



*The **AMERICAN CHAMBER** of Commerce in Mongolia*

POSITION PAPER ON COMPETENT BEEF AND DAIRY SECTORS



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Position Paper on Competent Beef and Dairy Sectors

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Position Paper on Competent Beef and Dairy Sectors

BACKGROUND

IFC, a member of the World Bank Group, is joining the UN FAO, Mercy Corps, and AmCham Mongolia in launching an initiative to promote modern livestock technologies in Mongolia, thereby boosting the sector's productivity and competitiveness. The initiative created a first-of-its-kind platform to bring together beef and dairy business leaders, industry experts, and policymakers, who shared their expertise to bolster the country's livestock sector.

Livestock has long been a priority sector for Mongolia, because of its contributions to inclusive economic growth and export diversification. The adoption of modern technologies will allow herders and farmers to reach much higher yields. Artificial insemination, for example, allows local dairy farms to supply high-quality milk all year round, ensuring constant cash flow through longer contracts with processors. Cattle farms have also used such technology for improving the quality of breed stock, increasing meat output by three times.

This policy paper outlines key challenges in the beef and dairy sectors in Mongolia and proposes certain policy recommendations based on local and international best practices in handling these issues. The challenges and recommendations were developed with input from key stakeholders, raised and discussed during the Pioneers in Beef and Dairy Development in Mongolia forum, held on March 21, 2019.

EXECUTIVE SUMMARY

- The forum reflected various opinions from all stakeholders.
- The participants of the forum understood the importance of working in cluster systems and agreed to develop Mongolian brands, such as Mongolian beef, Mongolian milk, etc.
- The participants of the forum also stressed the importance of having PR and providing coaching sessions for producers of meat, dairy, and raw materials on promoting maximizing the health, quality, and productivity of herds.
- More partnership and mutual understanding needs to develop among producers in the beef and dairy sectors and the banking and financial sectors to develop specific, customized insurance and financing products for participants in the supply chain.

POLICY RECOMMENDATIONS

1. Organize training and coaching sessions for producers of beef and milk on maximizing the health, quality, and productivity of livestock.
2. Pioneers in the beef and dairy sector should provide training and advice, and share their best practices and experience through rural extension services.
3. Develop animal husbandry regionally with two categories of livestock breeding: farm (model) and industrial livestock. Put farms that produce breeding males under the care and protection of the government, and purchase breeding males after they've passed inspections and have been confirmed to be healthy animals.
4. Develop a primary registration system and database for breeding.
5. Adopt standards for all stages of animal husbandry, particularly for the quality and standards of livestock feed and fodder.
6. Strengthen the capacity of local veterinary services and prevent zoonotic diseases, diseases that can be transmitted to humans from livestock.
7. Implement a nationwide registration system for the traceability of livestock
8. Pioneers in the beef and dairy sectors can be centers for innovation and extension.
9. Introduce livestock taxes to prevent overgrazing and to improve the quality of livestock.
10. Ensure that export meat complies with international standards by establishing compartmentalization.
11. Open recycling plants to collect and classify meat waste from all meat processing companies

Issue: Raising beef cattle and supplying breeding livestock

Solutions for raising beef cattle and supplying breeding livestock include the following key measures:

1. **Creating an integrated policy for the sector** to develop various types of cooperatives and farming systems, and **introducing new standards for animal husbandry**. Currently, fodder varieties have the same price, with no difference in price regarding quality. There are existing fodder standards, but they haven't been implemented. For example, hay standards are not used at all.
2. **Developing beef cattle technology** and implementing a system to raise calves feed on milk up to 6 months of age and introducing them to a feedlot system at 12 to 18 months of age.
3. **Developing and implementing policy on the regional development of beef cattle**, to prevent livestock productivity reduction by correctly choosing beef cattle breeding types and not mixing beef cattle with different breeds. The system will need to be developed in cooperation with other farms, and it will give farmers opportunities to share and spread their experiences.
4. **Proper use of pastureland**: The government should provide and enforce legal environments at all level; spread primary experiences in provinces; appropriately use, improve, and increase watering points in pastureland; find appropriate uses for unused pastureland; and increase the government's investment in pasture management. It is time to pay special attention to pasture health issues, hygiene and sanitation issues. Poor attention to pasture health could bring about the risk of animal diseases. The government should start researching the variety of pathogens in pastureland that cannot be easily diagnosed in livestock.
5. **Establishing an integrated system for market linkage** to improve and streamline the flow of integrated information systems between enterprises, herders, and financial institutions and banks. For instance, creating more options for livestock insurance is critical.
6. **Increasing the fodder supply and improving its quality** by providing proper livestock nutrition training to herders, teaching and implementing ways to improve the taste, digestibility, and nutrition of fodder.
7. **Studying and introducing the experiences of developed countries**, which could provide individuals and entrepreneurs with a wide range of governmental support. For example, create a specific rebate system for buying various types of equipment and offer buyers tax discounts, etc.
8. **Creating brands from products of livestock origin**, and creating incentives for farmers to develop brands.
9. **Supplying certified breeding beef cattle to breeders** by strictly following policies on livestock standards, defining them based classification and quality. It is essential to protect the rights and needs of buyers, such as the identification of livestock that qualifies for breeding by means of live weight. When certified breeding livestock is not supplied, the quality of livestock declines.
10. **Creating a breeding farm with breeding beef cattle**, and it is essential support such a business with tools, assets, and finances. One of the most pressing issues is the creation of incentive systems for breeding livestock sellers based on the number and quality of breeding stock they supply. This kind of incentives for breeding farmers are much more valuable than providing incentives for meat, wool and wheat. Veterinary services should be provided discounted rate.
11. **Creating long and short term breeding plan in the breeding farm**. It is necessary to carry out accreditation of the livestock every year officially.
12. **Breeding farms need to cooperate with research institutions** when selecting qualified bulls by their calving traits. If farms don't use certified methods, they cannot be eligible for supplying breeding stock.
13. **Creating an integrated national registration system by introducing intensive animal husbandry models** to provide training for herders and specialists, and issue operational permits to training centers. We need to train herders and human resources to keep primary breeding records and to add those records to the government's integrated registration system.
14. **Checking the quality of livestock and breeding**, the level of intensity of breeding, and the weight of animals when selecting state honored herders.
15. **We need to create microeconomic corridors.**

