



ULAANBAATAR  
22-26  
MAY | 2019  
CONFERENCE

**SUSTAINABILITY IN THE CASHMERE SECTOR**

*PATHWAYS TO SUSTAINABILITY 2030*

# CONFERENCE PROCEEDINGS



## Introduction

Sustainability in the Cashmere Sector Conference held on 22<sup>nd</sup>- 26<sup>th</sup> May in Ulaanbaatar, brought together representatives of the cashmere supply chain and wider stakeholders to discuss the current and future development of the Mongolian cashmere sector's sustainability. Themes included environmental, social, and economic challenges requiring long-term sustainable development and innovative cooperation in the cashmere industry to overcome. This document provides a summarisation of the various formal presentations and discussions held as part of the conference.

## Objectives of the Conference

The focus of the conference was to promote synergy and joined-up working towards Sustainable Development Goals (SDGs), and the implementation of sustainability in the cashmere sector at the international, regional and country levels. Participants identified specific examples to illustrate the potential of synergistic and interlinked approaches towards realising the objectives of the 2030 SDG Agenda.

Key speakers included Mr. Batkhoo from the Mongolian Ministry of Food, Agriculture and Light Industry; Mr. Iain Cox, Deputy Head of Mission, from the British Embassy in Mongolia; Mr. Javkhlan, the Vice President of Khan Bank, Mongolia; and Ms. Una Jones, Chief Executive of the Sustainable Fibre Alliance (SFA), Mongolia and the United Kingdom.

A wide range of cashmere industry leaders and experts discussed issues including:

- **Rangeland stewardship and building resilience in herding communities.** This explored the major risks and challenges for herders in addressing animal welfare, land management, land tenure, land rights, and reducing environmental impacts.
- **Roadmap to sustainability in the cashmere value chain.** This addressed the roles of cashmere processors, wholesalers and retailers in tackling future supply chain vulnerabilities, the process of embedding sustainability into the cashmere value chain – including transparency and traceability throughout the cashmere supply chain – and the role and scope of standards and certification.
- **Guidance to achieving sustainability.** This addressed the problems and potential solutions from the point of view of central and regional government, stakeholders, and academia.
- **Coordination and support to achieving sustainability.** This addressed the problems and potential solutions from the point of view of financial institutions and international donors. The conference also provided the opportunity for a peer-to-peer exchange of information and experiences.

## Opening Plenary

### **Mr. Iain Cox, Deputy Head of Mission, British Embassy, Ulaanbaatar**

This conference brings together all different stakeholders: herder associations, non-government organisations (NGOs), government officials, and people from around the world. There is a strong relationship between the United Kingdom and Mongolia, as 10% of Mongolian cashmere exports go to the U.K. We are optimistic about Mongolia's future and the opportunity to diversify its economy.

### **Mr. Batkhuu, Minister, Ministry of Food, Agriculture and Light Industry, Mongolia**

Thank you for making Mongolian cashmere a brand product, it now comprises 36% of non-mining commodity exports. In recognising the importance of cashmere, we implemented the Cashmere Program to increase exports and develop the supply chain. In the past only 8% of Mongolian cashmere reached the final end-product, now this is 25%. Sales of products have increased by 3 billion tugrik (1.15 million USD), there are 1,500 new employment positions, and exports have increased by 1.3%. The Ministry is cooperating with the Development Bank of Mongolia and domestic processing facilities. Knowledge of sustainable use is developing, we know now that different types of fibres are blended, but micron (quality) has not actually decreased. The government has endorsed the Mongolian livestock program and is promoting Mongolian Noble Fibre. The Mongolian Wool and Cashmere Association has been identified as a strategic institution to make cashmere a more strategically important product. The Ministry has a favourable policy, but Mongolia is committed to the World Trade Organisation agreement and cannot restrict trade. The current goal is to increase value-added processing and this conference, as well as the SFA, is well aligned with the government plan.

### **Ms. Una Jones, CEO, Sustainable Fibre Alliance (SFA), UK**

A holistic approach is important, and it is good to see so many people here to support the conference. The goal is to combat desertification and other problems facing the industry. A quote from Franklin D. Roosevelt, which is very true and what's at stake here for Mongolia, is "A nation that destroys its soil, destroys itself." Soil and land support the Mongolian livelihood, and we must make sure this delicate environment can continue to support us all. But humans and the environment are linked, and it is important to also invest in social projects and build partnerships.

