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 others 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 responsivity 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