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Spun Truths: Outcomes of Mongolia's Cashmere Program in Domestic Processing Facilities and Supply Chain

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SIT Study Abroad

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Abstract

Since Mongolia's transition to a market economy cashmere goats' population quintupled and their share of the nation's total live-stock doubled. Cashmere is Mongolia's third largest export and herders' primary source of cash income. However, Mongolian cashmere processing facilities operate well below capacity because they cannot compete with high prices paid by Chinese traders. The latest intervention in a series of industry reforms is the four year Cashmere Program, which is being implemented by the Mongolian Ministry of Agriculture and Light Industry. In order to increase the amount of cashmere processed and exported from Mongolia, the program invests in domestic processing firms who cannot operate at full capacity due to inadequate working capital. This paper interviews changers and processing facilities to better understand the outcomes of the policy at the firm level. The study finds that issuance of working capital loans in SMEs has been delayed for the past two year, negatively impacting the companies and the sector.

Introduction

The goal of this study to assess the outcomes of the recent government 'Cashmere Program' investing in the growth of Mongolia's cashmere processing sector. Issues related to Mongolia's cashmere industry are meshed in a web that connects rangeland degradation to export laws. The following sections provides a background on the cashmere sector, the new government program, and the focus of this research.

Background

In the wake of livestock privatization and the loss of a guaranteed cash salary, Mongolian herders have increasingly relied on cashmere goats for an annual source of cash income. Since de-collectivization in the early 1990's, the country's goat population has quintupled. Herd composition has shifted and goats as a proportion of livestock have doubled (Maekawa, 2013). In some areas of Mongolia sales from cashmere comprise 70% of herders' total cash income (Lkhagvadorj, Hauck, Dulamsuren, & Tsogtbaatar, 2013).

However, before cashmere can be exported as a final knitted product it must enter a complex value chain. This is entails sorting, washing, dehairing, dyeing, spinning, and knitting or weaving. Currently Mongolia produces about 10,000 tons of raw cashmere, or 40% of the worlds production but 85% of this is exported after primary processing. By exporting washed cashmere Mongolia loses out on lucrative value addition in spinning and knitting. The government estimates that if it were able to process all of its cashmere domestically the sectors earnings could increase by almost one billion USD (Dulguun 2018).

A defining characteristic of the sector is the presence of intermediaries termed middlemen or changers. These actors transport cashmere from herders to provincial centers, Ulaanbaatar, or China. Mongolian traders are often involved with selling raw material to Chinese traders but are nevertheless an important feature of the supply chain.

Currently, Domestic processors operating well below capacity have difficulty competing with the prices paid by Chinese traders. These traders use low interest loans from the Chinese government to purchase raw and washed cashmere in Mongolia, which is then exported to Chinese processing facilities. It is important to note that despite its advantages in the Mongolian market, the Chinese cashmere industry faces different concerns marked by decreasing quality and a lack transparency (Waldron, Brown, & Komarek, 2014).

In the past the Government of Mongolia has attempted to use export tariffs and loans to strengthen local industry–but these have largely been ineffective (Lecraw, Eddleston, & McMahon, 2005). Mongolia's government driven accession to the World Trade Organization (WTO) in 1997 impeded the maintenance of meaningful tariffs. More widely, the accession hampered growth in the domestic industry sector as attention was paid to bringing trade laws into compliance rather than supporting industrial development (Gallagher, Low, & Stoler, 2005).

Small and medium enterprises (SMEs), which lie at focal point of this study, face their own set of challenges. Seen as high risk by commercial banks, they face short term loans with high interest rates above 20%. Transaction costs related to complying with government regulations about business registration, taxation, customs, government, state inspection and infrastructure also pose significant barriers. SMEs in Mongolia are dissatisfied with government policies and find them largely ineffective (Chuluunbat &Empson).

There are about 200 Mongolian processing facilities for cashmere and wool products that employ about 5,500 people (UB Post, 2018). Company sizes range from 4 employees to 1700. Fox (2015) provides and ethnography of these employees, most of whom are women, and argues that their dreams and future plans are materialized by cashmere. Employees often work long hours but receive a stable salary. Looking towards the future, the government of Mongolia has explicitly included improving human resources in their objectives for the development of the cashmere processing industry.