The SFA began in 2015 and was originally supported by three progressive brand members: today there are many more brands that are involved. We are proud that the SFA's operation in Mongolia is also supported by the Mongolian people. Brands and retailers are committed in supporting industry-level change in the long-term, not just for a year or two. To this end, we are building a roadmap for 2030. Key challenges in the industry are desertification, overgrazing, animal welfare, dzud, social issues, and fibre quality. Social issues around Ulaanbaatar are also important.

In terms of quality, if cashmere is managed well by herders, but not washed well in processing (i.e. with toxic chemicals) then is it still sustainable fibre?

The SFA standard system involves five components: rangeland stewardship, animal welfare, fibre processing, traceability, and economic and livelihood resilience. At the herder level we have developed codes of practice for Rangeland Stewardship, and Animal Welfare and Fibre Harvesting. We have also effectively operationalised it through our capacity building and assurance mechanisms. These are being implemented by herding communities with over 4,000 herding families. At the supply-chain level the focus is on chain of custody, claims allowed, and chain of custody certification.

It is important that the SFA certification of herders substantiates credible claims. Partnership and collaboration are essential if we are to have industry-level change and a greater impact on the ground. We have a number of successful partnership and collaborative examples to date are:

- **European Bank for Reconstruction and Development, and Gobi Cashmere:** supporting herding communities in targeted regions to provide social economic incentives in improving herd quality.
- **Mongolia's Khan bank:** supporting herding communities who are working in a responsible way and complying with the SFA's Codes of Practice, offering favourable financial products to incentivise their efforts.
- **Oyuna Tserendorj:** promoting the international awareness of cashmere, and the importance of sustainability, in an exhibition at the London Biennale 2019. Some 28,000 people visited this exhibition.
- **Johnston's of Elgin:** Young Herders Education and Training Programme, involving 430 school children across 7 schools of Khentii region.

Cashmere fibre is a bedrock of Mongolian agriculture and the economy. It supports the livelihood of each and every herding family, hence it is important to safeguard its future.

## Rangeland Stewardship – Building Resilience in Herding Communities

### **Dr. B. Batkhishig (SFA), Rangeland Stewardship Sustainable Practices, Panel discussion, presentation, Q&A**

We are supporting rangeland stewardship, promoting sustainable soil, grassland, and water. 88% of cashmere supply-chain environmental impacts are from raw material production. 60-70% of pastureland has been degraded and 10% of that is unrecoverable. However, we can restore the rest if we can use it properly. Between the impact of climate change and human actions, some species of rare plants have been destroyed in the mountainous region.

These problems require a holistic approach. This is in line with the idea of the Mongolian term *nutag*. *Nutag* is a similar idea to motherland and is important in understanding how Mongolians relate to the environment. There is a cordial connection between nature, humans, animals, tradition, and ecology; all are part of a greater whole.

In terms of community-based management, by improving knowledge and practices the community can overcome problems that an individual cannot. However, there must be an economic incentive: payment for ecosystem services, certification, functioning markets.

This is not an easy process and whilst SFA provides the training to community leaders and others on how to interpret the implementation of our Codes of Practice, it is underpinned by a six step rangeland management plan which must be approved covering all areas in the boundary of the defined grassland area, with other stakeholders appropriately involved in its preparation. Key components of this process are: Establish a clear organisation, assess, make a management plan, implement the management plan, monitor, and evaluate.

So, how does a herding community go about gaining recognition for its efforts to comply with the requirements of the Codes of Practice?

Using a self-assessment template, a grassland manager completes an assessment of the rangeland that the community inhabits and SFA partners verify this assessment. Based on this verification the SFA recognises the community has demonstrated compliance at the 'Bronze' level.

However this the start of a journey and it is the herders (or their community leaders) themselves who approach the SFA for any verification and recognition of compliance (the SFA does not approach herders directly). What we do recognise is that there are costs associated with the work required to meet the requirements of our Codes of Practice and during our first three of operations we will seek to cover the costs of recognition. With this support in 2018, 16 herder organisations were recognised as achieving Bronze status with to meeting the requirements of our Codes of Practice.

**Mr. Kh. Sukhbaatar, Head of research and monitoring department, Land Planning Administration of Land Affairs, Geodesy and Cartography, Mongolia**

We are doing organised pastureland management across all of Mongolia, with over four thousand photo monitoring units. Our government agency is responsible for preserving the land and has a mandate to monitor its health and quality. Photo monitoring is simple, but we provided statistical analysis and organised lots of training. It is important to provide substantial and scientific recommendations to herders.

