



Development of Herder Alliances in the Gobi Region of Mongolia

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In 2006, a collaborative pilot project was initiated in Mongolia to test the applicability of developing herder alliances based on the model of North American rural farm and ranch cooperatives. These alliances would be a conduit for the flow of livestock early warning information from the Gobi Forage project, and provide critical services to alliance members. A generic framework for organizing and implementing herder alliances was developed. The Bayanhongor herder alliance was initiated where by electing a board of directors, establishing a constitution, and obtaining status as a legal entity in Mongolia. From this pilot project we learned that: 1) a critical mass of producers is needed to effectively initiate an alliance, 2) an existing infrastructure of technical experts/extension agents is required to raise initial awareness of the alliance and facilitate the recruitment of livestock producers, 3) the initiation of an alliance requires a sponsoring organization to provide startup resources and capital because funds from initial membership shares are not adequate, 4) help is needed from government or NGO organizations to facilitate and connect the alliance to terminal markets and 5) effort is needed to dispel the notion that the herder alliance in only a marketing middleman.

Background

The Mongolian agricultural sector has undergone considerable change during “transition” from the socialist command economy to a market economy. Between 1990 and the present, herders and farmers have had to adapt to top-down driven markets and the loss of inputs and services provided by the state. The incomplete integration of herders and farmers into a privatized, market-driven economy continues to impact the crop and livestock sub-sectors. Drought and severe winter weather cause losses in overall livestock and crop productivity, significantly increase livestock mortalities, and degrade soils that form the agricultural resource base. Livestock production remains primarily an extensively managed, forage based, pastoral production system that is dependent almost solely on forage produced by natural pastureland. Crop production, which is mostly rain-fed, is also subject to and limited by natural factors, especially inadequate precipitation at critical times as well as difficulty in obtaining inputs and services needed for optimal crop production. The risk, both environmental and financial, to which the agricultural producer is subjected, is exacerbated by the lack of suitable response options available to herders and farmers.

A major component of the Gobi Forage Project (GL-CRSP) is developing an information transfer system that allows herders to be forewarned of changing conditions in their pastureland forage base and declining body condition of livestock. This system is patterned after the Livestock Early Warning System (LEWS) developed by

the GL-CRSP in East Africa as part of the Famine Early Warning System Network (FEWSNET). Information generated by LEWS on impending drought or declining forage quality conditions that would affect animal productivity or winter survival needs to be delivered to agricultural producers in a timely manner. While Mongolian herders and farmers do need real time information about weather related constraints to crop and livestock production, without the real-time capacity to respond to information about impending drought or severe winter weather, having access to information, in itself, will not enable herders and farmers to avert diminished livestock productivity and mortalities or avert crop failure. Response options in both the public and private sectors must exist for the herder or farmer to productively use the information to respond to unfavourable conditions.

Even with prior warning of adverse weather events, as provided by the Gobi Forage LEWS, livestock herders and farmers presently do not have access to inputs that can mitigate environmental and financial risks inherent in the Mongolian environment. In the livestock sub-sector, lack of access to inputs, especially livestock feed that include forage, hay, and manufactured feeds, is a fundamental constraint to the development and sustainability of the livestock sub-sector. The lack of appropriate and timely access to inputs has an impact on meat quality. With a growing demand for higher quality and “healthy” meat products, the ability to meet market demand is limited. One of the primary

mechanisms for using information and responding to unfavourable conditions is through efficient purchase and sale of stock. The lack of connection to markets represents a major limitation on the ability of herders to respond both to market demand and unfavourable conditions.

Overcoming constraints to agricultural production involves more than access to information. It involves planning and managing agriculture production over at least three time scales: 1) short term, which is immediate or daily, and relates to the day-to-day operation of the enterprise; 2) medium term, which is annual, and relates to the farm crop or animal crop being produced during the immediate production cycle, and 3) long term, which involves herd structure and crop selection to meet future market demand. In the short term, information about impending drought or severe weather will provide little or no benefit to the herders or farmers unless planning to mitigate impacts of the constraint has already occurred and the herders or farmers have the capacity to respond to impending adverse environmental or financial events. Information about drought and weather is most useful to the herder and farmer if medium and long term planning has accounted for these eventualities, and response options exist.

