

Appendix-III

Marketing

APPENDIX III MARKETING

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APPENDIX III

MARKETING

1. GENERAL

The government started a transition from the command economy to a free market economy in 1991. Major change was to privatize state-run enterprises by allocating the asset and introduced a competitive management environment. Marketing system of agricultural products and agro-processing enterprises had gone through a significant shift from a centralized system with integrated state enterprises to a market oriented system with independent companies. Present condition in transition, there are some uncertainties in the marketing system characterized in the following points.

1.1 Dominance of Private Traders and Potential Risk in the Marketing System

In the marketing network, increase of private traders play an important role, whereas wholesalers from the planned economy decreased their operation. But the present situation of private traders operating majority of distribution and marketing increased the risk of supply shortage and price fluctuation. Private traders pursue profit thorough competition. As a result, they tend to manipulate price and supply at the time of shortage of goods. Supply shortage is likely to happen because agricultural products are quite seasonal.

1.2 Supply-Demand Imbalance due to the Recent Urbanism

Supply shortage and price fluctuation immediately threatens the life of people in large cities such as Ulaanbaatar. One of the major problems in the marketing of Mongolia lies in the gap between constant food demand of large cities and seasonal supply from the country. In other words the current problem is viewed as an urban problem of the people in Ulaanbaatar where one third of national population is concentrated. So the demand in Ulaanbaatar should be met by the supply from suburban dairy farms. Increase of supply capacity is an urgent issue.

1.3 Problematic Large Factories and Necessity to Restructure the Supply System

Large factories which are carried over from the time of command economy are suffering from outdated machinery, over capacity, cash shortage and lack of proper management personnel. In addition, financial difficulties such as high interest rate, approximately 150% a year, and constraints on price decision to settle modest level in order not to accelerate inflation, aggravate the profitability.

Large processing facilities used to supply goods to major cities and to former CMEA countries. They had been fully utilized under the procurement system during the command economy. But as the procurement system ceased to exist, livestock products especially by-products are left unused because of the lack of proper processing opportunities. Processing and supply system needs to be restructured by establishing smaller-scale primary processing factories in each region. Factories for the primary processing should be placed in each zone

and create employment opportunity. Local processing will be effective in meat, milk, skin and wool. Products will be utilized to benefit each region and will be transported in the form of value added.

1.4 Decreased Operation of Agricultural Cooperatives

Before the reform, Negdel dealt distribution of all the products from countryside, but after the reform Agricultural Cooperatives took over only limited shares of products. Cooperatives are rather active in collecting cashmere and wool with shares of 25% and 10% respectively, and 8% of wheat distribution. But for collection of meat and skin, cooperative's shares are only 1.5%, and for potato and vegetable shares are only 1.7% and 0.5%.

1.5 Insufficient Condition of Social, Financial and Legislative Infrastructure

Marketing system consists of both physical distribution and business trade. For the development of marketing system, improvement of business trade is important, especially financial aspect, control of inflation, price information and laws to control trade conditions are key infrastructures for the development of market economy.

1.6 Need for Organizational Approach

Under the new system of free market economy, it is strongly recommended that the organizational approach gives order and balance to the marketing system in Mongolia. Organizational approach, here refers to agricultural cooperatives and wholesale industry, gives fairness to the market as a whole, and provide herders with bargaining power to sparsely located herders and farmers. With this approach, effective market will be realized. As a result, it is expected that every player in the market enjoys reasonable benefit and sustainable development.

1.7 Insufficiency in Transportation Infrastructure

Because of the lack of sufficient vehicle, petroleum and pavement of road, strengthening of these infrastructures is an urgent need for the development of the country.

1.8 Necessity to Overview

There are three major trends in the policy of Mongolia; 1) diminishing tendency of government control over industry, 2) introduction of free competitive economy and 3) free international trade. In addition, there are two major social conditions which stagnate the growth of distribution system, namely poor transportation infrastructure and mentality among people to wait to be ordered. These trends and conditions intermingled to create problems discussed above. Improvement of economy starts by understanding the relationship among these elements imbedded in the Mongolian economy. (Please refer to Fig. III-1.1)

2. MARKETING OF AGRICULTURAL AND LIVESTOCK PRODUCTS

2.1 Meat

2.1.1 Characteristics of Meat Supply

Meat is the major food item for people in Mongolia, and the production of meat depends on slaughtering livestock. The number of livestock amounts to more than 28 million in 1996. Among them by species, rounded shares were 50% of sheep, 28% of goat, 12% of cattle, 9% of horse and 1% of camel. These livestock are kept in nomadic system and 99% of them are now under private ownership.

Generally 25% of livestock is slaughtered every year. Total weight just before slaughtering is estimated as 450,000 tons, and the carcass meat produced, which is without head nor intestine, is 200,000 tons. (Fig. III-2.1)

Livestock marketing during the planned economy before 1990, the government took care of the distribution of all agricultural products. Prices were strictly controlled and collection of livestock and supply of meat were accomplished by the State Procurement Orders to Negdels or the State Farms. Details are explained in section V.

Meat production is seasonal because livestock herding follows pattern of nomadic life which is subject to natural climate. Most slaughtering is done in fall when animals are fattest after a summer nutrition intake. Therefore in winter the supply of meat is abundant and price is low. But in spring and summer the supply decreases as animals lose weight. So the price becomes high and fluctuates. This is a typical pattern that repeats every year.

After the transition from command to market economy herders are interested in increasing their assets in the form of animal number. Herders, therefore, prefer keeping animals alive to slaughtering, but gradually as they learn the system of market economy, the number of slaughtering animal is expected to increase.

2.1.2 Supply and Collection of Livestock for Meat Production

Livestock for meat processing at the large slaughter houses is transported by trekking, called "tovar". This system started more than 100 years ago when the Chinese dynasty demanded livestock from Mongolia. This system is a particular method of transporting livestock to its destination, incorporating nomadic herd-style and technique to overcome physical disadvantage of long distance transportation. Most animals start in spring or early summer, and fattened as they trekked to the large slaughter houses in Ulaanbaatar or Darkhan. They reach the designated factories in autumn or early winter.

Makhimpeks has an appointed agent, for example in Bayankhongor, who arrange to buy requested amount of livestock and send them by trekking group. One group consists of either 240 cattle or 1,200 sheep. Trekking routes connect, for example, Khövsgol in the far northwest to Darkhan, and Gobi-Altay in the far southwest to Ulaanbaatar. Trekking routes are strictly managed and restricted for ordinary herding animals to graze the pasture in the area. Width of the routes is at least 5 to 10 kilometers.

Transportation of live animals by trekking "Tovar" is diminishing compared to the days of the command economy. Specialists called "Tovarchin" also decreased. In the past the state government and Negdels managed to pay for tovar, but after privatization, lack of finance and personnel caused the decrease of livestock collected from rural area.

2.1.3 Meat Processing at Major Factories

There are three major slaughter facilities and five small scale slaughter plants with a total annual capacity of nearly 130,000 tons of live weight animals. The three major plants are Makhimpeks in Ulaanbaatar, Khishig Co. in Darkhan and Dornod Co. in Choibalsan. These companies used to be the major supplier of meat to large cities and exported products during the command economy.

The product of these large slaughter houses amounted to 56,800 tons in 1980, the peak time in the past. Of the total carcass meat, more than 80%, or 45,900 tons were exported mainly to the Soviet Union. In 1995 the production declined to only 20% of that of the peak time, or 11,300 tons of meat, and small facilities produced approximately 3,000 tons, which amounted to a total of 14,000 tons of meat. But this amount is only 7% of the total carcass meat which is estimated to have reached 200,000 tons in 1995 in the whole country.

As for consumption according to various statistical data, one quarter of the total consumption, or 44,000 tons of meat, is consumed at large cities such as Ulaanbaatar and Darkhan. The rest, 150,000 tons of meat, is consumed in the rural area. (Fig. 5.2.1) Judging from this fact large slaughter houses such as Makh Impeks supply only 30% of the total consumption in Ulaanbaatar. This fact suggests that the supply of meat is mainly dependent on private traders. This trend does not seem to change for the time being. Herders, within the distance of 300 km, try to bring animals to Ulaanbaatar by themselves rather than selling to traders because they think that the large factories and traders are making large profit by purchasing animals from them.

2.1.4 Meat Processing at Small Factories

There are small slaughter houses in Saynshand, Uliastay (Zavkhan), Ölgii (Bayan Ölgii), Bagahangai (Töv), Bol-Undor (Khenti) and Kharakhorin (Övörhangai). Although these slaughter houses are small in capacity, there are some well-planned factories.

Taking Bagahangai for example, the factory was established with a help of the government of Finland and planned to produce horse meat. Although the financial condition does not allow the factory to operate at full capacity, the system and facility are on a high technical standard and are expected to meet the qualification of even developed countries.

Factory at Kharakhorin is another example which was established with 49% private capital with the Austrian aid. Because this factory is an investment of private trading company, Razno-Impeks, collection of animal and marketing of product are not major problems. Razno-Impeks have its own marketing channels both domestically and internationally.

For most slaughter houses in rural areas, debt from the Mongolian bank with a high interest rate of more than 13% a month, which is approximately 150% a year, does not allow to collect animals nor operate at profitable level.

2.1.5 Marketing of Meat

Marketing of meat is carried out in the form of carcass meat which includes bone. Meat production per capita has been rapidly decreasing since 1991. The amount of production in 1995 is only 70% of that in 1991. Of the total slaughtered animal, only 7% is processed at urban large slaughtering house, and the rest 93% is slaughtered and processed at some centers or at herder's houses. The meat produced in rural area is preserved in the natural frozen temperature and transported to major cities for direct sales at food markets.

2.1.6 Prospects and Problems of Meat Marketing

There are two major problems in the meat processing and marketing: quality and finance. Meat plants need to market their product value added in terms of quality. Makh-Impeks for example is exporting block meat to East European countries, and Kishig Company operates for the export to Russia. But the lack of finance prohibit them from collecting enough animals for the profitable operation of the factory.

Financial shortage is an apparent problem. it should be solved by joint efforts of managers of industries and the government. But the real significant problem lies in the quality of products, because the high interest rate is a result of the lack of competitiveness in the international market. Meat used to be an important export item in the past.

In order to make meat more profitable, it might be necessary to make some renovations of both facilities and quality control system. As for facility, the height of hanging rail should be higher so that the carcass meat does not touch the ground. The drainage system also should be renewed in most factories. As for quality control system, veterinarian inspectors should station and check the health condition of animals and all lymph's glands after slaughtering.

2.2 Cashmere

2.2.1 Supply and Collection of Cashmere

Cashmere from Mongolian goats is considered to be amongst the best in the world. Traditional Mongolian goats produce fine cashmere of less than 15 microns fiber diameter and an average yield of 270 grams per goat. Improvement by breeding with Russian goat brought more yield per head but the fineness is sacrificed. For example Gobi-Gurvan-Saikhan produce 500 grams of fiber every year but the diameter of fiber is more than 17 microns which does not satisfy international trader.

Currently 8.5 millions of goats produce 1,800 tons of cashmere at per-head yield of 270 grams and 80% of goats produce raw cashmere. Greasy cashmere in the countryside is brought to Ulaanbaatar by mainly four routes. 1) Agricultural cooperative belonging to NAMAC, 2) Traders (called naimaachin in Mongolia), 3) Agents of Gobi company and 4) Herders themselves. (Fig. III-2.2)

Agricultural cooperative plays an important role for the collection of cashmere. It used to be the single collecting operator during the planned economy period, and the role seems to remain equally important because the financial capacity and bargaining power work effective with cooperative organization. Some agricultural cooperatives have special relationship to certain trading companies and processing factories. In such cases processing factories call these cooperatives as their agents, because they often finance cooperatives in time of purchasing cashmere from herders.

Traders have wide networks when they purchase cashmere because the price of greasy (raw) cashmere is influenced by the market in Ulaanbaatar and China. Local traders based in aimags first collect greasy cashmere from herders in their regions. Then they sell to Ulaanbaatar-based traders who bring to factories or to open marketplaces. Some local traders bring cashmere directly to factories in Ulaanbaatar. The amount of cashmere collected by traders is not clearly known, but the interview research indicated that one quarter of greasy cashmere is collected by these traders. Trader become popular among herders after the political reform because they respond to the herders' needs and market needs quickly. As a result they can offer better price to herders than any other buyer.

Agents of Gobi company are important channel to connect between herders and the factory. There are eleven persons as agents specially appointed for collection in each region. They are often former aimag governors or people in an important position in the former regime.

These agents collect 5 to 10 tons each and total of 80 tons of greasy cashmere. Agents cover six aimags in recent years: Bayankhongor, Zavkhan, Khövsgol, Övörhangay, Töv and Sükhbaatar. In Zavkhan and Khövsgol goat produce fine cashmere, and in Bayankhongor and Övörhangay amount of cashmere production is large. They barter for cashmere with commodities such as flour, rice, boots, cloths, generators and felt for wall insulation.

Herders sometimes choose to bring cashmere by themselves. In exchange of cashmere most herders need flour of other daily commodities in spring because they consume all stocks during winter. Well planned herder, however, does not sell cashmere in spring, and keep them and timing for the best, and often they bring directly to factories or marketplace.

Although the export of raw cashmere has been prohibited since Spring of 1994 under the resolution 63, custom record indicates that more than 78 tons were exported, and more than 200 tons were assumed to have been smuggled out to bordering countries, mainly China. The Mongolian government intended to protect the domestic cashmere industry by the export ban, but the influence was made in the form of a significant decline of price which reduced the income of herders. The export ban was removed in August 1996, which raised the price of greasy cashmere from 6,000 Tg/kg level in spring to over 10,000 Tg/kg level.

There are several problems in the collection of greasy cashmere inherent in the existence of multiple channels.

- (a) Traders do not evaluate the quality of material, and the tendency to disregard quality lowers market value of Mongolian cashmere in the international market.
- (b) Average yield of scoured and dehaired cashmere from greasy cashmere is decreasing from 50% in the planned economy era to 45% in recent years. It is said that there is a tendency of cheating on the side of herders by containing dirt and extraneous substances in the raw cashmere in order to increase the weight.
- (c) Price is strongly influenced by the purchasing price of Chinese traders who collect cashmere from Mongolian traders. As a result, herders prefer to sell to traders, and the cashmere is transported to China, which cause the shortage of supply to the Ulaanbaatar factories.
- (d) Price fluctuation of raw cashmere and imperfect information of market condition creates among herders disbelief to collecting agents and agricultural cooperatives. As a result, supply of cashmere is hampered and the quality of stored cashmere is becoming worse by aging.

2.2.2 Processing of Cashmere

There is one major processing factory, which is the former state-owned Gobi company, now 25% of its share is privatized. It was established in 1981 with a help of the Japanese government. During the planned economy, Gobi company was the only company that operates the entire process of washing, dehairing, combing, spinning, dyeing and weaving. Now the Buyan company follows as the second expanding its factory, and Mongol Amicale is a prospective company to manufacture high quality products.

Dehaired and combed cashmere is exported to Europe and other industrial countries for further processing, and the amount of export is recorded 507 tons in 1995. Cashmere-top, which is processed one step further, is exported in the amount of 34 tons. The Gobi is the major company, exporting 160 tons of dehaired cashmere, and the Bernel, Amicale, Monfort, Noos-Impeks and Buyan, each producing less than 100 tons of dehaired cashmere, sums up 400 tons for export in total. Most of these dehaired cashmere are processed according to the contract with buyers in foreign countries.

The quality of semi-finished cashmere is said to be not satisfactory to many western countries including Japan because of the low quality dehairing by outdated machines in the Gobi company which is more than 15 years old. International tendency from pure cashmere to mixed spinning makes market price in the low range.

Gobi and Buyan companies have knitting and weaving lines and they produce sweaters and blankets based on the demand from foreign buyers. More than 90% of their products are exported and sold in Europe and the US. Only less than 10% is sold in Ulaanbaatar not for Mongolians but mainly for visitors from foreign countries in summer.

2.2.3 Prospects and Problems in the Cashmere Marketing

The picture of cashmere flow used to be dominated by the size of Gobi, processing more than 1,000 tons of raw cashmere in the late 1980's when national collection system was operating. But this picture is changing with the decline of Gobi production to 450 tons or less in the near future, and the major volume is going to be taken over by emerging new factories established after 1992. Buyan expands to triple its capacity, Eernel adds another new washing and dehairing line, and Mongol-Amicale extends its processing line to spinning and dyeing. Interestingly enough these factories have firm network of delivering their products to different countries. Buyan sends to Japan and Germany, Eernel sends to Italy, and Amicale sends to England. Because of the high quality of Mongolian cashmere, the absorptive capacity of market is large and expanding.

All major companies are concentrating their efforts on collection of raw material and marketing to western countries including Japan. Gobi is trying hard to strengthen the ties with agents in aimags and increase the numbers of agents. Buyan is keen on marketing by order made catalogue in Japan. Eernel is making comprehensive livestock industry support to several soms in mid-west area. Amicale is donating veterinary service to several area where good breed is kept, and trying to set up a new collection system with warehouses throughout almost all over the country which is powerful enough to be compared with the collection system in the old regime.

Quality is the most important aspect of marketing in the future. There should be a grading system that specifies the relation between quality and price so that the supplier of raw material should recognize the merit of being responsive to high end market. In order for creating this supply condition, education will be the key factor instead of administrative order. Market economy has its own guiding ability to upgrade the quality if the traders are well informed and trained by the factory and consumers. Factory is especially responsible for the quality upgrading from the very beginning of the collection of raw cashmere. Amicale's policy to purchase by higher rate if the fiber is proved to be finer gives traders and herders incentive to work on better cashmere. Agricultural cooperatives have a lot to cooperate with these companies who is willing to establish a stable foundation of quality cashmere production.

In the world market Chinese takes price leadership, but the quality is questionable. Cashmere in Mongolia is highly recognized with its fine texture. If policies should be made to discern quality-conscious factory from those that seek only for profit, cashmere industry in Mongolia will be the major industry with more investment from abroad.