As the sector has grown Mongolia's environmental issues have been exacerbated by the increase in livestock populations, especially goats, which are thought to be more damaging to pasture than sheep (Addison 2012). Currently over 75% of rangeland is considered moderately to severely degraded, though only about 15% of degradation is considered irreversible (Jamsranjav et al. 2015). Although the processing industry has traditionally not been engaged in conversations around environmental issues associated with raw material production, this is beginning to change.

Cashmere Program

In 2018 the Government of Mongolia introduced a new Cashmere Program in its next effort to promote growth. The program is led by the Ministry of Food, Agriculture and Light Industry partnered with the Development Bank of Mongolia and Mongolian Wool and Cashmere Association.

The government document states that "this program is aimed at enhancing the level of full processing of cashmere to 60 percent and increasing the production and export of environmentally friendly final products and increasing the competitiveness of cashmere products internationally,"(Mongolia 2018). The main objectives are to create favorable legal, investment and tax environments for the export of final products, improve quality of cashmere through goat breeding and raw material preparation, increase overall processing level of cashmere and exports of finished products, introduce eco-friendly advanced techniques and technologies into production, and increase productivity through training and human resources (Mongolia 2018). The program differs from previous interventions in its longer duration, aid to firms with insufficient collateral, and focus on experienced firms. It aims to create 3,600 new jobs and increase exports of finished products by 5.7 times (Dulguun, 2018). Part of the first phase of the project is the provision of subsidized working capital loans to domestic processing facilities . These loans are being provided by through the Development Bank of Mongolia (DBM).

The DBM was founded in 2011. Following a mineral boom and 17.3% GDP growth in 2011 the government issued the 1.5 billion USD ‘Chinggis Bond’ and put the raised funds into the DBM. The funds were used for large public investment projects, which often faced allegations of corruption. An audit released this year reported a violation of 1.1 billion USD as a result of 22 violations and errors between the years of 2011 and 2016 (Development Budget Reform 2019). Economic growth slowed after 2012 and to avoid sovereign default Mongolia was bailed out by the International Monetary Fund. The IMF bailout, Mongolia’s fifth, was under a three year Extended Fund Facility program and aimed to break the economy’s boom bust cycle. An important part of the project were a number of financial sector reforms that strictly disciplined the spending of the DBM. The cashmere program was one of the projects approved under the IMF program.

This research aims to understand the immediate outcomes of the cashmere program among domestic processing facilities and middlemen. Further, it aims to determine the success of the program’s implementation and in achieving its purported goals.

There is a lack of literature on the impact of Mongolian government investment on its domestic cashmere processing facilities. There is no literature related to this government program. Thousands of jobs and the stability of

Mongolia's cashmere industry are dependent on these facilities, therefore, researching the current outcomes of government strategy to strengthen these facilities is necessary for understanding future changes in the Mongolian cashmere supply chain.

Methods

Location

This research took place in Emeelt and Ulaanbaatar. Emeelt is small town thirty minutes outside of the city operating as a center for raw material exchange. It is the main exchange for cashmere companies to purchase raw material, however this is changing as more companies buy directly from provincial centers. All of the participating processing facilities were located in Ulaanbaatar.

Participants

In Emeelt I interviewed seven people involved in raw material exchange, mainly middlemen but also some small business owners. They procure raw material from aimag centers and sell it in Emeelt, mostly to Chinese traders. Some of the changers I spoke with worked with different animal products such as leather, sheep and camel wool, and horsetail. They also varied by wealth. Some rented out a warehouse section to store and sort their cashmere while others owned these warehouses or other small businesses. Interviews took place inside storefronts, warehouses, and outside.

In Ulaanbaatar I interviewed nine directors and managers at eight different cashmere companies. Companies ranged from 4-5 employees to 300 employees and were involved in different steps of processing from washing to knitting final products. Most facilities specialized in knitting final products, but some facilities washed and spun cashmere. Interviews were held in the directors offices and conference rooms.

