

SHEEP, CAMEL WOOL MARKET PERSPECTIVES AND GOVERNMENT POLICY

Ts.Nansalmaa, L.Otgonjargal, D.Altantuya

The School of Economics and Business, MSUA

ABSTRACT

Sheep, camel wool, and woolen products are the main livestock products in Mongolia that satisfy population need and contribute certain amount of export revenue from international market.

There is loss of possibility to produce ecologically clean safe, warm products [4] as only 10% of total wool is being processed.

We tried to convince audience that it is required to support wool processing industry by right policy hence in ordinary weather conditions livestock number/ and wool production/ increases constantly and there are favorable circumstances established to supply products to China, Korea, South Eastern Asia and Russia with the ongoing process of market extension.

KEY WORDS: Wool production, processing, marketability, wool sector policy

INTRODUCTION

In year 2012, 14.6% of Gross Domestic Product, 7.0% of export revenue, 35% of total labor force accounted for agricultural sector [6]. The livestock sector of Mongolia producing 11.7% of Gross Domestic Products (equal to 530.0 trillion tugriqs), 80% of total agricultural production, 1/3 of total labor force and providing jobs to the prevailing part of population. All this proves that livestock sector remains an important source of living for Mongolians.

Amongst livestock sector 140-160 trillion tugriqs revenue created from wool, cashmere procurement,

and it becomes source of income for nearly 200 thousand households. Proper efficient use of this naturally rich, renewable resources is a base for sustainable development in the country. The purpose of this research work is to determine current situation of production, marketability, possibility and tendency of wool sector development.

Wool production, processing Sheep wool production

Between 2000-2011 years number of sheep stock represented 43.2% of total livestock number.

Table 1

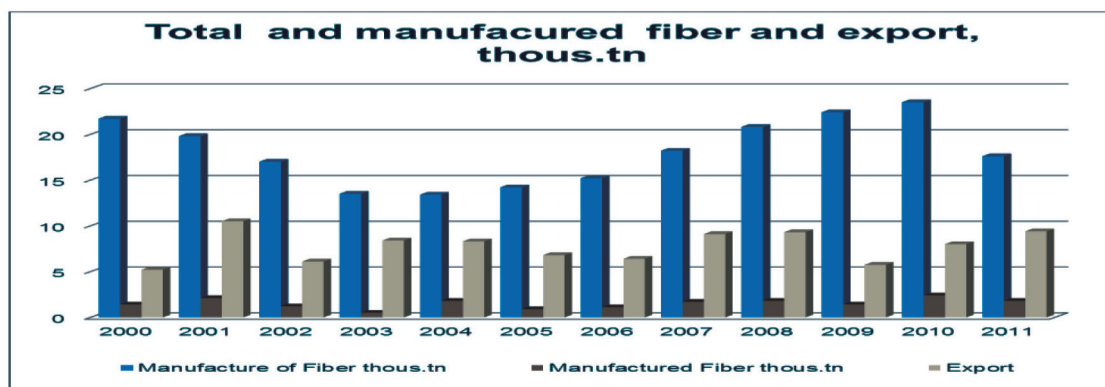
Percentage of sheep head in total stock, 2000-2011 years

Indicator/year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total stock, thous.h	2607.5	23897.6	25427.8	28028.1	30398.8	34802.9	40263.8	43288.5	44023.9	32729.5	36335.8
Total sheep number, thous.h	11937.4	10636.6	10756.4	11686.5	12884.6	14815.1	16990.1	18362.3	19274.7	14480.4	15668.5
Sheep head growth, %	-14.0	-10.9	+1.1	+8.6	+10.3	+15.0	+14.7	+8.1	+5.0	-24.9	+8.2
Percentage within stock	45.78	44.51	42.30	41.70	42.39	42.57	42.20	42.42	43.78	44.24	43.1

Source: Statistical Yearbook of Mongolia. 2003, 2006, 2010

Though number of sheep head has decreased during 2000-2002 years it increased from 2003 to 2009. In 2005 it reached its maximum number, which is 43802.9 thousand heads.

During 2009-2010 years total number of livestock has decreased significantly as it was decreasing annually by 24.9% in average due to unfavorable weather conditions.



Graph 1. Structure of wool production

From Graph 1, during 2003-2004 years 60% of total produced wool were exported unprocessed, while in recent years it has been declining but share of washed wool in total production is still low.

