World Food Crisis and Policy Response in Mali

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The Issue

- Soaring prices and export bans by Asian and West African exporters are driving many countries, including Mali, away from market- & trade-based food security policies.

- This policy reversal raises serious questions about the cost of achieving food security in Mali and West Africa.
The context: higher prices

Coarse Grains  Wholesale Prices  Rice

Feb 2009 price = 150 FCFA/kg
Feb 2009 price = 330 FCFA/kg

Source: Observatoire du Marché Agricole

Policy responses for Mali

- Price-reducing strategies
  - Import tax exemptions
  - Export bans for coarse grains
  - Cereals banks
  - Sales at below-market prices by OPAM

- Initiative Riz
  - Input subsidies (fertilizer and seeds)
  - New hires of extension staff
  - Subsidized farm equipment
  - Marketing fund for OPAM

- Usual safety-net programs – NGOs, WFP
Impact of the Policy Responses- Example of Trade Policies

- Import tax exemptions
  - Limits on effectiveness in lowering prices
  - Reduces government revenues
  - No impact on poverty alleviation (World Bank study)

Export restrictions

- Changes in grain trade volume (2007/08):
  - Mali (Nara) → Mauritania*  -38%
  - Mali (Sikasso) → Côte d’Ivoire  -27%
  - Mali (Sikasso) → Niger (maize)  +174%
  - Mali (Sikasso) → Senegal (maize)  +221%
  - Burkina (Kantchari) → Niger  +30%

* Prices in Mauritania fell due to subsidies on wheat products and rice from overseas.
Export bans: Like a badly designed & implemented export tax

- Push production from low-cost to high-cost regions
- Raise transaction costs of trade
- Cost unpredictable to traders
- “Tax” flows into private pockets rather than public coffers

Initiative Riz

- Paradox: High rice prices despite reportedly record production
- Controversy over pricing & availability among:
  - consumers
  - traders
  - farmers
  - and their allies

Source: Primature
De facto policy shifts induced by the crisis

Direct state involvement in marketing
- OPAM
- Price fixing

☐ Large-scale input subsidies

☐ Tighter controls on regional and international trade

Need for New Policy Approaches

☐ Current shifts are policies “déjà vues”

☐ Global financial crisis → Skepticism regarding markets & globalization

☐ Therefore, need evidence-based policy alternatives
Addressing policy reversals

- *Strengthening Mali’s Capacity to Implement Food Security Policy* project with MSU
  - Evaluate empirically market-based alternatives to cereal banks and intervention stocks in rice
  - Strengthening CSA capacity for policy analysis
  - Strengthening IPR’s capacity to train the next generation of policy analysts
  - Empirical studies on evolution of marketing system and farmers’ marketing strategies