Procedure and Ethics

Interviews with informants in Emeelt generally lasted 15 to 45 minutes and interviews with processing facilities lasted 30 to 60 minutes. Interviews were semi-structured using guiding questions. Thorough notes were taking for all participants but audio recordings were only taken with cashmere companies. Notes and recordings of interviews were transcribed and analyzed extensively. The results section is organized by themes that emerged from the interviews.

There were no significant ethical issues involved in this research. I received verbal consent of participation from middlemen in Emeelt and did not audio-record the interview. They were informed of the purpose of the research and the right to discontinue questioning at any time. Interviews at cashmere companies were more formal and informants were provided with, and signed, written informed consent forms. Middlemen and Cashmere Companies are referred to as MM# and CC# respectively. See appendix one for an interview key.

After the fieldwork I gathered information from some experts around the industry to investigate my results. I also attended a conference from the

Sustainable Fibre Alliance where I heard from many different stakeholders on the future of sustainability in Mongolia's Cashmere Sector. These conversations and presentation helped to inform the discussion section of this paper.

Results

Domestic Processing Facilities

Of the eight cashmere companies interviewed three explicitly stated that they were involved in the program (CC1, CC4, CC6), two may have been involved in the program (CC2, CC8), and three were not involved (CC3, CC5, CC7). All companies but CC7 were aware of the program. Another company, CC9, was not interviewed but provided information that they were involved in the program.

Three of the four companies involved in the program said they did not receive the working capital loan until July of last year and had not received this year's loan by the time of the interview (CC1, CC4, CC9). These companies explained that people from the government and DBM had approached them in November for them to put up collateral for the loan, promising to issue it in February. However, that did not happen. The fourth company– a large business with 300 employees– mentioned they were expanding their working capital according to the program but that it was very hard to receive loans and that the loan were always late (CC6). Two companies who did not say outright that they were involved in the program commented on the timing of loans from the program, reiterating that they had arrived late in the season (CC2, CC8) and that issuance this year was delayed (CC8).

CC1 and CC4, both involved in the program, spoke very specifically as to the impacts of the delays in the loan issuance. CC1 has yet to receive the 2019 loan that they put up collateral for in December. Their loan amount was also reduced from 180 million tugrik to 50 million tugrik. For CC1, if they had the received the loan scheduled for February they would have been able to purchase more raw materials and increase sales by 20%. If CC4 had received the government loan they said they would have been able to purchase 50% more raw material, which would have increased jobs and exports. CC4 commented "Until now there nothing, no companies can get any money. Which means the government bank is cheating us".

CC6 did not comment on the direct impacts of the loan issuance, but they did say their profits were squeezed by high interest rates of other bank loans. CC9, another large company, has not been impacted by delays in the loan. In 2019 the delays in the Cashmere Program did not change the initial planned volume of CC9. Due to the delays from the DBM in 2019 CC9 decided not to go through with the loan and financed their own working capital.

Most companies did not have information on why the loans from the DBM were delayed. CC8, a small business, said "the problem is that government positions are changed constantly and it seems like they don't understand cashmere industry and how it works. If a person who knew about industry they would give loans at correct time." CC9 stated that it was due to the IMF program and general slow operations of the DBM. Still another informant, involved with the commodity exchange, suggested powerful companies may boycott small companies and influence delays in loan payment. However, this claim was not substantiated by evidence, nor did any other informants provide this information.

More broadly, domestic processing facilities were inhibited by high interest rates and short term loans (CC1, CC2, CC4, CC5, CC6).Working capital loans from the cashmere program were offered at a rate of 12-14% whereas the interest rate for commercial loans offered by banks is 24%. The term of the subsidized working capital loans is 24 months. While adequate for the trading business, CC4 said that it was too short for the processing business. “We buy the cashmere this spring. Washing dehairing and knitting take almost one year. Then selling, how much time?”(CC4). This point was reiterated by CC2 who suggested three year working capital loans for processing facilities. For larger technological growth CC4 said seven to ten year loans would be important to allow firms to build facilities, buy technology, and export their products. CC6 echoed these sentiments, “In the future we need long term low interest loans or allowance in taxes. Now we don’t have much profit because all profits go into bank loan.” CC2, CC4 and CC6 are all medium-large processing facilities and were the only interviewees that directly expressed the need for longer term loans.

