



Wheat Monetization Situation

March 2000

Table of Contents

ACRONYMS AND TERMS	2
<i>Author's Biography</i>	2
EXECUTIVE SUMMARY.....	3
<i>Purpose</i>	3
<i>Findings</i>	3
RECOMMENDATIONS	5
WHEAT SITUATION	6
<i>Geographic Growing Area</i>	6
<i>Supply and Demand</i>	6
<i>Quality and Type</i>	6
<i>Cyclical Growing and Marketing Calendar</i>	6
<i>Table, Geographic Growing Area</i>	7
<i>Table, Wheat Supply and Demand</i>	8
FLOUR SITUATION.....	10
<i>Supply and Demand</i>	10
<i>Table, Flour Supply and Demand</i>	11
<i>Storage Facilities</i>	12
<i>Capacity</i>	12
<i>Distribution</i>	12
<i>Table, Storage Facilities</i>	13
PL480 PROGRAM OVERVIEW	16
<i>Standard Operations</i>	16
<i>Consultant Findings</i>	18
<i>Existing Bottlenecks</i>	19
ANALYSIS	20
<i>Operations Overview</i>	20
<i>Potential Bottlenecks</i>	21
<i>Sales Method</i>	22
<i>Auction Criteria</i>	22
<i>Auction Structure</i>	24
RESOURCES.....	26
<i>Legal Grounds of Implementing the Wheat Donation Program</i>	26
<i>Altan Taria's List of Buyers (1998 and 1999)</i>	29
<i>Wheat Market Contact Information</i>	34
<i>Four Standard Inspections Governing the Importation of Wheat</i>	34
<i>Letter from the MAI to the MER, and it's attachment</i>	34
<i>Auction Systems</i>	36
<i>MAI 2 Wheat Harvest Balance</i>	37
<i>MAI 1 Wheat Harvest Balance</i>	39
<i>Requests from Economic Entities of Darkhan-Uul Aimag to Buy American Wheat</i>	40

Acronyms and Terms

ACDI-VOCA	Agricultural Cooperation and Development International Voluntary Organization for Cooperation and Assistance
CCC	Commodity Credit Corporation
Cooperating Sponsor	A Cooperating Sponsor may be either a foreign government, an entity registered with the US Agency for International Development in accordance to AID regulations, or an entity that demonstrates organizational competency, applicable management experience, and knowledge in the targeted country to the CCC's satisfaction. The Cooperating Sponsor creates, submits and negotiates the Program Agreement on the behalf of Mongolia.
Executing Agency	An entity appointed to manage and execute the PL480 agreement.
EU	European Union
GOM	Government of Mongolia
Ha	Hectare
JICA	Japanese International Cooperation Agency
Kgs	Kilograms
MAI	Ministry of Agriculture and Industry
MER	Ministry of External Relations
MFFPA	Mongolian Farmers and Flour Producers Association
MNT/ton	Mongolian togrogs per metric ton. One metric ton is equal to 2,200 pounds. An American ton is equivalent to 2,000 pounds.
MSUA	Mongolian State University of Agriculture
NGO	Non-governmental Organization
Program Agreement	An agreement entered into between the CCC and Cooperating Sponsor(s)
Recipient Agency	An entity located in the importing country which receives commodities or commodity sale proceeds from a Cooperating Sponsor for the purpose of implementing activities.
T/Ha	Tons per hectare
USA	United States of America
USAID	United States Agency for International Development

Susan A. Hahn, *independent consultant*, has over eight years experience trading commodities and managing raw material strategies for Fortune 500 Companies in the United States and in Europe. She began her career trading commodities and managing eight country grain elevators for General Mills. While a Procurement Manager with the Kellogg Company, she created and implemented a Globalization Strategy for the international packaging and commodity divisions, which is still in effect today. As a Category Manager with the Pillsbury Company (Diageo), she developed and implemented Competitiveness Modeling in two international raw material markets. Ms. Hahn has professional commodity trading and raw material procurement experience in Asia, Central America, Europe, North America and the NIS.

Wheat Monetization Report

EXECUTIVE SUMMARY

Purpose

The consultant spent three weeks investigating the management and implementation of the United States Wheat Monetization Program in Mongolia. The objective was to analyze the legal constraints and opportunities for selecting an independent Cooperating Sponsor and Executing Agency, to identify the strengths and weaknesses of the current program's execution, and to recommend methods for improving the program, as appropriate.

Findings

1. *Cooperating Sponsor and Executing Agency.* The Government of Mongolia (GOM), with Embassy concurrence, selects the Wheat Monetization Program's Cooperating Sponsor and Executing Agency in Mongolia. The Embassy has the authority, however, to appoint an independent company, an NGO, or a government institution as long as it takes great care to avoid any real or perceived conflict of interest.

In the 1999 Program Agreement, the GOM replaced the MAI with the Ministry of External Relations (MER) as Cooperating Sponsor, giving the MER the right to act as "the authorized representative of the Government of Mongolia for the agreement". As one MER official explained, there are no legal/regulatory requirements to appoint the MAI in its current capacity as Executing Agency. The MAI was previously chosen as Executing Agency for its perceived expertise in the receiving, storage and distribution of wheat, as compared to any other government institution or private Mongolian firm.

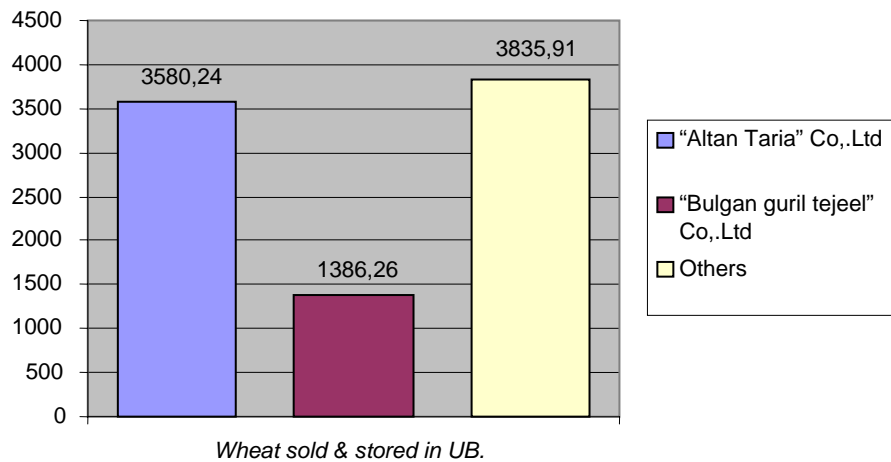
2. *The Ministry of Agriculture and Industry's Role.* The MAI perceives its role as the protector of the Wheat Monetization Program and seeks autonomous authority to select the Recipient Agencies and to approve and monitor the use of funds. Unfortunately, the MAI appears to have limited understanding of the regulations guiding PL480 commodity monetization management, as well as the contents of the bilateral agreement.
3. *PL480 Program Access and Transparency.* The MAI's practices inhibit full and open access to program participation and raise questions about the equity of the decision-making process. Below are several examples.

Transparency – The MAI's advertising method discriminates against small, independent millers and storage facilities by limiting their access to program participation. The sale of wheat is not nationally advertised, but advertised by "word of mouth".

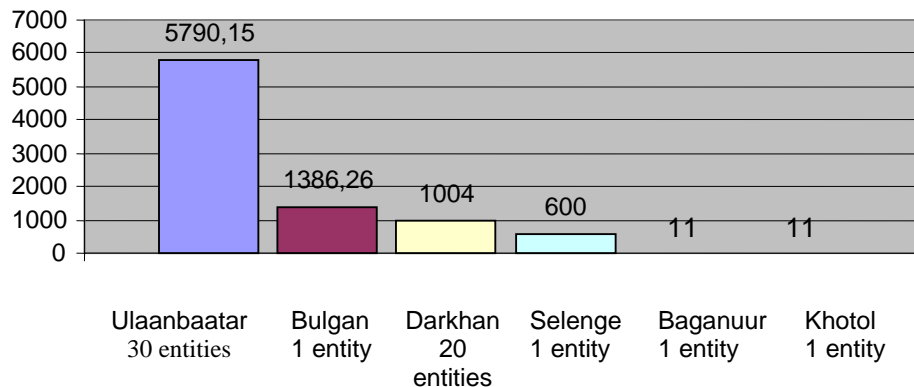
Equal Access of millers to store grain – It is difficult to discern how the MAI selects its storage facility. Preference appears to be given to Altan Taria, the largest mill in Mongolia, and to Kharkhorin, where Japanese-funded expansion of the mill pressures the MAI to increase usage of its underutilized facilities. See page 33 for a letter from the MAI to the MER assigning elevators for the receipt of Year 2000 donated wheat.

Equal Access of buyers to grain procurement – MAI protocol ensures large millers first access to grain procurement. Interested buyers submit a proposal to purchase grain with the MAI State Secretary and accountant, who have sole authority to determine who receives the grain. There is no objective decision criteria or protocol to guide their decision or to ensure equal access to the grain. In 1999, the largest two buyers bought over 50% of the available grain. The Altan Taria Company, which was appointed to store the grain, was also the largest buyer. *See pages 27-31 for a list of all grain buyers during the 1998 and 1999 Wheat Monetization Programs.*

Purchase of Donated Wheat (tons)



Purchase of Donated Wheat by Areas in 1999 (tons)



RECOMMENDATIONS

The transparent realization of funds is best accomplished with an auction system. To create equal access to all interested parties, the Executing Agency should organize and implement an auction system. An open-cry, escalating-price auction builds on current Mongolian experience, generates the greatest return, and has the greatest safeguards protecting the transparency and accountability of the transactions. Auction systems allow the forward sale of wheat, which in turn, allows the appropriate volume of wheat to enter the country at the most cost effective border point, and disburses wheat storage proportionately in relation to regional demand and procurement. (See page four.)

Appoint a new Executing Agency. The time may be ripe to consider appointing a new Executing Agency, especially if the auction option is adopted as the sale mechanism. Today in Mongolia there are few experienced firms and organizations specializing in grain marketing and distribution able to manage the PL480 program and satisfy the Embassy's requirements. Two organizations expressed great interest in managing the Program, the Mongolian Agricultural University's Faculty of Economics and the Mongolian Farmers and Flour Producers Association, but neither has a clear understanding of the Wheat Monetization program, nor any vision for the program's management, implementation or execution. Other options should be pursued.

A new Executing Agency could be an independent, non-vested NGO, firm or government institution with recognized wheat monetization experience. Appointing a new Executing Agency to institutionalize the process would:

- guarantee transparent access and increase participation during the sale of grain;
- create fair competition among grain storage facilities; and
- establish a system of checks and balances that maximizes accountability and sound program oversight.

