

# The Impact on Farmers of Cereals Market Reform in Mali

by

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## MAIN POINTS TO BE DISCUSSED

- Pre-reform marketing arrangements
- Benefits of the reforms to farmers
- Key factors contributing to the success of the reforms
- Conclusion and lessons learned

## Pre-reform marketing arrangements

- State monopoly over grain purchase and sale
- Official fixed prices
- No price differentials by quality and type of coarse grain
- Farmers forced to deliver grain to the national grain board

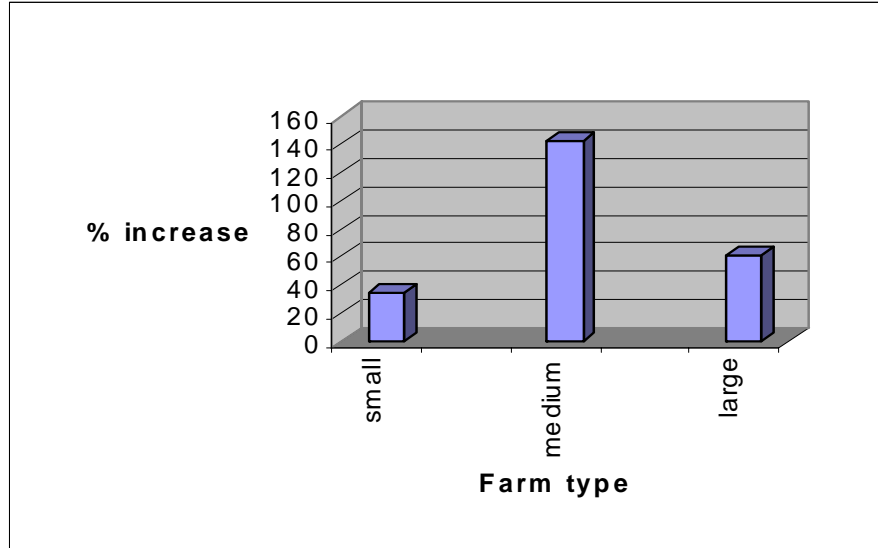
### Consequences

- Depressed producer prices
- Low productivity growth in the cereal sector
- Country turned from self sufficiency to dependency on food imports

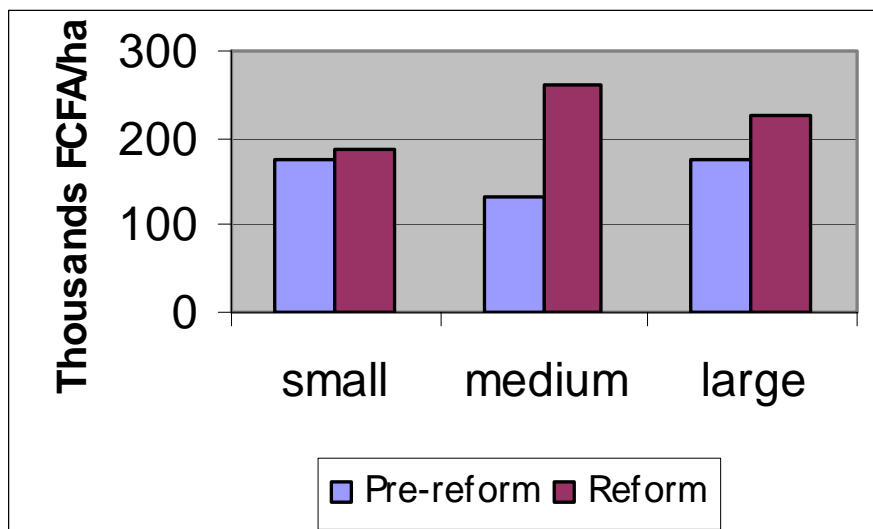
## Benefits of the reforms to farmers

### Examples of rice farmers

## 1. Increase in real returns to farm family labor



## 2. Increase in real return to land



## FACTORS EXPLAINING GAINS IN REAL RETURN

- **PRODUCTIVITY GAIN:**
  - Paddy yield went from 2.31 tons/ha in 1987/88 to 6 tons/ha in 1998/99
- **PRICE INCREASE DUE TO:**
  - Competitive delivery of marketing services to farmers
  - Greater marketing flexibility in terms of where, when, and under what form to sell their products
- **INCREASED TOTAL PRODUCTION**
  - Paddy production: 165,000 tons in 1980/81 to 840,000 tons in 2001/2002
  - Total cereals production: 1,6 million tons in 1987/88 to 2,8 millions in 2001/2002
- **RESUMPTION OF CEREALS EXPORTS IN NEIGHBORING COUNTRIES SINCE THE MID 1990'S**

## KEY FACTORS EXPLAINING THE SUCCESS OF THE REFORMS

- **PRAGMATIC AND COLLABORATIVE APPROACH:**
  - Issues settled through applied research, not on the basis of ideology
  - USAID and other donors funded on-going research on key empirical issues and used the results to modify the reforms over time
  - Availability of trained agriculturalist on staff in the USAID mission engaged in the intellectual discussion with other donors, the Malian government and the Malian and US research teams

- **USAID HELPED BUILT LOW COST EFFECTIVE MARKET INFORMATION SYSTEM WHICH:**

- Increases competition through diffusion of market information that facilitated the entry of new cereal traders in the marketing system
- Increases marketing flexibility for farmers who know where and when it is most profitable to market their products
- Reduces marketing cost through greater market transparency
- Integrates the national and west African cereal markets boasting Malian cereals exports by 50,000 tons in 2000

**SUCCESS OF THE MARKET INFORMATION SYSTEM DEPENDED ON USAID FUNDING:**

- Development of national technical expertise to produce accurate demand driven information
- Low cost information technology to improve the timeliness of the information generated
- Institutional evolution of the system to improve its responsiveness to changing users needs and to increase the financial sustainability of its operation

- **SHORT AND LONG-TERM TRAINING IN POLICY ANALYSIS**

- USAID invested in training in policy analysis tied to on-going research through US universities
- Malians benefited from technical assistance on study design and analysis techniques from US colleagues
- Training process led to the development of national analytic capacity within Malian institutions ( such as Market Information System and National Agricultural Research Institute )

## **CONCLUSION AND LESSONS LEARNED**

- Market reforms need to be seen as an on-going process, not a one time event
- Need to build market institutions to improve marketing efficiency over time after completing the sectoral adjustment
- Adopt pragmatic and collaborative approach to facilitate learning by doing and to manage political risks
- Success depends more on the quality of the input going into the reform process, rather than on the quantity of funds
- Strong political commitment to the reforms