CC8, a small firm, financed the purchase of high quality Japanese technology through a four year loan for 160,000 USD. They were able to receive the loan because the director had built good credit through small short term loans with Golomt bank. At the time the foreign currency lending rate was 12-15% . The greatest obstacle came in paying off the loan during the 2013 market failure which coincided with the loan term; between 2011 and 2015 the tugrik depreciated over 50% against the dollar, making it difficult to pay back the loan in foreign currency. However, CC8 was able to pay back the loan in full and is again expanding operations. This is just one example of the difficulties overcome by small cashmere processing businesses operating in todays market.

Despite significant setbacks in raw material purchasing CC4 saw positive aspects of Cashmere Program. For them, the Cashmere program is part of the process of developing Mongolian cashmere as a strategic export. “If we don’t have cashmere program no message to the world companies and governments. Now the good thing is to start the Cashmere program… make strategic product in cashmere.” CC2 is also working with Mongolian Wool and Cashmere Association to develop Mongolian cashmere as a strategic product and CC5 saw their companies future in exports and making “Mongolian cashmere known throughout the world.” Most companies manufacture products that reach a global market. Even the smallest company interviewed, CC7, which operates mechanical hand looms, sells their cashmere to a Canadian distributor. CC7 said that small companies bring important foreign currency to Mongolian but receive little from the government. “There are almost 200 small firms like me but the government does not pay attention even though we are bringing foreign currency,”(CC7).

CC8 agreed with cashmere's importance as a strategic project but added that " it would be better if the proper policy would be implemented and no government participation in business." CC4 also expressed their frustration with government involvement. "Business is business, government is government, politics is politics, that's clear. But now in Mongolia business and government doing something. What is that? it is not clear…doing business with the government is very difficult,"(CC4).

When asked about the future of the cashmere sector only CC2 mentioned the need to decrease goat populations. Otherwise discussion of environmental challenges were absent during the interviews. According to an informant who directs an environmental NGO in the cashmere sector, communication between industry and environmental groups is poor.

Some companies expressed negatives views of middlemen, citing them as reasons for price fluctuations (CC3), and under the rule of Chinese traders (CC4). CC6 said that "these changers don't have any role in this market." CC4 thought that the best way to do business was to buy directly from herders and CC2 thought this strategy might be able to reduce herd sizes. Not all companies felt the same; when prompted CC8 simply said "Changers are so-so."

Middlemen

Most middlemen were unaware of the government program and skeptical of government intervention in general. Only MM4 knew about the Cashmere Program. MM7 did not view intervention positively and MM2 did not believe that the government scheme was working and that it only provided for large factories. “There is no concept of giving support to individuals,”(MM2). MM4 said “big factories are in front of everything so it does not reach the middlemen.” Although MM6 did not want support from the government, he said that government projects are aimed at factories, not foreign changers who sell abroad.

All the middlemen interviewed sold to primarily Chinese buyers. They determine who they sell their cashmere to by who can pay the highest price (MM1, MM3, MM5). At the same time changers expressed a preference to sell domestically. MM5 said they “would love to sell to domestic companies. There is idea of supporting domestic product. But domestic facilities cannot pay higher price.” MM3 was also more interested in selling domestically but found it problematic when domestic companies purchased on credit.

To avoid selling to Chinese traders MM4 would like to build their own processing facility for washing and spinning then export to the U.S. and Italy. However, it is difficult for them to receive a loan from the government. “You need a relative to get the loan from government,” (MM4). They also commented on the fact that domestic industries may be becoming more competitive (MM4) MM4 is a relatively wealthy changer with 250 tons of cashmere passing through their warehouse each year and will try to build a processing facility with their own capital.

