

2007 Mongolian Superfine Cashmere Project: Final Report and Recommendations

By Timothy Stewart and Ch. Bayarmaa

Summary

Mercy Corps Mongolia developed a project aimed at facilitating the supply 15 metric tonnes of super-fine cashmere (<14.9 micron) to Amare Cashmere for the 2007 season. However the project failed to procure any cashmere due mostly to unavailability of quality cashmere and to timely and accurate testing facilities in Mongolia. Some participating herders felt they had lost money as they had held on for the sale of cashmere to Amare Cashmere and had failed to capitalize on the seasons unusually high prices. A revised project structure is recommended which would provide rapid test results through a company in Beijing and pay a small premium up front with the bulk of the premium paid after final delivery to Europe. Prior to this a study would be conducted which would utilize the 20,000 or so samples from RIAH to locate the highest quality areas.

Introduction

The 2007 Mongolian Super-Fine Cashmere Project was a partnership between Mercy Corps Mongolia and Amare Cashmere¹, a supplier of fine quality cashmere fabrics to some of the top fashion houses, hotels and car manufacturers. Mercy Corps formed this contact through another USAID project, the EPRC (Economic Policy Reform and Competitiveness Project) and proceeded directly with Amare Cashmere.

The original aim of the project was to assist Amare Cashmere in procuring 15 metric tonnes (one container) of super-fine cashmere (<14.9 microns) for export from Mercy Corps clients, for which they would be paid a premium of 30%². The project worked on the assumption that best chance of finding super-fine cashmere was from 2 year-old female goats, and therefore producers were asked to supply only from these animals. Since little was known about the locations where SF cashmere was prevalent, and to give all MC Aimags an opportunity to participate, the program was extended to 8 Aimags, involving 68 producers.

Original Concept

The original concept (Appendix 1) was developed in discussion with UB and Aimag based MC staff and involved the following steps:

Phase 1: Identification of SF cashmere producers and awareness-raising

- Survey of clients and identification those with a history of producing SF cashmere.
- An assessment of the approximate quantity of cashmere available from these producers
- Awareness raising with producers and the market chain for the cashmere they produce.

Phase 2: Preparation of contract and payment of advance

- In order to secure quality cashmere for timely delivery
- Signing of contracts with the producers (Producer & Amare Cashmere)
- Payment of an advance of 20% of the average market price into bank accounts.

Phase 3: Collection of Cashmere

- 15 MT of cashmere³ purchased and delivered to the MC regional office then onwards to the processor where it will be held.

¹ www.amarecasa.com

² In preliminary discussions Amare Cashmere mentioned a 100% premium (double price), however this was later negotiated down to 30% for the first year, to be revised upwards on successful completion for subsequent years.

³ No colour preference

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- Market price minus the 20% deposit paid into the bank accounts of the producers.
- Cashmere clearly marked with the producer's origin and batch weights so that once the quality is known, the producer can be paid the premium.

Phase 4: Testing

- Samples from each producer sent to a tester chosen by Amare Cashmere and the results sent back to Mercy Corps.

Phase 5: Payment of Premium

- Producers whose cashmere tests favourably paid a premium of 25% over and above the market price paid originally.
- Cashmere which is below standard sold at the regular market price to recover costs.
- Mercy Corps paid 5% of the market price for all SF cashmere purchased to cover their expenses.

The design was meant to be a win-win concept where producers had a secure sale, unconditional of quality, and the buyer had a guaranteed quantity and, should the quality not be super-fine, losses could be minimised through the sale of the cashmere on the regular market: Amare Cashmere, in practise would have used the non super-fine in their existing products without the need for resale.

It should be noted that one of the key facets of the original concept was the signing of a contract between the Producer and Amare Cashmere and the payment of a 20% advance in order to obtain a commitment from both parties. In addition, Mercy Corps would charge a 5% overhead to cover costs payable from the premium paid for the super-fine cashmere paid to the producers. Both these facets were excluded from the final concept following discussions with Amare Cashmere. The main reasons were as follows:

1. The payment of the deposit meant that Amare Cashmere was taking a large financial risk that the producers would honour their contract and supply the quantity and quality agreed
2. Even well drafted contracts are difficult to enforce in practice.
3. Significant capital would have been tied up
4. Mercy Corps felt that they did not need to charge for their facilitation services as the costs could be justified by the potential rewards for their clients.

