports.	<ul style="list-style-type: none"> <li>• Herders in Mandal, Bayangol and Javhlant soum have possibilities to run bee farms.</li> <li>• Bee farms require only cheap investments. Therefore, the project can introduce some training in bee farming to the herder groups and support them with bees.</li> </ul>
Duck	Few residents in Bayangol and Mandal soum have ducks and there is a market for duck meat in restaurants, especially in Chinese restaurants.	<ul style="list-style-type: none"> <li>• The herders in Mandal and Bayangol soum can study the possibilities how to grow ducks and how to market the product by establishing contracts with customers on a constant bases.</li> </ul>

Ostrich	The products are on the menus of luxury restaurants. The customers are tourists, foreigners and some Mongolians that lived for a longer period of time in the countryside.	<ul style="list-style-type: none"><li>• A detail study is required.</li></ul>
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