In North America, rural agriculture cooperatives locally owned and operated by shareholders from the agricultural community it serves have been a private sector institution that herders and farmers rely on as a source of inputs, services, marketing, and information. For agricultural cooperatives to be effective, they must be owned and controlled by the membership, and the benefits must accrue to the members (Dunn et al. 2002). The development of a Herder Alliance cooperative was one of the primary activities of the Gobi Forage Project. A pilot Herder Alliance program has been initiated and structured to provide the following: 1) a conduit to transfer risk mitigation information developed by the Gobi Forage LEWS and other sources to herder and farmer members, 2) access to quality production inputs (e.g., veterinary medicines, fertilizer, machinery and equipment, animal feeds, etc.), 3) access to services that will improve product quality or improve producer capacity to engage in agricultural production (e.g., wool and cashmere grading, mechanical shearing, petroleum, spare parts, veterinary medicines, etc.), and 4) direct linkages to markets for crop and livestock off-take products produced by the members of the cooperative (i.e., alleviation of middlemen in the market chain).

Beginning in 2006, a pilot project, funded jointly by GL-CRSP, USAID-Mongolia, Mercy Corps Mongolia, and the USDA Rural Agribusiness Support Program (USDA-RASP) was initiated in Bayanhongor aimag (province) to test applicability of the Herder Alliance concept under Mongolian conditions and to determine what modifications of the North American rural cooperative

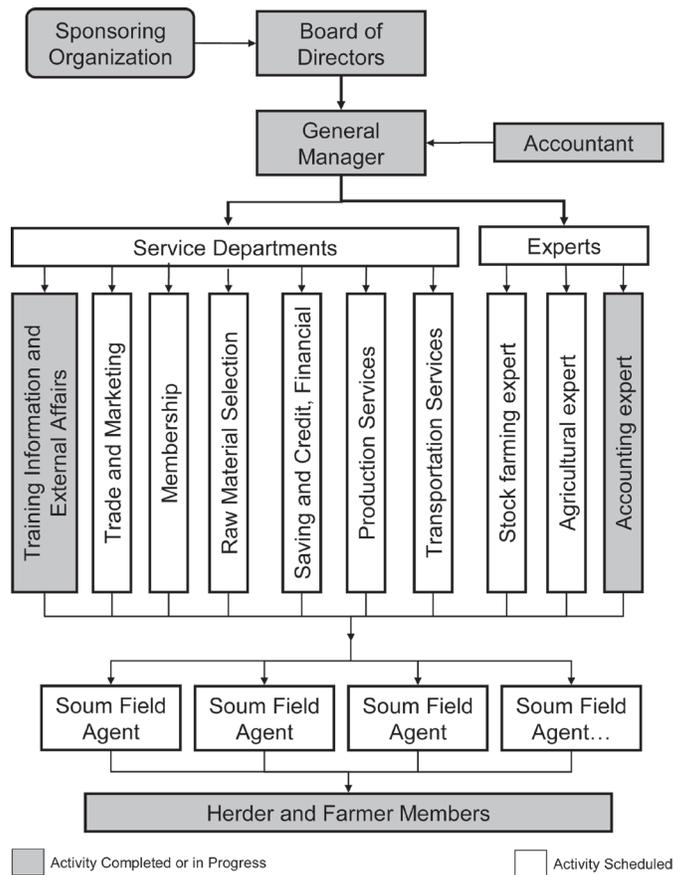
model were needed. The GL-CRSP team initiated the Herder Alliance pilot program in 3 soums (districts) within the Bayanhongor aimag. Mercy Corps Mongolia provided logistical support and also assigned two staff specialists from the Gobi Initiative program that had experience in cooperative formation to assist the Gobi Forage team in the implementation of the pilot program.