In the event, Amare Cashmere was largely vindicated in as much as the cashmere was not of the required quality. Mercy Corps, whilst investing over \$5,000 in the scheme, did not secure any financial benefits for their clients. However, much was learned in the process as is outlined below.

Final Concept

Following discussions with Amare Cashmere the advance payment was dropped from the project as they did not want to take the risk and tie up capital (see above). It should be noted, however, that the payment of an advance is not entirely unusual and is practiced by many "changers", or buyers, in Mongolia⁴. Advances are paid prior to Tsagansar (white month) celebrations in the winter when herders need the money for festivities.

⁴ The system works as follows: in December the Chinese buyers import large quantities of Yuan (RMB) into Mongolia, change it into MNT and deposit it into savings accounts; this has the effect of increasing the value of their capital due to the lowering of the exchange rate. In February they withdraw their money and buy sugar, flour and other consumables to use to pay an advance to herders instead of cash. In April/May they purchase the cashmere. In practice there are a few herders who will then claim not to have cashmere available, but this must be relatively small.

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The final concept (Appendix 2) that was implemented is as follows:

Mercy Corps

- Collect contact details of producers
- Collect estimates of production from selected producers
- Provide suitable bags for samples and clip
- Provide training to herders in cashmere grading, storage and sampling
- Buy 2 x 1 kg preliminary samples of SF cashmere from selected producers from each Aimag prior to combing, at market price
- Deliver samples to representative of buyer
- Send test results to the producers and notify them as to whether they have been selected to continue

Buyer (Amare Cashmere)

- Prepare and sign contracts with all prospective producers
- Test samples at a world class testing facility
- Provide MC with all test results direct from the testing laboratory
- Purchase clip at market price and collect from producer or pre-arranged collection points
- Label and weigh each batch of cashmere from each producer and sign Purchase Form to certify the weights and prices of each batch
- Pay a premium of 30% of the market price for all batches which test <14.9 microns (SF)

Producer

- Signal their intent to participate in the SF project by signing the registration form and contract in a timely fashion
- Provide a representative sample of 1 kg of cashmere taken only from the 2 year old females of the flock if requested by Mercy Corps staff
- Grade all the cashmere from the best 2-year-old females and place into the bags provided by Mercy Corps
- Ensure that the cashmere placed in the bags is **only** that taken from 2 year old females and not contaminated by other cashmere, wool or foreign bodies (grass & soil etc)

The above obligations were outlined in an MOU which was to be signed by all three parties but were in no way legally binding. Below is the timeline for implementation:

Timeline

Activity	Party responsible	Feb	Mar	Apr	May	Jun	Jul
Sign contracts & collect bank details	Producer & Buyer						
Provide test and clip bags	Mercy Corps						
Train herders in sampling and cashmere grading	Mercy Corps						
Buy 2 x 1 Kg good representative samples from selected herders from each Aimag & arrange collection & delivery to representative of the Buyer in UB	Mercy Corps						
Test preliminary samples	Buyer						
Grade & place cashmere from 2 year old females in bags provided	Producer						
Buy cashmere at market price per kilo and collect from producer; weigh each batch and sign Purchase Form	Buyer						

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Test all batches of cashmere and provide test results to Mercy Corps and Producers (test results should come direct from lab)	Buyer						
Pay a premium of 30% of market price per kilo for all batches which are confirmed through testing as being 14.9 micron and below; within 2 months of purchase	Buyer						

Outcomes

Mercy Corps, Amare Cashmere and the Producers fulfilled the following tasks and obligations under the MOU:

Activities carried out by MC:

- Collected estimates of production from producers
- Some herders signed the cooperation agreement
- Procured and provided test and clip bags
- Trained (how many) herders in sampling and cashmere grading
- Bought 1-2 Kg representative samples from 8 aimags (total of 14 kg) and submitted them to the buyer for testing in Italy
- Prepared 26 smaller samples at the buyer's request, and submitted them to the buyer

Activities carried out by buyer (Amare Cashmere):

- Made attempts to get samples tested in Mongolia (unsuccessful due to external factors)
- Sent samples for testing in China
- Provided test results for 4 samples directly
- Returned all samples to MC

Activities carried out by the Producers

- Provided samples from 2 year-old female goats
- Some (10 or so) signed MOUs

Mercy Corps fulfilled their obligations under the MOU and in doing so spent over \$4,300 on procurement of bags and samples, training and transportation. However as the project progressed Amare Cashmere were becoming more hesitant to purchase as more information became available as to the quality. In addition, Amare Cashmere was having problems finding a suitable and trustworthy buyer in Mongolia to act on their behalf.

