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**Adding value to local commodities to capture more revenues in the value chain:
The case of the meat value chain in Mongolia**

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



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Pathways to economic diversification in commodity- dependent developing countries

Navigating through the next new normal:
The delicate balance between geo-politics and geo-economics
through the case of the meat value chain in Mongolia

2022-10-11
Geneva, Switzerland

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MONGOLIA

Mongolia is the **world 19th largest** and **2nd largest landlocked** country between Russia and China with a total area of **1,564 million sq kilometers** with a small population of **3.4 million**.



After a strong initial rebound, Mongolia's economic recovery stalled in the last three quarters of 2021, and the **growth outlook for 2022** is expected to remain modest. Following a contraction of 4.4 percent in 2020 and 1.4 percent growth in 2021, the World Bank's latest **Mongolia Economic Update** projects that the economy will grow by 2.5 percent in 2022, reflecting lingering border frictions with China and the impact of the war in Ukraine.

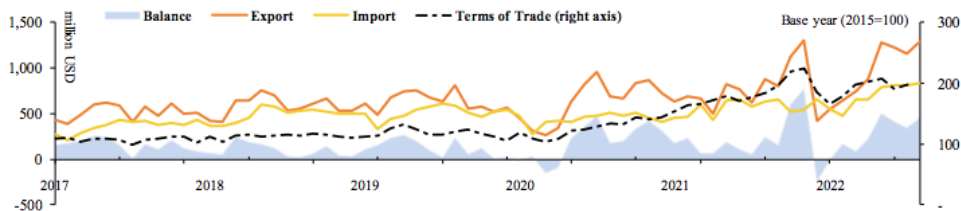
ECONOMY

(2021, World Bank Data)

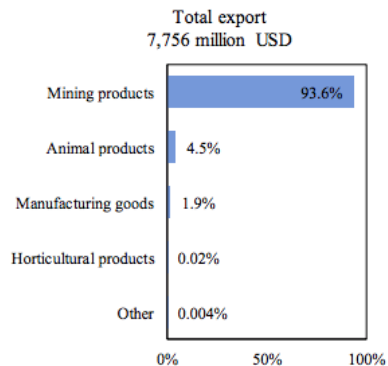
- GDP: \$15.1 billion (1.4% annual growth)
- GDP per capita: \$4,534.9
- GDP per capita PPP: \$12,862.7

Bank of Mongolia Reports:

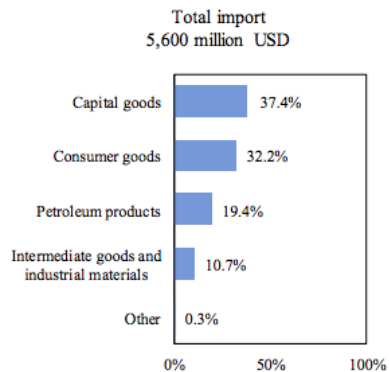
Graph 1. Monthly foreign trade performance /million USD/



