

CASHMERE

FROM THE LAND OF MYSTERY

By **Robert L. Wallack**

Cashmere goats endure extremely cold winters on the Mongolian plateau. Temperatures can drop to below -40C with blinding snow blizzards taking down many animals and herders with wind speeds up to 20 meters per second. Spring dust storms and brief dry summers from July to August, with daytime temperatures of 25C-30C, pose harsh conditions across the verdant grasslands. The goats survive these conditions with help from their long, soft, light undercoat, which provides world-renowned Mongolian cashmere.

The rare specialty fiber of cashmere is the livelihood of 75,000 herder families spread across a landlocked country about the size of Alaska on 1.6 million square kilometers of grasslands and deserts. Herders on horseback guide the goats to pasture and live by them in their *gers*, or small, round, felt-covered tents. Herdsmen are responsible for protecting the goats through the seasons, for breeding, and, by late March through June, combing the cashmere from them. Combing is defined as greasy cashmere. To make a man's sweater requires the combings from three full-size goats.



of Mongolian cashmere with quality standards for raw cashmere processors and for manufacturers of soft, durable sweaters, scarves, shawls, and blankets bearing the “Pure Mongolian Cashmere” trademark label.

What Makes Cashmere Special?

The uniqueness of cashmere is derived from the goat's undercoat fiber.

The success of the Mongolian cashmere industry depends on its herders to produce high-quality, purebred Mongolian goats. Leaders in the industry are determined to protect the uniqueness

The shortest fibers have the potential for very low micron counts. A micron is the measure of the fiber's diameter or fineness. The lower the micron, the finer (softer) the fiber.

(1 micron=1 millionth of a meter). Cashmere has the lowest micron counts among animal fibers— between 13.0 and 17.5, compared to mohair at 23-24 microns, and camel hair of 18.6 microns. (See Table I)

Fiber diameter, however, is only one factor of fine quality. International markets grade raw cashmere quality by color, tensile strength, and freedom from contamination, according to World Bank reports. There are also the insulating properties of cashmere to consider, which is up to eight times warmer than wool.

Fiber	Length (mm)	Diameter (microns)
1. Cashmere	38-43	13.0-17.5
2. Mohair	90-150	23-45
3. Camel hair	29.2-33.2	18.63
4. Vicuna	Too short	13-45
5. Yak hair	23.3-24.8	19-52

Source: Magnificent cashmere, Khishigjargal Ts. and Sedvanchig Ts.

Cashmere goats. Photos courtesy of D. Jigjidmaa. Used with permission.



The Cashmere Industry

The worldwide cashmere industry is comprised of 60% production from China, 30% from Mongolia, and the remainder from Afghanistan and Iran. China's provinces of Inner Mongolia and Hubei produce 80% of Chinese cashmere and 20% of the world's supply of raw cashmere, with advantages in access to international capital markets. King Deer and Erdos are two of the dominant brands, with the former producing 1,600 tons of raw de-haired cashmere, or two million cashmere sweaters, in 2001 and according to World Bank reports.

Mongolian Cashmere Industry

The cashmere industry is vital to the economy and people of Mongolia. The industry provides income and employment for over one third of its population of 2.6 million (36% are below the poverty line) with a total gross domestic product of US\$2.6 billion in 2006. Raw cashmere and cashmere products are Mongolia's third largest export. In fact, if all the raw cashmere in Mongolia was fully processed into finished goods, then exports would be

US\$206 million over the current US\$57 million (2004) and jobs in the processing industry would double to 7,000, according to a 2005 United States Agency for International Development (USAID) report.

There are 40 companies officially registered to produce cashmere in Mongolia. Fourteen of them produce finished garments and end goods. The remaining companies produce semi-finished products such as scoured cashmere, de-haired cashmere, and tops for export to China, Japan, Italy, the US, and the United Kingdom. There are also about 400 small companies, mainly knitting workshops of five to 10 people, throughout Mongolia, according to Mongolian cashmere industry expert Erdenetuya Namkhai.



Mongolian horseman. Photos courtesy of the Altansukh. Used with permission.