In 2011, 1.8 thousand tons of wool were washed by domestic producers and 8.4 thousand tons (47.7%) of wool were exported.

According to, some project research it follows those herders, citizen’s cooperatives, groups, partnerships were producing felt products by traditional methods and supplying them into markets. But there are

problems to be solved concerning production, low marketability.

Wool processing sector, operating on wool washing, fiber manufacturing, knitting directions, produce carpet, carpet, felt, and felt boots, knitting products and supply with them markets.

Compared with previous year in 2010, annual production has increased for manufactured fiber by 1.6 times, for carpet by 1.05 times, for felt boots by 2.15 times, but for camel woolen blanket decreased by 2.4 times.

Table 2

		Producee of wool processing sector										
№	Items	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	Manufactured fiber, tons	40.8	45.6	55.9	55.1	57.4	69.7	38.5	32.8	28.1	56.4	90.2
2	Carpet, thous.m2	704.8	614.8	533.9	663.1	690.4	586.9	606.3	658.1	856.5	542.2	609.2
3	Camel woolen blanket,thous.m	28.5	43.1	38.3	27.4	36.8	33.5	43.4	37.7	35	36.9	15.3
4	Felt, thous.m2	113.9	110.5	112.9	303	67.8	69.1	68.8	87.8	86.5	128.7	134.9
5	Felt boots, thous.pair	34	33.4	16.1	9.0	4.9	10.5	7.8	9.3	6.3	13.0	27.9

Source: National Statistical Committee, 2002-2010 yearbook

Amount of wool supplied to domestic and foreign markets do not rise constantly and only 10 % of total wool is processed. Therefore it is clearly indicating that lost of opportunity to produce ecologically clean, high quality [4], warm woolen products.

Camel wool production, marketability

In 2010 camel number estimated 269.6 thousand head, which is less than one percent of total livestock number. 89.6% of total camels or 241.6 thousand camels, located in nine aimags, where situated in gobi and steppe zones of Mongolia. 90% of procured camel wool comes from these aimags. Omnogovi,

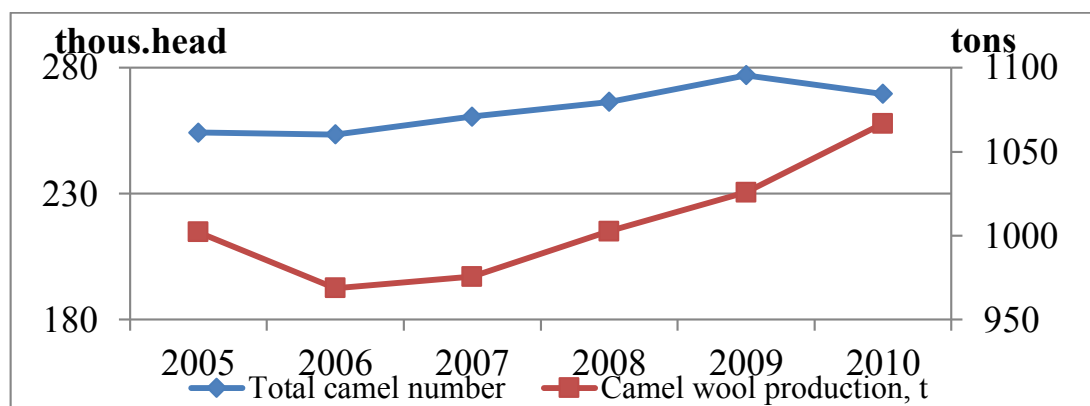
Bayankhongor, Dornogovi aimags produce 104.6-343.8 tons of wool, which represents 52.5% of total camel wool volume.

Wool processing sector operates on wool washing, processing, knitting directions and supply carpet, blanket, felt, felt boots, knitting products to the market. Compared with the previous year in 2010, production has risen for manufactured fiber by 1.6 times, carpet by 1.12 times, felt by 1.05 times, felt boots 2.15 times, while for camel woolen blanket it declined by 2.4 times.

