

**AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE  
GOVERNMENT OF MONGOLIA  
FOR THE DONATION OF AGRICULTURAL COMMODITIES  
UNDER SECTION 416(b)**

The Commodity Credit Corporation of the United States Department of Agriculture (hereafter referred to as CCC), and the Ministry of External Relations, Government of Mongolia, (hereafter referred to as the Cooperating Sponsor), agree as follows:

**PART I - GENERAL PROVISIONS**

- A. This agreement is subject to the terms and conditions set forth in 7 CFR part 1499, except as may be specifically provided herein.
- B. CCC agrees to provide the Cooperating Sponsor the agricultural commodities and quantities thereof, specified in Part II, Item I (hereafter referred to as "the commodities") for assistance in Mongolia and, to the extent specifically included in Part II, Item II, pay ocean transportation and other costs associated with providing the commodities.
- C. The Cooperating Sponsor agrees to use the commodities only in accordance with this agreement and the approved Plan of Operation, Attachment A, attached hereto and made a part of this agreement, and shall not sell or barter the commodities except as specified in Attachment A or otherwise specifically agreed in writing by CCC.
- D. Except as may be authorized by CCC, all deliveries of the commodities provided under this agreement will be made within the supply period(s) specified in the commodity table in Part II, Item I.
- E. WORLD TRADE:

The two governments shall take maximum precautions to ensure that the donation of agricultural commodities pursuant to this agreement will not displace usual marketing of the exporting country in these commodities or disrupt world prices of agricultural commodities or normal patterns of commercial trade with other countries. In implementing this provision the Cooperating Sponsor shall:

1. Ensure that total commercial imports from the exporting country and other countries into the importing country paid for with the resources of the importing country will equal at least the quantities of agricultural commodities specified in the Usual Marketing Table set forth in Part II, Item III below, during each import period specified in the table and during each subsequent comparable period in which commodities provided under this agreement are being delivered; and

2. Take all measures to prevent the resale, diversion in transit, or transshipment to other countries, or the use for other than domestic purposes, of the agricultural commodities donated pursuant to this agreement (except where such resale, diversion in transit, transshipment or use is specifically approved by CCC); and

3. Take all possible measures to prevent the export of any commodity of either domestic or foreign origin, as defined in Part II, Item IV, Para B, during the export limitation period specified in Part II, Item IV, Para A (except as may be specified in Part II or where such export is otherwise specifically approved by CCC).

F. Availability:

This agreement is subject to the availability during each fiscal year to which this agreement applies, of the necessary agricultural commodities.

## PART II - PARTICULAR PROVISIONS

### ITEM I - COMMODITY TABLE

A. The agricultural commodities to be made available under this agreement are as follows:

Commodity	Supply Period (U.S. Fiscal Year)	Maximum Quantity (Metric tons)
Wheat	1999	15,000

B. The specifications of the commodities to be provided by CCC will be in accordance with the specifications in Attachment B, attached hereto and made part of this agreement.

### ITEM II - PAYMENT OF COSTS

The payment of all costs associated with the processing, packaging, transporting, handling, and other charges incurred in the distribution of the agricultural commodities will be apportioned as follows:

A. CCC shall donate the commodities without charge and pay the following costs after delivery to the Cooperating Sponsor: ocean transportation, maritime survey costs, and reasonable transportation incurred in moving the commodities from designated discharge Port(s) to the point(s) of initial discharge in Mongolia. CCC shall arrange for an independent cargo surveyor to attend the discharge of the cargo and prepare a report of its findings, showing the quantity and condition of the commodities discharged and the probable cause of damage noted. CCC will

provide the Cooperating Sponsor with the company name and address of the local representative of the firm contracted to perform any discharge survey. The Cooperating Sponsor, or its representative, will attend the discharge of the cargo and agrees to notify the Kansas City Commodity Office, Export Operations Division (KCCO/EOD), at (816) 926-6538 as soon as possible if the discharge survey company is not present during any portion of the cargo unloading or container destuffing.

B. The Cooperating Sponsor shall arrange for the following: ocean transportation and transportation, handling, storage, and distribution in Mongolia.

### ITEM III - USUAL MARKETING TABLE

Commodity	Import Period (U. S. Fiscal Year)	Usual Marketing Requirement (Metric tons)
Wheat	1999	0

### ITEM IV - EXPORT LIMITATIONS

#### A. EXPORT LIMITATION PERIOD:

The export limitation period shall be the U.S. fiscal year 1999 or any subsequent U.S. fiscal year during which the commodities donated under this agreement are being imported.