2.3 Wool

2.3.1 Collection and Processing of Wool

Under the former state supply system, wool was collected at three major cities, Dornod from three aimags in the east, Bayan Ölgii from three aimags in the west and Ulaanbaatar

from the rest of aimags in the country. Mon-noos was the company in Ulaanbaatar that washes greasy wool with capacity of 10,000 tons a year. Companies in both west and east washed 3,500 tons each, and the company in Bayan Ölgii had effectively operated every year. Washed wool was transferred to Eermel where fibers are spun and dyed. Spun wool was transferred to either Nefmel, a fabric manufacturer or Ulaanbaatar Carpet, a carpet weaver.

After the free economy system, companies were all privatized and trying to find their own ways of survival. Some kept relations with other factories, but the finished goods producing companies, such as Nefmel and Ulaanbaatar Carpet, have prepared to make upstream process within their own factory. It is natural to see these efforts because procurement of Mon-Noos has decreased very much and the output does not meet the demand of all downstream manufacturers.

As a result in the current facility in Ulaanbaatar, scouring is done by Mon-Noos, UB Carpet and Eermel. Spinning is done by Eermel, UB Carpet and Mongol Nefmel. Mongol Nefmel is the only company that weaves textile. Mongol Nefmel has agents in the rural area and Eermel appoints some Agricultural Cooperatives, now called as Companies, to collect raw material for their use. By this effort these companies set up their processing plants to make themselves self sustaining.

Felt processing does without scouring. Felt boots and felt sheets are manufactured in EEG (the Felt and Felt boots Company). It used to produce 400,000 pairs of shoes every year before 1992, but in recent years the only 30,000 boots are produced. (Fig. III-2.3)

2.3.2 Marketing of Wool Product

Products are now all sold out without marketing effort, and the private trader occupies approximately 70% of the marketing share to the rural area. They come directly to factories and purchase what they need for trading in rural areas. In spring, traders come to sell raw wool for cash, but in fall they barter boots with raw wool. People in Ulaanbaatar including shop-owners and city people also visit factories and buy woolen products according to their needs.

Agricultural Cooperatives visit felt factory to sell raw wool and purchase finished goods, but the share is only less than 20 %. For example, one of the Agricultural Cooperatives in average buy 100 to 200 boots, which reflect the som population of 2,000.

2.3.3 Prospects and Problems

Unlike cashmere, quality of wool in Mongolia is rather low because it is coarse and dark colored. Chinese people used to purchase raw wool until several years ago, but in recent years they do not pay much interest in buying Mongolian wool. As a result, the price went down to 300 Tg/kg which is only one thirtieth of the price of cashmere.

Former state owned factories are separately privatized and collection of wool is mostly dependent on private traders. Because of the low quality, textile industry is not developing although Mongol Nefmel is making an effort to expand its business by inviting investment from Japan and other developed countries. Like Eermel and Noos-Impeks, companies which started as wool processing factories now try to make profit from cashmere processing.

Felt for gheers and felt boots are traditional herders' materials, and like factories at Ikh-Tamir can be a local processing center to meet herders' needs within the local economic realm. It should be carefully considered where to locate processing factories in the future. The present factories need to be reassessed according to the quality and marketability of their

products. Companies such as BEG might survive with low capacity utilization because of the lack of competition and the size of demand compared with their supply capacity.

2.4 Skins and Hides

2.4.1 Collection of Raw Material

Just like other factories, skin factories are facing difficulties in collecting raw materials. They were closely connected to meat processing factory. For example in Darkhan, Khishig meat processing company send skins and hides to Nekhi skin company, or Makh-Impeks send goat skins to Mongol Shevro and sheep skins to Mongol Savkhi and cow hides to Buligaar. (Figs. III-2.4 and III-2.5)

After the privatization in 1992, these relations were disconnected and the collection of raw material becomes difficult. The main reason is that the meat processing companies sell their skins to outside the country because foreign traders such as Chinese offer much higher price than these domestic skin processors.

Now the factories purchase most of their raw materials at Tsaiz market which is open to everybody. As market price fluctuates, factories are not able to purchase targeted amount by their budget. Companies such as Mongol Shevro and Mongol Savkhi, now both deal with goat and sheep skin, cooperate each other to stabilize purchasing price.

2.4.2 Processing and Marketing

During the command economy, skin processing industry was integrated at one place mainly in Ulaanbaatar. They supplied leather garments, fur coats and shoes to the domestic market and former CMEA countries. Many of the companies in Ulaanbaatar were established by the technological assistance of Czechoslovakia. Total capacity as an integrated processing industry was designed to absorb all the skins supplied from meat processing plants and those carried from rural slaughtering which was expected to be about the same number of skins from urban factories.

They are operating by fairly low utilization of capacity in recent years because of the difficulty in collecting raw materials. What is more, technology of tanning the Mongolian skin is not good enough to attract international market. Products are thick, heavy and smelling, and are not durable over the years.

Therefore marketing is mainly targeted to domestic market. Companies have some shops under their own operation, they set out sales when winter season approaches. It is the best season that skin coats and fur coats sells most. But the supply of skin is also in the beginning of winter, the company becomes very busy in autumn.

2.4.3 Prospects and Problems

Quality of Mongolian skin is characterized in the following three points. Because of these characteristics, skin processing in Mongolia requires high technology and extra care in order to meet the requirement of international market.

- Hair roots are deep and hard. So the surface treatment requires high skill.
- Mongolian skin is thicker than those from other countries and the skin fiber is more dense. So the skin tend to be very hard and stiff. The tanning process needs high technology and extra care.
- Fat stays thick to the skin. So high technology of de-fattening is required and the back skin should be scraped deeply.

Skin factories are all privatized from former state-owned vertically integrated company. So each of them are seeking ways to procure their materials by themselves and expand their product line so as to stabilize their income. Companies like Mongol Savkhi is taking commission work of tailoring from Korean sewing company because sewing machine can be used for both skins and clothes.

Local tannery should be encouraged along with the recent trend of rural slaughtering. Since skins are produced as one of the by-products of meat production, meat processing factories in rural areas should work cooperatively with skin factories for the supply of skins.

Tanning can be done in small scale unlike factories in Ulaanbaatar. Sergen Mandalt for example introduced efficient newly developed machine, and started market oriented approach. It discovered the way to cooperate with Turkish tannery where the processing technology is more advanced. Factories in Ulaanbaatar such as Mongol Savkhi also try to market their products in Europe but the quality does not beat the competitors.

Technology of splitting, scudding, bating, and degreasing as well as chrome tanning is also important to deliver the Mongolian skin product into international market. Technology transfer and education of processing can be expected by the Agricultural Cooperatives.

2.5 Milk

2.5.1 Overview of Milk Flow and Collection of Milk

The study result, based on the national statistics and data of major companies, reveals that more than 90% of milk is consumed in rural production site in the form of self-consumption. Less than 1% is delivered to an urban processing factory, called Suu company. (Fig. III-2.6)

Before 1990 with the national procurement system, this company used to have a capacity to produce 200,000 liters a day. In 1985, there are 34 contracted dairy farms each of which had 400 cows, and total of milk provided was 200,000 liters a day. This is plausible by assuming that total of 1,300 cows producing 15 liters a day.

But now even in a summer day the product amount is 20,000 liters, and it drops to 1,200 liter in autumn. Reason of this decrease is due to incapability of collection after the national farms are privatized and the collection system ceased to function. The capacity of cows to produce milk also decreased because of the harsh weather. Farmers mentioned that the milk company did not pay for the milk. The president of the milk company notes that the company is running by deficit under the price control from the Government because the company is 51% state owned.

During the summer milk is collected from the suburbs of Ulaanbaatar ranging from 30 km to 180 km, mainly in Selenge and Tov aimags. There are three main routes of collection. One goes to north, visiting Selenge soms of Baruunhara, Jargalant and Bayanchandman covering 360 km in total. The second goes to north-east, visiting three farms in Battsumbur along the railway covering 280 km. The third goes to east, visiting Bayandergel covering 240 km. There are 10 milk collection trucks, donated by the Japanese Government together with refrigeration system in the factory, running to collect every day.

At Bayanchandman there is a milk depot where milk is collected from nearby farms, refrigerated and stored till the collection truck comes. Milk collection is done twice a day from 6 to 8 AM and from 6 to 8 PM. The depot is furnished with milk pump, refrigerator and three refrigerated tanks with a total storage capacity of 18,000 liters. This system works

only two months during the summer, and in autumn the collection frequency is reduced according to the amount of milk produced from farms.

2.5.2 Processing and Marketing of Milk

In the milk company there are lines to produce 8 dairy products, pasteurized milk, yogurt, sour cream, ice-cream, powdered milk, soft curd, butter and cheese. In recent years there are only 4 lines operating, pasteurized milk, yogurt, ice-cream and soft curd. The reason is the scarcity of raw milk and the need to reduce cost of electricity. Only ice-cream is produced in daytime and the other three products are made at night when the electricity charge goes down from 32 Tg/kw to 14 Tg/kw.

Milk and dairy products require intensive care because they are perishables. In every aimag there was a small milk processing factory most of which is not operating because of incapability to adjust to free market economy. Herders sell milk directly to consumers often at open market, but there is not much hygienic problem because people drink milk after they pasteurize themselves before drinking in the form of milk-ful tea, Suu-tei Tsai.

Same thing is happening in urban area. After farmers experienced no pay by the milk company, dairy farmers decided to market their milk to consumers directly at marketplace in Ulaanbaatar. Although the size of dairy farms reduced, they are maintaining sustainable level of production every year.

2.5.3 Prospects and Problems

Facilities in the Milk company are not properly maintained according to the standard of the developed country, and the quality of the products are also poorly managed. The marketed milk should be given much more care to keep its quality, and the city government should be given the authority to control and quarantine the marketed products. So far in Mongolia disease was not spread widely but the quality control is important to keep the health of citizen.

2.6. Wheat and Flour

2.6.1 Overview and Collection of Wheat

In 1995, domestic production of flour is assumed to be two thirds of the total domestic demand. Production of wheat is 250,000 tons, and nearly 100,000 tons are stored as seed for the next year. Out of 140,000 tons of wheat, 93,000 tons of flour is milled. Supply shortage to total demand of 137,000 tons is 44,000 tons, which is supplemented mainly by import from China. Flour products such as bread and cookies are approximately one third of total consumption.(Fig. III-2.7) The flow of wheat to flour and to bakeries is complicated for the following reason.

- (a) One third of total supply is dependent on import although the official data indicate supply from domestic flour-mil satisfies the demand.
- (b) Bakeries consume one third of flour and the number of bakeries increases by more than 100 every year.

Consumption of flour per capita per year is presumed to be 100 kg in Ulaanbaatar, but in rural area rate of consumption is approximately one half of that level.

Collection of wheat is not stagnated but the production itself is stagnated. The flow chart reflects fact in 1995, and the situation of domestic production gets worse. (Fig. III-2.7) The food aid of 5,200 tons of flour by Japanese government is ardently looked for by the manufacturers including liquor manufacturer.

2.6.2 Processing of wheat and flour

Because of the low quality of Mongolian wheat, flour yield per ton of wheat is less than 70%. Moreover most plants in large cities were established more than 30 years ago. Characteristics of flour milling factories are identified as follows.

- (a) Not only the outdated facility but also the lack of maintenance in the past 30 years makes the processing quality of the facility quite low and unstable.
- (b) Feeding of wheat to milling machine is not quality controlled because of the poor capability of selection machine.
- (c) For the selection of flour, cyclone system suck sand and dust from joints of tin pipes.

2.6.3 Prospects and Problems

Problem encountered in the supply of flour comes from the poor crop yield of wheat. The production of wheat is the major concern in two ways, yield per ha and quality. In 1996 lack of rainfall in summer caused low crop yield such as only 770 kg per ha.

Renewal of factory is another concern, but the system operates as an integrated whole. It is not effective to exchange some parts nor is it realistic to reduce the size of operation. Pipes and machines are integrated into the building structure of 6 stories high from top to bottom. Existing factories operates without much trouble if they are properly maintained.

2.7 Potato and Vegetable

2.7.1 Collection of Potato and Vegetable

There is only a few aimags which have surplus of potato and vegetable. Based on the production data and per head consumption data in both urban and rural area, supply-demand balance is calculated. In most aimags supply is not enough to meet the demand and neighboring aimags are assumed to provide if they have some surplus. There is only Selenge and Tov aimag that have surplus of both potato and vegetable, and in Bulgan aimag potato is in surplus position. From these surplus aimags cities such as Ulaanbaatar and Darkhan are supplied by either direct sales of farming company or by traders. There is substantial amount of import from China. There is also a canned food imported from east European countries. (Fig. III-2.8)

2.7.2 Storage and Processing

In rural area underground storage is prepared in order to avoid freezing under the cold winter. There is little to process potatoes and vegetables because people eat by cooking as soup or salad. Urban supply is the most important aspect in the marketing of vegetables.

2.7.3 Prospects and Problems

Just like the case of wheat, potato and vegetable have similar problems of low crop yield. It becomes difficult to see the expansion of cultivation under the present agricultural system without fertilizing and proper bed making during the winter time. There is a growing demand in the city of Ulaanbaatar, and the production should be encouraged.

Agricultural Cooperatives are in the important position to take leadership for the increase of production, and the government intention to support those efforts is ardently expected.

2.8 Inter-regional Distribution

In recent years, rate of population living in som center, aimag center and Ulaanbaatar amounts to half of the total population. In order to supply for these people, production in countryside should be twice their own consumption. Meat as basic foodstuff is self-sufficient in local area and cities such as Darhan, Ulaanbaatar and Orhon (Erdenet) are very much dependent on the supply from countryside. These data are shown in the Table of Meat Balance in 1995.

Meat Balance in 1995

	Population (thous)	Requiment (ton)	Production (ton)	Balance (ton)
Arhangay	103.0	9,960	16,895	6,935
Bayan-Olgii	90.1	8,713	10,028	1,315
Bayanhongor	89.5	8,655	15,566	6,911
Bulgan	63.3	6,121	11,385	5,264
Gobi-Altay	74.1	7,165	13,599	6,434
Dorno-Gobi	48.2	4,661	7,435	2,774
Dornod	84.6	8,181	6,244	-1,936
Dund-Gobi	52.7	5,096	12,283	7,187
Zavhan	105.8	10,231	19,409	9,178
Ovorhangay	112.9	10,917	20,929	10,011
Omno-Gobi	44.8	4,332	8,325	3,993
Sukhbaatar	59.1	5,715	9,760	4,045
Selenge	102.9	9,950	5,085	-4,865
Tov	110.9	10,724	15,574	4,850
Uvs	101.9	9,854	14,204	4,351
Hovd	90.4	8,742	15,174	6,432
Hovsgol	120.1	11,614	18,994	7,380
Hentiy	75.2	7,272	10,507	3,235
Darhan	89.4	8,645	1,445	-7,200
Ulaanbaatar	616.9	59,654	3,075	-56,580
Orhon	64.6	6,247	1,271	-4,976
Gobi-Sumber	12.4	1,199	821	-378
Total	2,312.8	223,648	238,007	14,359

In the table above, meat requirement and production is calculated according to the data given by the state statistical board, and production minus requirement gives balance of each aimag. The location of each aimag and balacation of each aimag and balance companies in major cities. Most of major companies had lowered their capacity utilization and low rates of capacity utilization meant increase of unemployment. Increase of unemployment lowered purchasing power in the market.

3. MARKETING OF FARM INPUTS

3.1 Agricultural Inputs

As for agricultural input, Agrotech-Impeks played major role in distributing machines, fertilizer, seed and pesticide and medicine for livestock. During the command economy, Agrotech-Impeks had wide network throughout the country to supply necessary items according to the plan. For example, fertilizers of nitrogen, phosphate and kalium (potassium), are imported separately from Russia and distributed through depots in Erdenet, Darkhan and Choibalsan. During the 1980's annual supply was 10,000 tons of Nitrogen, 25,000 tons of phosphate and 5,000 tons of kalium.

After the transition to free economy, farmers cannot afford to purchase any fertilizer nor pesticide. As a result, there is no item to market except some machine parts for the existing cultivation machine. Seeds are imported from Russia by only very small amount and marketed among farmers in Selenge and Töv aimags. But without purchasing capacity, there is no possibility of marketing agricultural inputs under the free economy.

Since 1990, fertilizer as mixture of three ingredients came from Japan as donation and Agrotech-Impeks took charge of marketing to farming companies, 500 tons in 1993 and 340 tons in 1994. Again as donation, 99 tractors came from Japan in 1995, most of which are delivered to Töv and Selenge aimags. Agrotech-Impeks installed tires to bodies, and received commission for the work.

3.2 Fodder for Livestock

As for livestock input, fodder supply is an important aspect in livestock management. Managing livestock safely through the long winter is a primary concern of all herders. In the past, the risks winter posed were carried by the state with State Emergency Fodder Fund, now State Service Agency under the Ministry of Agriculture and Industry. But now the responsibility of fodder supply has been transferred, along with the livestock, to each private individual herder. The procurement of sufficient winter fodder is a serious concern for all herders especially those in the Gobi Regions. But obviously, harsh free market economy does not allow most herders to pay for preparation and collection of fodder. Therefore, even a minor snowfalls in the winter of 1992 substantial number of livestock were lost, most of which could have survived under the planned economy with Fodder Fund.

4. MARKETING OF CONSUMER GOODS

Before the market economy, there were wholesale centers in each aimag and retail store and stock point was prepared in each som which was total of 325 throughout the country. Under the retail store in som, small moving retailer, so called "agent" visited each herder for the trading of livestock products often bartered with flour and daily commodities. (Fig. III-4.1)

But after 1990, retail shops and small moving retailers disappeared and private trader took over the work of supplying daily necessities. Private traders are working quite widely between herders and aimag centers or Ulaanbaatar or even outside the country. The wholesale centers in each aimag united to make Mongol Hodalmaa (wholesale) Concern (union), which is managed by former state-owned now parastatal company.

After the transition to free market economy, imported goods are getting popular and the domestically manufactured goods lost its share. Take soap for example, the slaughter house used to provide animal oil as raw material of soap. But as the operation of slaughter house decreases, oil supply decreased accordingly. The product amount now is only 10% of that of the days in 1980's. Soap is marketed by the channel of Buni Hodaldaq as it was before, but naturally the share of Buni Hodaldaq decreased.