In Mongolia, Gobi Corp. is the long-time standard bearer of the country's cashmere industry. The company privatized earlier this year. "Gobi's privatization is good for the country. It used to be a cash cow for some high ranking officials. New owners will restructure the company in the ways of Western efficiency, productivity, and quality, and gain a reputation for Mongolian cashmere," says Jigjidmaa Dugeree,

business development advisor of the USAID-funded Economic Policy Reform and Competitiveness Project (EPRC).

The face of the Mongolian cashmere industry internally and in global markets will improve by raising industry standards, brought on by Gobi's privatization. "The company will bring a healthy competition to the industry because when it was run by the government, it was given loans with lower interest rates than others," said Dugeree.

The Search for Quality

Beginning in 1991, the Mongolian people transitioned from the Soviet-planned economy to a democratic-market-oriented system. The use of goats switched from meat to cashmere and resulted in an increase in quantity at the expense of purebred-quality goats. "In Mongolia, there is no policy on pure breeding of goats with finer cashmere. Herdsmen depend on the quantity of goats not the quality of goats," said Altantuya Altankhuu, manager, Gobi Corp.

In the late 1970s and early 1980s, Mongolia began the cross breeding of indigenous goats with Russia Don goats of inferior quality hair and fiber in certain provinces (aimags) of Mongolia to have higher cashmere yields. "Old goats, especially bucks, produce much coarser hair, so herders used to cull them, but now, because demand is strong, they tend to keep them. There should be a certain balance in herd populations between bucks and does, but this balance is now also lost because of the demand from the Chinese," said Dugeree. Past problems of cross breeding, underfeeding, and herds with older bucks caused the quality of the fiber to deteriorate.

Counterfeit Cashmere

The premium price of high quality, pure Mongolian cashmere brings with it the actions of unscrupulous traders. Herdsmen can sell direct to processors and manufacturers or through intermediaries or "change people" who can dictate prices. Moreover, "the cashmere supply is not regulated by the government, but by individuals.

So, there are problems in standards and quality of raw cashmere. "Unscrupulous traders will increase their quantities of raw cashmere by blending in synthetic fibers and hiding lots of coarse hair deep in the bags to make the measurements heavier. Also, the industry's use of polypropylene bags as cashmere containers damages the raw material in spinning, dyeing, and in machines when the bag threads slough off into the fibers. This is very poisonous and causes problems throughout the supply chain to the finished goods," says Altankhuu.

Pure Mongolian cashmere exported to China is further diluted with the participation of Chinese traders in the markets of raw and finished cashmere products. "Some of the Chinese will substitute some amount of cashmere in a garment with cheap fibers (Chinese native sheep wool, yak, or camel hair) and dishonest producers save money on inputs and gain more profits by selling falsely labeled cashmere garments as '100% cashmere made in Mongolia' —which may be made in Inner Mongolia, China," says Dugeree. Counterfeit cashmere from adulterated raw materials in the supply chain can result in mislabeled finished garments. "Many garments are labeled 'Mongolian Cashmere' that contain little or no Mongolian fiber and were not made in Mongolia," according to the Mongolian Fibermark Society website.

Mongolian government policies have attempted to protect the cashmere industry and instead have worsened the situation. "In 1997, the cashmere export ban ended with the accession to the World Trade Organization (WTO) and an export tax of 4,000 tugrugs (US\$3.63) per kilogram of raw cashmere was instituted. The country promised to abolish it in 2007; however, the Mongolian government asked the WTO to keep it for several years until 2012. The result is zero collection of the export tax due to corruption and bribery at the border (Mongolia ranks 99 out of 163 countries in the Transparency International Corruption Perceptions Index), while about one half of Mongolian cashmere is smuggled over the border to China," said Dugeree.

Regaining its Reputation

To increase quality over quantity, the Mongolian Cashmere industry must insulate premium pricing incentives by ending the export tax and administering a head tax per goat. It is also important to educate herders on breeding, classification systems, protection of kids in winter, and better veterinary services. The consequences would include an end to smuggling, increased tax revenue, and might promote a herder system of selling at auctions based on quality, according to a World Bank report. "The most important thing is to gain market access where cashmere products can be traded for more profit. As such, processors can offer premium prices for the best cashmere," said Dugeree.

The reversal of the deterioration of the pure Mongolian cashmere industry will occur with independent entities administering quality control programs. In the late 1970s and early 1980s, the Japanese helped Gobi establish Mongolia's first quality control system to recognize pure Mongolian cashmere in worldwide markets.