**Dr. B. Erdenetsetseg, Head of Climate Monitoring, National Agency for Meteorology and Environmental Monitoring, Mongolia**

Pastureland monitoring complies with international standards of monitoring methodology, and is a system implemented at the national level. The monitoring system is used to assess pasture capacity and current state. It is necessary to do both mid- and long-term monitoring.

Issues are spurred by climate change: Mongolia is very impacted by global climate change. (INDC) Mongolia is the country at the 8<sup>th</sup> greatest risk from climate change. Temperatures have increased by 2.2 degrees Celsius from the 1940 baseline. Natural disaster and drought have become repetitious. There is improper pastureland utilisation due to human impact.

There are 64 million head of livestock, a number that is continuously increasing. 1,500 research monitoring points cooperated with the Green Gold project. Our assessment is that 60% of pasture is degraded: of which 43% could be restored in 1-3 years, 29% in 3-5 years, 10% in 12-15 years, and the remaining 6% is irreversible.

**Dr. D. Bulgamaa, SDC Green Gold Animal Health project, Mongolia**

The backbone of the animal sector is pastureland. Our objective is to slow as well as analyse pasture change. We are monitoring program implementation, working at provincial, sub-provincial and bag level. We believe the land should be allowed to rehabilitate in its natural course. Attention should be paid to the fact that the majority of degraded pasture needs mid-term rehabilitation and must be rested and rotated. Herding communities are organised and implementing user-based management such as community mapping, planning, and monitoring. At sub-provincial level legal protection for the environment should be implemented, such as rangeland use agreements and traditional user rights. 66,000 herders incorporated in the Green Gold project to establish a platform for better sustainable rangeland management.

**Dr. J. Chantsalkham, Environmentally Friendly Cashmere Project Manager, Wildlife Conservation Society, Mongolia**

Our project is an effort to combine commodities with rangeland rehabilitation. First we must stand in the shoes of herders to understand what they are experiencing. Herders already monitor by themselves: this should be incorporated into a national level system. Herders do management every day and have thousands of years of experience. They are trying to adapt and are well aware of different ecological regions.

The same monitoring methodology can be applied at a national level, using herders to do analysis. However, there is a common challenge: everyone speaks with different languages (vernacular) and uses different terms. A common language must be used to understand methodologies. Most herders have smart phones and could input observations from smart phones. A premium could be added to cashmere supplied from well managed regions.

### Questions and Answers

**Q:** The argument that increased numbers of goats cause rangeland degradation has been advocated at an international level. We need more research on the differing impacts of sheep vs. goats, don't degrade the profile of cashmere or the sector?

**A:** There are now about 27 million goats. In 1,000 years of practice, herders have never wanted to increase the number of goats (never more than 30% of the herd), but that principle has been lost.

**Q:** Pastureland recovery rate is being assessed, but what about forest and water resources? Also, should the impact of the processing industry be considered?

**A:** New monitoring wants to record spring pastureland with a new focus on river basin area.

**Q:** Contradicting points about climate change impact: is 60% of Mongolia's pastureland degraded, or is it 72%? Research outcomes must be integrated to streamline provincial government: how could they be integrated?

**A:** There are differences in the number of pastureland degradation problems. As the methodology is not at the national level, so the research numbers are different. That there is a difference between 'pasture degradation' and 'desertification' must also be considered.

## Cashmere Supply Chain - Issues, Challenges and Opportunities

**Mr. Simon Cotton, CEO, Johnston's of Elgin, SFA Board Director UK**

We have come a long way in realising the damage caused to pastureland: two years ago we were still debating this question. The question now is how do we use the supply chain to create solutions? Cashmere has a very complex supply chain, but there are a few ways to increase value: there is no value from desertified land.

Another important question is how much will consumers pay for sustainable cashmere? Consumers have become more aware and more informed and backlash must be avoided: currently they are seeing a PETA video that was released two weeks ago. The message from this organisation to consumers is to "never buy cashmere". This was published in the Wall Street Journal, and as a result, companies like H&M and Gucci stopped using cashmere. Issues around sustainability and animal welfare must be tied together.

There are challenges in producing and marketing sustainable cashmere. Volume is an issue: the SFA is only able to represent a very small portion of the market. Traceability is another issue: implementing traceability can't make cashmere more expensive than customers are willing to pay.

We need collaboration now: we don't have to wait for cashmere to be traceable or sustainable.

**Dr. Sue Thomas, Heriot Watt University, UK**

The fashion and textile industry is the second largest polluter worldwide: we have a lot of work to do as an industry. 80% of all product-related environmental issues can be impacted during the design phase. The next generation expect brands to take a stand, expect people to take on issues and make a difference. They are looking for ethical education, and this is often self-taught from a variety of sources.