Private traders called as "naimaachin" or "change" become popular and they respond to the herders' need quickly so as to make better profit. They make a small team with a trustworthy people, often brothers and relatives, and drive their own trucks or rent trucks in order to carry goods between cities. They have strong network of information on commodity goods so that the market price can be immediately transmitted to the local town. They often commute between several towns, but many of them have access to Ulaanbaatar market where they can make most of their profit.

Big difference from planned economy appears in the remote area of western aimags. After the rationing system ceased to operate, the price of commodities especially petroleum has become very expensive unlike those in central region. High cost of petroleum is reflected in the high cost of transportation, and thereby prices of all commodities are higher, and the rate of price increase is much more than the rate of increase in petroleum. Private traders may have been profiteering in the price escalation.

Agricultural cooperative used to be a major agency to supply consumer goods, but now the portion of its work has decreased just as the state-run wholesale system diminished. The result of the interview survey shows that institutional channel provides only 30% of supply, and the rest of 70% is given by private traders. Field survey revealed that people in the rural area expect the revitalization of the Agricultural Cooperative in order to eliminate the unfair trade by private traders.

5. TRADE CONDITION

After the transition from planned economy, liberalization policy gave trades various forms such as trade by cash, by barter and by contract. Promissory notes or checks are not popular because the financial institutions are not developed.

Trade by cash is the basic trade condition and common in retail shops in cities. Trade by barter is common in countryside when private traders deal with herders, because private traders carry flour, rice and salt to sell in exchange of purchasing animals from herders. This trade condition is convenient for herders because they do not have cash, and they tend not to keep cash because of inflation.

Barter trade is based on the conversion rates agreed by both parties. For example, first grade flour is 250 tugrug/kg and raw cashmere is 10,000 tugrug/kg. So by one kg of cashmere is bartered with 40 kg of flour. Herders like to trade with private traders because private traders come to herders' places and provide what herders need.

Trade by contract is often the case between large factories such as meat processing factories and herders, when factories purchase live animals with trekking arrangements. Contracts are made early spring and payments are made in exchange of animals. Animals in these cases are trekked to Ulaanbaatar over spring and summer grazing the pasture along the trekking route. Animals in spring are skinny and one sheep may weigh only 32 kg. But as trekked to Ulaanbaatar the sheep gains weight and reaches average of 36 kg. Factories pay according

to 32 kg and trekking herdmen have contract of fattening sheep to reach 36kg/head. When sheep gets more than this expected weight, the trekking herdsman receives the value of overweight as bonus by contract. Factories appoint agents and trekking herdsmen in each aimag and arrange trekking groups.

Herders choose means to sell their animal according to their needs of daily necessities such as flour and salt, and they are not always willing to sell their animals by contract because the negotiating weight is based on that in early spring which is not a good season to trade and some herders have experience of being deceived by naughty agents in the past. But because of cash necessities, there are increasing number of herders trading trekking arrangements. Contracts.

6. MARKET INFORMATION SYSTEM

Importance of market information to herders is widely acknowledged among the officials in the Ministry of Agriculture and Industry. Market information and other information relating to agriculture are collected at aimag centers and aimag governors are supposed to forward these information to the National Statistical Board. Information has been published in newspapers and broadcast by radio and TV.

In 1995 consultants of FAO proposed a development of market information system which provides up-to-date detailed information on market prices. As a pilot study, five aimags: Selenge, Darkhan, Bayan-Ölgiy, Dornod and Ulaanbaatar were selected to link to the Information Section of the Ministry of Agriculture.

The market information system started in 1996 with a cooperation of city council of Ulaanbaatar. The system works by the coordination of two information centers: Central Information Unit and Regional Information Center. Central Information Unit is responsible for collection and processing of Ulaanbaatar marketing data, receipt and input of regional marketing data into a master database, and collection of information on internationally traded commodities, and the analysis and dissemination of the information collected.

Regional Information Center is responsible for collection of price-range information based on the actual trade of each commodity, product and animal. Also the regional center is responsible for reporting information from the Central Information Unit to pass over to local broadcasting station for radio transmission.

In order for a fully developed livestock information system, reports should be based on product grade, animal grade and accurate live weight. A standardized, commercially useful live animal grading systems will be an important prerequisite for a better market information system.

7. REGULATIONS RELATED TO MARKETING

After the transition to free market economy, market environment is often described as confused. But there are regulations to set market activities in order, and officials in city council for example make regular visit to marketplaces in Ulaanbaatar in order to examine the market operation. Laws and regulations which give influence on marketing activities are

for example, Food law (1991. Jan. 10), Law to protect consumer's right (1991. Feb. 7 - 16), Law to prohibit unfair competition (1993. July 15), Food Market Law, and Regulation of Coordination Committee to supervise quality of import-export goods.

Although there are law's to regulate unfair trading, it is necessary to enact and enforce authoritative power to make traders abide by the law. There are also some necessities that new laws should be prepared for the better control of qualities of commodities such as meat and meat products, milk and dairy products including eggs.

Meat needs to be examined both before and after the slaughtering by veterinarian, and the hygienic condition should be carefully controlled after the livestock turned into carcass meat. The method and testing agency should be established together with regulations, such as food hygiene law, slaughter house law, and meat processing instructions.

8. MARKETPLACE CONDITIONS

There are 11 food markets in Ulaanbaatar which operates as retail market for people. (Table III-1.14) Among them 4 markets, Fuchit-Shonkhol, Kharakhorin, Bayanzurkh and Mon-Orgil are open air market. These marketplaces charges tenant fee from each merchandiser, either daily, monthly or percentage of sales. At these open market, tenant fee is cheaper than other roofed market or the fee is charged by percentage of sales. So the people from rural area to sell their livestock products come to these marketplaces and pay their daily fee to set-up the place for their business. Fuchit-Shonkhol is near Töv Market which is often called as black market, and Kharakhorin is in the west of Ulaanbaatar where people from south, west and north have easy access. Bayanzurkh and Mon-Orgil is in the center city surrounded by apartment houses, and people have come to by daily food. These marketplaces are popular and prices are generally cheaper than roofed markets but the hygienical quality is questionable because of the openness.

Roofed market on the other hand, are considered to carry better items because tenant are staying long time on monthly-contract. Although roofed market is smaller in size, but each marketplace has more than 100 tenants which give enough variety. Tenant shops carry from meat, vegetables, bread and dairy products and imported canned or bottled foods. For food safety, inspectors stay at all marketplaces for daily supervision. Management companies of marketplaces employ staffs to check the accuracy of scales and to instruct rules in the markets. shop owners in the roofed market are often purchase their sales items from open-air market and sell by fairly established price, which means there is no room for negotiation.

Most of markets were established within the recent 5 years and they are under the constant renovation and change of tenants. Managing company is making effort to keep fair trade by checking scales and quality of commodities. Ulaanbaatar city council conduct regular checking on all marketplaces.

9. PRICE OF AGRICULTURAL PRODUCTS

The Mongolian government holds free market policy where prices are determined by market equilibrium between consumers and suppliers. Agricultural products are seasonal and the supply amount fluctuates according to the season. Meat and milk reflect their increase in supply to the decrease of prices. (Tables III-1.16, III-1.17, III-1.18) Meat has high price

season from May to September when supply become scarce, and price in other 7 months are stable. Milk has low price season from June to October and price in other 7 months are high and stable. Supply amount from Milk factory in Ulaanbaatar indicated by bar chart in the price fluctuation graph gives reverse co-relation between the supply amount and price hike. By eliminating the effect of inflation, it is observed that there is a clear pattern which repeats every year.

Grains on the other hand keep their prices fairly constant throughout the year although the harvest season is limited. (Tables III-1.19, III-1.20) There seems to be several factors:

- 1) Large former state-owned factories produce flour by constant amount according to their planned operation.
- 2) There is a constant supply of imported flour from China where the supply is abundant.
- 3) Rice is imported from several countries and unlike flour the demand for rice is not very large. So the supply is always enough for the consumer. Other imported goods show fairly constant pattern which follows inflation. This constant price can be recognized as a reflection of free international trade.

As for other agricultural products such as cashmere and skin, seasonal fluctuation of prices is observed, where the price is lowest in spring. These price fluctuation is quickly reflected by the purchase prices of private traders.

Although prices for agricultural products are theoretically liberalized, former state-owned factories such as Makh-Impeks, Suu (milk) company and Gobi company are putting downward pressures on the procurement prices so as to keep their product in low price range. The purpose of these efforts are, 1) to control the inflation, and 2) to keep the international competitiveness.

Tables

Table III-1.1 Total Sales of Livestock and Its Processing Production dealt with Agricultural Cooperatives in 1995 (1/2)

Name of Aimag	Nos. of Agri. Cooperatives	Beef			Sheep Meat			Camel Meat			Horse Meat		
		Production (t)	Consignment Sale (t)	Total sale (t)	Production (t)	Consignment Sale (t)	Total sale (t)	Production (t)	Consignment Sale (t)	Total sale (t)	Production (t)	Consignment Sale (t)	Total sale (t)
(A) Eastern area													
1. Dornod	6	7.6	11.6	19.2	33.1	7.2	40.3	1.1	0.0	1.1	10.1	0.0	10.1
2. Sukhbaatar	11	35.3	0.0	35.3	237.7	11.3	249.0	0.8	0.0	0.8	0.0	0.0	0.8
3. Hentiy	10	70.7	0.0	70.7	43.9	0.3	44.2	1.4	0.0	1.4	6.0	0.0	6.0
sub-total	27	113.6	11.6	125.2	314.7	18.8	333.5	3.3	0.0	3.3	16.1	0.0	16.1
(B) Central area													
4. Selenge	-	-	-	-	-	-	-	-	-	-	-	-	-
5. You	10	17.7	0.1	17.8	41.6	1.2	42.8	1.1	0.0	1.1	58.0	0.0	58.1
6. Bulgan	9	24.7	6.9	31.6	31.4	6.0	37.4	1.4	0.0	1.4	6.0	0.0	6.0
7. Arhangay	13	5.2	0.0	5.2	2.4	7.2	9.6	0.0	0.0	0.0	11.3	0.2	11.5
8. Ovovhangay	27	36.2	0.0	36.2	66.8	6.7	73.5	0.9	0.5	1.4	1.6	0.0	1.6
sub-total	59	83.8	7.0	90.8	142.2	21.1	163.3	3.4	0.5	3.9	76.9	0.2	77.2
(C) Gobi Desert area													
9. Dornogobi	14	143.3	297.1	445.4	254.6	186.1	440.7	75.7	0.4	76.1	35.8	64.0	99.8
10. Dundgobi	11	44.4	130.0	174.4	65.0	131.1	196.1	12.9	2.0	14.9	7.4	4.1	11.5
11. Omnogobi	10	0.0	0.2	0.2	0.0	5.8	5.8	0.0	9.2	9.2	0.0	25.3	25.3
12. Bayanhongor	10	0.0	5.4	5.4	0.0	19.3	19.3	0.0	0.0	0.0	0.0	0.2	0.2
13. Gobialtay	19	148.6	130.8	279.4	5.6	7.2	12.8	2.9	2.9	5.8	0.0	3.5	3.5
sub-total	64	341.3	563.5	904.8	325.2	349.5	674.7	91.5	14.5	106.0	43.2	97.1	140.3
(D) Western Mountain area													
14. Khubogul	14	129.6	14.6	144.2	26.6	0.0	26.6	0.0	0.0	0.0	1.3	0.0	1.3
15. Dzauhan	21	2.9	0.6	3.5	38.2	1.9	40.1	0.0	0.0	0.0	0.0	0.7	0.7
16. Uvs	23	6.4	10.7	17.1	56.4	2.4	58.8	2.2	0.0	2.2	12.3	0.0	12.3
17. Hovd	6	37.3	0.0	37.3	85.5	2.3	87.8	1.3	0.3	1.6	0.3	0.0	0.3
18. Bayanolgii	-	-	-	-	-	-	-	-	-	-	-	-	-
sub-total	64	176.2	25.9	202.1	206.7	6.6	213.3	3.5	0.3	3.8	13.9	0.7	14.6
Total	214	714.9	608.0	1,322.9	988.8	396.0	1,384.8	101.7	15.3	117.0	150.1	98.0	248.2

Name of Aimag	Nos. of Agri. Cooperatives	Intestine of goat and sheep			Hard Feathers of Camel, Cattle and Horse			Intestine of goat and sheep			Hard Feathers of Camel, Cattle and Horse		
		Production (head)	Consignment (head)	Total sale (head)	Production (t)	Consignment Sale (t)	Total sale (t)	Production (head)	Consignment (head)	Total sale (head)	Production (t)	Consignment Sale (t)	Total sale (t)
(A) Eastern area													
1. Dornod	6	0	0	0	0.8	0.0	0.8	0	0	0	0.8	0.0	0.8
2. Sukhbaatar	11	4,900	0	4,900	0.4	1.0	1.4	4,900	0	4,900	0.4	1.0	1.4
3. Hentiy	10	1,000	0	1,000	0.0	0.6	0.6	1,000	0	1,000	0.0	0.6	0.6
sub-total	27	5,900	0	5,900	1.2	1.6	2.8	5,900	0	5,900	1.2	1.6	2.8
(B) Central area													
4. Selenge	-	-	-	-	-	-	-	-	-	-	-	-	-
5. You	10	0	0	0	0.3	0.0	0.3	0	0	0	0.3	0.0	0.3
6. Bulgan	9	13,800	0	13,800	3.1	0.5	3.6	13,800	0	13,800	3.1	0.5	3.6
7. Arhangay	13	-	1,200	1,200	1.0	0.8	1.8	-	1,200	1,200	1.0	0.8	1.8
8. Ovovhangay	27	7,633	465	8,098	1.9	2.2	4.1	7,633	465	8,098	1.9	2.2	4.1
sub-total	59	21,433	1,665	23,098	6.3	3.5	9.8	21,433	1,665	23,098	6.3	3.5	9.8
(C) Gobi Desert area													
9. Dornogobi	14	0	0	0	2.3	4.5	6.8	0	0	0	2.3	4.5	6.8
10. Dundgobi	11	2,222	9,409	11,631	1.2	3.6	4.8	2,222	9,409	11,631	1.2	3.6	4.8
11. Omnogobi	10	55	1,440	1,495	0.0	1.6	1.6	55	1,440	1,495	0.0	1.6	1.6
12. Bayanhongor	10	0	2,100	2,100	0.0	1.7	1.7	0	2,100	2,100	0.0	1.7	1.7
13. Gobialtay	19	6,089	10,536	16,625	0.0	0.0	0.0	6,089	10,536	16,625	0.0	0.0	0.0
sub-total	64	8,366	23,485	31,851	3.5	11.4	14.9	8,366	23,485	31,851	3.5	11.4	14.9
(D) Western Mountain area													
14. Khubogul	14	0	1,064	1,064	0.0	1.2	1.2	0	1,064	1,064	0.0	1.2	1.2
15. Dzauhan	21	562	2,100	2,662	0.3	1.6	1.9	562	2,100	2,662	0.3	1.6	1.9
16. Uvs	23	2,240	3,436	5,676	0.2	1.1	1.3	2,240	3,436	5,676	0.2	1.1	1.3
17. Hovd	6	4,100	300	4,400	0.2	0.0	0.2	4,100	300	4,400	0.2	0.0	0.2
18. Bayanolgii	-	-	-	-	-	-	-	-	-	-	-	-	-
sub-total	64	6,902	6,900	13,802	0.7	3.9	4.6	6,902	6,900	13,802	0.7	3.9	4.6
Total	214	42,601	32,050	74,651	11.7	20.4	32.1	42,601	32,050	74,651	11.7	20.4	32.1

Name of Aimag	Nos. of Agri. Cooperatives	Wool			Cashmere			Feather of Camel			Soft Feather of Horse and Cattle		
		Production (t)	Consignment (t)	Total sale (t)	Production (t)	Consignment Sale (t)	Total sale (t)	Production (t)	Consignment (t)	Total sale (t)	Production (t)	Consignment Sale (t)	Total sale (t)
(A) Eastern area													
1. Dornod	6	21.7	14.9	36.6	1.5	0.4	1.9	1.0	0.4	1.4	0.4	0.1	0.5
2. Sukhbaatar	11	39.8	12.7	52.5	1.6	3.1	4.7	2.3	0.4	2.7	0.0	0.0	0.0
3. Hentiy	10	4.1	10.3	14.4	2.4	1.9	4.3	0.7	0.7	1.4	0.0	0.0	0.0
sub-total	27	65.6	37.9	103.5	5.5	5.4	10.9	4.0	1.5	5.5	0.4	0.1	0.5
(B) Central area													
4. Selenge	-	-	-	-	-	-	-	-	-	-	-	-	-
5. You	10	20.7	0.3	21.0	0.3	0.1	0.4	0.5	0.0	0.5	0.0	0.0	0.0
6. Bulgan	9	21.2	6.2	27.4	5.8	0.0	5.8	1.6	15.3	16.9	0.8	0.0	0.8
7. Arhangay	13	12.4	17.9	30.3	3.3	0.4	3.7	0.5	-	0.5	2.2	3.9	6.1
8. Ovovhangay	27	220.4	65.2	285.6	17.9	8.0	25.9	13.7	0.6	14.3	3.7	4.3	8.0
sub-total	59	274.7	89.6	364.3	25.3	8.5	33.8	16.3	15.9	32.2	6.7	8.2	14.9
(C) Gobi Desert area													
9. Dornogobi	14	66.5	138.9	205.4	1.3	5.1	6.4	10.2	18.7	28.9	3.0	1.8	4.8
10. Dundgobi	11	48.8	103.2	152.0	4.5	18.2	22.7	3.9	20.1	24.0	0.0	0.0	0.0
11. Omnogobi	10	0.2	24.0	24.2	0.5	14.0	14.5	0.6	62.9	63.5	0.3	0.1	0.4
12. Bayanhongor	10	0.0	73.9	73.9	0.0	7.8	7.8	0.0	3.3	3.3	0.0	1.4	1.4
13. Gobialtay	19	87.4	123.2	210.6	26.6	15.0	41.6	8.9	7.4	16.3	0.0	0.0	0.0
sub-total	64	202.9	469.2	672.1	32.9	60.1	93.0	23.6	112.4	136.0	3.3	3.3	6.6
(D) Western Mountain area													
14. Khubogul	14	66.9	17.3	84.2	4.3	7.2	11.5	2.5	0.0	2.5	4.9	5.8	10.7
15. Dzauhan	21	80.2	85.4	165.6	11.3	6.9	18.2	3.5	6.2	9.7	0.6	6.0	6.6
16. Uvs	23	29.0	93.4	122.4	0.7	7.3	8.0	0.4	2.6	3.0	0.4	1.0	1.4
17. Hovd	6	84.0	68.2	152.2	9.6	260.7	270.3	7.0	2.4	9.4	0.0	0.0	0.0
18. Bayanolgii	-	-	-	-	-	-	-	-	-	-	-	-	-
sub-total	64	260.1	269.3	529.4	25.9	282.1	308.0	13.4	11.2	24.6	5.9	12.8	18.7
Total	214	803	860	1,663	90	356	446	57	141	198	16	26	41

Data source: NAMAC office file

Remarks: This table was prepared on the basis of data of 214 agricultural cooperatives among the total number of 252.