Graph 2. Export structure, first 8 months of 2022



Graph 3. Import structure, first 8 months of 2022



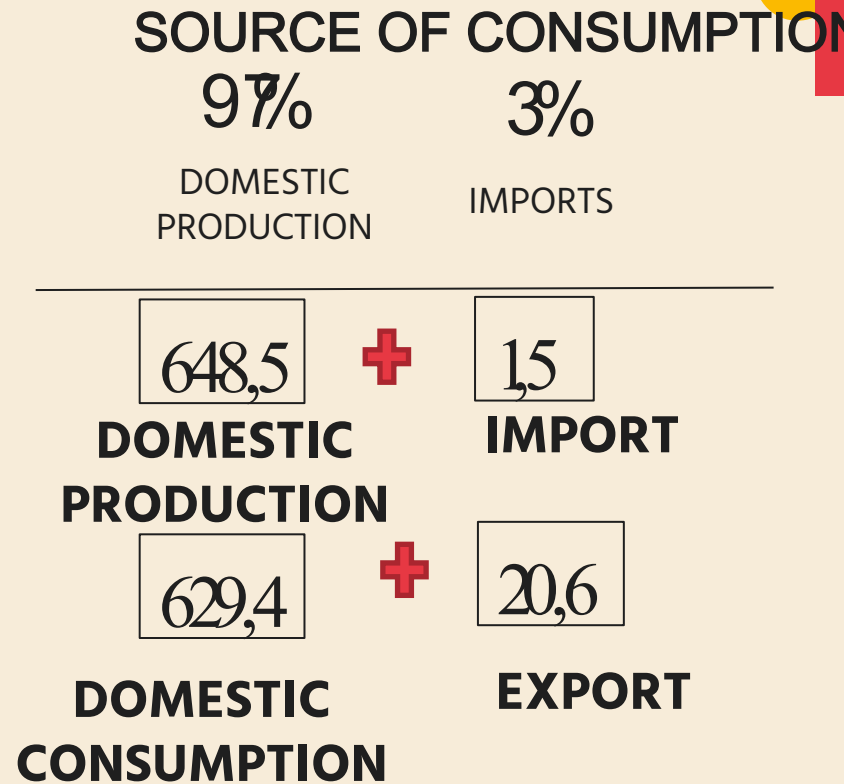
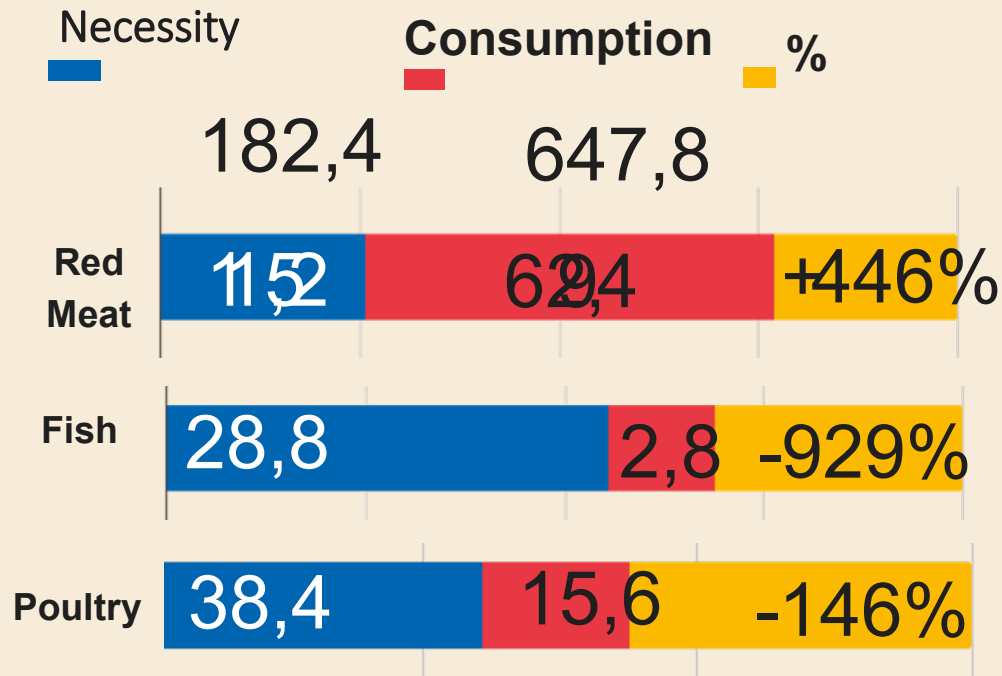
As of August of 2022, Mongolia's total trade turnover increased by USD 3,255 million compared to the same period of the previous year and reached USD 13,356 million. In which total exports increased by 38% (or USD 2,129 million), and imports increased by 25% (or USD 1,126 million). During the reporting period, the trade balance increased by USD 1,003 million from the previous year to a surplus of USD 2,156 million.