MM5 was in a similar situation but lacked the capital. “If I had that money I would build a factory. Because I cannot I am just selling to the Chinese. I’m just holding my life with this,” (MM5).

Changers also commented on several other current challenges they were facing. Some raw materials, such as animal hide, are no longer being purchase for use in final products (MM2), prices fluctuate greatly (MM7), and cashmere from herders may come wet or dirty (MM4, MM7). MM7 suggested implementing a policy to prevent rapid changes in the price and also providing training to training to herders on how to properly comb cashmere. MM6 wishes that, at the very least, the government would implement its plans correctly.

Discussion

Ambitious attempts to increase value added exports of Mongolian cashmere have faltered under delays from the development bank of Mongolia. As of May 2019 loans scheduled for February 2019 have yet to be received by cashmere companies. The current situation aligns with past observation of the difficulties faced by SMEs in Mongolia (Chuluunbat & Empson 2018). This discussion frames the results of the study within the larger framework of development of the Mongolia’s cashmere sector. Implications for cashmere SMEs, supply chain, environment, and the program itself are discussed.

Working Capital Loans

Cashmere SME’s face numerous challenges including high interest rates, insufficient collateral, fluctuating prices and the need for high amounts of working capital. An important aspect of the cashmere program is providing working capital loans to companies to decrease export levels of washed cashmere. For the past two years these loans have been issued late. In 2018 the loans were issued in late July and in 2019 they have yet to be issued as of May. Because the cashmere purchasing season runs from March through June this greatly reduces the effectiveness of the loans.

In a conversation following the fieldwork section of this study, the Mongolian Wool and Cashmere Association (MWCA) said they expected companies to seek loans from commercial banks to be repaid when the DBM loan is issued. However, no companies in this study explicitly expressed using this strategy. Commercial bank loans are also offered at a significantly higher interest rate than the DBM loans.

The delays in loan issuance are likely to have distributional effects. For some small and medium cashmere companies that were interviewed it directly impacted their planned inventory. However the one large cashmere company included in the study was able to finance its working capital independently, and planned inventory was not impacted. As reported in the results section, access to inexpensive and long term finance is a key concern for Mongolian cashmere companies. Because finance is more readily accessible for larger companies their production was not necessarily impacted by delays in loan issuance. Therefore smaller companies may be more negatively impacted by shortcomings in the Cashmere Program than large companies. With regards to these shortcomings it is important to note that the program cites the Government Action Plan (2016-2020), “implementing a flexible long-term investment and financial flexibility policy in light industry, small and medium enterprises and cooperatives," as a legal basis for the program.

A stated goal of the program is to raise value added processing of raw material to 40% of Mongolia’s total raw material production in 2019 and 60% in 2021. It is difficult to assess from this study whether the sector is meeting those goals. According to the MWCA the Gobi Corporation, Mongolia’s largest cashmere company, was the only company to receive loans from the DBM in 2019. Therefore growth from Gobi may help the aid added value processing. However, without proper implementation of working capital loans across the sector it will be difficult to achieve the ambitious goal of more than doubling value added production.

Although the causes behind delays in loan issuance were not discovered during the fieldwork portion of this project, information from informants within the DBM and the MWCA was gathered later. According to these sources the loans have been delayed due to an ongoing audit within the DBM. There may also be delays involved with the IMF program which is restructuring the DBM after a large bailout in 2017 and a three-year arrangement under Extended Fund Facility. These issues lack transparency as very few cashmere companies knew why their working capital loans were being delayed and the information itself was difficult to obtain. It is uncertain as to whether these issues will be resolved in the coming years and loans will be delivered on time.

Supply Chain

Changers in Emeelt had little awareness of the government program but were generally skeptical of government intervention. They felt that government policies were focused on large factories and never reached further down the supply chain. Several said they would prefer to sell domestically if it were economically feasible.