Table III-1.1 Total Sales of Livestock and Its Processing Production dealt with Agricultural Cooperatives in 1995 (2/2)

Name of Aimag	Nos of Agri. Cooperatives	Hard Feather of Goat			Fur of Camel, Horse and Cattle			Fur of Goat and Sheep		
		Production (t)	Consignment sale (t)	Total sale (t)	Production (Piece)	Consignment Sale (Pieces)	Total sale (Piece)	Production (piece)	Consignment sale (piece)	Total sale (piece)
(A) Eastern area										
1. Dornod	6	0.0	0.0	0.0	76.0	160.0	236.0	1,967.0	2,708.0	4,669.0
2. Sukhbaatar	11	0.0	0.0	0.0	962.0	37.0	999.0	2,218.0	0.0	2,218.0
3. Hentiy	10	0.0	0.0	0.0	258.0	39.0	297.0	1,484.0	28.0	1,522.0
sub-total	27	0.0	0.0	0.0	1,296.0	236.0	1,532.0	5,669.0	2,736.0	8,409.0
(B) Central area										
4. Selenge	-	-	-	-	-	-	-	-	-	-
5. Tov	10	0.0	0.0	0.0	0.0	0.0	0.0	289.0	140.0	429.0
6. Bulgan	9	0.1	0.2	0.3	15.0	40.0	55.0	600.0	400.0	1,000.0
7. Arhangay	13	0.0	0.3	0.3	40.0	70.0	110.0	21.0	1,110.0	1,131.0
8. Ovorhangay	27	1.8	0.8	2.6	149.0	344.0	493.0	9,858.0	2,034.0	11,892.0
sub-total	59	1.9	1.3	3.2	204.0	454.0	658.0	10,768.0	3,684.0	14,452.0
(C) Gobi Desert area										
9. Dornogobi	14	0.8	2.4	3.2	358.0	1,336.0	1,694.0	1,877.0	3,669.0	5,546.0
10. Dundgobi	11	0.9	2.4	3.3	173.0	1,807.0	1,980.0	3,100.0	4,843.0	7,943.0
11. Omnogobi	10	0.1	5.2	5.3	0.0	927.0	927.0	55.0	5,202.0	5,257.0
12. Bayanhongor	10	0.0	0.8	0.8	0.0	20.0	20.0	0.0	2,000.0	2,000.0
13. Gobi-Altay	19	0.0	0.0	0.0	543.0	878.0	1,421.0	1,967.0	2,708.0	4,675.0
sub-total	64	1.8	10.8	12.6	1,074.0	4,968.0	6,042.0	6,999.0	18,422.0	25,421.0
(D) Western Mountain area										
14. Khubsogul	14	0.0	0.0	0.0	2,867.0	19.0	2,886.0	5,676.0	357.0	6,033.0
15. Dzavhan	21	0.0	0.0	0.0	184.0	200.0	384.0	5,257.0	2,740.0	7,997.0
16. Urs	23	0.4	2.5	2.9	32.0	308.0	340.0	2,764.0	4,520.0	7,284.0
17. Hovd	6	1.9	0.4	2.3	890.0	290.0	1,180.0	12,700.0	6,100.0	18,800.0
18. Bayan-Ulgii	-	-	-	-	-	-	-	-	-	-
sub-total	64	2.3	2.9	5.2	3,973.0	817.0	4,790.0	26,397.0	13,717.0	40,114.0
Total	214	6	15	21	6,547	6,475	13,022	49,833	38,559	88,396

Data source: NAMAC office file

Remarks: This table was prepared on the basis of data of 214 agricultural cooperatives among the total number of 252.

Table III-1.2 Total Sales of Agricultural Products dealt with Agricultural Cooperatives in 1995

Name of Aimag	No of Agri. Cooperatives	Grain			Potatoes			Vegetables			Other crops		
		Production (t)	Consignment Sale (t)	Total (t)	Production (t)	Consignment Sale (t)	Total (t)	Production (t)	Consignment Sale (t)	Total (t)	Production (t)	Consignment Sale (t)	Total (t)
(A) Eastern area													
1. Dornod	6	0	0	0	0	0	0	0	0	0	0	0	0
2. Sukhbaatar	11	878	10	888	1	1	2	6	0	6	517	0	517
3. Hentiy	10	1,301	0	1,301	3	0	3	0	0	0	793	0	793
sub-total	27	2,179	10	2,189	4	1	5	6	0	6	1,310	0	1,310
(B) Central area													
4. Selenge	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Tov	10	4,287	302	4,589	59	31	90	16	0	16	1,168	0	1,168
6. Bulgan	9	12,258	-	12,258	472	0	472	93	0	93	92	8	100
7. Arhangay	13	2,030	24	2,054	162	0	162	1	5	6	20	16	36
8. Ovorhangay	27	-	-	-	-	-	-	0	0	0	0	0	0
sub-total	59	18,575	326	18,901	693	31	724	110	5	115	1,280	24	1,304
(C) Gobi Desert area													
9. Dornogobi	14	0	0	0	0	0	0	0	0	0	0	0	0
10. Dundgobi	11	0	0	0	2	0	2	0	0	0	289	0	289
11. Omnogobi	10	0	0	0	16	0	16	3	0	3	0	0	0
12. Bayanhongor	10	0	0	0	0	0	0	0	0	0	0	0	0
13. Gobi-Altay	19	0	0	0	14	9	23	2	0	2	0	2	2
sub-total	64	0	0	0	32	9	41	5	0	5	289	2	291
(D) Western Mountain area													
14. Khubsogul	14	0	503	503	11	0	11	9	0	9	1	0	1
15. Dzavhan	21	0	0	0	56	8	64	10	0	10	36	0	36
16. Urs	23	101	4	105	29	1	30	3	0	3	5	0	5
17. Hovd	6	0	0	0	5	0	5	0	0	0	0	0	0
18. Bayan-olgiy	-	-	-	-	-	-	-	-	-	-	-	-	-
sub-total	64	101	507	608	101	9	110	22	0	22	42	0	42
Total	214	20,835	843	21,698	830	50	880	143	5	147	2,920	26	2,945

Data source: NAMAC office file

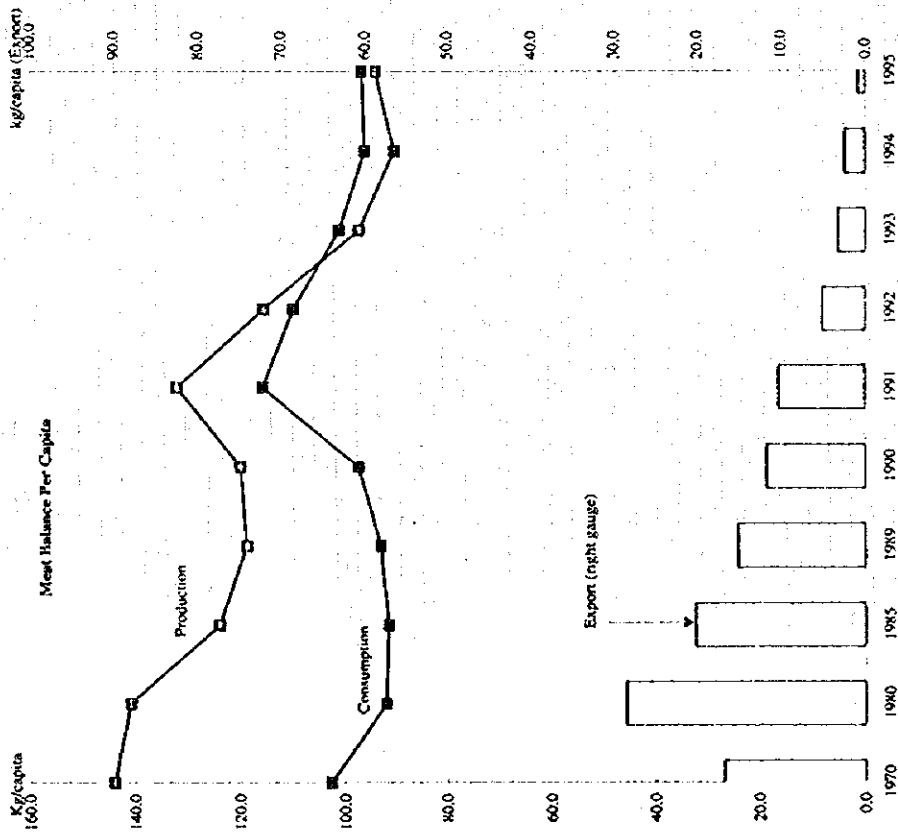
Remarks: This table was prepared on the basis of data of 214 agricultural cooperatives among the total number of 252.

*: no data available

Table III-1.3. Meat Balance Per Capita

	1970	1980	1985	1989	1990	1991	1992	1993	1994	1995
Production	144.1	140.9	123.9	118.7	119.9	132.1	115.4	97.3	90.3	94.1
Consumption	102.6	92	91.5	93.1	97.4	115.6	109.6	101	96.1	96.7
Balance	41.5	48.9	32.4	25.6	22.5	16.5	5.8	-3.7	-5.8	-2.6
Export	16.7	28.5	20.2	15.1	11.7	10.2	5.1	3.2	2.4	0.9

Sources: MOPA, Statistical Yearbook, Mongolian Economy and Society



- A. Statistical office has per capita consumption amount. Total nationwide consumption is calculated by multiplying the population. So the supply-demand balance is examined by per capita basis.
- B. Production is based on the information from Aimag Center.
- C. As a result, from statistical data Supply-demand does not balance, either by overestimating consumption or underestimating supply or both. What is more, there is export amount.

Table III-1.4 Meat Production: Adjusted by Original Calculation

Theoretical production amount	1991	1992	1993	1994	1995
1. Slaughter Weight (thous.t)	377.8	339.1	266.2	243.8	267.2
2. Carcass Weight (thous. t)	325.4	291.2	230.0	211.5	231.5
3. Modified Carcass amount	322.1	288.3	227.7	209.4	229.2
Statistics Data	281.2	251.2	216.1	203.9	215.8

Considered death loss 1%

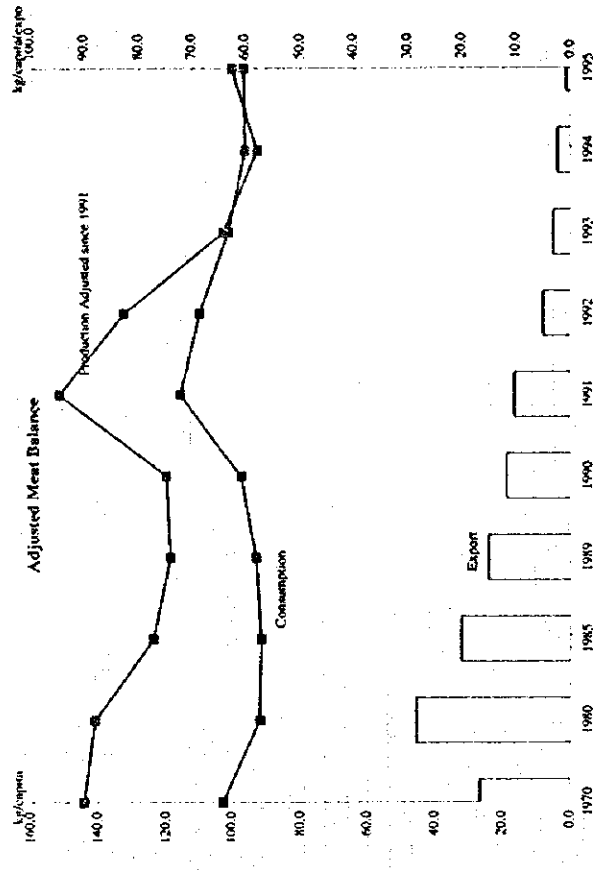
Table III-1.4 a) Population

(Annual Average)	1991	1992	1993	1994	1995
	2,129	2,177.1	2,221.3	2,259	2,293.9

Table III-1.4 b) Adjusted Meat Balance per Capita

	1970	1980	1985	1989	1990	1991	1992	1993	1994	1995
Production (Modified Carcass amount)	144.1	140.9	123.9	118.7	119.9	132.4	115.3	102.5	92.7	99.9
Consumption	102.6	92	91.5	93.1	97.4	115.6	109.6	101	96.1	96.7
Balance	41.5	48.9	32.4	25.6	22.5	16.8	5.7	2.8	1.5	3.2

Source: MOPA, Statistical Yearbook, Mongolian Economy and Society



There is a statistical data of slaughter heads of each kind of animal. Supply amount of meat is assumed by multiplying slaughter heads and weight of each animal. Carcass weight, theoretically calculated, and abattoir loss considered as 1%, gives modified carcass amount. Per capita production of modified carcass meat is calculated by dividing total modified carcass amount by average annual population. This data gives more realistic picture of supply-demand balance of meat.

Table III-1.5 Meat Supply in 1994

All Alive weight

	Annual Production			Supply to Formal Rout (to National Organization)			Supply to market place			Self-Consumption		
	ton	th - lg	%	ton	th - lg	%	ton	th - lg	%	ton	th - lg	%
TOTAL:	420,822	74,530,917	100%	27,755	2,738,937	7%	122,641	39,814,584	29%	270,426	31,692,017	64%
Camel	14,157	1,914,179		106	6,199	1%	6,033	1,146,175	43%	8,019	761,805	57%
Horse	39,525	4,307,579		841	70,853	2%	1,698	390,494	4%	36,983	3,846,232	94%
Cattle	128,772	20,284,553		16,975	1,684,446	13%	24,438	7,942,188	19%	87,360	10,657,920	68%
Sheep	192,735	42,688,582		9,173	924,812	5%	81,561	28,138,683	41%	109,001	13,623,088	55%
Goat	37,318	4,949,187		590	43,296	2%	8,334	2,208,537	22%	28,393	2,697,354	76%
Pig	1,225	374,162		43	6,034	4%	572	16,483	47%	609	96,285	50%
Poultry	40	6,598		25	3,348	62%	5	2,025	14%	10	1,225	25%
Other	51	6,108		0	0	0%	0	0	0%	51	6,108	100%
PRIVATE ENTERPRISES												
Camel	9,554	1,079,738	67%	83	4,585	1%	1,847	350,968	19%	7,623	724,185	80%
Horse	28,396	3,043,545	72%	571	47,450	2%	812	186,714	3%	27,013	2,809,352	95%
Cattle	111,552	17,372,305	87%	10,649	1,079,514	10%	19,619	6,376,143	18%	81,284	9,916,648	73%
Sheep	170,082	35,361,953	85%	6,413	649,418	4%	64,791	22,352,723	38%	98,879	12,359,813	58%
Goat	34,013	4,255,692	91%	488	35,033	1%	6,093	1,614,619	18%	27,432	2,606,040	81%
Pig	1,098	343,645	90%	16	2,254	1%	538		49%	545	86,031	50%
Poultry	7	825	17%			0%			0%	7	825	100%
Other	51	6,108	100%			0%			0%	51	6,108	100%
Sub-total	354,752	61,463,811	84%	18,221	1,818,284	5%	93,697	30,881,166	26%	242,833	28,509,002	68%
OTHER												
Camel	4,604	834,442	33%	22	1,615	0%	4,185	795,207	91%	398	37,620	9%
Horse	11,129	1,264,033	28%	273	23,373	2%	886	203,780	8%	9,970	1,035,880	90%
Cattle	17,220	2,912,249	13%	6,325	604,932	37%	4,819	1,566,045	28%	6,076	741,272	35%
Sheep	29,653	7,326,629	15%	2,760	275,393	9%	16,771	5,785,961	57%	10,122	1,265,275	34%
Goat	3,305	693,495	9%	102	8,263	3%	2,241	593,918	68%	961	91,314	29%
Pig	127	30,517	10%	27	3,780	21%	35	16,483	27%	65	10,254	51%
Poultry	33	5,773	84%	25	3,348	74%	5	2,025	16%	3	400	10%
Other												
Sub-total	66,070	13,067,136	16%	9,535	920,703	14%	28,942	8,963,418	44%	27,594	3,183,015	42%

Source : State Statistical office, Courtesy of Mr. ChimedJagawa

Table III-1.6 Meat : Supply-Consumption Balance in UB (Th. ton)

	1990	1991	1992	1993	1994	1995
Meat-M P-Balance	0.0	0.0	0.0	0.0	0.0	0.0
Consumption	36.4	35.1	30.2	20.3	16.1	22.8
Supply-inside UB	35.5	30.7	17.7	11.3	8.7	9.8
Supply-fm outside UB	0.9	4.4	12.5	9.1	7.4	13.0

* There must be internal inflows from countryside to UB.