Build Inter-governmental Cooperation. While there is strong interest within the GOM to maintain operational control over the program, the Embassy's goal should be to maximize governmental buy-in to open up the process. One way to foster cooperation is by including the GOM during the preliminary selection of Recipient Agencies, in cooperation with the Embassy. The MER should continue to operate as the Cooperating Sponsor as it appears to be a flexible, receptive institution that is willing to cooperate with the US government. In addition, the MER does not appear interested in managing the logistics of the program. Rather, the MER is interested in utilizing an Executing Agency with appropriate experience and expertise, and is willing to consider alternatives.

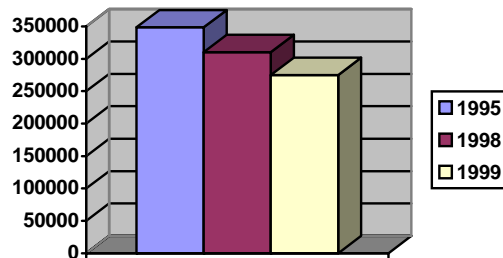
WHEAT SITUATION

Geographic Growing Area

See page 7.

Government officials and industry experts agree that wheat production in Mongolia is decreasing rapidly. According to the December 1999 Statistical Bulletin, published by the National Statistical Office, Mongolia has 274,812 hectares dedicated to wheat production in 1999, down 8.7% from 1998 and down 21% from 1995.

**Wheat Acreage (Ha)
1995-1998**



According to Altan Taria and John Kennedy of EU Tacis, Mongolia's wheat production satisfies only 30-40% of the 1999-2000 domestic demand. Foreign imports will be needed to meet the remaining 60-70% of domestic demand. (See Wheat Supply and Demand table on page 8.) Wheat is a necessary raw material supporting the fodder, spirit, seed reserves and flour industries.

Quality and Type

Manufacturers prefer soft red spring wheat. It is cheap and can be used for noodles, buutz and bread. Farmers prefer the new varieties of hard wheat. The production volume is higher, and the gross profit to the farmer is better than soft wheat.

Cyclical Growing and Marketing Calendar

January to March is the best time for importing wheat. Shipping during cool weather months reduces the risk of insect contamination. March to May is the best time to sell wheat and realize funds. Old crop is a period of high demand when optimal value is realized.

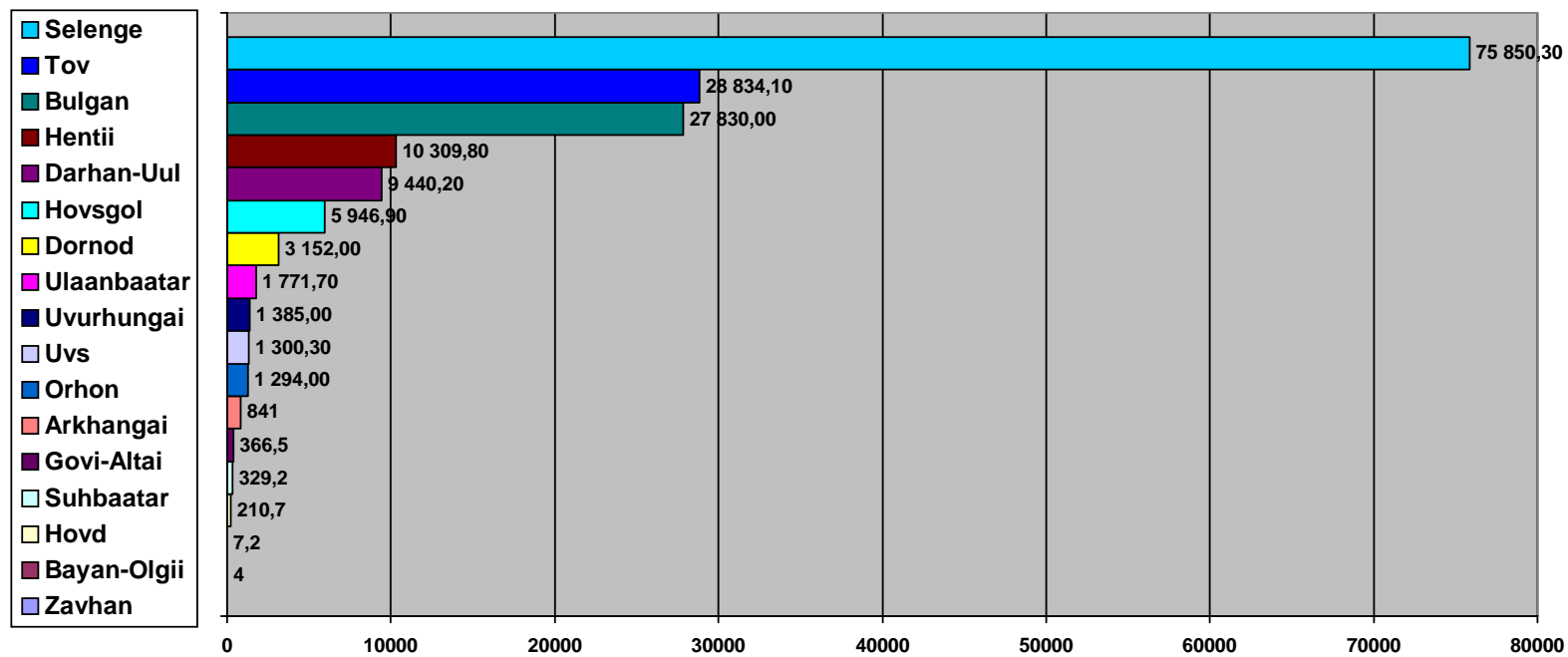
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Key

Planting	Insects	Harvest	Import	Auction	Realization	Russian Harvest
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Wheat Harvested by Aimags in 1999

(tons)



(Source "Mongolian Statistical Yearbook 1998" and "Statistical Bulletin 1999")

Wheat Supply and Demand			
	MAI 1	MAI 2	EU
Wheat Supply			
Sown (Ha)	279 500	273 100	255 480
Lost (Ha)	40 600	0	0
Harvested (Ha)	240 000	240 000	255 480
Yield/Ha (t/Ha)	7,9	6,2	6,9
Total Harvest (t)	190 000	168 300	177 636
loss (t)	0	10 000	0
<i>Total Supply</i>	<i>190 000</i>	<i>168 300</i>	<i>177 636</i>
Wheat Demand			
Seed	30 000	30 000	53 700
State Reserve	6 900	7 000	0
Wheat Fund	2 000	0	0
Fodder	8 000	8 200	4 000
Spirit	5 800	5 000	0
Milling	121 700	108 100	113 936
<i>Total Demand</i>	<i>174 400</i>	<i>158 300</i>	<i>171 636</i>
Carry-Over	15 600	10 000	6 000

Total Supply and Demand are almost at equilibrium using projected distribution patterns. Wheat assigned to flour milling is estimated at 121,700 t (MAI 1), versus the 285,000 t necessary to meet demand.

Flour Supply Situation			
in Wheat Equivalent (all numbers in tons wheat)	MAI 1	MAI 2	EU
Wheat Avail for milling	121 700	108 100	113 936
Wheat Imports			
PL480 (USA)	25 000	25 000	25 000
KR-2 (Japan)	20 000	20 000	20 000
Kazakstan		5	
Italy		4	
China, YTD annualized			27
Russia, YTD annualized			8
<i>Total Imports, Wheat</i>	<i>45 000</i>	<i>45 009</i>	<i>45 035</i>
Total Wheat Supply	166 700	153 109	158 971
Total Wheat Demand for milling	285 000	274 000	285 000
Wheat Shortage (tons)	118 300	120 891	126 029
(%)	42	44	44

During the 1999-2000 marketing year:

- If all import figures are removed, 57-69% of domestic demand will be met through imports.
- 42-44% of the required domestic demand imports have not yet been identified.

Notes:

- *Statistical data vary, even within the same department. The MAI 1 and MAI 2 are data published by the same department, in the same month. However, the data correlates, creating a high confidence level of the analysis. See pages 38 and 39.*
- *The wheat import figure above is obviously underestimated, only documented data used. During the years 1996 - 1998, imports of flour have ranged between 45,000-100,200 t annually, according to Customs Department information, shared by EU Tacis.*
- *Carryover from 1998 is presumed nil, since Mongolia was a net importer of wheat.*
- *YTD annualized underestimate actual imports received between Oct 99 and March 2000, greatest demand will occur now, when all wheat has been used.*
- *China and Russia figures annualized from the first 10 months of import, according to MAI documents shared by EU Tacis.*
- *Kazakstan and Italy imports are expected only under MAI 2.*
- *The term Wheat Availability is used in place of Carry-over for increased clarity.*
- *Donation wheat is promised, but not yet delivered.*

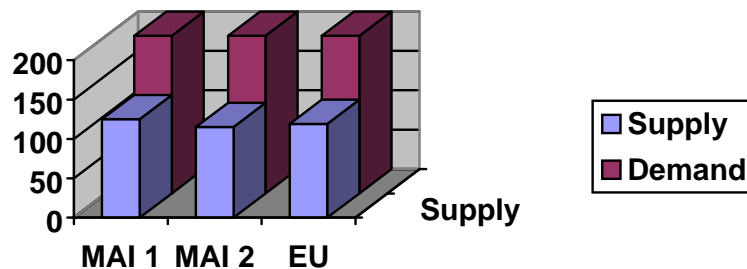
FLOUR SITUATION

Supply and Demand

The United States Wheat donation of 25,000 metric tons, even in light of the newly announced Japanese donation of 20,000 metric tons of wheat, does not artificially distort the local market for wheat or flour. In fact, Mr. Bakey at the Agricultural University believes that approximately 100,000 tons could be “absorbed” without negatively affecting farmers and flour millers.

Mongolia is a net importer of wheat. Over the past 10 years Mongolia’s wheat production has decreased significantly, its production no longer adequate to cover consumer demand for flour. During the 1999-2000 marketing year, approximately 57.8%, or 114,000 tons of flour, or wheat equivalent, will be imported to meet consumer demand of 200,000 tons. The majority will be imported during the last six months.

Supply and Demand 1999-2000



Notes: See page 11 for Flour Supply and Demand Table. See pages 38 and 39 for original MAI1 and MAI2 data.

These numbers correspond directly to figures in the Wheat Supply and Demand.

Flour Supply and Demand			
	MAI 1	MAI 2	EU
Flour Supply			
Wheat avail for milling	121 700	108 100	113 936
Conversion rate	0,75	0,75	0,75
<i>Flour avail at millers</i>	<i>91 275</i>	<i>81 075</i>	<i>85 452</i>
Imports			
PL480 (USA)	18 750	18 750	18 750
KR-2 (Japan)	15 000	15 000	15 000
Kazakstan		4	
Italy		3	
China, YTD annualized			20
Russia, YTD annualized			6
<i>Total Imports</i>	<i>33 750</i>	<i>33 757</i>	<i>33 776</i>
Total Supply			
	125 025	114 832	119 228
Total Demand			
	200 000	200 000	200 000
Shortage (tons)	74 975	85 168	80 772
(%)	32	37	35

Notes:

Information based on documents secured from the Agricultural and Plant Protection Services of the Ministry of Agriculture, The Mongolian Statistical yearbook 1998, the MAI Policy Co-ordination Department, and EU Tacis. Copies found in the resource section.