RED MEAT SECTOR

- Mongolian meat industry is a vital driver of Mongolia's economy and prosperity.
- Mongolian economic recovery post COVID-19 will rely heavily on not only the success of our mining commodities exports but also our agricultural exports. Agriculture is often politically sensitive and trade in agricultural products tends to be highly protected.
- Given the negative impacts of COVID-19 and the war in Ukraine on agricultural production globally, the risks of protectionism are higher. To succeed in the current complex trading environment and weather the storm of rising protectionism, our sector needs secure access to a multiplicity of existing and future markets.

- The removal of tariffs and non-tariff barriers (NTBs) improves the economics of our exports in a highly competitive market driven by global supply and demand.
- The sector is investing in its future through the development of the All Natural brand, which provides a platform for marketing Mongolia's red meat to the world and telling our story.
- The sector is also investing in its future through the development of technology such as blockchain.

Annual consumption of meat and meat products in Mongolia 2020 (thousand tons)



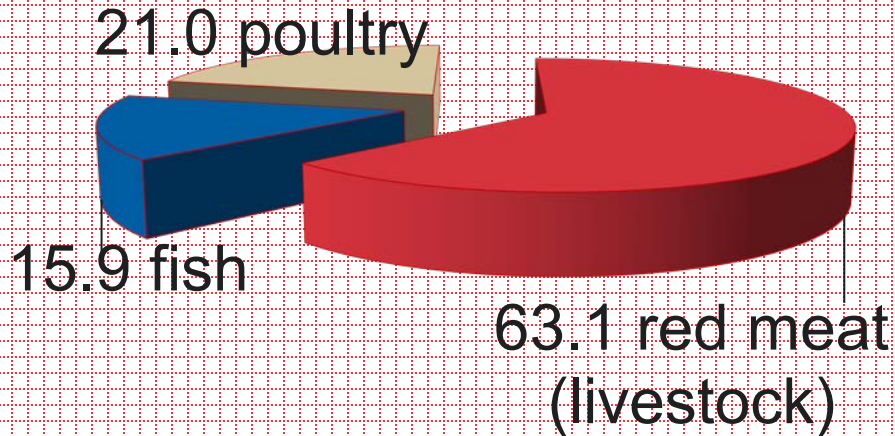
Necessary recommended per person consumption of meat and meat products

120 g

Actual per person consumption of meat and meat products

314 g

Ratio of per capita consumption of meat and meat products per year
(Percentage %)



Necessary required intake of red meat from livestock should provide 180 kCal of calories, and contain 19 g of animal protein, and 12 g of animal fat per person (based on age and gender category).

Meat processing capacity 2020 (thousand tons)