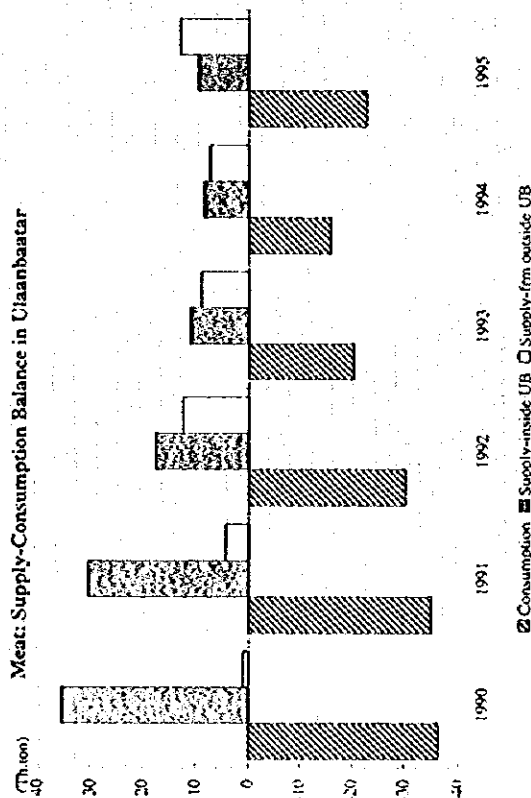


Table III-1.7 Wool Supply in 1994

Courtesy: Chimeddagawa, State statistical office

	Annual Production			Supply to Formal Rout (to National Organization)			Supply to market-place			Self-Consumption		
	ton	th.tg	%	ton	th.tg	%	ton	th.tg	%	ton	th.tg	%
TOTAL:	26,314	14,500,655		15,177	7,605,214	58%	9,236	6,639,677	35%	1,901	255,765	7%
Camel wool	1,802	715,357		1,290	505,642	72%	380	190,050	21%	131	19,665	7%
Sheep wool	19,608	3,584,541		11,650	1,875,476	59%	6,443	1,481,890	33%	1,515	227,175	8%
Cashmere	1,802	10,053,374		1,063	5,166,374	59%	739	4,887,000	41%			0%
Goat wool	1,069	43,977		383	15,769	36%	686	28,208	64%			0%
Shed hair, Lg-anml	1,092	57,876		457	24,237	42%	635	33,639	58%			0%
Hair fm Lg animal	942	45,531		332	17,717	35%	354	18,890	38%	255	8,925	27%
PRIVATE ENTERPRIZES												
Camel wool	1,292	528,261	72%	781	318,546	60%	380	190,050	29%	131	19,665	10%
Sheep wool	14,527	2,742,206	74%	6,570	1,033,141	45%	6,443	1,481,890	44%	1,515	227,175	10%
Cashmere	1,333	7,729,469	74%	594	2,842,469	45%	739	4,887,000	55%			0%
Goat wool	858	35,319	80%	173	7,111	20%	686	28,208	80%			0%
Shed hair, Lg-anml	900	47,700	82%	265	14,061	29%	635	33,639	71%			0%
Hair fm Lg animal	820	39,039	87%	211	11,225	26%	354	18,890	43%	255	8,925	31%
sub-total	19,731	11,121,994	75%	8,591	4,226,552	44%	9,236	6,639,677	47%	1,901	255,765	10%
OTHER SECTORS												
Camel wool	509	187,096	28%	509	187,096	100%						
Sheep wool	5,081	842,336	26%	5,081	842,336	100%						
Cashmere	469	2,323,905	26%	469	2,323,905	100%						
Goat wool	210	8,658	20%	210	8,658	100%						
Shed hair, Lg-anml	192	10,176	18%	192	10,176	100%						
Hair fm Lg animal	122	6,492	13%	122	6,492	100%						
sub-total	6,583	3,378,662	25%	6,583	3,378,662	100%						

Table III-1.8 Milk Supply in 1994

	Annual Production			Supply to Formal Rout (to National Organization)			Supply to market-place		
	ton	th - tg	%	ton	th - tg	%	ton	th - tg	%
TOTAL:	312,031	24,680,261		31,910	2,233,714	10%	32,762	5,542,792	10%
Female Camel	645	77,843		0	0	0%	180	36,020	28%
Mare (female horse)	23,788	2,502,234		0	0	0%	9,772	1,661,274	41%
Cow	253,450	19,700,480		31,910	2,233,714	13%	19,590	3,330,266	8%
Ewe (female sheep)	16,192	1,165,508		0	0	0%	1,939	310,240	12%
Female goat	18,435	1,234,196		0	0	0%	1,281	204,992	7%
PRIVATE ENTERPRIZES									
Female Camel	620	73,373	96%			0%	160	32,000	26%
Mare	23,146	2,407,178	97%			0%	9,258	1,573,928	40%
Cow	237,483	17,305,389	94%	29,900	2,093,000	13%	6,816	1,158,720	3%
Ewe	14,686	954,684	91%			0%	734	117,488	5%
Female goat	17,955	1,167,098	97%			0%	898	143,648	5%
sub-total	293,890	21,907,722	94%	29,900	2,093,000	10%	17,867	3,025,784	6%
OTHER SECTORS									
Female Camel	25	4,470	4%				20	4,020	80%
Mare	642	95,056	3%				514	87,346	80%
Cow	15,967	2,395,091	6%	2,010	140,714	13%	12,774	2,171,546	80%
Ewe	1,506	210,824	9%				1,205	192,752	80%
Female goat	479.3	67,098	3%				383	61,344	80%
sub-total	18,141	2,772,539	6%	2,010	140,714	11%	14,896	2,517,008	82%

Table III-1.9 Purchasing of Materials at Food Companies

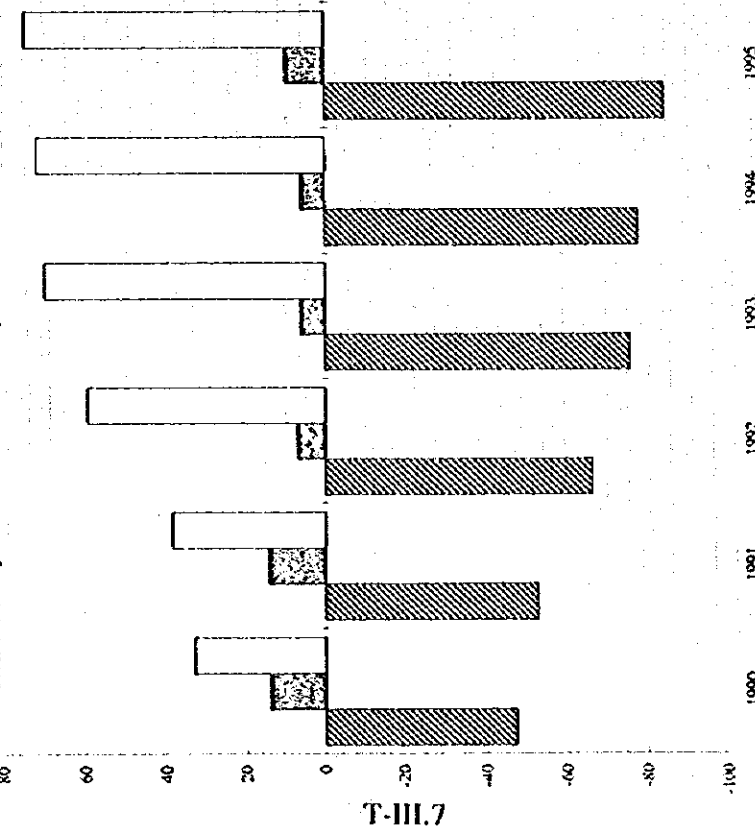
Min. of F & A, Courtesy of Mr. Khishige

Factory name		unit	1995 excitation		
			amount	purchase price	
				unit price	total cost
Atar	Flour	ton	9,007	88	789,978
	Salt	ton	150	37	5,565
	Plant oil	ton	19	700	13,160
	Sugar	ton	65	315	20,601
	Yeast	ton	35	1,271	44,600
	Butter	ton	34	525	17,955
	Animal oil	ton	7	550	3,575
	Egg	th-pcs	15,726	67	987
	Other				2,000
	Total				898,420
Takh chikher	Sugar	ton	1,854	273	506,197
	Butter	ton	179	594	106,445
	Egg	th-pcs	297	40	11,868
	Special grade flour	ton	2,603	108	281,113
	1st grade flour	ton	9,861	93	917,027
	Fruit	ton	122	80	9,728
	Vodka	ton	10	3,987	39,073
	Concentrated milk	ton	60	798	47,880
	Assortment	ton	698	300	209,400
	Candy covering paper	ton	79	1,015	79,779
	Biscuit covering paper	ton	16,522	2	27,261
	Candy cover inside	ton	18,600	1	15,996
	Bag making paper A	ton	3	389	1,167
	Bag making paper B	ton	35	435	15,225
	paper for insulation	ton	20	145	2,900
Total				2,271,058	
Ogooj	Salt	ton	12	35	406
	Plant oil	ton	61	750	45,750
	Sugar	ton	956	420	405,720
	Butter	ton	329	700	230,020
	Animal oil	ton	62	540	33,264
	Other				235,637
	Special grade flour	ton	393	128	50,304
	1st grade flour	ton	1,761	114	200,777
	Concentrated milk	ton	22	700	15,050
	Assortment	ton	59	400	23,600
	Protein	ton	17	352	5,984
	Potato flour	ton	1	350	490
	2nd grade flour	ton	408	87	35,522
	Carbonate	ton	5	250	1,300
	Wet egg	ton	15	1,000	15,000
	Auxiliaries				62,989
	Total				1,361,813
APU	Sugar	ton	266	290	77,140
	Spirit from Zuunhara	th-liter	1,130	475	536,750
	Barley	ton	1,336	35	46,760
	Carbon dioxide	ton	138	290	40,020
Total	ton			700,670	
Khuukhdiin sod	Flour	ton	5	120	600
	Sugar	ton	4	36	144
	Auxiliaries				38
	Milk	th-liter	317	150	47,550
	Dry milk	ton	22	800	17,600
	millet	ton	4	123	492
	Butter	ton	5	600	3,000
Total	ton			69,424	
Byastag	Flour	ton	12	110	1,320
	Sugar	ton	7	260	1,820
	Butter	ton	3	770	2,002
	Plant oil	ton	5	375	1,800
Total	ton			6,942	
Deej	Flour	ton	250	103	25,750
	Sugar	ton	100	400	40,000
	Butter	ton	5	700	3,500
	Plant oil	ton	5	700	3,500
Total				72,750	
Major factory: total flour consumption			23,891 ton		

Table III-1.10 Flour & Bakery : Supply-Consumption Balance in UB (Th.ton)

	1990	1991	1992	1993	1994	1995
Consumption	0	0	0	0	0	0
Supply-fm inside UB	47.3	52.8	66.2	75.7	77.6	84.1
Supply-fm outside UB	14.1	14.4	7.0	6.1	6.0	9.7
Supply-fm outside UB	33.2	38.5	59.3	69.6	71.6	74.4

(Th.ton) Flour and Bakery Products: Production-Consumption Balance in UB



T-III.7

Table III-1.11 Vegetable and Potato : Supply and Consumption Balance

	A. Human Population		B. Consumption (Statistat-1,29)				C. Production (Statistat-1,29)				Market amount
	A. Total	Urban	Potato	Vegetable	Potato	Vegetable	Potato	Vegetable	Potato	Vegetable	
Germany	101.0	79.8	2,002	1,821	1,315	249	487	-1,250	-1,076		
France	60.1	46.7	1,763	1,601	413	47	47	-1,250	-1,116		
Spain	40.9	22.9	66.4	1,601	87	53	53	-1,062	-1,062		
Belgium	63.3	13.3	50.0	1,220	406	403	315	315	175		
Great-Britain	74.1	70.1	34.0	1,478	965	487	336	486	486		
Denmark	48.2	16.1	30.1	1,017	650	76	94	481	481		
Denmark	84.9	44.2	40.4	1,921	1,185	32	32	484	484		
Denmark	52.7	11.6	41.1	1,021	675	97	121	487	487		
Denmark	60.8	21.4	39.4	1,021	675	97	121	487	487		
Denmark	112.9	20.5	92.4	2,076	1,219	462	245	1,518	1,219		
Denmark	44.8	12.7	32.1	899	586	272	285	427	335		
Denmark	59.1	15.2	43.9	1,099	706	385	153	773	415		
Denmark	102.9	20.1	82.8	1,996	1,207	845	437	6,377	6,377		
Denmark	110.9	17.3	93.6	2,070	1,189	1,204	1,467	13,223	6,456		
Denmark	101.9	29.6	72.3	2,054	1,176	656	428	-1,386	-1,386		
Denmark	90.4	28.6	61.8	1,436	1,187	2,112	881	146	-386		
Denmark	120.1	27.6	92.5	2,340	1,543	462	328	-1,738	-1,215		
Denmark	75.2	16.6	58.6	1,458	963	1,045	636	-413	-529		
Denmark	49.4	24.87	18.57	3,348	2,364	71	71	71	71		
Denmark	616.9	24,019	12,677	8,276	5,230	15,761	7,457	-1,287	-1,287		
Denmark	66.6	2,519	1,326	1,292	35	35	35	-1,287	-1,287		
Denmark	12.4	464	235	1	1	1	1	-1,287	-1,287		
Total	2,112.8	40,716	15,895	31,681	27,788	-8,713	-8,713	-8,713	-8,713		

1. Potatoes & vegetables are self-supplied in near average. Only Tron, Science, Belgium is the surplus. Auhag.
 2. Small surplus (less than 2000ton) is likely to be consumed in the average consumer and neighbouring average.
 3. Small shortage is supplemented by farmers without reporting to the statistic office. So it is not a major problem.

Population

Urban	Rural	Total
783.3	308.8	1,092.1
1,164.7	6,234	7,398.7
231.2	13,965	14,196.2
2,112.8	28,207	30,320

Consumption by each sector

Urban	Rural	Total
30,549	16,097	46,646
10,265	6,234	16,499
19,483	13,965	33,448
40,716	36,296	77,012

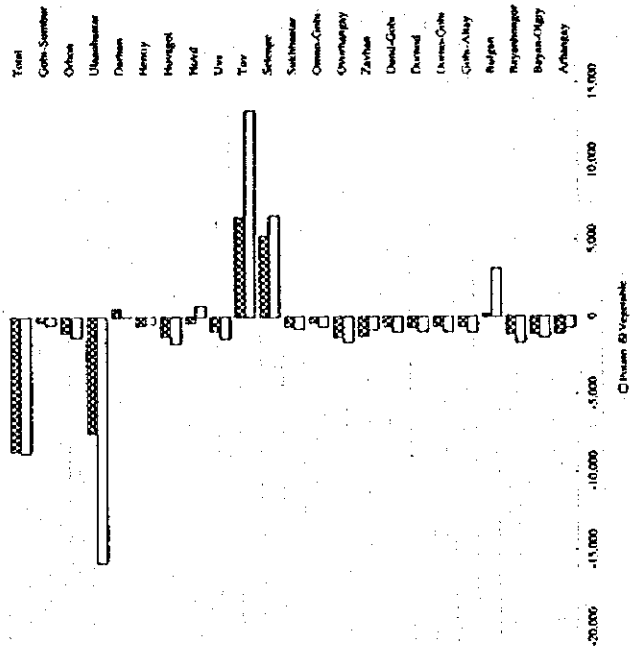


Table III-1.12 UB City: Production of Main Foods

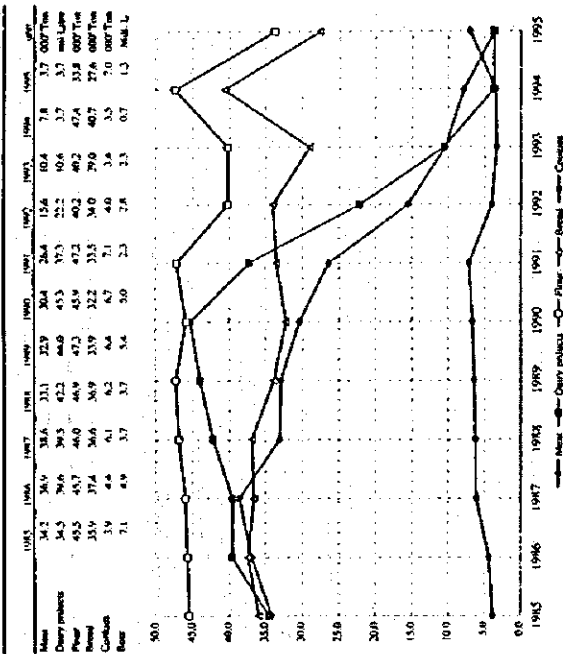


Table III-1.13 UB City: Production of Main Agricultural Products

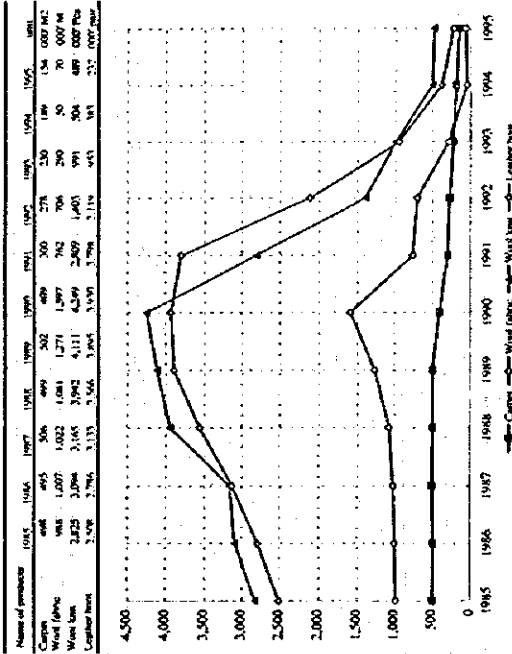


Table III-1.14 List of Food Market in Ulaanbaatar

Open Market: (Marketplace where people come to sell by low tenant fee) Courtesy City Council Ms. Orngin

No.	Established year	Area size (m ²)	Open hour	No. of shops	Tenant fee (Tg/day)	No. of visitors	Sales (Tg)	Managing Co.	Managt staff	Characteristics	Tenant sales (mil Tg/yr)	Cost (100,000 Tg/mo)
M-1	Fuchit Sherkhet	1991	Open 13,000 Roof 1,365	9-18	500-1,000 people from rural area	0-2: 5% 2-5: 3% 5-14: 1%	5,000-10,000		50	Always Crowded	72	50
M-2	Tsai's	1993		110								
M-3	Tawan Erdene	1993	1728	9 to 19	217	12,000 (Tg/month)	4,000-5,000	Ji-in-der	21	many corners	17-18	
M-4	Khar Lhotin	1994	40,000	9-18	Food: 300 w/ clothing 1,000	Fg mech 3-5% Inds seller 320kg/day	min 5,000 max 20,000	Chinggis Co.	40		65	49