Aimags	Cashmere classification training	Travel to the countryside under SFCP	Cashmere sample purchase	Sample and cashmere bag	Total
BH		266,760			266,760
UH	544,900			65,000	609,900
UG			35,000		35,000
GS		131,280	60,000		191,280
DG			95,000		95,000
HO	870,900		102,000		972,900
ZA	891,450	83,516	81,000		1,055,966
SU	1,094,909		119,000		1,213,909
UB				612,600	612,600
TOTAL	3,402,159	481,556	492,000	677,600	5,053,315

Amare Cashmere was made aware of the considerable financial risk the producers were taking in waiting for them to buy the cashmere. Mercy Corps were assured that Amare Cashmere would purchase at the highest seasonal price even if the cashmere was purchased later in the season when the

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prices fell. This is evidenced by the Skype conversation on 24th April 2007 between Amare Cashmere and Mercy Corps (Appendix 3). Unfortunately, as it became clearer from the testing that the samples were not super-fine, it was no longer in Amare Cashmere's interest to commit resources to direct purchasing when "[he] could just buy average quality cashmere through [his] existing channels".

Cashmere Testing

The agreement with Amare Cashmere was that cashmere would be purchased from the producers, samples tested then payment of the 30% premium would be conditional on quality (<14.9 micron) as determined by a reputable international tester, independently verifiable by MC.

Originally the samples were to be tested by Goyo Cashmere, and this fell through due to differences between them and Amare Cashmere. Itochu were then selected but the person in charge of testing fell ill. Finally Amare Cashmere selected an internationally recognised tester in Beijing and the samples were handed over to them and conveyed them to Beijing. This resulted in considerable delays during the testing phase.

Sample results were given for 4 samples (annexes 3 & 4). These results showed that the cashmere tested was of average quality, ranging from 16.3-16.8 micron, which is of the average quality that Amare Cashmere has been procuring throughout the season through existing channels. However, though the samples were labelled it was by no means clear which samples had been tested and whether these were those suggested by a visual test conducted earlier by Itochu Cashmere, to be super-fine: those originating from Sukhbattar, Zavkhan and Umnigobi. This raises issues concerning clear labelling so that samples may be traced more easily in future; a point for MC to consider.



Some of the Mercy Corps offices sent cashmere samples directly to the Research Institute for Animal Husbandry (RIAH) for independent testing. These results are given below:

- ZA Durvuljin soum cashmere sample- mean microns-14.0 and median microns 13.8, length-5.1, crimp -1
- HO- Altai soum cashmere sample- mean microns-13.9 and median microns 13.9, length-5.9, crimp -1
- SU-Bayandelger soum cashmere sample- mean microns-14.5 and median microns 14.4, length -5.0, crimp -1
- UG-Byun undral coop cashmere sample was 13.9-14.5 micron

It must be noted, however, that in the light of the negative results given by Amare Cashmere there may have been a point to prove. These samples were taken during trainings given on combing and grading and that they may not have been representative.

It must also be noted that Amare Cashmere independently had some samples tested in Mongolia then re-tested in Beijing. There were considerable disparities between the results and many were a micron or more thicker as tested in Beijing on the most up to date equipment. Experimental errors of this magnitude are serious and have broader implications for the industry. Reasons may be out-dated

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equipment, lack of skills in the personnel or something deeper. There is the enduring perception in Mongolia that "Mongolian cashmere is the best" which pervades in every level of society. While the reality may be somewhat different, if the testers believe this to be the case they may, albeit unconsciously, be discriminating against test results showing poor values, or rounding down figures etc. However, whilst the thickness is unimpressive as a whole, staple length is still attractive to buyers for blending with shorter Chinese cashmere.

Cashmere Purchase

During the testing phase, Amare Cashmere approached Mercy Corps to procure the cashmere directly on their behalf. It was explained to them that 1) this was not part of the original agreement and 2) that this would contravene MC's status as an NGO under Mongolian law as it would be a commercial activity and may jeopardize MC's status. Amare Cashmere were already purchasing around 300 tonnes of regular cashmere through their existing channels but could not readily trust these buyers to ensure traceability.