Issue: Dairy and dairy product production

There is a necessity to provide training and consultation on milk hygiene, feed for dairy cattle, feed ingredients, and feed amounts to improve milk production, as well as improving veterinary services and breeding for farmers and herders. It is possible to provide this training and information dissemination through extension centers. Also, there is a necessity to support producers and herders in preparing feed and signing cooperation agreements with feed and forage production companies. It would be profitable to prepare curd, butter, cheese, and other dairy products in rural areas and deliver them to large processing companies in Ulaanbaatar.

When establishing domestic brands that will be exported internationally, all information and news should be accessible to all stakeholders.

Capacity building for 4-5 dairy associations is needed to improve the exchange of information between farmers and factories, and international best practices need to be introduced.

The government's participation in milk production systems is not needed. Instead, from the productivity side, government needs to promote winter milk and provide support through tax breaks and loan products available to businesses running dairy-related intensive farming. The Ministry of Health (MOH) and Ministry of Food, Agriculture and Light Industry (MOFALI) need to collaboratively develop policy to provide high-quality milk to kindergarten and elementary school children.

Issue: Feedlots for beef cattle

All of the forum attendees concluded that it is possible to develop feedlots and related enterprises in Mongolia. Herders and herder cooperatives could work together to feed their livestock and to sell their meat and other products of livestock origin to meat production factories. Herders, feed cultivators, and veterinarians need to focus on livestock breeding processes. Cooperation between meat processing companies and vendors is crucial. Herders need to realize their responsibility for supplying safe and high-quality meat to the public, and they can achieve this by establishing and operating standardized livestock feedlot enterprises. Most importantly, they can do so by providing qualified and suitable feed to their livestock and by efficiently organizing animal health and breeding programs.

There is a need to restore the old system of having the breeding selection process done by specialized enterprises and having the resulting breeding stock sold to herders. By doing so, we can create a systematic breeding process based on research and supported by integrated policy. Feedlot enterprises should work closely with feed and forage production companies to set reasonable, consistent prices for qualified feed and fodder. There is also a need to study opportunities for manufacturing qualified feed for fattening at a lower cost. It was pointed out that the participation of veterinary units is crucial for providing healthy products to customers. Animal husbandry, agriculture, and meat production are seasonal industries. Therefore, there is a great opportunity to create timely loan repayment schedules for preferential financial products and loans. Financial organizations could also provide great operational support by giving financial consultations to livestock businesses. Financial consultation would greatly contribute to better decision-making. Most herders and livestock businesses do not have adequate financial education. The forum's attendees also agreed that all industry stakeholders should work on environmental sustainability and green development.

Issue: Financing opportunities for agricultural and livestock entrepreneurs

MAIN CHALLENGES

1. Interruption in the supply of raw materials can lead to problems for borrowers.
2. The collateral available to herders and farmers doesn't meet the requirements set by banks.
3. Improving the financial capacity and skillsets of borrowers, including financial accounting, is crucial.
4. A lack of business documenting creates obstacles for borrowers.
5. Banks and financial institutions lack knowledge about agriculture and animal husbandry.
6. There is a lack of information exchange between banks and the nation's herders and farmers.

SOLUTIONS

1. Improving information flow and conducting basic training for herders and farmers on how to work with banks and financial institutions will help to improve their understanding of bank requirements for loans.
2. Teaching herders and farmers about risk mitigation will improve their planning.
3. Banks can train their staff to provide them with a deeper understanding of agriculture, or hire specialists and partner with local professional associations.
4. Adopting international practices and experiences in the beef and dairy sectors is necessary.

Issue: Meat and dairy processing plants

SOLUTIONS

How can we establish joint partnerships between herders, farmers, and producers to develop supply chains for qualitative, accessible, and sustainable raw materials?

1. When fair prices are set based on the quality of raw materials, there is no need for state intervention. NGOs and farms can work together to solve this issue.
2. Herders should be asked to consider a new approach, in which quality matters more than quantity.
3. The industry's legal framework and technical regulations need to be approved.
4. Processing plants need to collaborate with raw material producers and act as financiers.
5. Establish initial processing units in the right locations for beef and dairy producers.
6. The right support needs to be provided to the private sector and middle-men in meat sales.
7. The right policies need to be developed and implemented.



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