In order to coordinate international donor efforts, we have agreed with EU Tacis on the following:

- Per the National Statistics Bureau and the MSUA, consumer demand is set at 105 Kg per person per year in Mongolia. This demand equates to 231,000 tons of flour annually. The MAI has arbitrarily decreased this number to 200,000 in light of the wheat shortage. Therefore, expert analysis and government statistics of the wheat and flour situation varies with their use of either optimal and current consumption levels. In the graph and table above demand reflects consumer demand for flour at 105 Kgs per person.
- We did not include the 9,000 tons of wheat (6,300 flour equivalent) carry-in found in the MAI estimates. Carry-in and Carry-out stocks are assumed to balance out.
- Wheat to flour conversion is established at 1 metric ton wheat to 0.75 metric ton flour. 200,000 tons of flour requires 270,000 tons of wheat.
- In some documents, the MAI revised its seed usage estimates, allocating more wheat to flour production. Seed needs increased from 30,051 tons in January 1999 to 53,000 tons in October 1999. The change reflects the document source in above tables.
- Spring seed availability in 2000 is expected to be in extremely short supply and of poor quality. Production levels in fall 2000 may be extremely low, increasing demand for imported wheat in 2001.

Storage: location, capacity, debt and facilities

Nine large elevators and approximately 300-400 small, private elevators operate in Mongolia today. The majority of small elevators are located in Darhan, Selenge. EU Tacis states that only 80 of the 300-400 small elevators are registered with local authorities. In the past, only large elevators have been selected for the storage of PL480 wheat. The following two pages lists the nine largest elevators with their respective growing area, milling and storage capacity, debt load, and unloading facilities. No such data exists for the small mills.

Excess Capacity

Under the Soviet-inspired system, Mongolian storage and milling capacity were built to hold 100% of wheat production during peak harvest season. Naturally, during the past 10 years as production decreased, excess capacity increased. Averaging all nine large mills' capacity, it is fair to state that they are operating at 35% capacity. In fact, the Agricultural University stated that mills were at 40% capacity. This can be very deceiving, for excess mill capacity varies greatly between facilities. Ulaanbaatar and Dornod mills operate at 100% capacity. Uvurhungai and Bulgan mills run at 50-55% capacity, respectively. The Selenge mill operates at 15% capacity. The rest are not currently operating, supposedly due to the lack of raw material.

Most everyone interviewed agreed that all storage facilitates and milling processes are in good shape, creating good quality products. It is recommended that an independent inspector confirm this. Over long period of disuse and without proper maintenance quality can deteriorate rapidly within in a three-year period. To be considered for the Wheat Monetization program, mill(s) should be required to pass an independent inspection to ensure that they meet the minimum standard for wheat storage.

Flour Distribution: Final good through consumer channels

There are two selling methods of finished flour products:

- Wholesale distribution – Some mills have their own dedicated distribution channels (Altan Taria)
- Intermediate Traders – Purchase bags of flour from the mills and sell to retailers at wholesale prices.

Mill Location, Installed Capacity, Current Use and Debt

Mill Location	Ownership	Local Wheat Production		Manufacturing Capacity		Storage Capacity		Financial	Comments
		Area planted in 1998	Area planted in 1999	Flour production capacity	% of flour mill in use in 1999	Storage Capacity	% in use in 1999	Net Debt 1999 million MNT.	
Dornod	Dornod Flour & Fodder Joint Stock Company	6 870	4 550	9 000	100	7 000	85.7		Railroad unloading
Selenge aimag	Selenge Flour & Fodder Joint Stock Company	136 360	90 234	40 500	15	82 000	6.8	2 500	Railroad unloading Car weights Automated unloading and conveyer system 30,000 t of storage doesn't meet standard
Darhan – Uul aimag, Darhan	Darhan Flour & Fodder Joint Stock Company	10 620	12 727	50 000		82 000		2 000	Railroad unloading Automated unloading and conveyer system
Kherlin soum, Khentii aimag	Buudain Tsatsal Joint Stock Company	14 115	12 272	9 000		4 000			No railroad
Ulaanbaatar	Altan Taria, Joint Stock Company			405 000	100	64 000	23.4		Railroad unloading Car weights Automated unloading and conveyer system Close to capacity Owns runs land

Mill Location, Installed Capacity, Current Use and Debt									
Mill Location	Ownership	Local Wheat Production		Manufacturing Capacity		Storage Capacity		Financial	Comments
		Area planted in 1998	Area planted in 1999	Flour production capacity	% of flour mill in use in 1999	Storage Capacity	% in use in 1999	Net Debt 1999 million MNT.	
Moron soum Khovsgal aimag	Khovsgal Flour & Fodder Joint Stock Company	2 954	5 589	9 000		4 000		171.9	No railroad
Ulaangom soum Uvs aimag	Ulaagon Guril Joint Stock Company	15 535	1 783	9 000		4 000			No railroad
Kharkorin soum Uverhungai aimag	Gan Teerem Joint Stock Company	3 354	1 510	16 000	50	12 000	38.3	1 000	No railroad Japanese renovation 2 years ago. Supports Western aimags. Manages 25-35,000 Ha land.
Bulgan soum Bulgan aimag	Bulgan Flour & Fodder Joint Stock Company (Partial State ownership)	26 906	27 372	11 500	55	38 700	25.8		No railroad

Note:

Statistical sources do not agree. I've constructed a best guess scenario, combining the three sources:

- University discussions (est. capacity at 330,000 tons)
- "Study in flour millers' storage for wheat, their capacity and location" from the Agricultural and Plant Services Division of the Ministry of Agriculture (est. capacity at 293,500 tons).
- The EU Tacis report dated 12/99 (est. capacity at 297,700 tons).

PL480 PROGRAM OVERVIEW

Standard Operations

The table below is based on conversations with U.S. Embassy staff, which outlines Embassy activities from the draft Program Agreement to the final reporting of realized funds.

Wheat Monetization - PL480

Action	Participants
Draft agreement discussed (type and standard)	MER, MAI, Embassy
Draft agreement created	Embassy
Recipient organizations discussed	MER, MAI, Embassy
Final Agreement created and signed	MER, Embassy
Final Agreement sent to USDA	Embassy
USDA approval of Agreement	USDA
USDA bids out freight transportation	USDA
USDA ships wheat from US to Vladivostok	USDA
USDA ships wheat from Vladivostok to Mongolia (Tuushin)	Tuushin
Independent cargo inspection at point of discharge	MCCI
Transportation and handling costs collected	MAI
Transportation and handling costs reimbursed from Wheat Fund	MAI
Price of wheat negotiated (for sale)	MAI, Embassy
Price approved	Embassy
Sale procedures discussed	MAI, Embassy
Sale of wheat commences	MAI
Sale of wheat finished (5-6 months)	MAI
Funds forwarded to recipients	MAI
Reports forwarded to Embassy	MAI

Reviewed and revised by Ms. Darisuren

Consultant Findings

The PL480 program has provided commodity assistance to Mongolia for the past several years. The counterpart funds generated have been used to finance many worthwhile development programs in rural and urban areas. Optimizing the PL480 program will provide increased benefits to all involved.

To do this, the Embassy should increase program oversight and management. During the past three years, Embassy personnel have limited their focus to two activities, general program management and price valuation of the wheat for sale. The following is a summary of these operations.

Management

- At present, on the U.S. side, given the nature of the program, responsibility for administration and oversight is shared between the Embassy and USAID because of programmatic changes made since 1998. Embassy national staff has day-to-day responsibility as part of their job descriptions. Within the GOM, the only person who spends significant time monitoring the PL480 program is the MAI's accountant, whose job description obliges him to spend 50% of his time on PL480.

Price Valuation

- Price setting mechanisms do not reflect seasonal changes in consumer demand. This has reduced the realization of funds by as much as 30%. More about this in the auction systems section.
- The sale price suggested by the MAI in 1999 benefited local millers at the detriment of farmers. Millers used the established monetization price as their price ceiling, and tried to enforce this price for the rest of the marketing year. In 1999, the price of 85,000 MNT/ton was only 10,000 MNT/ton over the production cost of the farmer. Contact information for two firms collecting flour prices on page 32.

Weaknesses in the current PL480 program have led to program bottlenecks. Lack of transparency and equal access to program benefits has limited the number of participants and has increased the potential for graft. Below is an analysis of bottlenecks that were raised in conversations during the course of this consultancy.

Existing Bottlenecks, 1999

Transparency	
Storage	<ul style="list-style-type: none"> • Mills' storage fees not checked or challenged.
Sale	<ul style="list-style-type: none"> • No objective criteria used for fair selection of buyers.
Funds	<ul style="list-style-type: none"> • Inaccurate reporting of fund collection (time and value) allows the Executing Agency to use funds as a private slush fund or informal loan fund. • Inaccurate reporting of fund collection allows the storage facility to use funds for working capital. • Executing Agency creates informal reporting responsibilities with the Recipient Agency. Can potentially influence actual use of funds. • The Executing Agency can arrange for "kick backs" to ensure fund distribution. • Monthly vendor updates submitted to the Executing Agency are not shared with the Cooperative Sponsor or Embassy. • There are no checks and balances established between the State Secretary and the accountant. If the State Secretary signs a document or receipt, the accountant follows suit.
Equal Access	
Storage	<ul style="list-style-type: none"> • Storage is assigned. No bidding process allowing independent firms to participate.
Sale	<ul style="list-style-type: none"> • No national advertising. Word of Mouth only. • Aimag governors sell only to millers in their aimag to retain taxes. • The storage facility is advantaged. The grain is already stored in their bin at time of sale. They incur no additional transportation or elevating costs when buying grain. All other buyers incur these costs.
Potential for Misappropriation	
Transportation (Russia)	<ul style="list-style-type: none"> • Inspection – Moisture is not tested. Moisture can determine weight gain/loss during shipping. Loss/gain not accurate if this is not completed. • Inspection – Unloading occurs 24 hours/day, allowing for slack inspection. Contamination can occur. A jacket was found during Mongolian inspection, but not during Russian inspection indicates en-route contamination.
Transportation (Mongolia)	<ul style="list-style-type: none"> • Inspection – Unloading occurs 24 hours/day, allowing for slack inspection. Contamination can occur. In 1999, cars were not totally unloaded, and grain was shipped back to Russia by mistake. • Inefficient inspection leads to demurrage, which increases program cost. • Inspectors can negotiate test results for fee on the sly. • No document regulates necessary versus unnecessary testing. Chamber of Commerce oversees testing and determines what is necessary. • Mongolian weights "are not equilibrated". Weight discrepancy not resolved. • Transport company wants 3% loss allowance increased. The transportation company has the greatest opportunity for gain. Manipulation of grain can occur with weight gain/loss, points of contamination, late car arrival, and scale discrepancy, demurrage, etc.
Sale	<ul style="list-style-type: none"> • Fraternalization. State Secretary and accountant can prioritize buyers at will. Favors can be exchanged for high priority status.
Storage	<ul style="list-style-type: none"> • Storage facility pays for inspections. Fees are deducted from their purchase price. Inflated inspection fees can be submitted. • Storage facility mixes donation grain with their current grain reserve, improves their grain quality. Low quality grain is disbursed to competitors.
Funds	<ul style="list-style-type: none"> • Funds deposited in a defunct bank and not available.

