

**PROJECT PROPOSAL № 4**

<b>Project name:</b>	<b>INCREASE HERDSMEN'S INCOME BY MAKING MEAT PREPARATION, PRODUCTION AND TRADE SYSTEM MORE ADVANCED</b>
<b>Implementing sector:</b>	<ul style="list-style-type: none"> <li>~ Sectors of food and agriculture</li> <li>~ Sub sector: meat preparation factories</li> </ul>
<b>Project background:</b>	<ul style="list-style-type: none"> <li>~ Objectives "to establish efficient system in supplying and trading raw materials and products originated from agriculture" and "to supply meat prepared in a condition that meets all the hygienic and sanitary security requirements to population of cities or centralized areas" were put in official documents such as an activity program of the Mongolian Government and State policy regarding food and agriculture.</li> <li>~ Before 1990, Mongolia used to spend enough money to meat preparation work in May of every year and bought cattle in national scope and prepared meat. Due to the transition into the market economic system, the above system was disappeared and there could not be any loan fund source from the Government.</li> <li>~ Our country consumes 200-250 thousand tons of meat for food consumption and every meat preparation factories employ their brokers in provinces and soums for buying cattle from herdsmen and driving to factories.</li> <li>~ At the end of 2004, population of Mongolia amounted totally to 2533,1 thousand and 57,2% or 1448.9 thousand people reside in city and settlement areas. 1072.1 thousand of them live in the capital city, Darkhan-Uul and Orkhon province centers. These cities have 6785 tons of meat consumption and every March-June, a price of meat increases greatly and influences in inflation. It closely and directly connected to that the government has not any fund source to hoard meat for meeting consumption of these cities and meat factories lack of working capitals due to high loan interest and too short term.</li> <li>~ For instance: in March 2005, beef price was 2190 MNT but in June it increased to 2630 MNT, mutton price was 1900 MNT in March but changed as 2400 MNT in June and this increase caused outrage among population.</li> <li>~ During these months, there is a consumption of 27 thousand tons of meat in total and if prepare 7000 tons of meat, it is possible to keep meat price stably. For preparing and storing this amount of meat and supply to the next year consumption, it requires a working capital of 10.0 million USD. However, 28 meat preparing factories that are working at the present, have capacities to produce 85 thousand tons of meat during August-December of every year, they prepare only 4-5% of total meat preparation due to their working capitals.</li> </ul>
<b>Project objective:</b>	<ul style="list-style-type: none"> <li>~ An objective of the project is addressed to keep price stably in meat market of the capital city or bigger cities and to establish a required condition meeting hygienic and sanitarian security requirements.</li> </ul>
<b>Activities to be implemented in project scope:</b>	<ul style="list-style-type: none"> <li>~ The government will grant a loan to meat factories as a working capital in every May jointly with the Mongolian Meat Association.</li> <li>~ By receiving loan fund, meat factories will buy cattle through their brokers who will drive cattle to meat factories for slaughtering and storing.</li> <li>~ To sell meat in the market by special schedule jointly with local administrations.</li> <li>~ To accumulate loan and repay.</li> </ul>
<b>Project significance:</b>	<ul style="list-style-type: none"> <li>~ Income of herdsmen will be increased, meat supply of urban population will be stabilized due to support of meat factories with working capital sources and to prevent from price increase and food security will be ensured.</li> </ul>
<b>Responsibilities of Mongolian part:</b>	<p>The Mongolian Parliament will complete the following activities in order to implement the project successfully and to ensure activity stability:</p> <ul style="list-style-type: none"> <li>~ to transfer food and farming products into exchange system.</li> <li>~ to register cattle</li> <li>~ to establish "Special fund for meat preparation" due to project fund and use efficiently.</li> </ul>
<b>Total cost:</b>	10.0 million USD