Shop Market: (Collection of small contracted shops under one structure)

No.	Established year	Area size (m ²)	Open hour	No. of shops	Tenant rate (Tg/month)	No. of visitors	Sales (Tg)	Managing Co.	Managt staff	Characteristics	Tenant sales (mil Tg/yr)	Cost (mil Tg/yr)
S-1	Darsi Eej	1993	834	10 to 19	132	26,000	2 mil		20	Good location, center of city		
S-2	Bayanzukh	1993	900 (open)	9 to 19	120	260-360 Tg a day	300 and more		14			
S-3	Urtan	1995	412	10 to 20, ev 10	68	23,500	2,500	Zurg Urtal LLC	6	Well equipped with fluorescent lamps & a big refrigerator. Cleaning on Tuesday	23.52-19.1	Patent 4000 Tg/month
S-4	Darcun-uul	1995	990	10-20	200	37,000		Sub of Nomin-tugvii	15		66	27
S-5	Takhi	1993	648	9 to 20	138	18,000-25,000	approx 1,000	EB LLC	12			
S-6	Mon Orpil	1995	22400 (open)	9 to 19	100	5,200		Mon Orpil	12	Mostly wholesales		
S-7	Sethe	1996	915	9.30 to 20.40	food 160, goods 40	25,000	2,000	Bayanbudai LLC	20	Well equipped market with eating corner, food and daily goods are sold together	30	approx. 1 mil
S-8	Merkan	1996	2400	10 to 20	198	26,000	20,000-30,000	Zevce	18	Marketing and Service Center	5.6 a month	

Table III-1.15 Sales Quantity by Group of Items at Major Markets in UB

(ton)

	Tawan-Erdene	Shonkhol	Darai-Eej	Bayanzurkh	Urlan	Tsaiz	Khar-khorin	Durvun-uul
Meat+M Products	456.8	2,710.2	654.0	181.7	45.8	72.6	854.4	58.6
Flour+Bread+Rice	273.0	3,068.7	277.5	211.9	28.9	99.0	181.2	125.0
Vegtbl+Fruil	378.0	633.9	255.6	160.2	57.7	50.4	372.0	70.4
Sugar+Oil+Candy	163.5	649.1	118.9	19.7	23.0	16.6	66.8	86.5
Dairy Prdt	375.0	340.3	31.7	82.8	52.7	12.0	14.4	54.6

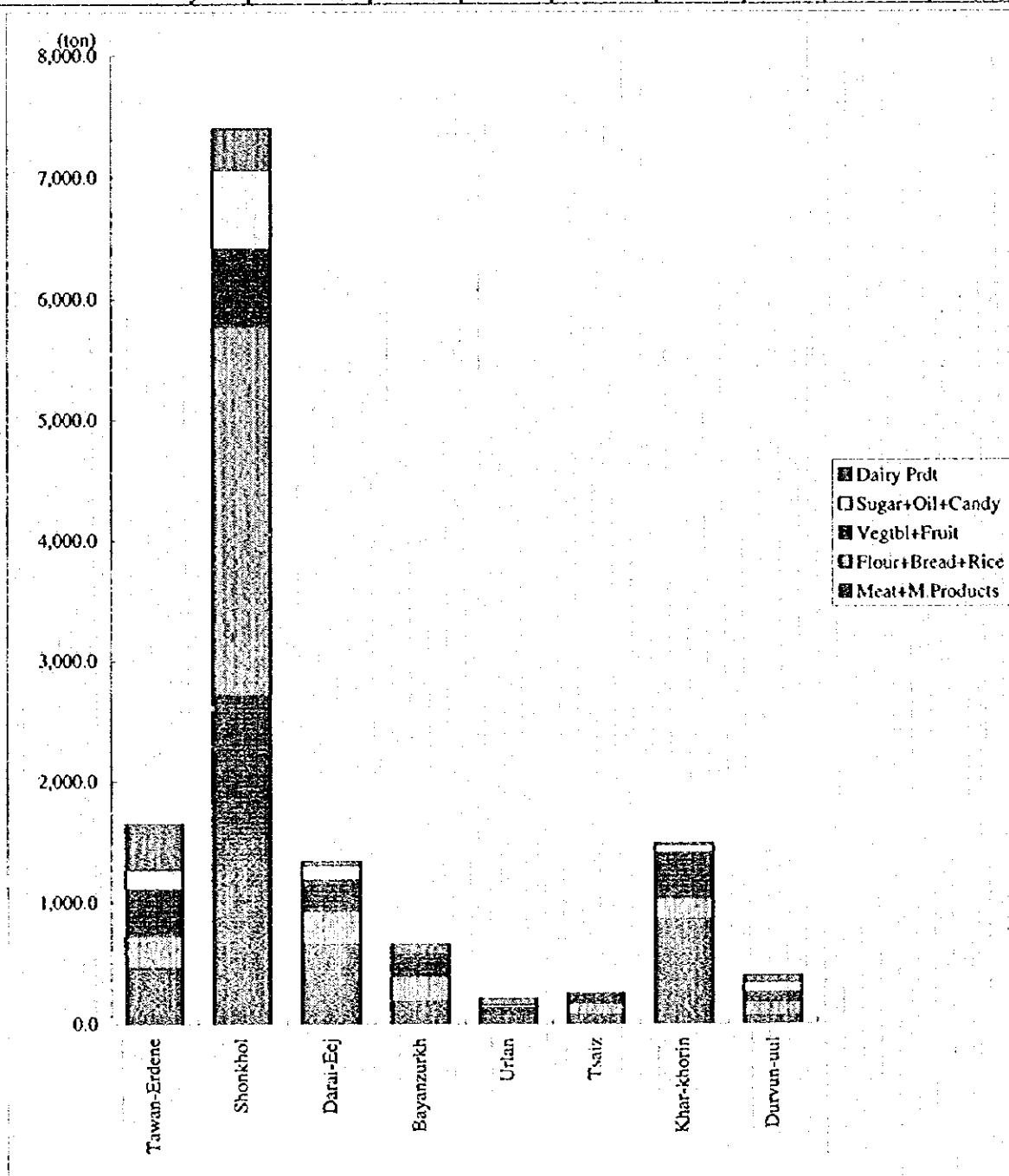


Table III-1.17 Beef: Monthly Average Prices at Different Market Places in 1995 (Tunings/kg)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	350	350	480	500	630	540	588	588	560	530	450	430
Market	400	440	550	485	500	710	850	830	650	500	530	510
Shop	420	440	460	460	700	700	850	700	650	650	480	500

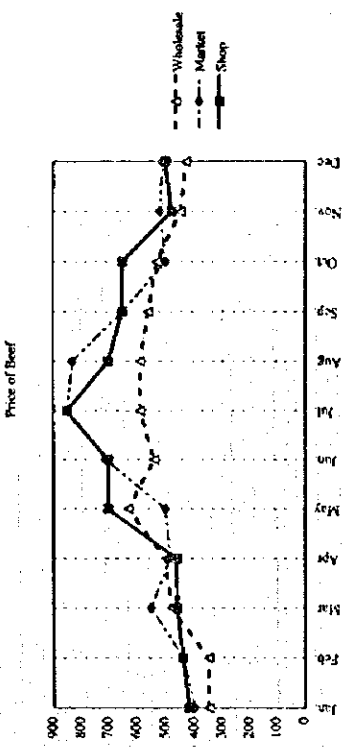


Table III-1.17 a) Rate of Margin

(%)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
W/S	14.3	25.7	14.6	-3.0	-20.6	31.5	44.6	41.2	16.1	-5.7	15.6	18.6
M/P	20.0	25.7	-4.2	-8.0	11.1	29.6	44.6	19.0	16.1	22.6	6.7	16.3

Consumer price index
 Food, beverages & tobacco
 1995.1=100 100.0 101.1 109.7 110.7 117.8 114.4 144.7 137.2 141.8 145.1 146.5 151.3

Table III-1.17 b) Inflation Eliminated Beef Price

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	350	346	446	463	568	490	432	458	414	372	287	250
Market	400	436	511	442	429	652	671	681	483	320	334	305
Shop	420	435	419	415	625	639	662	544	474	461	285	284

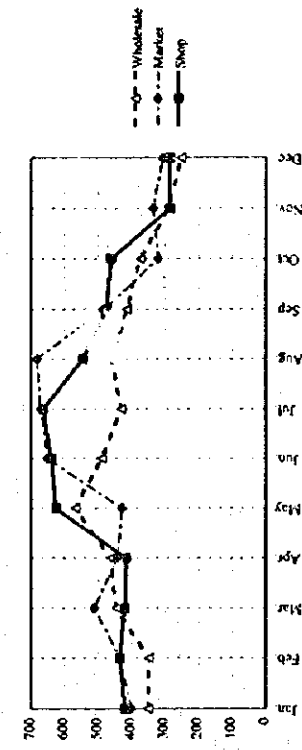


Table III-1.16 Mutton: Monthly Average Prices at Different Market Places in 1995 (Tunings/kg)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	350	340	500	520	630	530	600	660	570	500	400	410
Market	350	390	500	450	480	670	700	700	700	550	550	500
Shop	360	350	470	470	750	750	780	750	700	550	450	430

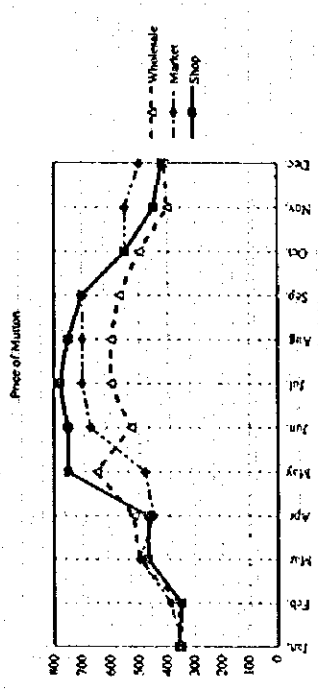


Table III-1.16 a) Rate of Margin

(Tunings/kg)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
W/S	0	8	0	-13	-26	26	17	17	23	10	38	22
M/P	3	3	-6	-10	15	42	30	25	23	10	13	2

Consumer price index
 Food, beverages & tobacco
 1995.1=100 100 101 110 111 118 114 145 137 142 145 146 151

Table III-1.16 b) Inflation Eliminated Mutton Price

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	350	356	466	483	588	480	444	470	424	342	237	230
Market	350	386	466	413	418	620	544	570	554	392	387	320
Shop	360	346	435	432	686	619	616	550	388	283	235	235

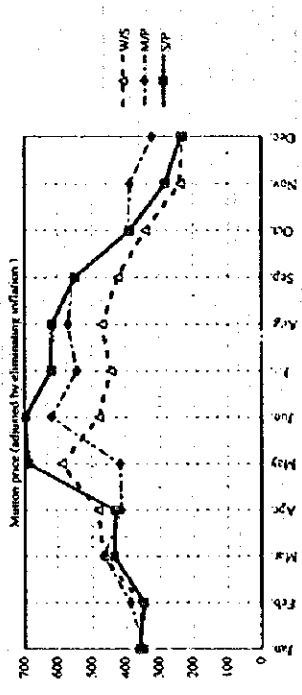
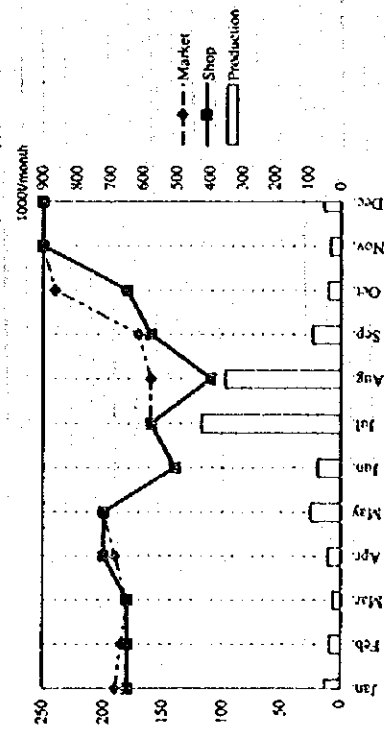


Table III-1.18 Milk: Monthly Average Prices at Different Market Places in 1995

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Market (Tugriq/kg)	190	185	180	190	200	140	160	170	240	250	250	250
Shop	180	180	180	200	200	140	160	110	160	180	250	250
Production	45.7	31.7	21.5	36	89	68.1	424	35.1	84.1	35.9	30.5	49.2

Price of milk and Production amount from a major factory.



Consumer price index

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Food, beverages & tobacco	100.0	100.0	101.1	109.7	110.7	117.8	114.4	144.7	137.2	141.8	145.1	146.5

Table III-1.18 a) Inflation Eliminated Milk Price

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Market (Tugriq/kg)	190	183	162	170	166	113	75	89	91	154	162	152
Shop	180	178	163	181	168	114	80	43	85	99	166	158
Production	46	32	22	36	89	68	424	35.1	84	36	31	49

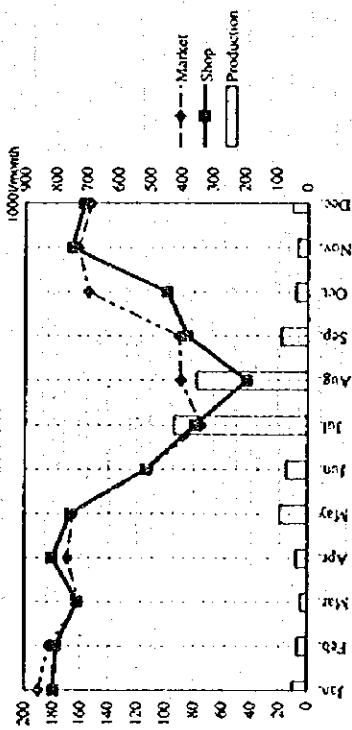
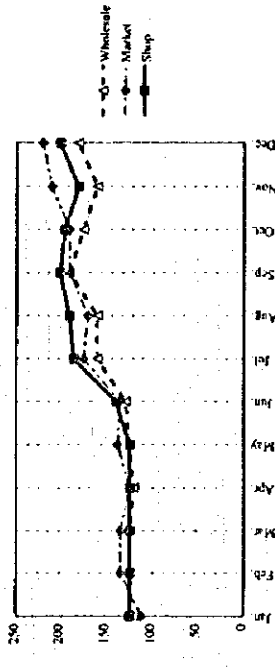


Table III-1.19 Flour: Monthly Average Prices at Different Market Places in 1995

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale (Tugriq/kg)	120	125	125	120	125	130	160	160	175	175	160	180
Market	112	135	135	125	138	136	175	170	190	190	210	220
Shop	125	125	125	125	125	140	185	190	200	195	180	200

Price of flour



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	120	124	113	107	104	113	106	115	140	121	104	118
Market	112	134	124	113	118	120	125	128	143	140	158	163
Shop	125	128	113	112	103	122	129	144	148	139	122	136

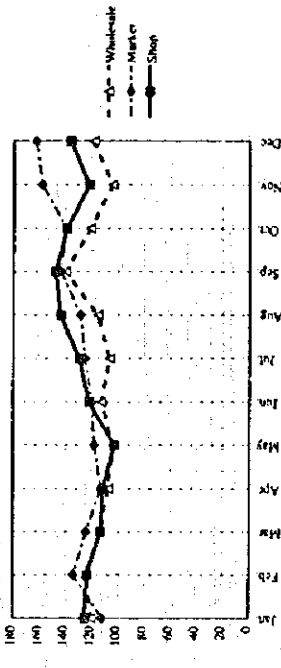


Table III-1.19 a) Monthly Production of Milling Factory of Subbaatar in Selenge Aimag

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
production (0000/month)	1766	1395	1468	1480	1761	1669	419	1879	1785	1831	1665	1776

Price and production of milling factory

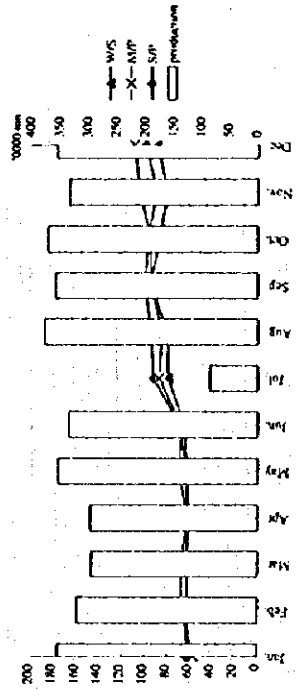


Table III-1.20 Rice: Monthly Average Prices at Different Market Places in 1995
(Tugru/kg)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	230	260	170	330	330	340	350	355	340	340	340	330
Market	230	298	290	330	355	350	350	320	337	340	310	310
Shop	235	280	290	370	380	375	400	360	360	370	370	340

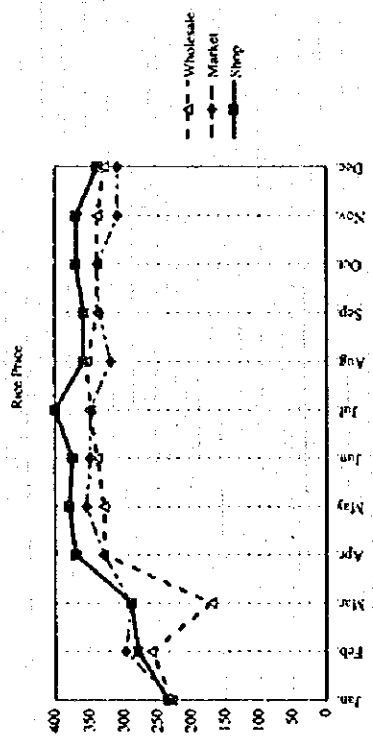


Table III-1.20 a) Rate of Margin

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
W/S	0	14.6	70.6	0	7.58	2.94	0	-9.9	-0.9	0	-8.8	-6.1
M/P	2.17	7.69	70.6	12.1	15.2	10.3	14.3	1.41	5.88	8.82	8.82	3.03
S/P												

Table III-1.20 b) Inflation Eliminated Rice Price

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Wholesale	230	257	148	305	289	307	247	269	244	236	233	212
Market	230	295	268	305	314	317	247	234	241	236	203	192
Shop	235	277	267	345	338	341	295	273	262	264	261	219

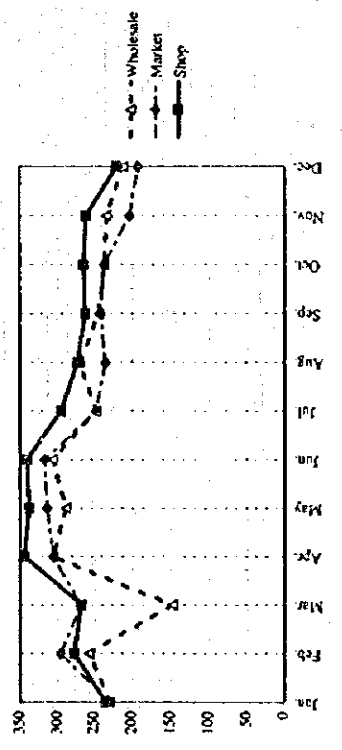


Table III-1.21 Monthly Average Prices of Skin and Wool at Ulaanbaatar City in 1995

Unit	Monthly average (Tugrug)											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
1 Sheep skin	3,000	3,700	2,500	1,700	1,500	2,000	2,900	3,200	3,700	4,300	4,000	3,800/piece
2 Cattle hide	9,000	12,000	9,000	5,000	5,000	5,800	7,000	7,500	7,000	9,500	9,800	10,000/piece
3 Horse skin	3,000	4,200	2,800	1,100	3,500	2,700	2,250	3,100	3,000	3,100	2,900	3,000/piece
4 Cashmere*	11,500	11,500	12,000	7,500	7,000	6,500	7,000	10,000	12,000	12,000	12,000	12,500/kg
5 Sheep wool	320	240	230	300	300	270	300	210	250	220	220	220/kg
6 Goat skin	3,000	5,000	4,000	2,000	3,200	1,300	1,000	900	1,800	1,500	1,000	1,000/piece
7 Camel wool / short	800	900	650	600	800	800	1,100	1,000	950	700	750	760/kg
8 Camel wool / long									200	150	100	120/kg
9 Horse tail				120	150	150	125	130	150	500	450	450/kg

* Price of cashmere is based on the data 1996.