ANALYSIS

These bottlenecks and weaknesses can be overcome through the Embassy's appointment of an experienced, independent, non-vested Executing Agency. An Executing Agency with a dedicated staff has the time and ability to concentrate on the process and follow through on the details, to focus on creating the necessary checks-and-balances, and to institutionalize the monetization process; taking it out of the hands of private individuals.

An auction system is the best way to improve program access and transparency. As Mongolian demand for flour continues to outstrip consumption, firms and individuals will have a profit motive for securing an unfair proportion at below market values. A public auction system is the perfect solution.

Both of these solutions will not work in isolation, however. Implementation of the following operations will create an integrated solution.

Operations Overview

- Forward sale of grain eliminates the potential for misappropriation before it enters the country. Donated wheat will be auctioned as its quality is confirmed and relayed to the executing agency by the internationally appointed testing house, post-dock, Vladivostok. A pre-established list of discounts will be applied if grain does not meet the advertised quality. Forward sale of grain puts grain ownership in the hands of private individuals and firms prior to its delivery. The wheat is no longer US donation grain upon import and gain from fund misappropriation is greatly diminished.
- An auction sales method will be implemented to ensure transparency, to encourage new buyer participation, and to create equal access to financial gain. In addition, the auction method will determine accurate market value of the commodity, and be responsive to supply and demand forces.
- Timely advertising of the wheat program will encourage greater participation. Radio, TV and newspaper within UB and the regions will broadcast information outlining grain quality, lot size, and finance requirements approximately two weeks prior to the auction. Education training will be offered for new buyers prior to auction.
- Secured realization of funds will create equal access. Bidders' participation is secured with a bank's letter of credit. Bidders who win allocation transfer or deposit their payment in full into the executing agency's bank account within three working days. No credit is allowed. Qualified bidders only will be permitted in the auction hall. Successful bidders deposit their funds in the Executing Agency's account within 3 days of the auction. This deposit slip is returned to the Executing Agency, which creates a receipt for the storage facility to deliver against. Any bidder failing to meet this requirement forfeits his right to the award. Remaining grain will be held and auctioned at a later date, using the same procedure. This will eliminate informal financing agreements between large processors and the Executing Agency, and allow millers of all sizes to compete equally.
- To deter collusion, the Executing Agency will retain the right to withhold grain from sale at the auction, should a satisfactory bid not be attained. To ensure equal access, a 10% cap will discourage cornering activities and limit all individual and corporate buyers from buying a disproportionate share.

- Four days prior to delivery in Mongolia, the Executing agency will direct the rail provider to divert the appropriate number of cars enroute from Vladivostok to Ulaanabaatar at the Novarski, Russia spur. This creates transportation price equilibrium between the three largest markets for wheat: Selenge, Darhan and Ulaanabaatar.
- The Executing Agency then distributes the funds as specified in the bi-lateral agreement, and creates a final report satisfying Embassy requirements.

The MAI appears satisfied with its role as Executing Agency. Should the GOM and the Embassy choose to appoint a new Executing Agency, the following worst-case scenarios should be acknowledged.

Potential Bottlenecks with New Executing Agency

New	
Auction	<ul style="list-style-type: none"> • Large millers encouraged not to participate in auction. • Large millers enter into collusion and jeopardize auction results. • Media misunderstands and misrepresents the auction process to the public.
Reputation Of Executing Agency	<ul style="list-style-type: none"> • If an NGO is selected, the MAI may question how a non-profit organization can be involved with the sale of goods. (Allowed in Mongolian legislation.)
Process of Recipient Agency	<ul style="list-style-type: none"> • MAI may complain that they were not included in the selection of Recipient Agencies. Their interests were “ignored”. • MAI may falsely promise organizations fund proceeds, creating disappointment. In 1999 MAI promised to support wheat research with PL480 proceeds. Altan Taria is still disappointed.
Existing	
Transportation (Russia)	<ul style="list-style-type: none"> • Transport through Russia takes no more than 15 days. An increase in the transportation time can cause increased transport costs and introduction of contamination. • Willful contamination by Mongolian shipping company.
Transportation (Mongolia)	<ul style="list-style-type: none"> • Willful contamination by Mongolian shipping company. • An arbitrary increase in the number of inspections. <i>See page 33.</i> • Inspectors encouraged to misrepresent the quality of the grain to increased program costs or to create poor publicity.
Sale	<ul style="list-style-type: none"> • The MAI misrepresents itself as the Executing Agency, giving out misinformation, awarding volume to buyers, and having funds deposited into a private account. Buyers are given receipts. Receipts not accepted at storage facility, making buyers mad. Or, the storage facility dispenses grain to the wrong persons. U.S. Government has to reimburse buyers who paid for but did not receive grain.
Storage	<ul style="list-style-type: none"> • Storage facility dispenses poor grain in place of donation grain.
Funds	<ul style="list-style-type: none"> • Dates of deposits are delayed to cause confusion or to enable the bank to use funds as working capital. • Funds are lent out privately, without authority. • Bank delays transfer of funds jeopardizing programming.

Sales Method

Selecting the optimal auction design is critical. The gains from a modest improvement in selling technique can be substantial. For example, in the past it has taken a minimum of three months to realize the profits of donated wheat. During the 1999-2000 marketing year grain prices rose from USD 80/ton in December to USD 130/ton in March (Altan Taria). During this time the US government donated and sold 15,000 metric tons of wheat at a fixed equivalent price of USD 85/ton. An auction system reflects demand better than fixed prices. If an auction system captured half of the upward price momentum (USD 23/ton) the return would have increased by USD 345,000, a 30% increase from USD 1.275 million to USD 1.62 million.

Auction Criteria

The following must be considered and taken into account when constructing an auction.

Strict Integrity of the Process

To optimize the auction design, it is imperative that the seller maintains strict integrity of the process. The seller cannot afford any illicit activity to be hidden in the sheer volume of the transaction. Buyers only participate when an open and fair market is guaranteed. If buyers start to doubt the transparency of your auction system, their interest falls, and so does your demand. The lower the demand (represented by the number of buyers in an auction system) the lower your return.

Equal Access

Limit the maximum procurement share of any one individual or company to increase participation of small companies. In 1999 the three largest buyers purchased approximately 50% of the entire lot. Altan Taria, who also stored the wheat in 1999, bought 30% individually.

Optimal Market Information

Common-Value price setting is susceptible to market information. Common-Value price setting is when buyers attending an auction use the same objective criteria to determine their perceived value of the commodity for sale. Bidders at a wheat auction will use the price of wheat or flour in future trading as their objective criteria. Common-Value price setting differs greatly from private-value price setting. In the private-value case, bidders' valuation of the commodity for sale is subjective and independent of one another. A unique work of art not for resale at auction at Soothby is a common example. In this case the buyer puts a value on his own satisfaction of ownership and bids accordingly. In this Private-Value case the seller is isolated from market information and market consensus. In the Common-Value case price setting is extremely susceptible to market information and consensus.

Common-Value Case

A strategic bidder understands that a high bid lowers his profit and raises his probability of winning. He lowers his bid to an acceptable level and accepts a lower probability of winning in order to maximize his profit potential. In addition, he will shade his bid toward the perceived market consensus. If the market is tight, and values are escalating, he will shade his bid higher. If the market is flooded with product, he will shade his bid lower. Popular opinion (consensus) and market information will affect his shading.

Reduce Winners Curse

To increase the sellers profit, select an auction system that reduced winners curse and encourages aggressive bidding. Winners curse causes aggressive bidders to reign in

their enthusiasm at the auction, reducing the sellers' profit. It is ironic, but a bidder winning an award is actually unlucky in a sense. He guessed about the price and future value of the commodity when puts back into market trade. A high winning bid guarantees that he has locked in the lowest profit margin among the bidders. His valuation of the commodity exceeded all other interested parties, and now, after securing the award, he realizes that he might have overestimated his bid. Buyers' remorse is a similar concept.

Pooling of Bids

Bidders want to avoid winners curse bidding above market consensus. The easiest way to do this is for several bidders to pool their investment, and their market information. A group of investors would have more market information and therefore have a clearer view of the market. As a whole, they are less likely to be at the far-end of a bid price. This is a technique for many bidders to offset Winners Curse. In a worst case scenario, pooling of bids can lead to collusion in several auction types.

Collusion

There has been much research conducted regarding collusion in financial auctions. The benefit of collusion in such a market can result in the gain of millions of dollars if successful. The opportunity gain for collusion in the Wheat Monetization auction is considerably less. The research, if generalized, provides us with some good insight.

Collusion usually occurs among a small number of individual or firms. A large group disintegrates easily. The group must share the same market information and strategy, in the primary and secondary market (the wheat and flour, perhaps the animal feed industry). The larger the group the lower the probability of their agreement.

Sealed bid auctions help splinter collusion groups. The sealed bid is private, and usually very tempting to one party. The sealed envelop allows him to put in a bid just slightly higher than the group agreed upon, allowing him to collect a greater portion of the spoils by himself, at the group's detriment. The member of his group will not know of his departure until after the award is announced, when there is no opportunity to react

Open-cry auctions encourage collusion. The verbal outcry is very public, and should a member decide to go out on his own, his fellow members will hear it immediately. The immediacy of the auction will allow them to react. Usually the members are not willing to risk being caught breaking the pact, and they act as scripted, supporting the collusion strategy.

To prevent collusion:

- In the case of the Wheat donation, announcement of the auction date and execution of the auction should be in a tight time frame. The closer the two dates, the less time a group has to collude. The time should leave bidders with enough time to secure a bank reference, but not enough time to form a splinter group.
- The seller retains the right not to sell the grain at hand. Should collusion undermine an auction, or should the general industry liquidity not raise funds sufficient, the seller retains the right to retain the grain, at their own cost, until a later date when the market provides better value, or collusion forces have splintered.
- Collusion groups are likely to leverage the working capital, and lobby gatekeepers for financing options. Fraternization is eliminated with an independent, non-invested Executing Agency. Financial schemes are avoided by requiring bidders to attain a bank's letter of credit for participation qualification. Within three days of securing an award, payment in full is to be deposited in the Executing Agencies bank account. Funds will be held until the grain arrives and quality is confirmed. At that time funds are transferred to the recipient agencies as outlined in the bilateral agreement.

Auction Structure

Auctions are classified based on the order in which prices are quoted and based on the way in which bids are entered.