Preliminary Findings

We sought to develop a generic structure for implementation that could be used by any group who wanted to establish a herder alliance in Mongolia. We began by conducting an informal survey of livestock households/groups to determine if interest and support for a herder alliance existed. This allowed us to define the three pilot areas that were chosen so that we could improve our chances of successful implementation. Once we established the pilot sites in the Bayanhongor aimag, we held organizational meetings to discuss how the herder alliance would work and provided examples from successful cooperatives in the United States. In order for the alliance to be recognized as a business cooperative and as a legal entity in Mongolia, a constitution (i.e., by-laws) and registration with the government as a recognized cooperative was required. The Gobi Forage team facilitated this process and provided examples of constitutions for other cooperatives including some from North America. A constitution was drafted by the Bayanhongor herder alliance and registration was sent to the government. The registration was accepted and the Bayanhongor alliance is now a legal business cooperative in Mongolia. Currently, shares have been sold in the alliance to almost 300 herders. The Board of Directors that consists of 15 members has been elected and includes a chairman and treasurer. A general manager has also been hired, and an office has been opened in the Bayanhongor aimag center.

We developed a general framework for the organization of the Bayanhongor alliance (Figure 1) that could be used for additional alliances as they are developed in Mongolia. Under this structure, a sponsoring organization (such as the GL-CRSP or a NGO like Mercy Corps) initiates the development of the alliance and provides initial start-up funds for infrastructure (office space, telephone, computer, etc.) and minimal management staff. The sponsoring organization informs and trains members, directors and management staff about the function of the herder alliance and their duties and responsibilities as specified in the alliance constitution. The sponsoring organization then facilitates the initial meetings of alliance members and oversees the election of a Board of Directors. The Board of Directors are charged with providing the general direction and decision making on behalf of all the alliance members and are responsible for hiring a competent, knowledgeable, and honest general manager and suom field agents.

Figure 1. General framework for organizing and implementing the herder alliance in Mongolia. Shaded areas reflect activities that have been implemented or are in progress at the moment. Non-shaded areas reflect activities that are planned.



The role of the general manager is to develop the service departments of the alliance to assist in providing access to expert services. The soum field officers will be under the general supervision of the alliance manager and be the primary liaison between the service departments and the herder and farmer members. For the Bayanhongor alliance, we sought to work toward development of services related to: 1) training information and external affairs, 2) trade and marketing, 3) membership, 4) raw material selection, 5) credit, savings, and other financial services, 6) livestock and crop production services, and 7) transportation (Figure 1). Access to expert services include: 1) stock farming (livestock feedlots and fattening enterprises), 2) general agriculture (crop and forage planting, fodder banking, stocking rate assessment, etc.), and 3) accounting. To date, the training information and external affairs along with access to accounting services have been developed for the Bayanhongor herder alliance.

With the initial launch and establishment of the alliance, time and energy must be invested in building the organizational and institutional capacity of the alliance's board of directors, the manager and the field agents.

The board of directors and general manager also need to learn how to manage the alliance, provide transparent information, and be accountable for actions taken, especially in the use of financial resources to all members. The challenge is to build a sense of trust between the members, the board of directors and the general manager and create a general basis of ensuring participation in decision making and day to day management of the alliance.

The major findings of our activity are not necessarily quantitative but reflect qualitative assessments that may be of particular relevance to others who may engage in developing herder cooperatives in Mongolia or in other pastoral regions. First, in order to establish a functioning alliance a critical mass of primary producers must exist that can relate to, and understand the concepts of the alliance. The primary producers need to understand what are the needs and constraints to their livestock businesses, and be able to conceptualize how being a member of an alliance will enable them to access services and information to improve the efficiency and economic viability of their own businesses.

Secondly, for an alliance to be established in a rural area with sparsely populated nomadic livestock producers an infrastructure of technical experts/extension agents must exist that can create awareness of the benefits of group organization amongst the livestock producers. The experts themselves need to have an understanding of the concepts of the Herder Alliance and an ability to relate the concepts to the needs of the rural livestock producers. To achieve this capacity requires an investment of resources and time to train these technical experts/extension agents. Fundamental to the process must be technical experts/extension agents that believe in the alliance being an organization that can provide solutions to the problems faced by the rural producers.