In the event, Amare Cashmere withdrew from the project following the test results and no cashmere was purchased. Some herders, having delayed the sale of their cashmere missed out on the extraordinarily high prices during April/May (up to 45,000 MNT). This resulted in claims of losses by some herders, some of whom asked Mercy Corps for compensation. It was explained to them that at no point were the herders obliged to refrain from selling: their participation was entirely voluntary and at their own risk. That said, the stated intention of Amare Cashmere to purchase the cashmere at the high price was a considerable factor in persuading herders to hold on to their cashmere. This has led to some loss of face and damage to Mercy Corps reputation and as a result it will be difficult in future to implement similar programs without more commitment. However, Amare Cashmere had made commitments to their buyers to supply super-fine cashmere and was similarly affected.

Whether the herders really lost money is open to debate. They entered freely into a business opportunity, and business is risky. They should have been able to capitalize on high prices with the bulk of their cashmere (from the rest of their goats) which should have more than offset any losses. Also, by the time they sold, the price was comparable to the 2006 high prices of around 35-38,000 MNT. Therefore, the "loss" was really only a failure to achieve the maximum price and could have been incurred whether they participated in the project or not. In addition many of the herders who are claiming losses did not even sign the MOU.

Conclusions

The 2007 Super-Fine Cashmere Project failed to facilitate the purchase of any cashmere for Amare Cashmere. In the attempt, though, Mercy Corps and Amare Cashmere can draw number of key lessons that may guide future projects of a similar nature.

The cashmere trade in Mongolia is notoriously complex. Both sellers and buyers are plagued with uncertainty about prices, finding enough to fill orders and over quality. It is clear that this project was no exception.

The failure of the project to procure super-fine cashmere was partly due to naivety in believing it would be present in marketable quantities from MC clients alone if sourced from 2 year-old females. This premise turned out to be false in this case, either due to poor testing, poor reporting on test results or because cashmere of this quality is not as prevalent as previously thought. The perception among many herders, and other industry players, is that they have super-fine cashmere. However even a visual test revealed large differences in quality and little was visually confirmed as being close to the super-fine mark. In addition, the samples tested in Beijing were of only average quality, these having been tested by an international standard lab on the most up-to-date equipment.

Having failed to find super-fine cashmere it was really the responsibility of the project to limit the potential negative side effects by alerting the herders as soon as this became clear. Unfortunately the results took longer to obtain as a result of external factors outlined above. Assurances had been given

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by the buyer that the cashmere would still be purchased from the most promising Aimags at the high market prices, but this became problematic logistically and the buyer no longer found it in their interests to proceed. This resulted in claims of losses by the producers and some damage to MCs reputation as well as to Amare Cashmere.

The unfortunate consequences of the buyer withdrawing could possibly have been avoided in part by adopting the original model utilizing the payment of a 20% advance. In addition, formal contracts could have been signed between Mercy Corps and Amare Cashmere, and Amare Cashmere and the Producers. Another tenant of the original plan was the payment of money to Mercy Corps by Amare Cashmere for services performed; again, this may have garnered a greater level of commitment by the buyer. The former would not have been attractive to the buyer for reasons outlined above: the tie-up of money and the lack of enforceable means of ensuring quality and quantity. Contracts may have helped garner more commitment though, and Amare Cashmere has already stated that they will contribute a 50% cost share for future activities.

One other issue remains from the 2007 project: the prevalence of super-fine cashmere it's self. Perhaps the project was naïve in believing that if cashmere was selected exclusively from 2 year-old female goats, there was a significant chance of finding super-fine cashmere.

There is considerable gloom surrounding the subject of NGO involvement in the cashmere value-chain and the perception is that it should be simply "left to the Chinese". However it is the express view of the authors that it is continually worth pursuing the establishment of a differentiated market for quality cashmere, and direct market linkages between buyers and producers as this will promote a quality product and allow more of the value of the product to be retained with the producers. It is also hoped that this will also help to support the washing and dehairing industry in Mongolia.

Recommendations

It is recommended that Mercy Corps continue to support efforts to shorten the market chain and allow producers to retain more of the value of their cashmere and consumers to buy products of assured quality.