#### B. COMMODITIES TO WHICH EXPORT LIMITATIONS APPLY:

For the purpose of Part I, Para E(3), the commodities which may not be exported are: wheat, wheat flour, rolled wheat, semolina, farina, or bulgur (or the same products under different names).

### ITEM V - REPORTS

A. The cooperating sponsor shall submit the first semiannual report required by 7 C.F.R. section 1499.16(c)(1), and where applicable (c)(2), by May 16, 1999. Reports thereafter will cover each subsequent six- (6) month period until all commodities have been distributed in Mongolia or proceeds from the sale of commodities donated under this agreement are completely disbursed from the special account.

B. The Cooperating Sponsor shall submit a report no later than September 30, 2000, covering the supply period specified in Part II, Item I, containing: statistical data on imports by country of origin to meet the Usual Marketing Requirements specified in Part II, Item III; a statement of the measures taken to implement the provisions of Part I, Paras E(2) and (3); statistical data on

exports by country of destination of commodities the same as or like those imported under this agreement, as specified in Part II. Item IV.

C. All reports to CCC required to be made under this Item V shall be made to the Director, CCC, Program Support Division, FAS/USDA, 1400 Independence Avenue, S.W., Stop 1031, Washington, D.C. 20250-1031.

**Part III - Final Provisions**

A. This agreement shall enter into force upon signature.

In witness thereof, the respective representatives, duly authorized for the purpose, have signed the agreement. Done in Mongolia in duplicate.

For the Government of the  
United States of America

By: Thomas R. Carmichael Date: 2/26/99  
Thomas R. Carmichael  
Charge' d'Affaires a.i.  
U.S. Embassy, Mongolia

For the Government of  
Mongolia

By: N. Tuya Date: February 26, 1999  
N. Tuya  
Minister of External  
Relations

For the Government of the  
United States of America

By: Christopher E. Goldthwait Date: March 22, 1999  
Christopher E. Goldthwait  
General Sales Manager  
and Vice President  
Commodity Credit Corporation

**Attachment A  
Plan of Operation**

1. **Name and address of applicant:**  
Ministry of External Relations  
The Government of Mongolia

2. **Country of donation**

Mongolia

3. **Kind and Quantity of Commodities Requested**

Program	Commodity	Package size	Quantity (MT)
Monetization	Soft Red Winter Wheat	Bulk	15,000

4. **Delivery Schedule**

Commodities are requested to reach U.S. port by February 1999/ March 1999

5. **Program Description**

**(A) Activity Objectives**

The GOM will assist in improving the livelihood of herders and farmers by enhancing their ability to market products to urban centers. The project will be output-oriented with clearly stipulated performance benchmarks.

**(B) Method For Choosing Beneficiaries**

The beneficiaries will be rural farmers and herdsmen, mostly very small operators, who need improved means of marketing their produce, whether grain, vegetables, other kinds of crops, hides, cashmere and other kinds of animal hair, milk and milk products, etc. Almost all people in rural Mongolia (basically outside the main cities/towns of Ulaanbaatar, Erdenet and Darkhan) are below the United Nations poverty line and their annual cash income is \$400 per person or less. Thus, the real beneficiaries are the rural poor who need better means of marketing their products.

The GOM will consult with U.S. Embassy and target assistance to those areas

recommended by USAID's Rural Civil Society Program (RCSP). RCSP will begin operation in January 1999.

**(C) Program Administration**

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. Commodities will enter free of customs, duties or taxes.

**(D) Activity Budgets**

All costs for this program not covered by resources provided by the USDA will be borne by the GOM.

**(E) Recipient Agencies**

The most likely candidate to undertake USAID's Rural Civil Society Program will be Mercy Corps International. They will assist in identifying regions most in need of assistance.

**(F) Other Entities Involved in Program**

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

**(G) Method of Educating Consumers**

Recipients will be provided with information on the source of the commodities. GOM will promote the program through newspapers and television coverage and will privately and publicly recognize the United States for providing humanitarian assistance.

**(H) Criteria for Measuring Progress**

Assuming the wheat reaches Mongolia by the end of March 1999, monetization will take place in April- May and disbursement to projects will occur in May-September 1999.

**6. Use of Funds**

**(A) Quantity and Type of Commodities Sold or Distributed**

15,000 MT of wheat

**(B) Displacement or Interference with Sales**

Mongolia's wheat shortage for 1999 will be in the range of 90,000 to 100,000 MT. The donated commodity under this agreement will not displace or interfere with local production.