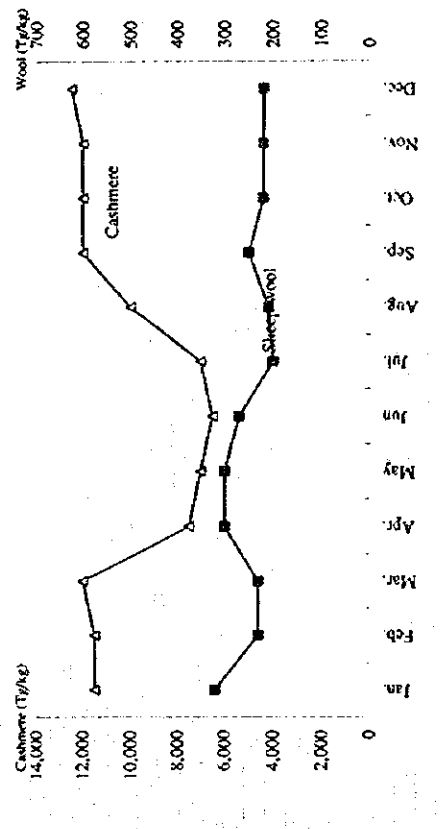
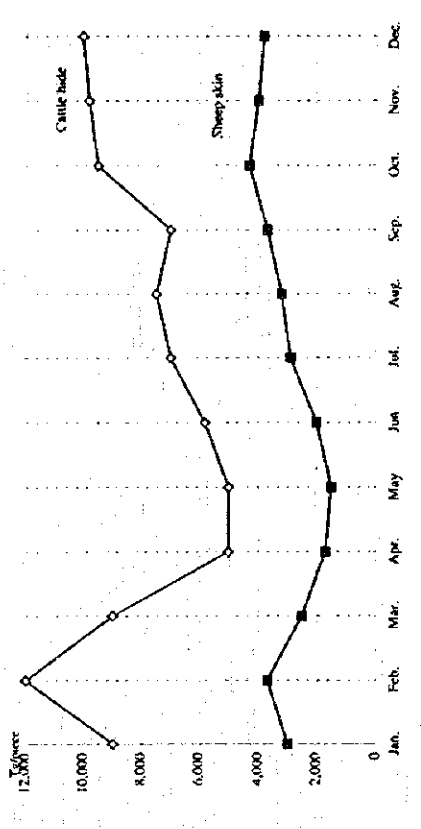


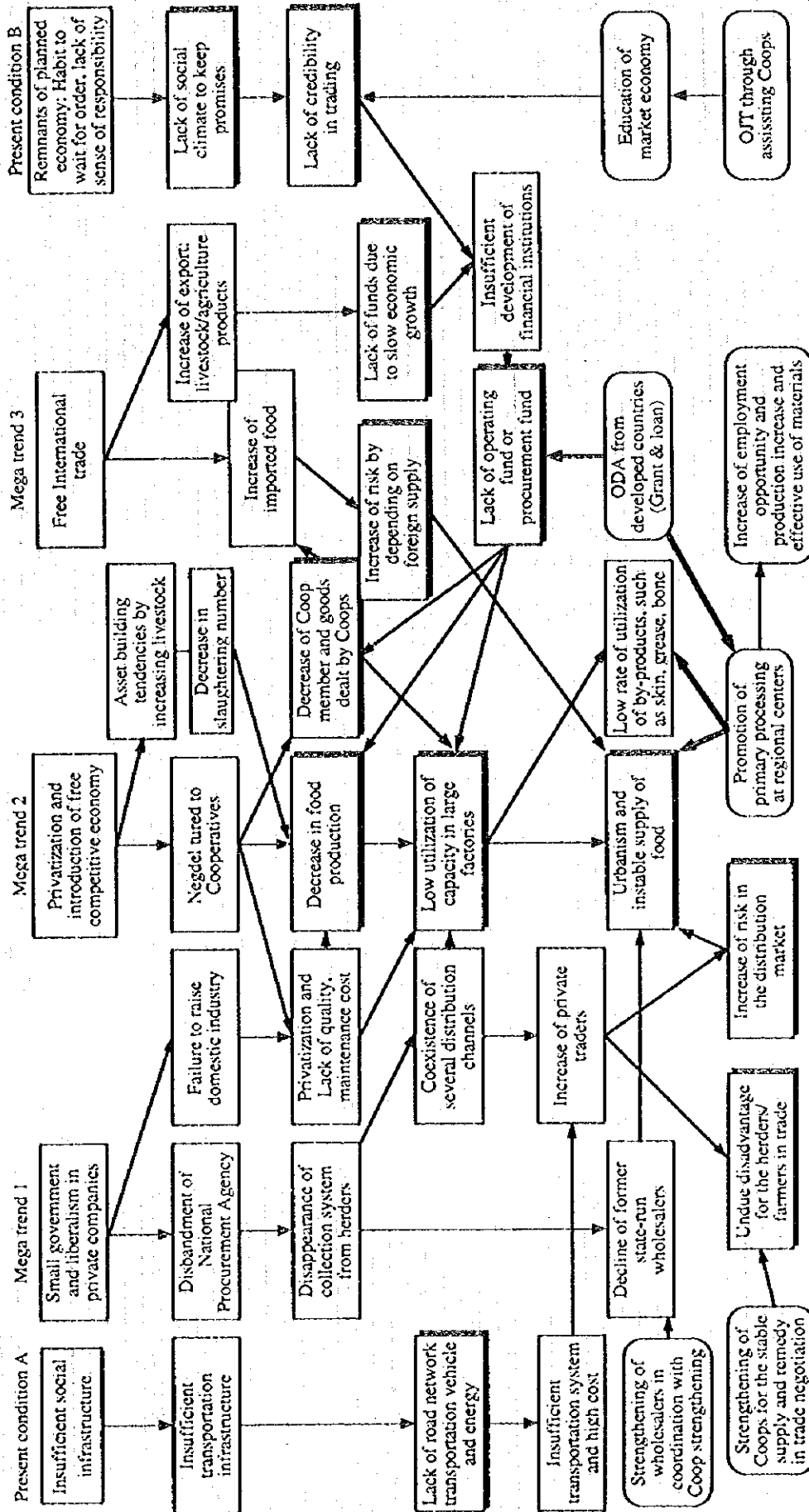
Table III-1.22 Imported Amount of Machinery and Commodities

	Unit	1993		1994		1995		1996	
		amount	thous\$	amount	thous\$	amount	thous\$	amount	thous\$
Imported Machinery (Agriculture related)									
Tractor	pcs	200	732	269	2,934	74	2,334	75	2,365
Agro-machinery	Thous.US\$		2,737		3,172		1,130		3,000
Food machine	Thous.US\$		2,284		1,869		1,126		1,500
Subtotal			5,753		7,975		4,590		6,865
Imported Machinery (Transportation related)									
Truck	pcs	398	2,768	257	4,045	154	2,426	150	2,365
Bus	pcs	94	1,470	65	1,202	170	662	100	390
Automobile	pcs	1,419	7,212	3,171	14,752	2,832	14,914	500	2,680
Special Car	pcs	16	43	20	399	40	430	20	215
Subtotal	Thous.US\$		11,493		20,398		18,432		5,650
Imported Farm Input									
Fertilizer	ton	9,834	1,226	46	274	12,658	5,636	10,000	4,500
Imported Daily Commodities									
Green Tea	ton	6,473	5,146	306	194	655	372	2,000	1,180
Matches	mil.	14	173	7	44	17	87	10	50
Yeast	ton	157	227	191	448	1	2	100	480
Powder Milk	ton	338	29	744	518	13	16	300	312
Flour	thous. ton	93	20,472	17	3,382	20	6,033	102	30,415
Rice	thous. ton	38	9,583	1,955	504	8	2,324	20	6,115
Sugar	thous. ton	21	6,295	11	3,385	11	4,018	20	7,050
Vegetable Oil	ton	967	754	645	392	623	621	800	800
Tabaco	ton	267	348	393	583	361	453	200	250
Cotton Cloth	thous. m2	13,333	8,476	5,257	5,596	7,247	5,572	10,000	8,000
Sheet	thous. m2	1,601	2,540	440	325	179	206	1,000	1,150
Bag for agro products		559	226	800	492	87	18		
Sewing machine			828		1,565		425		500
Subtotal			55,095		17,428		20,149		56,302

Source: Courtesy of Suvdaa, Ministry of Agriculture and Industry

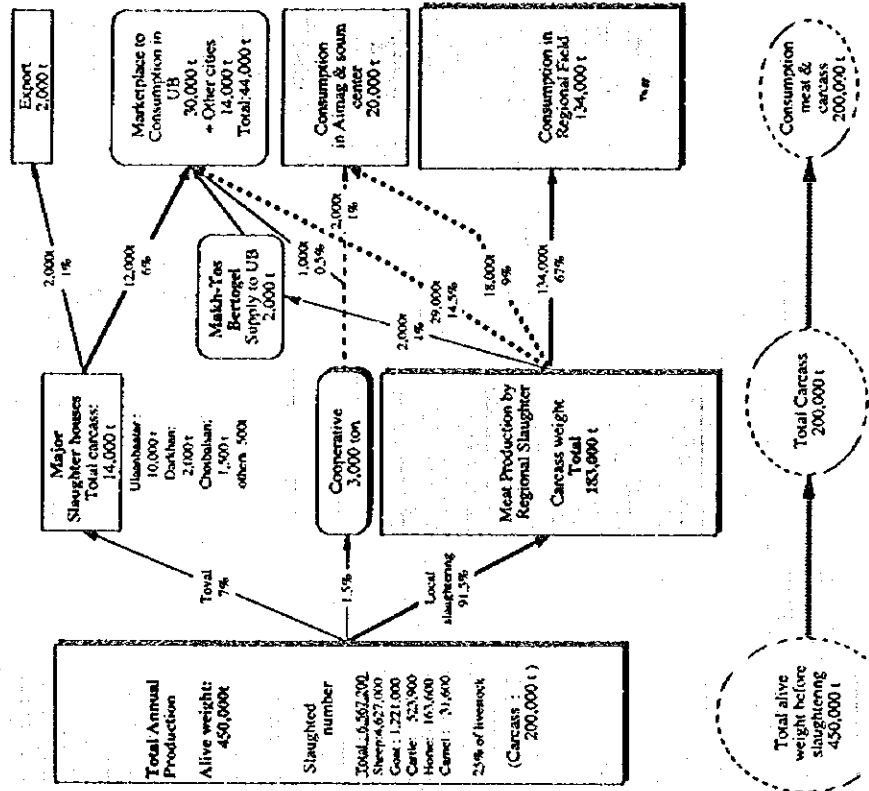
Figures

Fig. III-1.1 Issue Analysis in the Marketing System in Mongolia



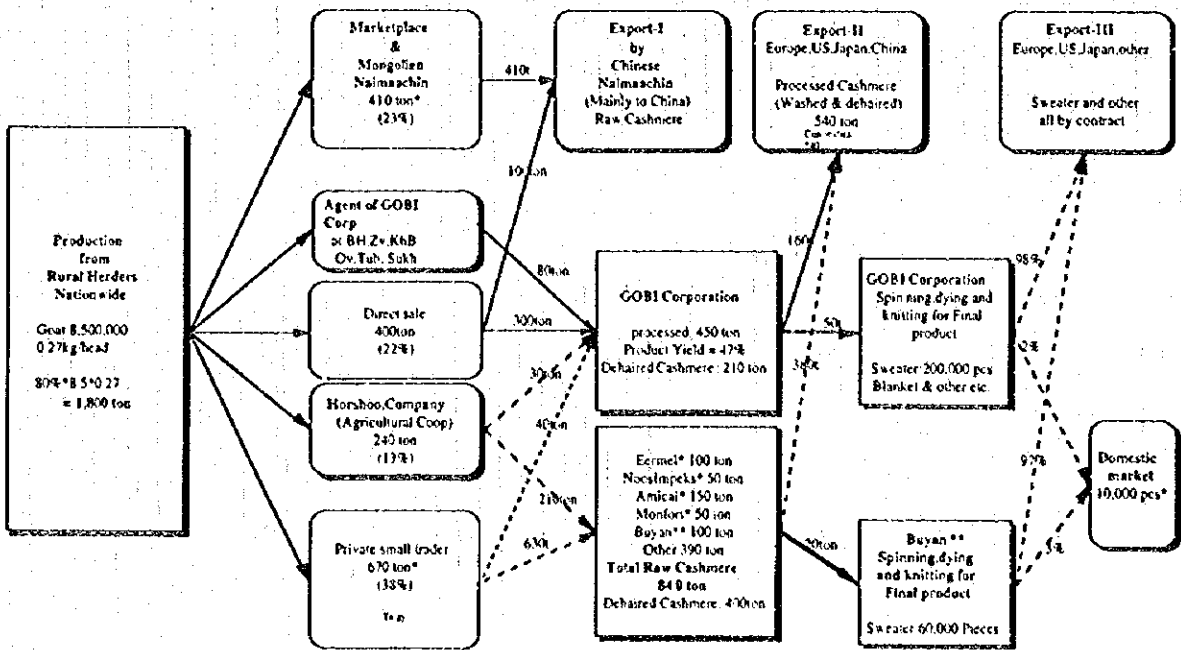
1. Boxes with shadows indicate major problems.
2. Boxes with round corners describe possible countermeasures to solve problems.

Fig. III-2.1 Meat Flow (1994, 1995)



Note: 1. Shaded boxes indicate informal activities which cannot be measured accurately.
 2. Weights are indicated by alive weight, which is weight before slaughtering.
 carcass (slaughter) weight which is weight of meat and bone without head nor intestine. There is no clear demarcation between block meat and carcass meat although the consumption of livestock.