To that end, there are a number of considerations for future interventions

- **GIS study of cashmere quality:** RIAH have some 20,000 tested cashmere samples, possibly on a database, which could be mapped. Factors such as location and season could be used to provide detailed information as to where quality cashmere is likely to be procured. A concept paper is included in Appendix 5.
- **NIRS testing of cashmere:** The Gobi Forage project is currently testing the accuracy of NIRS in predicting cashmere quality. If this proves possible, it would be a quick and easy means of testing cashmere, even prior to combing. This would enable more accurate procurement and even lead to controlled breeding programs.
- **Herder Alliance:** The establishment of a herder alliance in Bayanhongor will allow negotiations between a buyer (such as Patagonia) to negotiate with a single entity rather than diffuse individuals. This may lead to the negotiation of forward selling contracts and advances. In addition, cashmere may be graded, tested and auctioned at different qualities and colours either in Mongolia or abroad.

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Future project structure

During post-project discussions with Amare Cashmere an alternative structure to future interventions was discussed. This would take the following form:

Phase 1: Identification of SF cashmere producers and awareness-raising

- Conduct GIS research into SF cashmere distribution (see above)
- Identify most promising areas for project focus
- Identify producers within these areas

Phase 2: Collection of samples

- Awareness raising with producers
- Collect 2 x 30g samples from each producer
- Obtain estimates of production from each producer

Phase 3: Testing of samples

- All samples will be sent to Beijing for testing at a reputable laboratory
- 1st samples will be tested and any producers with sub-standard quality will be excluded
- 2nd samples will be tested and only those with double positive will proceed to the buying phase

Phase 4: Purchase

- Amare Cashmere will purchase all double positive cashmere direct from producers at a 10% premium through Ermeelt, a Mongolian based cashmere dealer.
- Cashmere will be washed and dehaired and shipped to Europe

Phase 5: Payment of Premium

- On arrival in Europe the cashmere will be re-tested and any that is Super-fine will attract a further premium of 20%.
- Mercy Corps and Amare Cashmere will each share 50% of the costs.

The main facets of this structure are:

1. the payment of a split premium, with 10% up front and 20% on final delivery
2. the share of costs between Amare Cashmere and Mercy Corps

This structure poses less of a risk to herders as part of the premium is paid up front on delivery of the cashmere. However, the system relies upon traceability from producer to final delivery, right through the washing and dehairing process and shipping.

Appendix 1:

Super Fine Cashmere 2007 Market Linkages

Background: Amare Cashmere is a highly respected supplier of fine quality cashmere fabrics to the designer apparel and interior design market in Europe. Recently they approached Mercy Corps to assist them in procuring raw super fine (SF) cashmere (<14.9 micron) for the spring 2007 season. Mercy Corps Mongolia aims to assist its herder clients in finding markets for their produce.

Objective: Mercy Corps Mongolia will facilitate the purchase of 15 Metric Tonnes (MT) of super fine cashmere from their operational area and delivery to a processor in Ulaanbaatar⁵ by the end of June 2007.

Methodology:

Phase 1: Identification of SF cashmere producers and awareness-raising

Mercy Corps will conduct a survey of its clients and identify those with a history of producing SF cashmere. An assessment of the approximate quantity of cashmere available from these producers will be made. The producers will be made aware of the program and the market chain for the cashmere they produce.

Phase 2: Preparation of contract and payment of advance

In order to secure quality cashmere for timely delivery, contracts will be prepared and signed with the producers and an advance of 20% of the average market price will be paid into their bank accounts.

Phase 3: Collection of Cashmere

15 MT of cashmere⁶ will be purchased and delivered to the MC regional office then onwards to the processor where it will be held. Market price minus the 20% deposit will be paid into the bank accounts of the producers. The cashmere will be clearly marked with the producer's origin and batch weights so that once the quality is known; the producer can be paid the premium.

Phase 4: Testing

Samples from each producer will be sent to a tester chosen by Amare Cashmere and the results sent back to Mercy Corps.

Phase 5: Payment of Premium

Producers whose cashmere tests favourably will be paid a premium of 25% over and above the market price paid originally. Cashmere which is below standard will be sold at the regular market price to recover costs. Mercy Corps will be paid 5% of the market price for all SF cashmere purchased to cover their expenses.

Timeline

Activity	D	J	F	M	A	M	J	J	Budget
Phase 1									
Phase 2									90,000,000
Phase 3									360,000,000
Phase 4									Paid by Amare Cashmere
Phase 5									135,000,000
Total									585,000,000⁷

⁵ Probably Goya Cashmere Company

⁶ No colour preference

⁷ Based on an average market price of 30,000/kg for 2006.