Prices Quoted	Bids Entered
<ul style="list-style-type: none"> Prices are progressively lowered until the entire lot is sold Prices are progressively increased until a single price takes the entire lot. 	<ul style="list-style-type: none"> Privately. Sealed bids opened by an auctioneer or bank representative Publicly. Real time auctioning with all participants in a single room (or connected electronically) in a public setting.

This creates four auction alternatives, First-Price Sealed Bid Auction, Second-Price Sealed Bid, Descending Price Open-Outcry, Ascending-Price Open-Outcry Auction Benefits Details for each are found in the resource section.

Ascending-Price Open-Outcry Auction Benefits

Auctions are flexible, and can be adjusted in many creative ways to achieve desired outcomes. In general, for the Wheat Monetization program, the optimal auction type would have ascending prices, to encourage buyer conditioning towards the greatest market value, and be held publicly, with all participants sharing market consensus. The auction system that best represents these factors is the Ascending-Price Open-Outcry Auction.

Benefits

- Mongolian experience lends itself to the structure
- It is relatively easy for new bidders to understand
- Open-Outcry maximizes auction transparency
- Maximizes the sellers' market value
- Decreases Winners Curse
- Encourages aggressive bidding
- Market Consensus is discovered
- Bidders are conditioned towards the "greatest" market value, not the lowest
- Overbidding in isolation, shading of bids and pooling are discouraged
- Collusion is most difficult.

Ascending-Price Open-Outcry Auction Description – 2 Alternatives

- All bidders are present in one room at the same time (they can plug in electronically if the auction is held simultaneously at several locations). The auctioneer calls out an ascending price of the lot. The lot represents the entire volume for sale. Bidders submit the quantity demanded. The volume is announced and the price is raised until the volume demanded is smaller than the lot size available. The auctioneer returns to the previous price that cleared the lot. All bidders at the highest price are guaranteed their bid volume. A formula dividing the remainder of the lot to the second tier bidders is established to equitably distribute the remaining grain. All grain is sold at the price that cleared the entire lot. This is the preferred auction system to create a fair, public price for all parties, while still reflecting market demand.
- All bidders are present in one room at the same time (they can plug in electronically if the auction is held simultaneously at several locations). The auctioneer calls out an ascending price of one predetermined lot. Bidders verbally accept the price by raising a hand or auction ID card. The price is raised until no bidder accepts the price. The highest bidder receives the award. Process is repeated until all grain is sold. This is preferred in the presence of an inexperienced auctioneer or hesitant first-time bidders.

Optimal commodity timing

Ship during the cool months of January, February and March when insect contamination is lowest and Russian hopper cars' availability is greatest. Forward sell the wheat through the auction system in March. Flour is milled and enters the retail market during the end of old-crop, when flour prices are at their peak, in April and May.

Preferred commodity packaging

The MAI states that processors prefer Soft Red Spring Wheat with a gluten (starch) % not less than 55%. Gluten tests are not included in USDA grain standards. Preferred packaging is bulk container.

Legal Grounds of Implementing the Wheat Donation Program

Summary

In order to find out the legal grounds of the Wheat Donation Program (the Program), *i.e.* laws, regulations and other procedures governing the receiving, storing and distributing process of the wheat we have reviewed materials that was available to us during the study and conducted interviews with officials from the Government and business entities involved in the Program.

There are three types of regulations that govern this type of activities:

- Mongolian Government Regulations,
- Bilateral Agreements concluded between the Governments of the USA and Mongolia, and
- the US Regulations.

The main purpose of this particular section of the study is to find out whether the Ministry of Agriculture and Industry (the MAI) is legally required to be responsible for carrying out the Program in Mongolia and if not, to determine other viable options.

The MAI has usually been in charge of implementing agricultural commodities donation programs including the wheat from countries like the USA, Japan and the European Union over the last decade and therefore perceived as the only competent entity to be involved in the process.

However, the Bilateral Agreements concluded between the Governments of the USA and Mongolia (the Agreement) between 1997 and 1999 and the US regulations that served as the basis for these Agreements clearly indicate that other entities than the MAI can be appointed as Mongolian counterpart *i.e.* as the Cooperating Sponsor.

Mongolian regulations

The legal framework for implementing the wheat donation program in Mongolia consists of 1 document:

- Regulation on Establishment and Use of Agricultural Fund approved by joint Order #301 and A/181 of 1997 of the Minister of Finance (the MF) and the MAI;

(Review of the Joint Regulation of the MF and the MAI will be available later.)

The Government of Mongolia (the Cabinet) is preparing to submit to the Parliament of Mongolia a Draft of Law on Foreign Donation and Aid, however much consultation shall take place before its submission.¹

Bilateral Agreements between the Governments of the USA and Mongolia

The Agreement concluded in 1999 between the Government of the USA and the Government of Mongolia for the Donation of Agricultural Commodities under Section 416(b) of the Food for Progress Act of 1985²

¹ Usually a working group consisting from representatives of respective Ministries develop a draft Law and it is sent for reviews and comments to the relevant Ministries and other interested parties including NGOs and business entities. After reviewing and consolidating the comments the Draft is submitted to the Ministry of Justice. The Cabinet in its turn reviews the Draft and submits it to the Parliament. ("Law on Procedures for Development and Submission of Laws, and Other Decisions of the Parliament" can be consulted for more details.)

² Note that the last reference to the Section 416(b) of the Food for Progress Act is expressed differently in Agreements of previous years. In 1999 Agreement it was referred as above with the section number only and

identified the Ministry of External Relations (the MER), Government of Mongolia as the Cooperating Sponsor, whereas the previous Agreements of 1998 and 1997 established the Government of Mongolia as the Cooperating Sponsor.

The Agreements of 1997 and 1998 had only a brief description of the Program for the Cooperating Sponsor. The Agreement of 1999, however, had a detailed Plan of Operation³ where in Section (C) it provides:

"The authorized representative of the GOM for this agreement will be the Minister of External Relations. The Minister has overall responsibility for coordination of donor programs in Mongolia. . . ."

In Section (F) titled "Other Entities Involved in [the] Program" it provides:

"Other entities involved in the program may include, but are not limited to: GOM, Ministry of Agriculture and Industry and the Ministry of Infrastructure and Development."

No section further in these Agreements presents specific requirements regarding identification of the Cooperating Sponsor. However Section A, part I (General Provisions) provides that:

"This agreement is subject to the terms and conditions set forth in 7 CFR part 1499, except as may be specifically provided herein."

The US Regulations

The 7 CFR part 1499 Regulations titled Foreign Donation of Agricultural Commodities "govern the provision of agricultural commodities by Commodity Credit Corporation pursuant to section 416(b) of the Agricultural Act 1949 or the Food for Progress Act of 1985 for distribution in foreign countries".

In the Supplementary Information section of the Regulations some background notes are given regarding comments from entities most affected by these regulations. Among other comments and responses to these comments by the Commodity Credit Corporation (CCC), USDA it is noted:

"Private sector involvement

Comments: PVOs [private voluntary organizations] suggested that the requirement in Sec. 1499.5(b) (6) (d) of the proposed rule that PVOs use private sector channels to sell commodities provided under section 416(b) is inappropriate because section 416(b) unlike FFP, does not specify support for the private sector.

Response: CCC will maintain this requirement because economic development is one of the goals of section 416(b) development of private sector selling mechanisms is an element of economic development."

without the reference to the Act title, in 1998 and 1997 it was "under the Food for Progress Act" and with no section number.

³ See Attachment A to the 1999 Agreement.

From the response it is clear that the CCC, USDA does not mind the distribution/selling process to be handled by nongovernmental Cooperating Sponsor.

In Section 1499.3 titled "Eligibility requirements for Cooperating Sponsor" it provides:

"A Cooperating Sponsor may be either:

- (a) A foreign government;
- (b) An entity registered with the Agency for International Development (AID) in accordance with AID regulations; or
- (c) An entity that demonstrates to CCC's satisfaction:
 - (1) Organizational experience and resources available to implement and manage the type of program proposed, i.e., targeted food assistance or sale of commodities for economic development activities;
 - (2) Experience working in the targeted country; and
 - (3) Experience and knowledge on the part of personnel who will be responsible for implementing and managing the program. CCC may require that an entity submit a financial statement demonstrating that it has the financial means to implement an effective donation program."

Conclusion

It appears that the US Government (CCC, USDA represented by the US Embassy in Ulaanbaatar, Mongolia) has a legal/regulatory advantage to take more initiative in determining the Cooperating Sponsor in Mongolia. The fact that the MER was defined as "the authorized representative of the Government of Mongolia for the agreement" in the last Agreement of 1999 and in the attachment to the agreement, shows that Mongolian Government is also flexible on the issue.

As one MER official explained that there was no legal/regulatory requirements to appoint the MAI in its current capacity, and choosing the MAI as executing agency previously was reasoned by the Ministry's comparative expertise in receiving, storage and distribution of the wheat as opposed to the MER's competence in this area.

Therefore, provided that any conflict of interests issue is resolved in relation to a NGO being a Cooperating Sponsor in charge of selling and distributing the wheat but at the same time as recipient agency of the fund generated out of the wheat distribution, it does not contradict with relevant laws and regulations of both Mongolia and the United States to appoint any other entity than the MAI as an executing agency.