Companies need to be mindful of ethical issues and the people that police those issues. Traceability is a way forward for this generation. Evidence of accreditation and third-party audits should be used. Examples of brands that are using this methodology are: People Tree, Eileen Fisher, Patagonia Stella McCartney. Tomorrow's consumers are looking for a different type of thinking.

**Ms. B. Oyuntulkuur, Sustainable Cashmere Project, UNDP Mongolia**

UNDP has been implementing a sustainable cashmere project since last year, piloting the project in three soums of eastern Mongolia. Our project is doing research, experimenting in the viability of sustainable cashmere. Mongolians produce cashmere in a sustainable way compared to their Chinese counterparts.

It is possible to use block chain technology to ensure rules of origin. Our project provided training before the season began on 1<sup>st</sup> March. 8 tons of cashmere were produced, and we cooperated with Sor cashmere for production. Intermediary changers needed accountability to mediate between a cooperative and Sor.

Chinese middlemen acting as intermediaries created extreme competition. Originally our processing facility could not purchase because the price was too high: Chinese middlemen are willing to pay higher prices. Still, select communities decided to supply to the domestic industry. An apology letter was sent to the Mongolian Wool and Cashmere Association (MWCA), as circumstances didn't allow us to supply all sustainable cashmere to domestic processing facilities.

**Ms. Kh. Altantsetseg, Malchdiin Hamtiin Huch Herder Organisation, Bat-Ulzii soum, Uvurkhangai province, Mongolia**

I represent a herder cooperative started with Mercy Corp. When we talk about pastureland management we are talking about humans. It is important to improve the knowledge and practices of young herders. Not many herders have access to the information we have here, and this information should be shared with more herders. Since we have cooperated with the SFA we have become more aware of integrating herders with rangeland management.

**Ms. D. Altantsetseg, Mongolian Wool and Cashmere Association, Mongolia**

The MWCA was established in 1993 and we have 97 member companies. MWCA is a professional NGO working at the sectoral level. Our main course of action is raising awareness and providing information about government processes, policies and regulations. We have worked on amendments to the value added tax law: if herders provide their raw materials to domestic industry they are exempt from VAT. We are working on technical regulation at the border to limit the export of scoured cashmere and improve skills and human resources in the industry.

Other activities involve trying to bring high quality Italian technology to domestic firms. We also managed to acquire a public mandate to implement the Noble Fibre quality certificate and to provide validation accreditation services of every processing stage. When considering issues around sustainable fibre, we should not simply be looking upstream but downstream as well.

### **Dr. Ts. Enkh-Amgalan, SDC Green Gold Animal Health project, Mongolia**

This project has been running for 15 years since the very bad *dzud* in the early 2000's. I am a child from a herder family, and when I was a student I went to study in Ulaanbaatar, England, and later Switzerland, but when I returned and visited my village I couldn't recognise the pastureland. I asked why this had happened, and my cousins said that things had changed, we had more animals, we were not organised, we were staying in the summer camp more than we should and not doing rotation grazing properly.

There was initial confusion about rangeland health, and it took almost five years to develop proper assessment methods. Now we know around 65% is degraded, but 90% of this has the capacity to be rehabilitated.

Good management must be proven scientifically for accreditation, and this also needs government involvement: to prove to customers that cashmere is coming from sustainable sources we need scientific research. In the next ten years we should be able to prove to the world that Mongolia can supply sustainable raw materials.

### **Mr. Quentin Moreau, Country Director, Agronomes et Vétérinaires Sans Frontières**

AVSF is a French NGO established for 65 years. Our mandate is to support small scale farmers and herders, and to create a better living: environmentally, economically, and socially. We have been working with herders for 14 years on value chains and over the last five years on cashmere. We have also been working on improving animal health, breeding and nutrition. There is a growing interest from consumers in upstream value chains. We reached a level of quality satisfying high end customers: interestingly, customers are interested in sustainably produced cashmere even of lower qualities.

Trust in the system is being built by linking Mongolian industry to sustainable sourcing options. There is interest in this from both industry and government. What sustainability sourced actually means is sustainably produced. There is still the challenge of scale given our position as an NGO. Our goal is to improve communication and grow larger. The more connections, the better.

## **Animal Husbandry, Community-Based Quality Improvement**

### **Mr. Charles Hubbard, Chair, Sustainable Fibre Alliance**

The approach taken by the SFA is one of continuous improvement. Our current codes of practice are designed to enable herding organisations to demonstrate their determination to emulate best practice in both Rangeland Stewardship, and Animal Husbandry and Cashmere Fibre Harvesting.