BALANCE BETWEEN ANIMAL CAPACITY AND CONSUMPTION

343,0



629.4

Meat production

Consumption

-83.5%

75

Slaughterhouses

SLAUGHTERING APPROVED EXPORT ESTABLISHMENTS

174.6

Russia

36

China

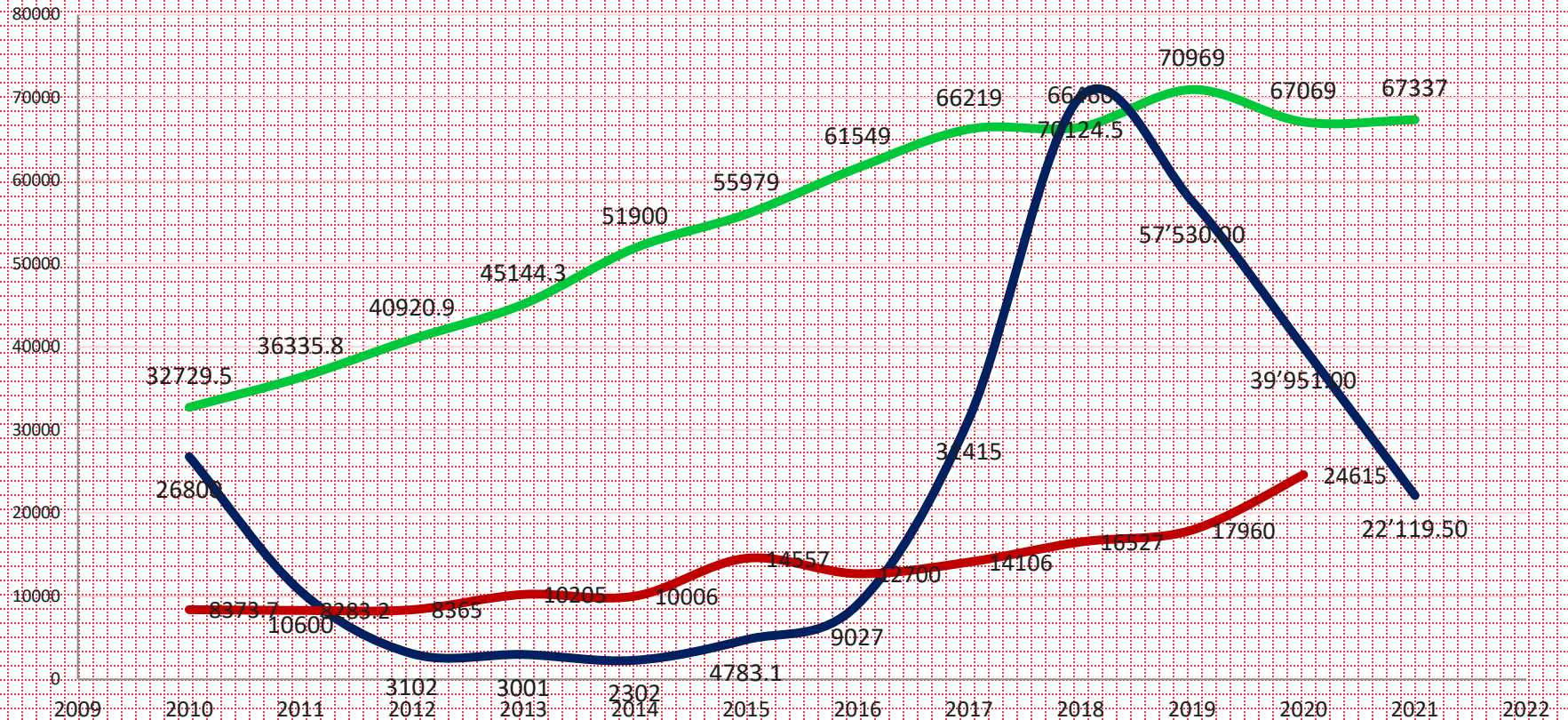
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Middle East, Japan

5-10

LIVESTOCK COUNT-EXPORT-CONSUMPTION

Total no. of livestock - Meat export - Domestic consumption



CHALLENGES



Control System

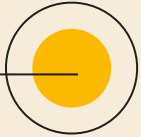
- Inconsistencies and overlaps when implementing legal requirements

Food Safety System

- Accreditation, Certification, Audits
- Food safety controls
- Logistics
- Human resources

