Coordinating Output Marketing, Input Supply and Agricultural Credit under Market Reform Conditions: Recent Experience in Mali

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Summary

1. Office du Niger

2. Cotton Sector and CMDT

3. ON and Cotton Reforms: outcomes, issues and lessons

4. Provisional conclusions
1. Reforms at the Office du Niger

- History of ON Reform
  - Diagnosis: 1978-1982
  - Early stages and partial reforms 1982-1984
  - Pilot projects and technical packages
- Cereals market reform - PRMC (1987)
- The crush of reforms of the 1990s
- Chain reactions in institutions
- Devaluation of the CFA Franc: January 1994
- The Master-Plan: 2004-2013

1. Global outcome of ON reforms

- Paddy yields: from 1,700 to 6,000 Kgs per ha between 1983 and 2001
- Total marketable paddy: from 40,000 to 260,000 tons between 1983 and 2001
- Share of farmers in added-value went up from 40% in 1990 to 62% in 2000
- Investment $300 million, o/w $200 from donors
- IRR: 30%
1. Office du Niger: impact

![Graph showing evolution of paddy yield](image)

1. Office du Niger: outcomes

1982-2001: more production/ha/pp, tripled population: natural + migration
1. Office du Niger: outcomes

1982-2001: Intensified cropping, sixfold jump of marketable surpluses

1. Market reform at ON: initial stages

- 1981: liberalization of rice imports while maintaining administrative control over domestic rice and keeping ON’s monopoly intact on paddy processing
- 1984: liberalization of paddy marketing on the small Mopti scheme, and small threshers allowed on ON
- 1986: launching of PRMC - Government liberalized the rice trade and markets and sustained that reform
1. Market reform at ON : PRMC

- A new strategy for the cereals sector, recognizing market incentives as the best way to spur economic growth and improve incomes in rural areas
  - liberalization of rice marketing at ON
  - dehullers allowed to enter
- Liberalizing prices and encouraging private trade in cereals (guarantees provided by PRMC to traders and VAs)
- OPAM’s monopoly abolished in 1986

1. PRMC : a staged approach

- Project transferred credit responsibility from ON to BNDA and stimulated private investment in farm infrastructure
- Credit used for equipment, oxen and fertilizers, with repayment rates of over 95%
- However, until 1991, ON’s farmers were still officially obliged to sell their paddy crop to the ON rice-mills
- Marketing taken out of ON’s mandate in 1994
- 1989 : establishment of a public information system on domestic rice prices
1. Rice policy in the context of PRMC

- Import regulation (through trial and error)
- Objective: stabilize consumer prices without depressing production
- In 1987, rice imports blocked because ON had difficulty marketing its rice
- Later, it allowed them again, but imposed duties and taxes
- Later, imports linked to an obligation to trade domestic rice, and then replacement of this linkage with a tax fluctuating with world market rice prices
- In 1990, government added to existing taxes and duties a special tax levied when imported rice reaches a reference price (*TCI*: *taxe conjoncturelle à l’importation*)

1. Performance of S&L Associations

<table>
<thead>
<tr>
<th>Year</th>
<th>Member deposits (CFA millions)</th>
<th>Loans (CFA millions)</th>
<th>Repayment rate (%)</th>
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</thead>
<tbody>
<tr>
<td>1996</td>
<td>135</td>
<td>1,929</td>
<td>93.8</td>
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<tr>
<td>1997</td>
<td>239</td>
<td>2,361</td>
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<tr>
<td>1998</td>
<td>300</td>
<td>2,362</td>
<td>97.0</td>
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<tr>
<td>1999</td>
<td>946</td>
<td>3,000</td>
<td>98.6</td>
</tr>
</tbody>
</table>
1. ON : outcomes for inputs and outputs markets

- Inputs procured by private sector/POs
- SEXAGON (PO) : 15,000 members
- Multiple providers (credit, inputs, equipment)
- Nearly all credit to farmers goes through 3 private sector savings and loans associations
- Paddy, rice and other products : 100% privately processed, stored and marketed
- Other services : CPS

1. Office du Niger : some priorities of the 10-year Master Plan

- Strengthen POs for better proficiency in input purchase and output marketing
- Facilitate increased private sector investment in further development of irrigation infrastructure, e.g., through devising mechanisms for availing long-term financing to potential private investors
- Continued support to improving access to markets to facilitate input purchase and output/product distribution, incl. crop diversification
2. Cotton Sector and CMDT

The Cotton Sector Crisis (1999-actual)
- Drop in world prices for lint combined with mismanagement of the cotton company, CMDT
- Heavy cash deficit and financial losses
- First set of measures: audits, strengthening controls, replacement of top management, preparation of structural reforms
- Farmers strike in 2000: production halved
- Creation of MRSC

The Cotton Sector Reform Program (2000-2001)
- National Forum on Cotton Sector (April 2001)
- Policy Letter (LPDSC), adopted in October 2001
- Privatizations: ginneries (OHVN/Kita) and Huicoma
- Objective: sector fully privatized and liberalized in 2005/06
- Structural Adjustment Credit ($75 million) to support implementation
2. Cotton sector: outcomes for inputs and outputs markets

- One cotton company: CMDT
- Input supply: involvement of POs, difficulties in 2002 (logistics, payments to suppliers)
- One credit institution: BNDA
- Output (lint): pressure to be more transparent and diversify marketing channels, but very difficult to monitor
- Sales of lint to national textile companies at subsidized price

2. Cotton sector: outcomes for inputs and outputs markets

- By-products: Huicoma to be privatized, but in one block
- Private monopoly to replace public monopoly?
- 7,000 tons of cotton seeds auctioned in 2002 by CMDT (out of 200,000 tons)
- Price of seeds ↗ (tripled in 4 years)
2. Cotton sector : next steps

- Privatization/liberalization scheme still being discussed
- Several private cotton companies operating (3-5)
- Exclusive purchase rights of seed cotton during transitory period (3 years), to avoid poaching (Ghana)
- Set up and build professional institutions (AIC) to define and enforce a regulatory framework for the sector
- Support by donors through a multi-year investment program (2004-2008)

3. ON and cotton reforms : outcomes, issues and lessons

- Outcomes :
  - ON : very successful
  - Cotton : still limited and uncertain

- Why ?
- Is integration (input-credit-output) so critical ?
- Political economy of the reforms
- Status quo : not really an option
4. Provisional conclusions

- Agreement on staged approaches (cf PRMC)
- Input supply and credit recovery: key functions
- Capacity to transfer these functions to set the pace of liberalization
- “Transition” to liberalization: need to set up institutions, rules
- Importance of continuing to strengthen POs
- Role of donors in helping build institutions and support capacity-building efforts (private sector, POs, public sector)

4. Template for support to POs

(Kampala Workshop with Input Suppliers and POs, June 2000)

Four pillars:
1. Capacity-building and technical support for POs
2. Market information and price discovery
3. Creation of an enabling environment
4. Access to working capital facilities
4. Remaining issues

- Securization of input credit: clearing house experience in Benin (CSPR)
- Do all countries need a CSPR?
- Product-market credit not a substitute for financial markets
- Exclusive geographical purchasing rights not a substitute for real competition in SC purchase (auctioning and deposit system)
- Create the enabling environment for services to develop - including for poorer and marginal farmers – without distorting markets and incentives