**(C) Estimated Amount of Sales Proceeds**

Commodity	Tonnage	Cost/MT	Total Estimated
Wheat	15,000 MT	\$100	\$1,500,000

**(D) Private Sector**

Private millers will submit proposals to the Ministry of Agriculture and Industry for the wheat. Actual sales will be determined by the ministry based on criteria such as local availability, storage, transport, capacity and price.

**(E) Use of Sales Proceeds**

The local currency proceeds will be used to co-finance a program of improvements to rural farm-to-market roads in key areas identified under USAID's Rural Civil Society Project (RCSP) that will begin operation in January, 1999. One of the major factors causing rural poverty is the poor condition of province-level (aimag) and district (soum) roads in rural areas. Transporting agricultural products to the market during the rainy season is unreliable because of the condition of the roads. Simple methods and new, much less costly techniques (for example, road surface sealants) can be used to stabilize road beds for light-to-moderate traffic use to transport livestock products, vegetables and root crops to marketing centers in a more reliable and timely fashion, thus improving rural incomes. Simple culverts and bridging techniques would also be used. The funds would be allocated and monitored by a working group with members from the Embassy/USAID, the Infrastructure Development Ministry, the External Relations Ministry and the World Bank, which is implementing a road rehabilitation program in Mongolia. The co-financing of road improvements with province and district governments would help support infrastructure improvements not now possible because of central government budget stringency. With few exceptions, the GOM cannot afford road improvement programs for other than main trunk roads, which is now being financed by external donors.

This farm-to-market program, properly targeted on important economic roads, would be instrumental in facilitating the marketing of agricultural and value-added animal products and opening up new areas for the commercialization of agriculture. The contractor teams will work in a number of fields: agricultural processing and marketing, development of new agro-based enterprises, technology for value added processing of crop and livestock products, veterinary and agricultural extension services (and the privatization thereof), strengthening local government capacities to support private agro-based enterprises,

public information, and other kinds of advisory services.

#### **(F) Receipt and Deposit of Sales Proceeds**

Proceeds generated from the sale of commodities (up to the equivalent of approximately \$1,500,000 of local currency) will be deposited into local currency accounts established for receipt of sales proceeds in coordination with the GOM. Recommendations for projects to finance will be submitted to the Embassy. A working group composed of Embassy, Agriculture Ministry, and External Relations Ministry representatives will make the final project selections.

### **7. Distribution Methods**

#### **(A) Transportation and Storage**

10,000 MT of wheat should be received by the Altan Taria company in Ulaanbaatar (capacity 64,000 MT). Altan Taria is served by railroads and has appropriate unloading and loading capacity for rail cars. There were excellent results previously in forwarding the wheat through the port of Vladivostock. The GOM would prefer to use Vladivostock rather than Tianjin because the Russian and Mongolian railways are the same gauge, eliminating the lengthy and costly change of carriages at the Chinese border. The remaining 5,000 MT of wheat will go to Dornod. Dornod is also on a rail line, therefore logistics will be fairly simple.

#### **(B) Reprocessing and/or Repackaging**

N/A

#### **(C) Logistics Plan**

Ministry of Agriculture officials will be responsible for the transportation of commodities from the point of initial discharge in Mongolia to grain elevators and other storage sites.

### **8. Duty Free Entry**

The GOM confirms that all commodities provided under this agreement will be imported into Mongolia free of all customs, duties and taxes.

### **9. Economic Impact**

Mongolia is a net importer of wheat. Official statistics show that the country consumes about 400,000 tons a year, of which about half is supplied by domestic production, e.g., in a good year, Mongolia must import to meet domestic consumption requirements.

Imports are in the form of flour, not wheat. Preliminary estimates predicted a harvest of 265,000 tons of wheat in 1998. The actual harvest was 190,000 tons, leaving a shortfall of 75,000 tons in the expected harvest (which would only have supplied just over half of Mongolia's needs). Taking into account imports of 48,000 tons in food aid shipments, including 24,000 tons from the U.S., there remains a shortfall of 27,000 tons. This additional 15,000 tons in food aid will help the GOM by reducing funds expended to import wheat and will therefore have a favorable impact on the country's terms of trade. The program will have no impact on the production of domestic farmers and will serve to keep flour mills in operation.

**Attachment B**  
**Commodity Specifications**

**Commodity**

Wheat

**Specifications**

1. Class: Soft Red Winter
2. Grade: no. 2 or better
3. Protein: ordinary
4. Moisture (max): 13.5%
5. Dockage: 1% or less

**Packaging**

Bulk