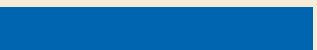
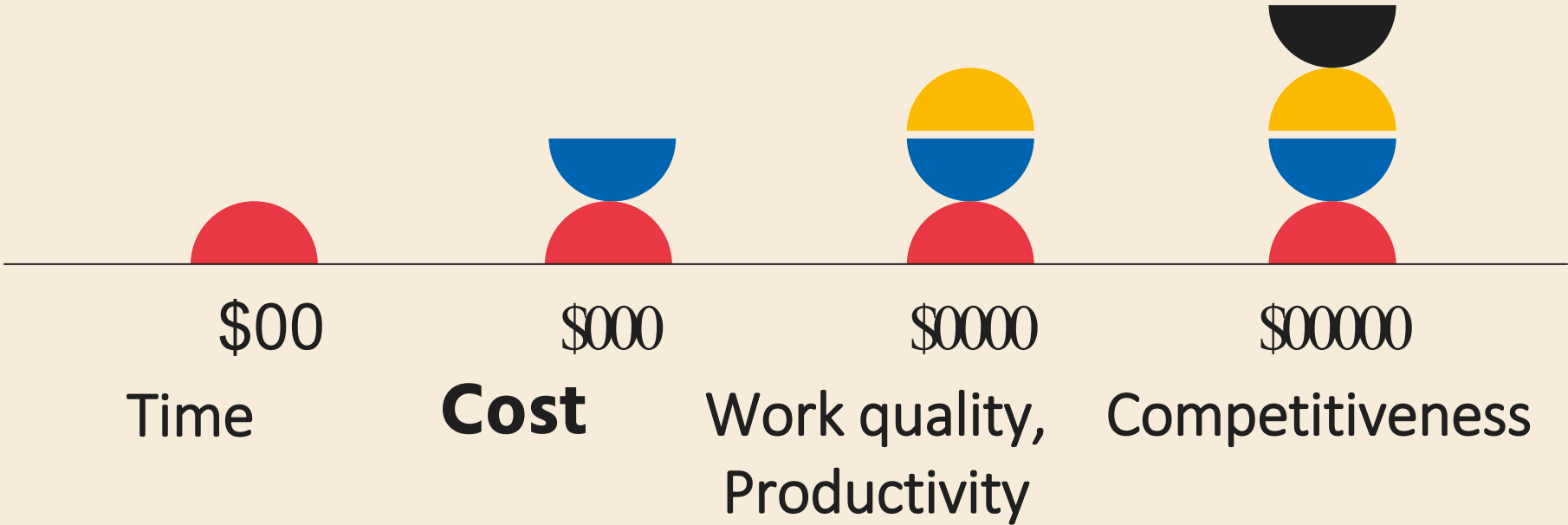
Animal health and welfare

- Movement control
- Residues control
- Feed control
- Strategy





BURDENS ON BUSINESSES



MEAT AND MEAT PRODUCTS

SAFETY

CHALLENGES

1. Slaughter methods.
2. Hygiene and sanitary conditions.
3. Meat inspectors.
4. Backwards control system.

PROPOSAL

- 1) Establish a legal environment, which ensures health and safety of meat and meat products that can be freely transported, traded, supplied to domestic and foreign markets, and does not cause unfair and unequal competition.
- 2) A comprehensive system for ensuring the security and safety of all stages of the value chain and its components.
- 3) Risk assessment, risk management, risk information communication network.
- 4) Network of food and veterinary centers and local laboratories.
- 5) Incorporating common requirements for food safety and drinking water quality into law.

PROPOSAL

7) A closed circuit that prevents further distribution of the product in case of infringement.

8) Baseline risk assessment, risk management, and risk information communication network to determine whether food products are safe.

9) A comprehensive data collection and analysis system.

10) Welcoming advisory mechanism - optimal investment solution. **(FDIs)**

11) Technical regulation.

12) Consistently implement economic incentives to make herding households into entrepreneur status, acquire proper agricultural practices, and bring the number of livestock into circulation in accordance with the carrying capacity of pastures.

SOLUTION: BLOCKCHAIN IN SUPPLY CHAIN

The correlation among the increase in the number of livestock, the structure of the herd, the supply and availability of domestic meat, and the performance of exported meat, indicates that Mongolia has enough resources to fully meet domestic demand and export to foreign markets. Many mutually supportive reform policy measures are needed to bring the quality and competitiveness of livestock products to a new level and to sustainably develop the livestock sector in an environmentally friendly manner that is beneficial to herders.

A technological solution such Blockchain further stabilizes the export of meat and meat products to a foreign market (e.g. China) as a result of herder-producer cooperation, diversifies the range of products, drastically increases competitiveness, and strengthens the mutual trust with the importing side.

The basis for this project is to create an underlying condition that is harmonious and sustainable, which ensures the safety and suitability of export meat and meat products through the use of advanced modern technologies.

This project will have a direct impact on the quality of life of herder households and the sustainable development of their financial resources by protecting livestock from possible climatic risks (dry-ness, drought, dzud), stopping pasture degradation and desertification, encouraging a focus on quality rather than quantity, increasing productivity and competitiveness of the livestock sector, and reducing rural poverty.

THANK YOU!



Do you have any questions?

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