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Budget:

Item	Unit Price	No Units	Total
Advance payment @ 20% of market price	6,000	15,000	90,000,000
Bulk payment @ 80% of market price	24,000	15,000	360,000,000
Premium payment @ 25% of market price	7,500	15,000	112,500,000
Mercy Corps service charge @ 5% of market price	1,500	15,000	22,500,000
TOTAL			585,000,000⁸

⁸ =\$504,310 at a market rate of 1,160 MNT

Appendix 2:

Mongolian Super-Fine Cashmere Project 2007

Mongolian cashmere producers are often disadvantaged by the buying policies of purchasers who give the same price regardless of colour or quality. However there is a well defined market for Super-Fine (SF) cashmere for the high end clothing industry abroad (Europe and USA). This industry sees the value of SF cashmere and is willing to pay for it.

Mercy Corps has made good contact with a buyer in Italy who will purchase SF cashmere from the 2007 clip at a premium. To that end Mercy Corps intends to facilitate the purchase of SF cashmere from its operational area in order to link producers to this potentially lucrative market for the long-term.

The buyer is connected to the world's top fashion houses and will only buy Super-Fine (14.9 micron and below) from the two year old female goats. Cashmere which tests positive will be purchased at a 100% premium; i.e. at double the market price as dictated by Market Watch. Cashmere which is not up to standard will only receive the market price.

Timing

Activity	Party responsible	Feb	Mar	Apr	May	Jun	Jul
Sign contracts & collect bank details	Producer & Buyer						
Provide test and clip bags	Mercy Corps						
Train herders in sampling and cashmere grading	Mercy Corps						
Buy 2 x 1 Kg good representative samples from selected herders from each Aimag & arrange collection & delivery to representative of the Buyer in UB	Mercy Corps						
Test preliminary samples	Buyer						
Grade & place cashmere from 2 year old females in bags provided	Producer						
Buy cashmere at market price per kilo and collect from producer; weigh each batch and sign Purchase Form	Buyer						
Test all batches of cashmere and provide test results to Mercy Corps and Producers (test results should come direct from lab)	Buyer						
Pay a premium of 100% of market price per kilo for all batches which are confirmed through testing as being 14.9 micron and below; within 2 months of purchase	Buyer						

Registration Form

Roles of participants

Mercy Corps

- Collect contact details of producers
- Collect estimates of production from selected producers
- Provide suitable bags for samples and clip
- Provide training to herders in cashmere grading, storage and sampling
- Buy 2 x 1 kg preliminary samples of SF cashmere from selected producers from each Aimag prior to combing, at market price
- Deliver samples to representative of buyer Buyer
- Send test results to the producers and notify them as to whether they have been selected to continue

Buyer (Amare Cashmere)

- Prepare and sign contracts with all prospective producers
- Test samples at a world class testing facility
- Provide MC with all test results direct from the testing laboratory
- Purchase clip at market price and collect from producer or pre-arranged collection points
- Label and weigh each batch of cashmere from each producer and sign Purchase Form to certify the weights and prices of each batch
- Pay a premium of 100% of the market price for all batches which test <14.9 microns (SF)

Producer

- Signal their intent to participate in the SF project by signing the registration form and contract in a timely fashion
- Provide a representative sample of 1 kg of cashmere taken only from the 2 year old females of the flock if requested by Mercy Corps staff
- Grade all the cashmere from the best 2-year-old females and place into the bags provided by Mercy Corps
- Ensure that the cashmere placed in the bags is **only** that taken from 2 year old females and not contaminated by other cashmere, wool or foreign bodies (grass & soil etc)

Contract

I hereby agree to the above terms and conditions, and to undertake the roles outlined above:

Mercy Corps _____ Date _____

Buyer _____ Date _____

Producer _____ Date _____

Purchase Form

Date of Purchase _____

Herder Details		Changer Details	
Name		Name	
ID Number		ID Number	
Aimag			
Soum			
Location		Address	
Phone/contact		Phone/contact	
Bank account			

Batch Number	Colour	Weight kg	Price/batch MNT	Producer signature	Changer signature
Total					

Price Per Kilo _____ MNT Total Payment _____ MNT

Appendix 3:

2007-04-25

Tim Stewart: 11:21:22

Hi, How are things?

[AMARTUVSHIN J.AMAR](#): 11:22:14

THINGS ARE FINE JUST A DETAILS TO GO WITH BANK.

Tim Stewart: 11:23:03

Have the samples been tested?

[AMARTUVSHIN J.AMAR](#): 11:23:27

WE ARE WAITING FOR RESULTS.