A third issue is sponsorship. The initiation of an alliance requires capital. In rural Mongolia, liquid capital amongst herders is inadequate for start-up. In order to establish an alliance as a functioning entity and to initiate activities, an initial outlay of capital for office space, communication and initial promotional meetings / training is needed. The costs of a full time general manager for the alliance and the costs of outreach (field) agents in the rural communities also must be subsidized. The management and outreach personnel are key to getting the alliance organized, raising awareness and generating membership interest. The subsidy of general manager and outreach agent fees can be reduced over time once the alliance is fully established and has sufficient members to generate a working capital fund.

A fourth item is related to the perception of alliances as replacement for middlemen. In the Mongolian context of rural livestock production, the middleman is a major player in the market chain for the sale of livestock raw materials including; raw cashmere, wool, skins and hides, meat and processed dairy products such as curds and yogurt. With the establishment of the alliance in Bayanhongor, it has been difficult to communicate that the alliance is more than a replacement of the middleman. Alliances must be seen as more than just a marketing option or as an alternative middleman. For the Bayanhongor alliance and others in Mongolia to be successful, the alliance and its board of directors must clearly explain the role of the alliance and the variety of services that the alliance can provide to its members. The alliance needs to have a very clear understanding of what are the true needs and constraints of rural producers and how becoming a member of the alliance will access to a variety of services that ultimately will increase their efficiency and profits.

Lastly, alliances such as the one in Bayanhongor are located large distances from the major markets with poor infrastructure, bad roads and few options for value added processing in the rural areas. They may require assistance from government and or NGO institutions to develop means to connect them to regional or terminal markets in the major cities. When accessing these new markets, rural producers will need to meet new standards such as contractual requirements, quality control, and timeliness of delivery. Performing appropriately in the new market environments is essential to build trust and long term relationships with the major buyers.

Practical Implications

The development of a supporting infrastructure (i.e. cooperative) that gives livestock and crop producers access to quality production inputs (veterinary medicines, fertilizer, machinery and equipment, animal feeds, etc.), provides and

organizes services that will improve product quality or improve producer capacity to engage in commercial agricultural production are practical implications for developing herder alliances in Mongolia. Services such as wool and cashmere grading, mechanical shearing, petroleum, spare parts, veterinary medicines, credit, improved marketing and market access, and regional resource planning can be cultivated and implemented by a herder alliance and therefore improve the livelihoods of its members.

In a situation such as Mongolia where regional resource planning is the mandate of local government, there is a clear role for an alliance to play. At local government levels there is a lack of capacity, technical knowledge, information and outreach to the rural livestock producers for regional resource planning to be organized and effective. An alliance with a large membership base and rural producers that are all commercially minded and view livestock production as more than, “just a way of life” but rather as a “business”, the issue of resource management is fundamental. An alliance such as the one in Bayanhongor, with a membership base of 300 members and growing, is well positioned to facilitate the process of resource management, to arrange meetings between producers/members and local government to develop resource planning mechanisms that are appropriate to the situation, and enable environmental resource planning for long-term sustainability.

Further Reading

Dunn, J.R., A. C. Crooks, D. A. Frederick, T. L. Kennedy, and J.J. Wadsworth. 2002. *Agricultural Cooperatives in the 21st Century. US Dept. of Agriculture, Rural Business Service, Cooperative Information Report no. 60*, Washington, D.C.: USDA. <http://www.rurdev.usda.gov/RBS/pub/cir-60.pdf>.

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The GOBI FORAGE project was initiated in 2004 to adapt Livestock Early Warning System (LEWS) technologies developed by the GL-CRSP in East Africa for Mongolia to improve risk management by herders and other stakeholders in the Gobi Region of Mongolia. The project is a partnership between the Global Livestock CRSP, the USAID-Mongolia Mission, Texas A&M University, Mercy Corps Mongolia, and USDA Rural Agribusiness Support Program, and is managed by Jay Angerer. Email contact: jangerer@cnrit.tamu.edu.



The Global Livestock CRSP is comprised of multidisciplinary, collaborative projects focused on human nutrition, economic growth, environment and policy related to animal agriculture and linked by a global theme of risk in a changing environment. The program is active in West and East Africa, Central Asia and Latin America.

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