



**Workshop on Input Use and Market Development
for African Smallholders**

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

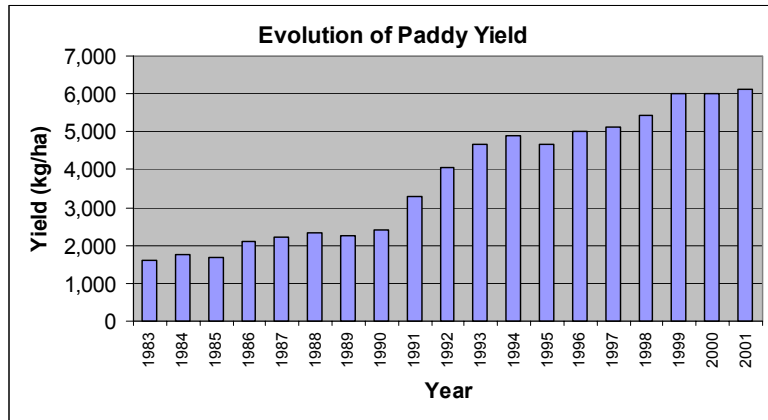


1. Global outcome of ON reforms

- 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%

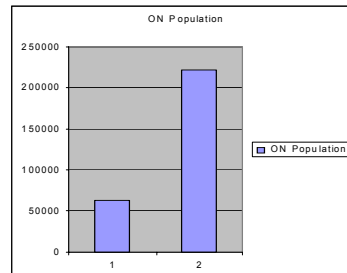
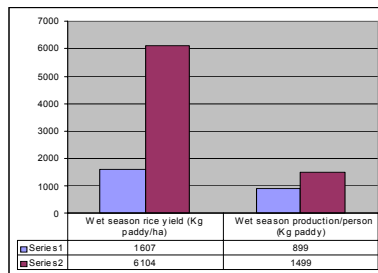


1. Office du Niger : impact



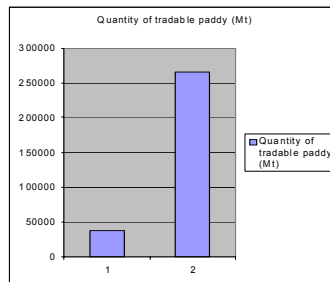
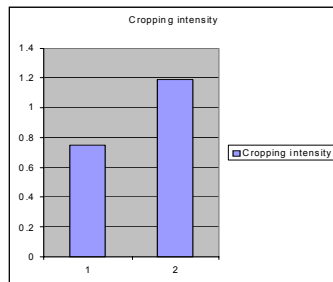
1. Office du Niger : outcomes

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

Year	Member deposits (CFA millions)	Loans (CFA millions)	Repayment rate (%)
1996	135	1,929	93.8
1997	239	2,361	95.0
1998	300	2,362	97.0
1999	946	3,000	98.6



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



2. Cotton Sector and CMDT

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