Altan Taria's
The List of Buyers

American Wheat
Arrived December of 1998

ID	Names of Organizations:	Requested wheat	Purchased wheat	Remnant
10100	Bat Hash Co.,Ltd	58,000.00 kg	57,465.00 kg	535.00kg
10200	“Mandakh nar “ Sole Proprietorship (SP)	819,000.00 kg	819,000.00 kg	0.00 kg
10300	“Ikh bulag” SP	5,000.00 kg	5,000.00 kg	0.00 kg
10400	“Mandal bayan” Co.,Ltd	0.00 kg	0.00 kg	0.00 kg
10500	“Undari” Partner ship	70,500.00 kg	70,500.00 kg	0.00 kg
10600	“Khan-Uul Khairkhan” Cooperative	6,000.00 kg	6,000.00 kg	0.00 kg
10700	“Khan Tuul” Trade Co.,Ltd	1,000.00 kg	1,000.00 kg	0.00 kg
10800	“Derenbold” Co.,Ltd	10,000.00 kg	10,000.00 kg	0.00 kg
10900	“Mandal bayan” Co.,Ltd	105,000.00 kg	105,000.00 kg	0.00 kg
11000	“Delgereh tsagaan tsokhio”	215,563.00 kg	215,563.00 kg	0.00 kg
11100	“Khash” Flour Fodder Plant (FDP) Darkhan	487,490.00 kg	487,490.00 kg	0.00 kg
11200	“ Khangai” Co.,Ltd UB	1,065,537.00kg	845,515.00 kg	220,022.00kg
11300	“Eson Khusel” SP	391,500.00 kg	391,500.00 kg	0.00 kg
11400	S. Nyamdorj	26,500.00 kg	26,500.00 kg	0.00 kg
11500	“Shim” Co.,Ltd	8,000.00 kg	8,000.00 kg	0.00 kg
11600	“Altan Taria” Co.,Ltd			8,807,200.00 kg
11700	“ En tum” SP Da	59,400.00 kg	59,400.00 kg	0.00 kg
11800	“Center of Food training”	2,000.00 kg	2,000.00 kg	0.00 kg
11900	“Undarya” Co.,Ltd	16,000.00 kg	16,000.00 kg	0.00 kg
12000	“Urgats ” Partner ship	48,500.00 kg	48,500.00 kg	50.00 kg
12100	“BNDB” Co.,Ltd	237,580.00 kg	237,580.00 kg	0.00 kg
12200	“Eroo Khairkhan Buudai ”Co.,Ltd	9,000.00 kg	9,000.00 kg	0.00 kg
12300	“Undram “ Co.,Ltd – Chimgel	151,500.00 kg	151,500.00 kg	0.00 kg
12400	“Barilt trade” – Battsengel	152,150.00 kg	151,590.00 kg	560.00 kg
12500	“Bokhog” Co.,Ltd	86,176.00 kg	86,176.00 kg	0.00 kg
12600	“Deejis” Co.,Ltd	48,000.00 kg	48,000.00 kg	0.00 kg
12700	“Tsogt Ayan” Co.,Ltd	506,275.00 kg	506,275.00 kg	0.00 kg
12800	“Mazaalai” Co.,Ltd DAA	52,000.00 kg	52,000.00 kg	0.00 kg
12900	“ Tavan tuuz” Co.,Ltd DAA	96,880.00 kg	96,880.00 kg	0.00 kg
13000	“Myangan ayanch” Co.,Ltd DAA	30,500.00 kg	30,500.00 kg	0.00 kg
13100	“Erdene” SP	4,500.00 kg	0.00 kg	0.00 kg
13200	“Arvai” SP DAA –Khongor	6,000.00 kg	6,000.00 kg	0.00 kg
13300	“Ogtorgui” Co.,Ltd DAA	31,000.00 kg	31,000.00 kg	0.00 kg
13400	“Tsagaan dalai” Co.,Ltd DAA	129,000.00 kg	129,000.00 kg	0.00 kg
13500	“Khuh taana” Cooperative UB	220,294.00 kg	220,294.00 kg	0.00 kg
13600	“Khairkhan tsogt” DAA	145,600.00 kg	145,600.00 kg	0.00 kg
13700	“Tsogt” SP DAA	11,300.00 kg	11,300.00 kg	0.00 kg
13800	“Enkhbadam DAA	22,823.00 kg	22,320.00 kg	503.00 kg
13900	“Altan taria “ SP DAA	10,000.00 kg	10,000.00 kg	0.00 kg
14000	“Tavan nuur” FFP	169,000.00 kg	169,000.00 kg	0.00 kg
14100	“Bayalag “ Co.,Ltd DAA	20,000.00 kg	20,000.00 kg	0.00 kg
14200	Sukhbaatar Orgilsaikhan	70,000.00 kg	69,905.00 kg	95.00 kg
14300	“Khusel temuulel “ SP DA	102,000.00 kg	102,000.00 kg	0.00 kg
14400	“Darkhan Trade “ Co.,Ltd	68,980.00 kg	68,980.00 kg	0.00 kg

14500	“Zuun mod FFP DAA	85,000.00 kg	85,000.00 kg	0.00 kg
14600	Bazarragchaa UB	6,000.00 kg	6,000.00 kg	0.00 kg
14700	“Tsalgar” SP DAA	71,500.00 kg	71,500.00 kg	0.00 kg
14800	“Arvin dalai” Cooperative DAA	22,000.00 kg	22,000.00 kg	0.00 kg
14900	“Enkhlut” SP	76,177.00 kg	74,007.00 kg	2,170.00 kg
15000	“Tsahim-Oyu” Co.,Ltd	103,000.00 kg	102,995.00 kg	5.00 kg
15100	“Arig trade” Co.,Ltd	11,000.00 kg	11,000.00 kg	0.00 kg
15200	“Temuulel” SP	43,500.00 kg	43,500.00 kg	0.00 kg
15300	“Mongon-Oroi”	45,000.00 kg	45,000.00 kg	0.00 kg
15400	“Munkhsarnai”	18,682.00 kg	18,682.00 kg	0.00 kg
15500	“Altanjinst” Co.,Ltd	15,000.00 kg	15,000.00 kg	0.00 kg
15600	“Michin khad DAA	65,040.00 kg	65,040.00 kg	0.00 kg
15700	“Saruul” Co.,Ltd DAA	34,000.00 kg	33,970.00 kg	30.00 kg
15800	“ Usnii Ekh” Co.,Ltd	102,000.00 kg	102,000.00 kg	0.00 kg
15900	“Tayan” SP	33,000.00 kg	33,000.00 kg	0.00 kg
16000	“Oroon” SP	84,300.00 kg	83,800.00 kg	500.00 kg
16100	“Tuya” Co.,Ltd DAA	86,000.00 kg	86,000.00 kg	0.00 kg
16200	“ Khanjargalan” SP Baga	12,000.00 kg	12,000.00 kg	0.00 kg
16300	“Bum Artsat” Khotol	6,000.00 kg	6,000.00 kg	0.00 kg
16400	“Bayan Uul” Cooperative	30,000.00 kg	24,020.00 kg	5,980.00 kg
16900	“Tegshrekh zorig” SP UB	6,647.00 kg	6,647.00 kg	0.00 kg
17000	“Munkhtenger” SP DAA	59,500.00 kg	59,500.00 kg	0.00 kg
17100	“Zagal trade” Co.,Ltd DAA	37,000.00 kg	37,000.00 kg	0.00 kg
17200	“Garid” Co.,Ltd DAA	39,500.00 kg	39,500.00 kg	0.00 kg
17300	“Zuun kharaa” Co.,Ltd Selenge	180,000.00 kg	180,000.00 kg	0.00 kg
17400	“Erdenet Oyu” SP DAA	20,000.00 kg	20,000.00 kg	0.00 kg
17500	“Bulga” SP Darkhan	90,000.00 kg	90,000.00 kg	0.00 kg
17600	“Turgen” SP DAA	11,000.00 kg	10,385.00 kg	615.00 kg
17700	“Enkhnarant” Co.,Ltd DAA	33,000.00 kg	33,000.00 kg	0.00 kg
17800	“Uulen tsardas” Co.,Ltd DAA	12,000.00 kg	12,000.00 kg	0.00 kg
17900	“Altan turuu” Cooperative DAA	20,000.00 kg	16,320.00 kg	3,680.00 kg
18000	“Agricultural” SP DAA	35,000.00 kg	34,830.00 kg	170.0 kg
18100	“Bizon” Co.,Ltd UB	19,000.00 kg	19,000.00 kg	0.00 kg
18200	“Dobuja” SP UB	38,000.00 kg	37,960.00 kg	40.00 kg
18300	“Olbar” Co.,Ltd DAA	81,000.00 kg	81,000.00 kg	0.00 kg
18400	“Tsahir nuur” Co.,Ltd	30,000.00 kg	30,000.00 kg	0.00 kg
18500	“Zutgel” SP DAA	10,800.00 kg	10,800.00 kg	0.00 kg
18600	“Sochi” SP	6,000.00 kg	6,000.00 kg	0.00 kg
18700	“Ogooj” SP DAA	87,330.00 kg	83,000.00 kg	4,330.00 kg
18800	“Dorvon tal” Co.,Ltd DAA	26,000.00 kg	26,000.00 kg	0.00 kg
18900	“Altai-2 Partner ship	41,000.00 kg	41,000.00 kg	0.00 kg
19000	“Saikhan impex” Co.,Ltd	10,500.00 kg	10,500.00 kg	0.00 kg
19100	“Shine zamnal” Co.,Ltd UB	11,000.00 kg	11,000.00 kg	0.00 kg
19200	“Tamir” Co.,Ltd	5,000.00 kg	5,000.00 kg	0.00 kg
19300	“Altan- Od”	42,670.00 kg	42,645.00 kg	25.00 kg
19400	“Darkhan –Altai”	17,000.00 kg	17,000.00 kg	0.00 kg
19500	“Eson orlog” SP	42,000.00 kg	42,000.00 kg	0.00 kg
19600	“Uyan hash” Co.,Ltd	8,800.00 kg	7,305.00 kg	1,495.00 kg
19700	“Gan Aldar” Cooperative	14,695.00 kg	14,000.00 kg	695.00 kg
19800	“Bayanburd” SP Nyamhuu	6,000.00 kg	6,000.00 kg	0.00 kg
19900	“Nomin Erdene” SP	111,000.00 kg	111,000.00 kg	0.00 kg
20000	“Urgats Ogooj” Co.,Ltd UB	20,000.00 kg	20,000.00 kg	0.00 kg
20100	“Arburen” Co.,Ltd DAA	30,000.00 kg	30,000.00 kg	0.00 kg
20200	“Sar” SP DAA	11,000.00 kg	11,000.00 kg	0.00 kg
20300	“Bat trade” Co.,Ltd DAA	10,000.00 kg	10,000.00 kg	0.00 kg
20400	“Tsenbold” Co.,Ltd	10,000.00 kg	10,000.00 kg	0.00 kg

20500	“Orig trade” Co.,Ltd	65,950.00 kg	65,950.00 kg	0.00 kg
20600	“Davaa nyambu” DAA	6,000.00 kg	6,000.00 kg	0.00 kg
20700	“Darkhan orgil” Cooperative	30,000.00 kg	30,000.00 kg	0.00 kg
20800	“Misheelt sar” Co.,Ltd DAA	20,500.00 kg	20,500.00 kg	0.00 kg
20900	“Tavan turuu” FFP	19,000.00 kg	19,000.00 kg	0.00 kg
21000	“Delgermoron” FFP	6,000.00 kg	6,000.00 kg	0.00 kg
21100	“Altansukh” SP DAA	5,630.00 kg	5,630.00 kg	0.00 kg
21200	“Adya munkh” DAA	15,000.00 kg	15,000.00 kg	0.00 kg
21300	Tseveendorj	5,000.00 kg	5,000.00 kg	0.00 kg
21400	“Temuulel” SP	10,000.00 kg	10,000.00 kg	0.00 kg
21500	Nyambu, Sainsanaa	17,000.00 kg	17,000.00 kg	0.00 kg
21600	“Bolor gan” Co.,Ltd Chimgee	70,000.00 kg	70,000.00 kg	0.00 kg
21700	Bat-Ochir Saranchimeg	10,000.00 kg	9,760.00 kg	240.00 kg
21800	Gegeen-Ulzii Altaised	13,000.00 kg	13,000.00 kg	0.00 kg
21900	Saruul harii Dorjpurev	6,000.00 kg	6,000.00 kg	0.00 kg
22000	“Bolor talst” SP DAAZ	11,800.00 kg	11,800.00 kg	0.00 kg
22100	“Tegshkhan” Co.,Ltd DAA	21,000.00 kg	21,000.00 kg	0.00 kg
22200	“Orgil khan taishir” Co.,Ltd	10,000.00 kg	10,000.00 kg	0.00 kg
22300	“Arvijih” SP DAA	10,000.00 kg	10,000.00 kg	0.00 kg
22400	BAATARTSOG Borkhoi	1,000.00 kg	1,000.00 kg	0.00 kg
22500	N. Erdenetsogt DAA	12,000.00 kg	12,000.00 kg	0.00 kg
22600	Ba. Sumyagerel DAA	12,500.00 kg	6,500.00 kg	0.00 kg
22700	Darkhan Ariljaa DAA	6,500.00 kg	6,500.00 kg	0.00 kg
22800	Agricultural Stock DAA	5,000.00 kg	5,000.00 kg	0.00 kg
22900	“Ilch” Co.,Ltd UB	100,000.00 kg	100,000.00 kg	0.00 kg
23000	Nyambu Altantsetseg	10,000.00 kg	10,000.00 kg	0.00 kg
23100	Surgan tulkhuur	10,000.00 kg	10,000.00 kg	0.00 kg
23200	Khan hurem	5,000.00 kg	5,000.00 kg	0.00 kg
23300	“Khar horin Ganteerem” Co.,Ltd	391,900.00 kg	56,625.00 kg	335,275.00 kg
23400	“Stimo” Co.,Ltd (Batbold)	100,000.00 kg	5,975.00 kg	94,025.00 kg
Total			9,140,076.00 kg	9,478,240.00 kg