Table 3

Production of camel wool production by tons, 2005-2010 year						
Indicator/year	2005	2006	2007	2008	2009	2010
Total livestock, thous.head	30398.8	34802.9	40263.8	43288.5	44023.9	32729.5
Total camel number	254.2	253.5	260.6	266.4	277.1	269.6
Share of camel stock in total livestock number	0.8	0.7	0.6	0.6	0.6	0.8
Camel wool production, t	1 002.1	968.8	975.6	1 002.7	1 025.8	1 066.8
Camel wool production growth, %	-	-3.3	0.7	2.8	2.3	4.0
Camel wool export, t	800.0	500.0	900.0	628	1051.0	1102.0
Share of export in total production	79.8	51.6	92.3	62.6	102.4	103.3

Source: National Statistical Yearbook. 2003, 2006, 2010



Graph 2. Camel wool production by tons, 2005-2010 year

In year 2000, number of camels, which accounted 322.6 thousand, has been declining till 2006 year by reaching 253.5 thousand. It was increasing constantly during 2007-2009 years but in 2010 year it decreased by 7.5 thousand heads. Despite of high yield of meat and fat and cheap [5] wool price, the camel population has not increase significantly. According to research, production of healthy products such as fermented camel milk, curds, blanket, clothes have tendency to increase. But because of high production cost of wool processing, poor quality of raw materials (contains cinderella, sand, soil) [5], it is not possible to produce products similar to cashmere and hence it cannot attract consumers. Nowadays when production capability and variety of products increase, there are possibilities to expand production.

Wool production marketability

Following of statistics in 2009, 55 wool processing factories processed 6.5 thousand tons of wool and exported 11.8 thousand tons of washed wools. Ten of them located in Ulaanbaatar city, while remaining located in rural areas. Related to their raw material processing, their capacity on washing decreased by 6 times, on combing by 3 times, on manufacturing fibers by 3 times and on knitting by 2.5 times respectively.

Wool sector development policy

Based on sectoral policy documents, population consumption trend, market demand need, location, possibility, operations of processing factories, perspectives, wool industry development policy was formulated by following ways:

1. There is necessity to develop Mongolian breed sheep husbandry in certain aimag and sums for carpet, blanket, fabric production[5] as certain group of population moved to cheap consumption and its interest to the products made from natural raw materials;

CONCLUSION

Based on overview research of current situation on wool production, processing, and future perspectives following conclusions have been made:

1. In 2011, 10% of total sheep wool has been washed by domestic industry and half of them exported. Therefore, it is necessary to fully use wool production capacity;
2. Based on its specific feature to keep warm there is possibility to expand market by introducing new variety of product;
3. Herders participation to commodity exchange activity, aimed to improve supply chain of wool,

In recent years, running of five factories on production of carpet, blanket, felt, felt boots and 20 wool factories with Chinese investment use 30-35 % of production capacity and by processing 28% of total raw materials export half of them. Compared with year 2010 into 2009 production of manufactured fiber has increased by 114.8%, knitted clothes by 17.8%, felt 40.3%, felt boots by 90.9%, while for carpet it decreased by 30.8%[4]. Likewise, wool production has decreased since transition to market economy there are still possibilities to develop processing industry based on raw materials from livestock sector. For example, within framework of the Parliament decree number 30 of 2011 entitled with "Some measures for supporting national industry", 40 trillion tugriks were allocated to 34 factories as a form of soft loan and for each kilogram of sheep and camel wool sold to domestic factories, and it also include subsidy of 2000 tugriks per kg wool processed by herders. The condition to receive this 2000 tugriks subsidy is when herders deliver their wool to a domestic processing factory. As a result 90% of total wool production were delivered to national factories[10].

Research result shows that there is possibility to enter into big markets such as China, Korea, South Eastern Asia and Russia, with final products [9].

2. Supporting to increase export to Europe and other countries based on market location, consumer consumption tendency;
3. Introduce new technology to using lowest grade of wool as for construction material production;
4. Enhance quality of Mongolian carpet, blanket, and fabrics up to level of international quality standards;
5. Introduce camel wool products into market by advertising them as relatively cheap as cashmere products, as a product made from wool of very rare animal in the world and its specific feature to keep warm very well.

cashmere procurement marketing which is one of the important issues;

4. There are definite support measures on the national level for wool processing factories, reflected on official documents at national level, but they are not well reflected on aimags level. Therefore, it is necessary to work out in detail policy, development directions of small medium sized enterprises based on complete system analysis of society, economy, nature and climate.

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