Since the program does not directly target them it is not surprising that they lack information on the policies. However, if the program was successful in preventing the loss of significant raw and washed cashmere exports to china, it should impact the actors who are responsible for exporting abroad. Most changers did comment on any changes happening in their industry. But one changer, who was best informed on government policy and moved the most tons of raw material, commented that prices paid by domestic and foreign buyers were evening because of regulation to increase domestic purchase and that domestic firms were becoming more competitive. Therefore there may be some evidence of the policies influence in the market, but perhaps it is not yet widespread.

The role of changers in the future cashmere market is not well defined in the Cashmere program. Measure 4.2.4 is the only explicit reference to raw materials procurement system: “Take measures to increase the involvement of herders and producers in the trading of raw materials through the agricultural sector,” (Mongolia 2018). Cashmere companies saw changers as the cause of inflated and fluctuating prices and supported the decreasing involvement of changers in the supply chain. Changers were described by one company as ‘the fingers of the Chinese’. Rather than purchasing from these changers companies would rather bypass them altogether. The MWCA said their vision is to connect cooperatives and cashmere companies without intermediaries. There are small scale projects that accomplish this goal with some success but have yet to be widely implemented. For now, large changes in the systems for raw material procurement have yet to be seen under the Cashmere Program.

Environmental Issues

Environmental issues, concerning both rangeland and manufacturing, were largely unaddressed in both the Cashmere Program and interviews with cashmere companies. Only one measure in the program document directly references improving environmental performance: to “Introduce research and innovation to industry for the development of new product and consumer products that meet the requirements of human health and environment, quality and safety standards,” (Mongolia 2018). For Mongolia, improving the environmental performance of its manufacturers is secondary to improving their production.

There is no reference to wider issues of rangeland degradation in the document. Despite this, efforts to involve processing companies in conversations about decreasing goat populations and improving rangeland health have been undertaken by NGO's like the Sustainable Fiber Alliance. Recently they organized a conference on "Sustainabilty in the Cashmere Sector" bringing stakeholders from herders and banking to academia and manufacturing together. However, within the scope of the Cashmere Program, there was no evidence from interviews in this study that action was being taken concerning environmental issues.

Cashmere Program

The objectives and measures of the cashmere program extend beyond the loans focused on in this report. Though the loans are the most salient feature for domestic processing facilities, the program also includes objectives for the legal environment, breeding, environmental performance and human resources. Currently the MWCA is working on projects developing the Mongolian Noble Fibre certification and improving technological transfer as part of the program.

There is also the strategic value of the program. In some ways the program's value is in its existence. By creating a roadmap for the direction of the cashmere industry the Government of Mongolia is sending a signal to the world. To some this is an important step in developing 'Mongolian Cashmere' as a global name–to others it is not enough.

The primary goal of the program is to decrease exports of raw and washed cashmere. A key strategy for reaching this goal is to provide capital to domestic firms who can purchase raw materials and process them. From the interviews it is clear the implementation of these loans has been lacking. There was also little concrete evidence of activities related to other measures of the program in the interviews.

Results from this study show limited success of the Cashmere Program in small and medium domestic processing facilities, but it is difficult to assess the program as a whole from these findings. One reason is the size of the Gobi Corporation in the market. With their 70% market-share they may be able to singlehandedly enact significant changes in the market. Information on Gobi's raw material procurement was not gathered in this study and so these impacts remain unknown. What can be reported is that the Cashmere Program is not addressing the sector in a wholistic way. Whether the program will prove to be more than empty promises for the majority of the sector is still in question.

Future Outlook

In April of 2019 the Mongolian Third Neighbor Trade Act was introduced to the United States Congress. The initiative aims to allow duty and quota-free trade of Mongolian cashmere to the U.S.. The act would open American markets to the Mongolian cashmere sector, which are considered "by far the world's most lucrative market for such products,"(Amchamm 2019). Aligned with the Mongolian government's Cashmere Program, the act has the potential to improve the competitiveness of the sector and reduce raw material exports to China. It also contributes to the strategic branding of Mongolian cashmere. Although the act has not been signed into law it has received bi-partisan support. With this potential it is even more necessary than before for the government to implement their policies with integrity.