Altan Taria's
List of Buyers

American wheat arrived in the
August of 1999

No:	Location	Names of Organizations:	Requested wheats	Purchased wheats	Remnant
55	Darkhan	"Ikh hot" Co.,Ltd DAA	30,000.00 kg	30,000.00 kg	0.00 kg
56	Darkhan	"Tsogt" SP DAA	10,000.00 kg	10,000.00 kg	0.00 kg
57	UB	"Orgi trade" partner ship UB	47,000.00 kg	47,000.00 kg	0.00 kg
58	UB	"Khan tuul trade"Co.,Ltd UB	10,000.00 kg	10,000.00 kg	0.00 kg
59	Darkhan	"En tum" SP DAA	11,000.00 kg	11,000.00 kg	0.00 kg
60	UB	"Khan –Uul Khairkhan" Cooperative UB	20,000.00 kg	20,000.00 kg	0.00 kg
61	UB	Selengiin Buudai UB	71,000.00 kg	71,000.00 kg	0.00 kg
62	Selenge	"Orgilsaikhan"Co.,Ltd Selenge	600,000.00 kg	600,000.00 kg	0.00 kg
63	Darkhan	"Saruul kharsh" SP DAA	12,500.00 kg	12,500.00 kg	0.00 kg
64	Darkhan	Tsetsegmaa DAA	10,000.00 kg	10,000.00 kg	0.00 kg
65	UB	"Lach hishig" Co.,Ltd UB	200,000.00 kg	200,000.00 kg	0.00 kg
66	Darkhan	"Darkhan Ogtorgui" Co.,Ltd Da	60,000.00 kg	60,000.00 kg	0.00 kg
67	UB	"Och trade" Co.,Ltd UB	100,000.00 kg	100,000.00 kg	0.00 kg
68	Darkhan	"Arig trade" Co.,Ltd DAA	50,000.00 kg	50,000.00 kg	0.00 kg
69	UB	"Oron" SP UB	43,700.00 kg	43,685.00 kg	0.00 kg
70	UB	"Mandal bayan" Co.,Ltd UB	10,000.00 kg	10,000.00 kg	0.00 kg
71	Bulgan	"Bulgan guril tejeel" Co.,Ltd	1,467,000.00 kg	1,386,260.00 kg	80,740.00 kg
72	UB	Battogtokh UB	60,000.00 kg	60,000.00 kg	0.00 kg
73	UB	"Tayan Nokhorlol" UB	10,000.00 kg	10,000.00 kg	0.00 kg
74	Darkhan	"Tsahir nuur" Co.,Ltd DAA	120,000.00 kg	120,000.00 kg	0.00 kg
75	Khotol	D. Oyuntsetseg Khotol	11,000.00 kg	11,000.00 kg	0.00 kg
76	Darkhan	"Enkhnanan" Co.,Ltd DAA	51,000.00 kg	51,000.00 kg	0.00 kg
77	Darkhan	"Misheelt sar"Co.,Ltd DAA	20,000.00 kg	20,000.00 kg	0.00 kg
78	Darkhan	"Nomin-Erdene" SP DAA	25,000.00 kg	25,000.00 kg	0.00 kg
79	UB	"Tuya" Co.,Ltd UB	10,000.00 kg	10,000.00 kg	0.00 kg
80	UB	"Khukh taana" Cooperative UB	93,000.00 kg	93,000.00 kg	0.00 kg
81	UB	"Ilch" Co.,Ltd UB	100,000.00 kg	100,000.00 kg	0.00 kg
82	UB	L. Tserensodnom UB	20,000.00 kg	20,000.00 kg	0.00 kg
83	Darkhan	"Olbor" Co.,Ltd DAA	80,000.00 kg	80,000.00 kg	0.00 kg
84	Darkhan	"Baril trade" DAA	34,000.00 kg	34,000.00 kg	0.00 kg
85	Baganuur	"Khanjargalan" SP Baganuur	11,000.00 kg	11,000.00 kg	0.00 kg
86	Darkhan	"Khash" FFI DAA	83,000.00 kg	83,000.00 kg	0.00 kg

87	Darkhan	“Da Balt” Cooperative DAA	6,000.00 kg	6,000.00 kg	0.00 kg
88	UB	“Orgoo” Co.,Ltd UB	100,000.00 kg	100,000.00 kg	0.00 kg
89	UB	A. Balguch UB	30,000.00 kg	30,000.00 kg	0.00 kg
90	UB	B. Nyamtaisureн UB	5,000.00 kg	5,000.00 kg	0.00 kg
91	UB	“Ikh hogjil” Co.,Ltd UB	3,000.00 kg	3,000.00 kg	0.00 kg
92	Darkhan	“BNDB” Co.,Ltd DAA	130,000.00 kg	130,000.00 kg	0.00 kg
93	UB	B. Bekhbat UB	150,000.00 kg	150,000.00 kg	0.00 kg
94	Darkhan	“Archlalt” Co.,Ltd DAA	40,000.00 kg	40,000.00 kg	0.00 kg
95	Darkhan	“Eson Khusel” SP DAA	180,000.00 kg	180,000.00 kg`	0.00 kg
96	UB	“Delgerekh tsagaan tsokhio” Co.,Ltd UB	100,000.00 kg	100,000.00 kg	0.00 kg
97	Darkhan	“Mazaalai” Co.,Ltd DAA	30,000.00 kg	30,000.00 kg	0.00 kg
98	UB	“Baigaliin deej” UB	20,000.00 kg	20,000.00 kg	0.00 kg
99	UB	Ts. Nyamtulga UB	50,000.00 kg	50,000.00 kg	0.00 kg
100	Darkhan	“Darkhan ariljaa” Co.,Ltd	22,000.00 kg	22,000.00 kg	0.00 kg
101	UB	“Undari” Partner ship UB	75,800.00 kg	75,800.00 kg	0.00 kg
102	UB	B. Altai UB	15,000.00 kg	15,000.00 kg	0.00 kg
103	UB	“Zurj” Co.,Ltd UB	70,000.00 kg	70,000.00 kg	0.00 kg
104	UB	“Altan taria” Co.,Ltd	3,580,240.00 kg	3,580,240.00 kg	0.00 kg
105	UB	Vandangerel UB	30,000.00 kg	30,000.00 kg	0.00 kg
106	UB	P. Dalai UB	60,000.00 kg	60,000.00 kg	0.00 kg
107	UB	“Stimo” Co.,Ltd UB	51,540.00 kg	51,540.00 kg	0.00 kg
108	UB	“Terguun Trade” Co.,Ltd UB	663,000.00 kg	654,890.00 kg	8,110.00 kg
Total				8,802,915.00 kg	88,865.00 kg

Wheat Prices, 1999-2000

Two organizations collected and distributed price information.

- Market Watch, a program of the Gobi Regional Economic Growth Initiative, monitors prices in the Gobi aimags and in Ulaanbaatar. Call Ts. Altansukh at 311757.
- EU Tacis monitors prices in the wheat growing areas of Mongolia, namely the northern and eastern aimags. Call John Kennedy at 234013 or 326438

Four standard inspections governing the importation of wheat

1. Mongolia Neutral Inspection, Department for Inspection and Export and Import Goods of the Mongolian Chamber of Commerce and Industry. (*Wheat weight*)
2. Services of Sanitary and Epidemiology, Coordinating Agency of the Government. (*Wheat contamination*)
3. National Centre of Standardization and Metrology. (*Standardization of weights. Weigh rail cars.*)
4. Plant and Seed Quarantine Laboratory, Service of Inspection, Ministry of Agriculture and Industry. (*Prohibited plant inspection.*)

Attachment to the Letter from the Ministry of Agriculture and Industry to Ministry of External Relations. Letter found on following page.

Introduction on supply of wheat in Mongolia during 1999-2000

This year Mongolia has planted wheat in land area of 279000 hectare and harvested 190000 tonnes of cereals. As a result of dryness in sown areas and of harsh weather condition such as extreme hot days in July of this year throughout the country, the amount of harvest and quality of wheat seeds had decreased. From all harvested wheat some amount were retained for next year seeds, state reserve, wheat fund, fodder and spirit production purposes and 121,6 thousands tonnes wheat were left for domestic flour manufacturing. The remaining amount is sufficient for manufacturing 84,7 thousands tonnes of flour which is the 43 percent of total demand-200 thousands tonnes of flour.

As of first 9 months of this year total of 29,6 thousands tonnes of flour has been imported. Therefore it can be calculated that total of 400 thousands tonnes of flour will be imported between 1 October, 1999 and 1 October, 2000 and we will be short of 75,3 thousands tonnes. To manufacture the flour of this amount it is needed approximately 108 thousands tonnes of wheat.

Assuming that Kazakhstan and Italy will donate about 4 and 5 thousands tonnes of wheat respectively, 99 thousands tonnes of wheat will be in short. Therefore we propose to make a request to US to supply 50 thousands tonnes of wheat as a donation and to get missing amounts from other sources.

Letter from the Ministry of Agriculture and Industry to Ministry of External Relations

December 2, 1999

Re: Receiving donated wheat from USA

As a result of dryness in sown areas and of harsh weather condition such as extreme hot days in July of this year throughout the country, the amount of harvest and quality of wheat seeds had decreased. In 1999 we harvested total of 190 thousand tonnes of cereals. According to consumption of last years, the demand for flour is approximately 200 thousands tonnes a year.