Gaining Markets

Currently, Mongolia is investing in an independent laboratory for testing finished garments instead of sending garments outside the country for testing. "The Gobi quality program was acceptable to its traditional markets of JCPenney in the US and P&C in Germany, but [the program] will not work with Mongolia's distinguishing strategy of upper-end Saks and Neiman Marcus cashmere markets of 10-50,000 pieces from the Chinese bulk markets," say Dugeree and Namkhai.

Every market has its own quality requirements: products sold at JCPenney's are different from those products sold at Saks or Neiman Marcus in terms of quality, design, and materials. Gobi's quality is acceptable for mid-markets, but to gain the upper markets, the company or the entire industry needs to improve quality further.

Though some Mongolian fiber is coarse, there is a large of supply of finer

cashmere for products in the upscale markets. Mongolia cannot compete with China in the markets where China is now dominating. The key strategy for the industry is to find niche upscale markets and promote the origin of cashmere, its purity, and its eco-friendliness. There is a great effort to distinguish Mongolia's pure cashmere and build the image of Mongolia as a country different from China, according to Dugeree.

Intertek Testing Inc., an independent testing laboratory, is writing a feasibility study with the industry in Mongolia. "Mongolia needs to see quality as a business to set up a laboratory here to enforce the 'Pure Mongolian Cashmere' trade mark label," said Fernando Bertoli, chief of party, Economic Policy Reform and Competitiveness Project.

Protecting the Brand

The Mongolian Fibermark Society is striving to become an international association of prominent cashmere companies from Mongolia, North America, the European Union, and Japan, with a vested interest in upholding the purity of Mongolian cashmere. As stated earlier, there are lots of counterfeit and mislabeled cashmere on the market. The Fibermark Society is making sure that Mongolian cashmere products are authentically labeled. This means that the consumer pays for the amount of cashmere actually in the garment, not for the amount stated on labels.

The Fibermark Society requires cashmere companies to meet strict testing standards in order to label their products as Pure Mongolian Cashmere. Testing services of companies such as Intertek are used for tests on purity, fineness, and coarse hair content. Licencee applicants submit fiber samples from their products



NY Mongolian cashmere promotion week, March 2007. Photos courtesy of D. Jigjidmaa. Used with

and the Society makes random purchases of cashmere garments at retailers. The Society is going to tighten current standards for labelling pure and blended cashmere garments.

Furthermore, the Fibermark Society conducted a testing trial with Intertek on the purity of Mongolian cashmere products and on ecological testing from five companies. All five companies passed these tests, which means all submitted samples were produced from 100% cashmere. Additionally, the companies are producing products using human- and environmentally-friendly dyes; the products do not contain heavy metals, carcinogens, or AZO dyes, and their formaldehyde and pH levels are in accordance with international standards.

The Future of Cashmere

There are many signs of growth and optimism for the Mongolian cashmere industry. Companies are investing in spinning, knitting, and dyeing capacities. Total worldwide cashmere exports in 2006 were up 41% over 2005 from US\$93, 255, 000 to US\$159, 300, 000. Moreover, market access is improving with companies participating in trade shows in Las Vegas and New York City.

EPRC and the Mongolia Fibermark Society organized the participation of four leading Mongolian cashmere companies in an international trade show. Representatives from these companies traveled to the US to exhibit cashmere products, bringing them into direct contact with brand holders and buyers. Following the trade show, EPRC retained industry insiders in the US, Europe, and Hong Kong to introduce samples of Mongolian cashmere garments to 80 retailers, distributors, and brand holders. During the third phase of the program, EPRC provided technical assistance to two cashmere producers to improve productivity and quality and assist the firms in meeting requirements for

design, quality, and timely delivery of orders. These activities contributed to more than US\$7.9 million in cashmere exports in 2007 and are projected to lead to approximately, US\$20 million in cashmere exports for 2008, according to EPRC's annual report to the USAID.

The Society and the Mongolian cashmere industry are upholding the premium status of cashmere through the improvement of quality; constant attention to what the market wants and requires; technical innovation; and adequate training of workers, managers, and machine operators. Independent testing, standards-making entities, privatization, targeted marketing, and herder education will all increase the quality and support of Mongolian cashmere. **A²**

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