However, there is a journey to be taken by the herders themselves, which includes understanding the requirements of the codes of practice and what best practice looks like. Our Bronze, Silver and Gold award scheme recognises the milestones of that journey.

Some issues that arise include the level of credibility the journey has with both the herders themselves, and the community of other organisations that are interested in what we do. Because of this, we are committed to achieving membership of the ISEAL Alliance, which sets international standards for addressing actions for environmental and social sustainability.

Our Science and Technical committee, based in Mongolia, is another route that involves interested organisations. They are able to garner feedback from our operational staff as to the key challenges of the implementing and monitoring compliance. Using this they can offer advice and make recommendations for the future development of our codes of practice.



Following two years of development, the Animal Husbandry and Cashmere Harvesting code of practice was released as an operational version in January this year. It is currently being field tested, with our first assessments due to take place in late August/early September this year. Feedback will inform any revisions that may be required.

We recognise that there is still some way to go to embed good practice into all of our herding communities, but the journey has begun.

## Panel discussion - Testimonial and case study of Herding cooperative

### **Dr. D. Batsuren, Livestock Breeding Agency, Ministry of Food Agriculture and Light Industry, Mongolia**

We have to think about where the state regulations are headed to. Currently male livestock have to be standardised and in the care of the state. Which aimag and what kind of male livestock has to be regulated by the parliament.

Today's livestock industry is based on population and genetic resources. There are fifty species of livestock in our country and 66.4 million animals. To produce one breed it takes 20 years, but it is important to improve livestock quality, registering and protection, as good quality raw materials can only come from good quality livestock.

Herding cooperatives want a joint laboratory, and we are ready to cooperate with researchers and researching organisations in order to ensure we can produce good quality wool.

### **Dr. B. Narantuya, Scientific secretary, Research Institute of Animal Husbandry, Mongolia**

Mongolia has been doing high quality research on animal husbandry for a very long time. Mongolia contains many ecological zones and is therefore a platform for many species and genetic changes. Research on goat breeds can provide technical guidance to local herders. In Mongolia 11-12 thousand tons of raw cashmere are being produced. There is a lot of work in promoting different breeds. *Please start basing your sustainability and traceability projects off of our scientific research.*

### **Mr. N. Bayarmagnai, Member of Zalaa jinst torgon sureg cooperative, Shinejinst soum, Bayankhongor province, Mongolia**

The sustainable cashmere and cashmere project has enabled our cooperative to implement good pasture use practices. This has expanded our understanding of pasture, wildlife, land and tradition, and the importance of protecting the environment. This type of management needs to be done collectively with all cooperatives.

### **Ms. L. Burmaa, Chairperson of the Soum's Citizen's Representative Khural, Bayandalai soum, Umnugobi province, Mongolia**

In Umnugovi Aimag, there is a higher standard of scientific knowledge, more registration, and more stability for wool and cashmere as a result of working with the cooperative.

Our institution has learned about stewardship and codes of practice as result of cooperation with the SFA. Providing herders with more scientific knowledge and management skills empowers the cooperative's work.

Last year, our cooperative received bronze certificates. It demonstrates that we are accountable and committed to our work, but that we need to strive, work, and realise more fully the requirements.

## Conclusion and Closing Remark

The need to build a resilient and sustainable cashmere sector is urgent. Climate change is already disrupting life, something that is likely to accelerate. The road to sustainable cashmere fibre production involves efforts to eradicate the worst practices, such as the use of toxic chemicals in fibre processing and grazing to the point of desertification in rangeland.

Despite the very different backgrounds of participants and panellists, possibly the most striking constant to emerge from discussions is the degree of consensus on the big issues: support for a common language for sustainability; an understanding that huge progress has been made, but that 'change one company at a time' is not fast enough; and a call for collaborative action towards one common goal.

The transition to a sustainable industry cannot be achieved by one company, one NGO, or the government alone. The prevailing view at the conference was that sustainability will only become common practice if voluntary efforts are in tandem with urgent action from the wider supply chain and at governmental level.

While challenges such as water conservation, fibre waste and carbon reduction can be addressed individually, the complexity of the cashmere supply chain/network requires a multi-sectoral approach that engages actors from government agencies to the private sector, academia and international organisations.

In the face of increasing risks of climate change for communities and their environments, we need to work under one common goal and build a resilient and sustainable cashmere sector. In doing so, cashmere becomes not just a means of providing a livelihood; it becomes a critical enabler and champion of sustainable development.

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