Assuming that a such amount of flour will be needed in year 2000, and considering that some amount of wheat seed will be reserved for year 2000 harvest from this year's wheat harvest, and 84.7 thousand tonnes of flour will be manufactured between 1 October, 1999 and 1 October 2000, we will be short of 115,3 thousands tonnes of flour. All flour manufacturing plants will wind up starting from March 2000 due to wheat deficiency. In addition, this year's harvest decrease in Russia will affect import of flour from Russia.

29.6 thousand tonnes of flour was imported for the first 9 months of 1999. Assuming that Mongolia will import 40 thousands tonnes of flour, it will need about 108 thousand tonnes of wheat to manufacture 75,3 thousand tonnes of flour. We were informed by an American contact company on possibilities to increase of wheat to be donated.

Therefore considering that it will not affect negatively production and sales of agricultural entities, and on order to encourage domestic flour manufacturing, to meet the demand for flour we propose that amount of wheat to be donated by USA could be 50 thousand tonnes and could come within 1 April 2000. (Out of the which we propose to deliver 15 tonnes to Altan Taria Co of Ulaanbaatar, which has storage elevator, , 10 tonnes to C elevator of wheat of "Buudai fund" of Selenge, 17 tonnes to wheat elevator of Hotol, all through the Naushki-Sukhbaatar port on Mongolian-Russian border and 8 tonnes to "Dornod-Flour"Co through Solovevsk-Ereentsav on Mongolian Russian border).

State Secretary,

S.Byambaa

Auction Systems

First-Price Sealed-Bid Auction

It is termed First-Price Sealed-Bid Auction because the bidding is held in private (sealed-bid), with award to the highest priced (first-price) bid covering the lot size. The auctioneer announced the predetermined lot size. The bidder submits his price to the auctioneer in a sealed envelope. The award is made to the highest priced bid covering the lot size. The highest value for each lot is returned to the seller.

Winners curse is acute. This auction type reigns in enthusiastic bidders. The private nature of the bid doesn't allow for any market information to be learned during the process. The winner will have no recourse if awarded the bid. A naive bidder can grossly over value the market, potentially ruining profit potential. The acute Winners Curse will cause bidders to shade their bid and reflect market consensus. Pooling can occur, but the private nature of the auction can tempt a participant to stray relatively easy.

Second-Price Sealed Bid Auction

It is termed Second-Price because the entire lot is not sold at the highest bid price. Rather, The lot is awarded at the second-best price, just below the highest price, which cleared the entire lot. Lot size is equivalent to the entire lot for sale. The bidder submits his bid volume as the auctioneer announced the lot price. Bidding is held in private, submitted in sealed envelopes. The auctioneer tallies the volume of grain sold at each price announced. The price is increased until the volume bid no longer clears the lot size. The auctioneer returns to the previous price that cleared the lot. All bidders at the highest price are guaranteed their bid volume. A formula dividing the remainder of the lot to the second tier bidders issued to equitably distribute the remaining grain. All grain is sold at the same, second-best price.

Winners curse is greatly reduced. Bidders can be more aggressive because they know that all successful winners are subject to the exact same price. A naive bidder is comforted by market consensus, which is confirmed every time the auctioneer raises the price. The reduced winners curse eliminates the benefit for pooling and shading bids. Market value returned to the seller is increased.

Descending-Price, Open-Outcry

All bidders are present in one room at the same time (they can plug in electronically if the auction is held simultaneously at several locations). The auctioneer calls out the price of one lot. The auctioneer starts at an aggressively high price and lowers his price until one buyer accepts the cost and the lot size. When multiple lots exist, the same procedure is repeated.

Similar to the First-Price Sealed-Bid auction, winners curse is acute. This auction type reigns in enthusiastic bidders. The descending price nature the bid ensures that the bidder knows that he places the highest value on the lot. The acute Winners Curse will cause bidders to shade their bid and reflect market consensus. Little or no market consensus is shared. The winning bidder does not know where his colleagues value the lot. Pooling helps individuals understand where market value lies. However collusion usually does not occur. The public nature of the auction immediately alerts others in the group, allowing all to react to a stray group member.

Ascending-Price Open-Outcry Auction

Market value returned to the seller is maximized in the Common-Value price system. All bidders are present in one room at the same time (they can plug in electronically if the auction is held simultaneously at several locations). The auctioneer calls out an ascending price of the lot. The lot represents the entire volume for sale. Bidders submit the quantity demanded. The volume is announced and the price is raised until the volume demanded is smaller than the lot available. The auctioneer returns to the previous price that cleared the lot. All bidders at the highest price are guaranteed their bid volume. A formula dividing the remainder of the lot to the second tier bidders issued to equitably distribute the remaining grain. All grain is sold at the price that cleared the entire lot.

Winners curse is greatly reduced. Bidders can be more aggressive because they know the volume is being cleared at every price outcry. This confirms market consensus and build

confidence. Unlike other auction types, the ascending-price, open-outcry auction conditions bidders' behavior to concentrate on the highest expected value of the security, not the lowest. This optimism combined with reduced Winners Curse encourages aggressive bidding. The reduced winners curse eliminates the benefit for pooling and shading bids.

Farmers' Version of Ascending-Price Open-Outcry Auction

All bidders are present in one room at the same time (they can plug in electronically if the auction is held simultaneously at several locations). The auctioneer calls out an ascending price of one predetermined lot. Bidders verbally accept the price by raising a hand or auction ID card. The price is raised until no bidder accepts the price. The highest bidder receives the award. Process is repeated until all grain is sold. Has the same benefits as the first version, and is easier for first time bidders to comprehend in a newly emerging market.

MAI 2

As of 25 January, 2000
Internal MAI documents.

Wheat harvest balance

1. Sown area	279.5 thousand hectar
2. Lost harvest	40.6 thousand hectar
3. Harvested area	240 thousand hectar
4. Yields of staple crops	7.9 centner
5. Total harvest	190 thousand tonnes
6. Waste	15.6 thousand tonnes
7. For own seed	30 thousand tonnes
8. For State reserve fund	6.9 thousand tonnes
9. For wheat fund	2 thousand tonnes
10. For fodder	8 thousand tonnes
11. For Spirit and food	5.8 thousand tonnes
12. For own miller, and market	121,7 thousand tonnes

The flour balance in 1999-2000

1. Total flour demand	200 thousand tonnes
2. Total needed wheat	285 thousand tonnes
3. Wheat prepared domestically	121.6 thousand tonnes
4. Flour to be manufactured domestically	84.7 thousand tonnes
5. Supply percentage	43%
6. Flour to be imported	40 thousand tonnes
7. Flour to be in shortage	75.3 thousand tonnes
8. Needed wheat	108 thousand tonnes
From Kazakhstan	5 thousand tonnes
From Italy	4 thousand tonnes

Wheat Harvest Balance 25 January 2000

Area thousand Hectar		Yeild per hectar, in centners	Harvest thousands tonnes			Harvest distribution			Entities purchased		
Planted	Harvested		Total harvest /Gross weight/	Waste 6.0%	Net harvest	For seed to be planted in 2000	For fodder	Sale	For flour manufactu ring factories	For state reserve	For spirit manufactu ring
273.1	240.0	6.2	168.3	10.0	158.3	30.0	8.2	120.1	108.1	7.0	5.0

The balance of flour wheat Thousand tonnes

Flour manufacturing factories	Flour wheat reserve in thousand tonnes			Plant contamination, dampness and waste 6.0%	Reserve of wheat	Flour to be manufactured
	Leftovers as of 1 October	Leftovers from 1999 harvest	Total			
The big 9 factories	9.1	50.9	60.0	3.6	56.4	41.2
Small factories	0.6	57.2	57.8	3.5	54.3	40.2
Total	9.7	108.1	117.8	7.1	110.7	81.4

Flour wheat supply /thousand tonnes/

Flour demand	The needed wheat	The wheat available	The wheat in shortage
200.0	274.0	110.7	163.3

The seed wheat demand and supply in year 2000 /thousand tonnes/

1999 tillage	Seed for tillage planting	Pipe planting in 2000	Seed for planting in pipes	Total seed demand	Seed available /together with entities and state reserve fund/	Seed in shortage only for tillage	Seed in lack For all sown area
200.1	40.02	100.0	20.0	60.02	37.0	3.02	23.02

**REQUESTS FROM ECONOMIC ENTITIES OF
DARKHAN-UUL AIMAG TO BUY AMERICAN WHEAT**

	Name of entity	Required quantity tons	Price proposal	Term of payment			Remarks
				First quarter	Second quarter	Third quarter	
1.	"Darkhan Guril" Tejeel JSC	6000					
2.	"Darkhan-Khuns" JSC	360	70000	8400000	8400000	8400000	
3.	"Tsagaandalai" Co.,Ltd	300	70000	10500000	10500000		
4.	"Gereltuuleg" co-opertive	54	60000	1200000	2040000		First 20 tons shall be paid from the operational income
5.	"Trade" Co., Ltd	400	70000	14000000	14000000		
6.	"Dem" Co., Ltd.	200	70000	7000000	7000000		
7.	"Uguuj chanar" Co., Ltd.	400	70000	14000000	14000000		
8.	"Tsog" Co., Ltd	800	80000	24000000	24000000	16000000	If the stickness of wheat is up to standards; can pay 80-90 thous.togrogs per ton. If the stickness less than the group "B" one ton for 70thous.togrogs per ton.
9.	"Tegsh Khan" Co., Ltd	240	80000	64000000	64000000	64000000	
10.	"Tsakhir Nuur" Co., Ltd	180		42000000	42000000	42000000	
11.	"Tsogt-Ayan" Co., Ltd	500		24500000	10500000		
12.	"Khatnuud" Co., Ltd	1575	50000	18750000	25500000	12000000	
13.	"Anukhatan" Co., Ltd	1575	50000	18750000	25500000	12000000	
14.	"Altan Od" Co.,Ltd	1080	90000	32400000	32400000	32400000	

15.	"Bayanbural" Co., Ltd	100	70000	4200000	2800000		
16.	"Jargalan" Co., Ltd	100	80000	4800000	3200000		
17.	"Temuulel" Co., Ltd	60	80000	4800000			
18.	"Darkhan Minj" Co., Ltd	240	75000	9000000	9000000		
19.	"Darkhan Zereglel" Co., Ltd	100	70000	4200000	2800000		
20	"Boroo nuur" Co., Ltd	360	85000	15300000	15300000		
21.	"Delger-Uul" Co., Ltd	10	70000	700000			
22.	"Batshoo" Co., Ltd	400	70000	14000000	14000000		
23.	"Zorig" Co., Ltd	600	70000	2100000	2100000		
24.	"Batbayar" Co., Ltd	200	70000	7000000	7000000		
25.	"Bayar" Co., Ltd	60	70000	42000000			
26.	"Mazaalai trade" Co., Ltd	850	60000	24000000	15000000	12000000	
		Economic entities of the aimag are calculated to make direct payment and also to divide the payment in quarters.					
		The orders are processed by the official of Finance, Economic division M.Enkhbayar					