Limitations and Future Research

Key limitations of this study were the inability to access informants from implementing institutions such as the DBM and Ministry of Light Industry. Even though I was able to talk to the MWCA it would have been more beneficial to do a formal interview. DBM refused to be interviewed based on confidentiality whereas the Ministry and MWCA were busy. The study was also limited by ability to access cashmere companies; there were more cashmere companies that declined to be interviewed than accepted.

More thorough research on the other branches of the Cashmere Program would be beneficial in understanding how the sector is transitioning. Research into changing structure of raw material procurement would also provide a much needed insight.

Conclusion

Mongolia's Cashmere Program has had limited success, particularly in its provision of subsidized working capital loans. In 2018 these loans were issued in July, well after the cashmere purchasing season, and have yet to be issued in

2019 as of May. According to the Mongolian Wool and Cashmere association only Gobi has received the working capital loan. Delays in loan issuance may be caused by slow proceedings at the DBM related to an ongoing audit as well as the IMF Program.

These delays in loan issuance have direct impacts on cashmere SMEs who have more difficult financing working capital than larger companies. These companies are forced to reduce their planned inventory or take out high interest commercial bank loans. By failing to provide loans as promised, the Government of Mongolia may be validating perceptions that its policies are ineffective. It is also increasing the uncertainty of the environment that cashmere SMEs operate in.

The Cashmere Program is young and encompasses an array of objectives for other sector reforms. At the very least the Cashmere Program provides a strategic roadmap for the Mongolian cashmere sector and begins the process of developing it into a global brand.

With increasing opportunities to reach a broader global market the Mongolian Government must take action to ensure it follows through with promises made under the Cashmere Program. Efforts have fallen short for SMEs but there certainly remain possibilities for improvements in the following two years of implementation.

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ХӨГЖЛИЙН БАНК УЧИРЧ БОЛОХ 17.2 ТЭРБУМЫН ХОХИРЛЫГ ХААСАН. (2019, May 5). Retrieved May 26, 2019, from https://news.mn/r/2132269/

Appendix 1.

Keys for Cashmere Companies and Middlemen

Date	Key	Location	Employees/Size
4/29/19	MM1	Emeelt	NA
4/29/19	MM2	Emeelt	NA
4/29/19	MM3	Emeelt	NA
4/29/19	MM4	Emeelt	*Processed 250 tons per year
5/1/19	CC1	Ulaanbaatar	8-10 Employees, 10,000 products per year, export to
5/1/19	CC2	Ulaanbaatar	100,000 Woven Products, 15,000 knitted products
5/2/19	CC3	Ulaanbaatar	130 employees
5/2/19	CC4	Ulaanbaatar	130 employees, 70,000 garments
5/6/19	CC5	Ulaanbaatar	50 employees
5/6/19	MM5	Emeelt	NA
5/6/19	MM6	Emeelt	NA
5/6/19	MM7	Emeelt	NA
5/6/19	CC6	Ulaanbaatar	300 employees
5/8/19	CC7	Ulaanbaatar	3-4 employees 1,000 products per year
5/9/19	CC8	Ulaanbaatar	4-5 employees 10,000 knitted products per year
5/9/19	CC9		*No formal interview, information received by email correspondence

Appendix 2.

Sample Interview Questions

Middlemen

- Where do you buy your cashmere?
- How is the price of cashmere this year?
- How do price fluctuations effect how you work?
- How do you decide where to sell your cashmere?
- How has your work changed in the last five years?
- Do you sell directly to processing facilities?
- If so, can you say what facilities?
- Do you ever sell to Chinese facilities?
- If so what determines whether you sell domestically or abroad?

Processing Facilities

- How many years have you been operating?
- What is your capacity?
- How much is utilized?
- What processes happen at this facility?
- Where do you buy your cashmere from?
- How do price fluctuations affect your business?
- Are you a member of the development banks cashmere program?
- If yes, can you talk about what your involvement entails and how it effects production?
- If not, are you aware of the program?
- What are your opinions about the program?
- Will this level of production be sustainable to continue in the future?
- What are the challenges and successes you have faced/experienced?