[AMARTUVSHIN J.AMAR](#): 11:23:52

COULD YOU CHECK IF THOSE SF ARE LEFT IN MONGOLIA

Tim Stewart: 11:25:29

The herders are still waiting, but they will not hold out for much longer. I get daily calls asking me when they will be paid etc. I have told them that participation in this scheme is voluntary and that if they need to sell then they should do so.

Tim Stewart: 11:26:35

But I told Zavkhan and Sukhbatar that their cashmere is likely to be bought by you, and the others that we will need to see the results

[AMARTUVSHIN J.AMAR](#): 11:26:57

NO NO THE PRELIMINARY RESULTS ARE NOT GOOD.THAT'S WHY I'M ASKING FOR SF SAMPLES.

Tim Stewart: 11:27:56

the man at Itochu said that those 2 Aimags looked favourable

Tim Stewart: 11:31:55

The problem for us is that the herders are taking a financial risk in waiting for this project to buy their cashmere. If the samples test above 14.9 and the deal is cancelled we need to know so they can still sell at current (high) market prices.

[AMARTUVSHIN J.AMAR](#): 11:33:39

IF THE SAMPLES FIAL AND END UP BEING COARSER I STILL BYU THEM AT CURRENT PRICES BUT WITH NO PREMIUMS LATER.

Tim Stewart: 11:34:17

Ok, that's good to know, and I can reassure them of that. Many thanks

[AMARTUVSHIN J.AMAR](#): 11:34:59

NOT A PROBLEM BUT STILL PLEASE CHECK THE SAMPLES IF THEY STILL REMAIN IN YOUR OFFICE.

[AMARTUVSHIN J.AMAR](#): 11:35:16

AND PLEASE DOUBLE CHECK WITH BAYARMAA.

Tim Stewart: 11:35:23

Will do

[AMARTUVSHIN J.AMAR](#): 11:35:55

THANKS.KEEP ME POSTED.

HE BEI YUAN XIANG CASHMERE GROUP CO.,LTD

FIBRE PROVE REPORT

Supplier AMAR Date 2007.04.21

Sample Name Length mm Average Micron mkm Cashmere Fibre Content%
(by hand) (by OFDA apparatus) (by hand)

White 37 by hand:16.32 95.40%

by OFDA:16.45

Brown 38.74 by hand:16.37 96%

by OFDA:16.39

Grey 39.23 by hand:16.20 95.30%

(small package) by OFDA:16.25

Grey 40.48 by hand:16.57 95.30%

(big package) by OFDA:16.85

Appendix 5:

The Distribution of Cashmere Quality in Mongolia

Cashmere quality is dependent on many factors; breeding, climate and husbandry being the key ones. However, in a country whose rural economy is largely dependent on cashmere, little is known of how these factors interplay with the location of the goats themselves. Traders & buyers are mainly driven by the fulfilment of bulk orders regardless of quality. However there is considerable interest in the fine and super-fine fractions which are difficult to obtain because of a paucity of information as to where high quality cashmere is available. In addition, little is known about how factors such as climate and husbandry (forage availability and intake) interact on a national level and affect quality from year to year.

Phase 1:

The Research Institute for Animal Husbandry (RIAH) has approximately 20,000 cashmere samples. A database will be created, inputting each sample logging the following data:

- Staple length
- Micron
- Colour
- Location (soum or bag if possible)
- Date of sample collection

A GIS will be created using this data to create time-spaced maps of cashmere quality for the Mongolia. This will give a picture of soum or bag level cashmere quality.

Phase 2:

Develop a statistical model which will ascertain the following:

- Affect of location factors on quality
- Affect of year on quality
- Affect of climate (temperature) on quality
- Affect of nutritional status/forage availability (utilizing Phygrow data from Gobi Forage)
- Whether there is an overall decline in quality over time

The model will then be used to predict whether these factors interplay to give rise to "vintage years" for cashmere; i.e. where super-fine cashmere can be found in marketable quantities, and what areas are most likely to have the highest quality.

Phase 3:

Test the model:

- Use the model to predict the 2008 cashmere season
- Collect samples nationally, test, and use to compare and correct the model

Outcomes:

- A comprehensive understanding of the interactions of geography, environment and nutrition on the quality of Mongolian cashmere
- Detailed information for buyers to use in locating high quality cashmere which will help in creating a differentiated market price for herders.