Fig. III-2.2 Cashmere Flow (1995)



Note: 1. Boxes with round corners indicate marketing channels
 2. Boxes with rigid corners indicate production and processing activities
 3. Boxes with shades and broken arrow-lines indicate activities which cannot be traced with accuracy.
 4. Asterisk * ** indicate that there are no concrete data but interview research suggests this amount.
 5. Asterisk *** indicate that Buyan is expanding its facility to 800 tons of processing capacity in 1997

Fig. III-2.3 Wool Flow (1995)

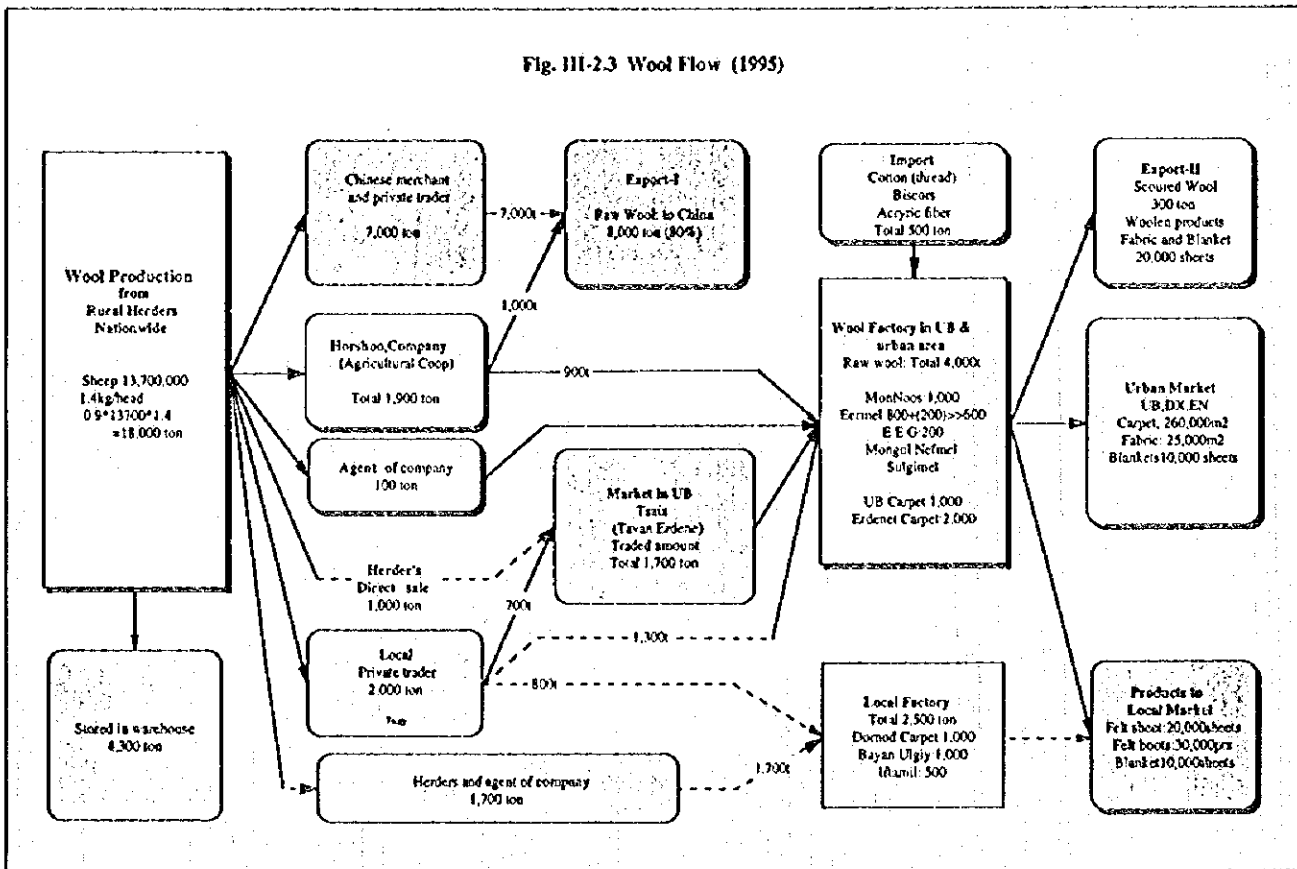


Fig. III-2.4 Skin and Hide Flow (1995)

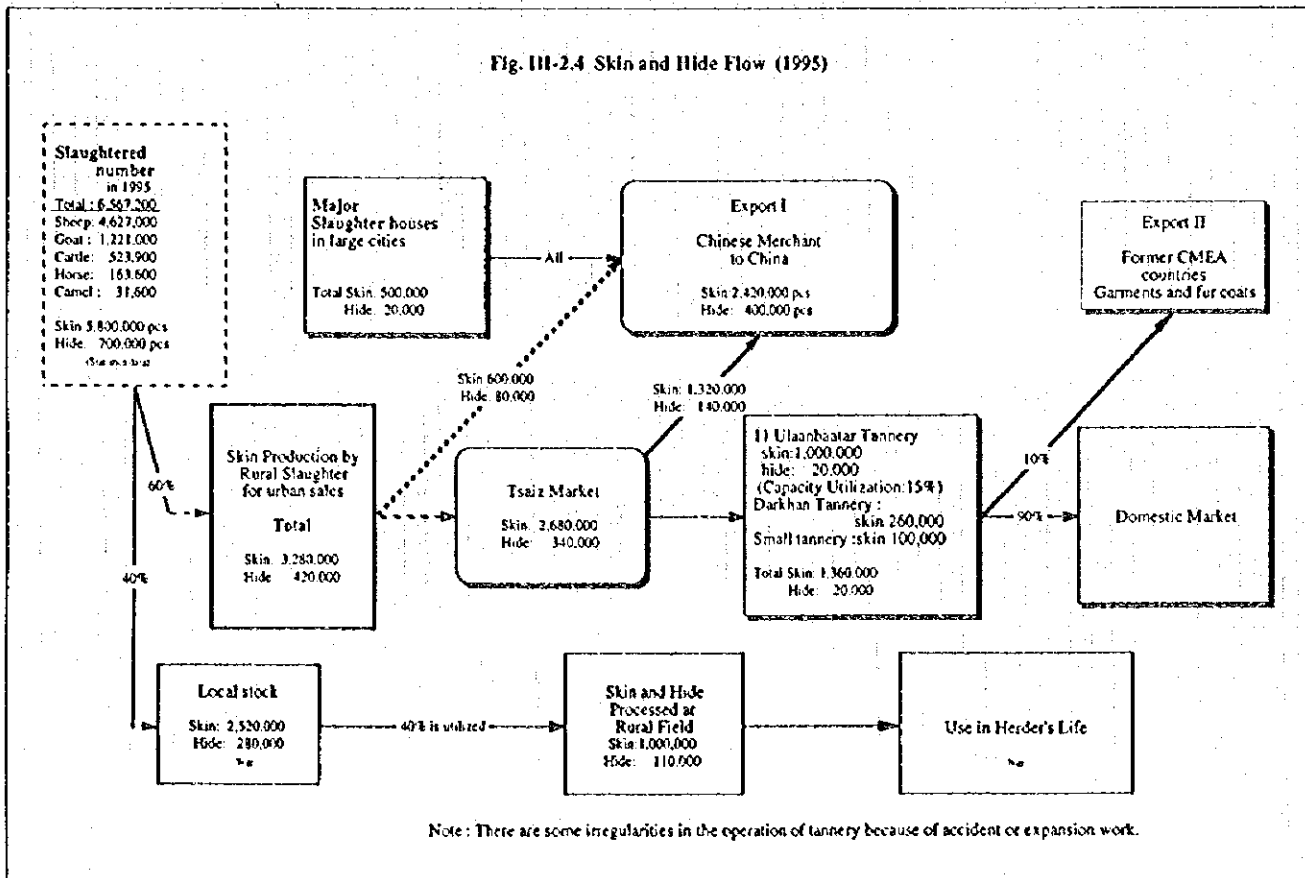


Fig. III-2.5 Skin Flow before 1992

Country: St. Enkhbayar Min. of Agriculture and Industry

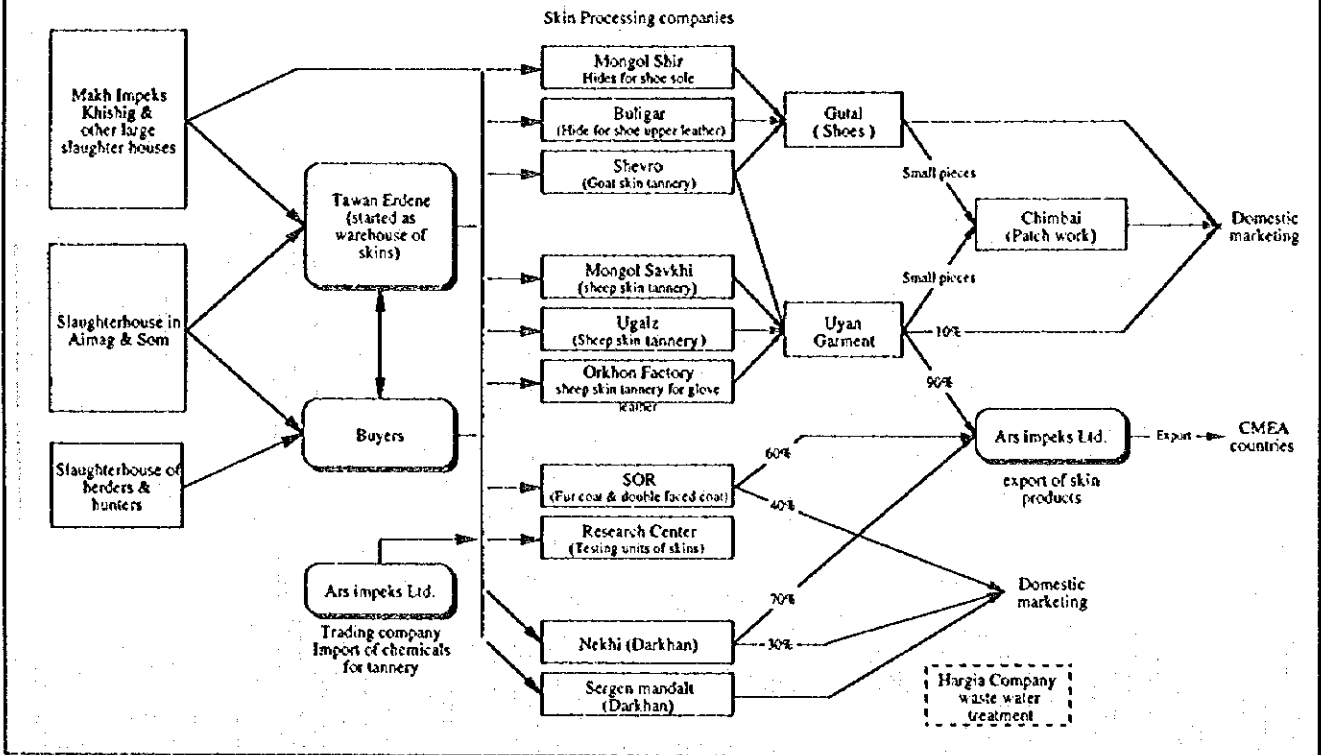


Fig. III-2.6 Milk Flow (1994)

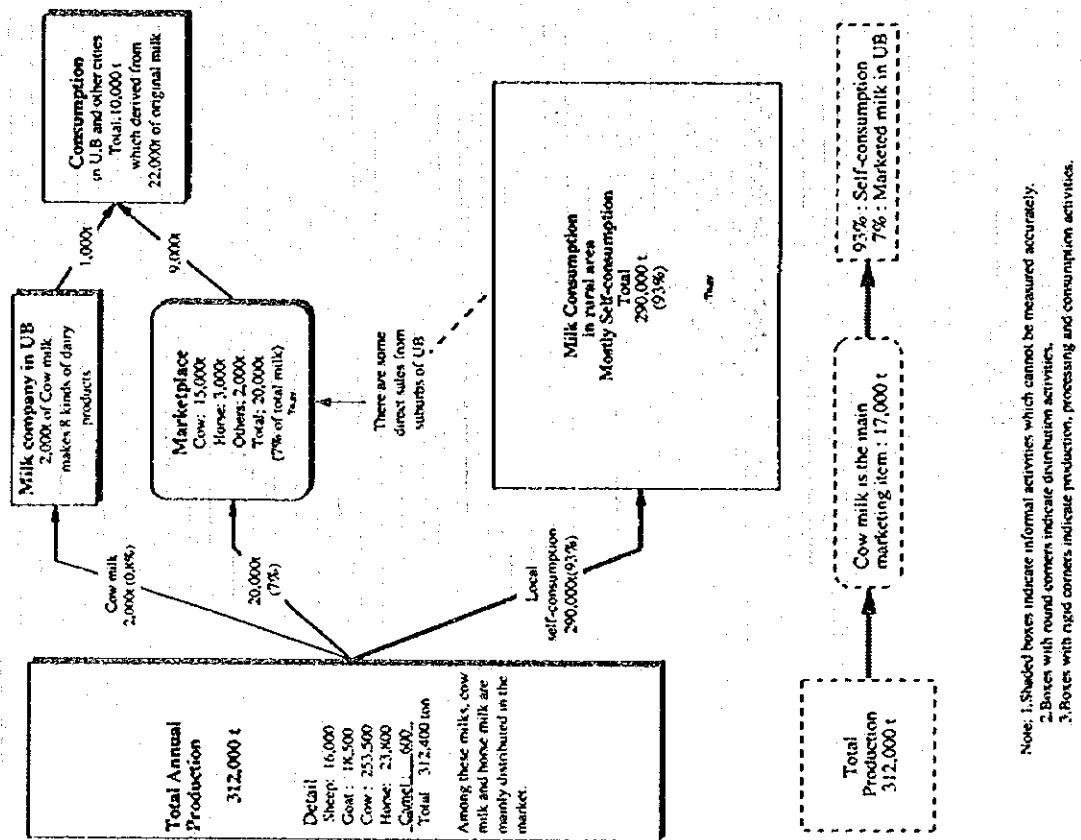
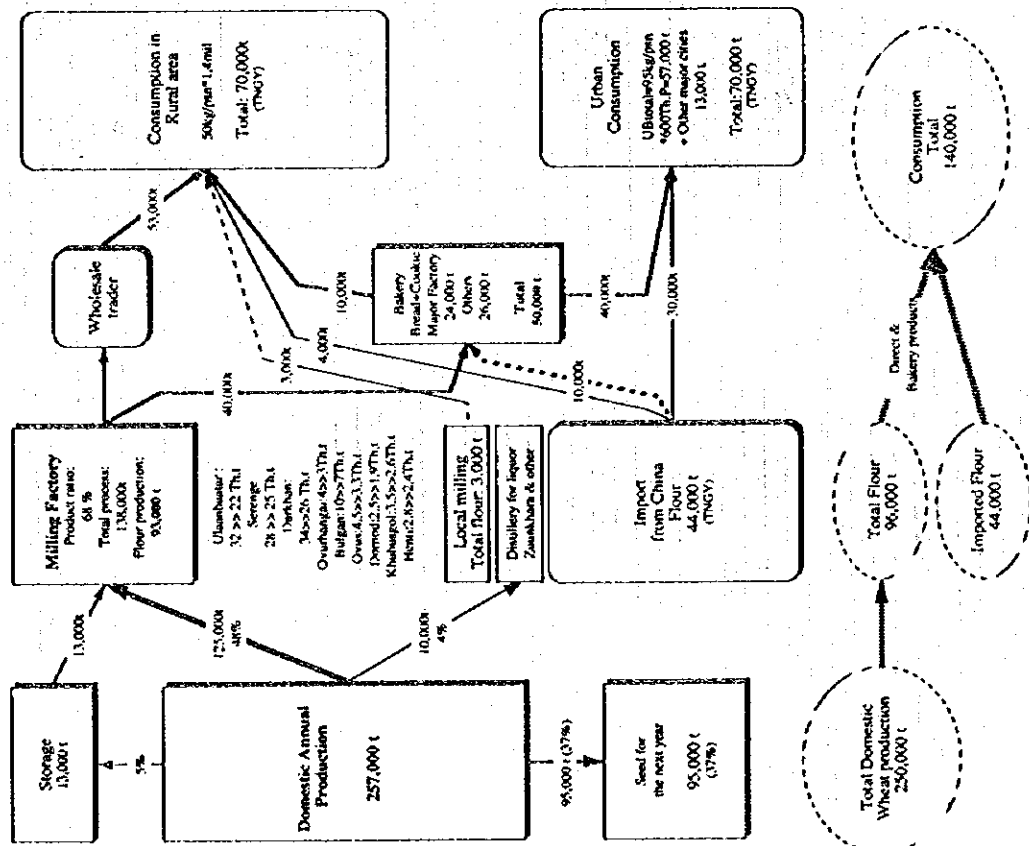
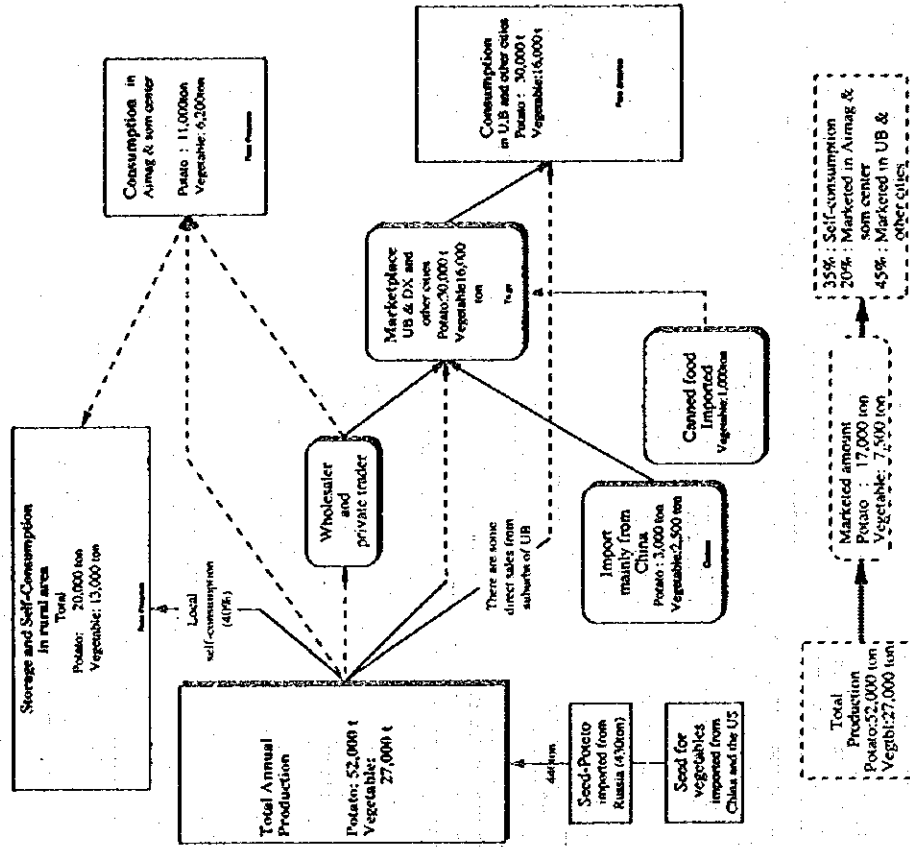


Fig. III-2.7 Wheat Flow (1995)



Note: Numbers in this chart reflect data in 1995. The supply of wheat in 1996 decreased to 213,000 tons, and the seed preserve is 70,000 tons. Milling factors receive 121,000 tons of wheat in total and produce 70,000 tons of flour. Local milling increases and the number of small milling firms reaches 400 and produces 40,000 tons of flour in total. This may cause the increase in import, more than 60,000 tons plus grant aid from Japan 5,200 tons & US 8,400 tons, and decrease in consumption. Production of alcohol will also decrease.

Fig. III-2.8 Vegetables and Potato Flow (1995)



Note: 1. Shaded boxes indicate informal activities which cannot be measured accurately.
2. Boxes with round corners indicate distributive activities.
3. Boxes with right corners indicate production, processing and consumption activities.

Fig. III-4.1 Marketing Network of Wholesale Company and Transition to A New Economic Era

