

VALUE CHAIN BRIEFER

FEBRUARY 2012

PERSPECTIVES ON THE BUSINESS ENABLING ENVIRONMENT FOR ONE SUBSECTOR



LIVESTOCK IN MALI

THE BUSINESS ENABLING ENVIRONMENT FOR LIVESTOCK

Livestock are of key economic and social importance to Mali at both the household and national levels. Livestock production accounts for approximately 30 percent of Mali's agricultural GDP, and around 85 percent of Mali's agricultural households own some form of ruminant. The combination of low-cost animals reared on extensive rangelands and cheap cotton seed cake contributes much towards the competitive advantage of the Malian livestock sector. The Government of Mali (GoM) has the potential to transform the export sector and become a regional supplier of meat and animal by-products. However appropriate policy reforms are needed to increase investment in production and processing, increase interaction between stakeholders throughout the value chain, reduce transaction costs and road harassment in trade, and improve animal health delivery services.

Although there may be opportunities for investment in both meat and dairy subsectors, such investment is unlikely to occur in a business environment that is so completely based upon trust and which avoids the use of conventional contractual and dispute resolution mechanisms. The existing structure and conduct of livestock markets may be appropriate to low output pastoral production, but is a fundamental constraint to growth, which will require the adoption of more rigorous formal business procedures and linkages if it is to occur.

Not only do the structure and conduct of the market work against investment, but GoM interventions, especially with regard to the indirect control of meat prices and the intermittent and unpredictable restrictions on livestock exports, do little to promote investor confidence.

In both meat and dairy subsectors, industry development is constrained by the poor degree of vertical integration among stakeholders.

Current policies of local authorities, although favorable to consumers (and butchers), mitigate against wealth creation amongst livestock producers and effectively reduce GDP. This may be deemed socially acceptable but does nothing to enhance subsectoral growth.

In both meat and dairy subsectors, industry development is constrained by the poor degree of vertical integration among stakeholders. Small milk producer cooperatives lack access to wider markets for dairy products, while meat producers receive little or no benefit from either quality premiums or fluctuations in the price of meat.

Oversight of this geographically dispersed subsector is also particularly weak, leading to high rates of disease and cattle theft. This is also evident in the extent to which illegally slaughtered meat is widely sold and in the trade in unregistered vaccines and drugs. Producers have limited faith in the police or the courts to provide redress.

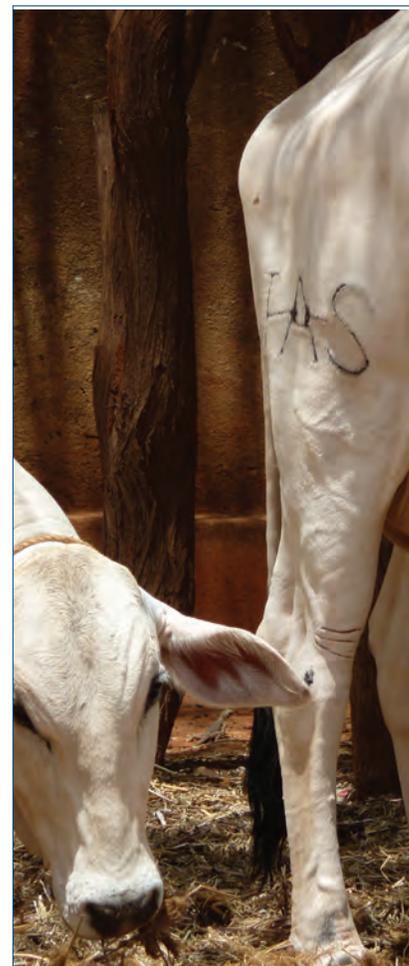
Finally, the fundamental basis of the subsector – access to grazing – is uncertain. Land tenure rights of pastoralists have yet to be properly defined so that constant encroachment by farmers continues to erode the key element of production upon which the subsector's comparative advantage depends.

KEY VcCLIR RECOMMENDATIONS

A comprehensive Mali VcCLIR analysis, complete with prioritized recommendations for reform, will be made publically available in January 2012. The following is an illustrative list of VcCLIR recommended actions that promise to improve the business climate for firms in the livestock industry:

- **Discontinue market regulation of both meat prices and export volumes.** More than any other GoM policies, the combination of price negotiation (i.e. price-setting) and occasional export restriction distorts the market for meat, severely limits growth in the industry and incomes along the value chain, and creates a disincentive for investment in more intensive livestock production.
- **Facilitate investment in high-quality meat production, including slaughtering and processing.** While this recommendation would find a small initial market domestically and for export, it could be developed in parallel with lower-value meat sales. Facilitation of such investment is unlikely to occur unless the export market for meat is liberalized and vertical integration is promoted:
 - Linking commercially-minded producers directly with individual investors, developing a feedlot industry and removing brokers from the marketing chain for higher quality meat.
 - Development of a private sector-focused forum to promote interaction along the value chain.
 - Exploit the opportunity created by increased local slaughter to develop a leather and hides industry.

- **Increase support to the DNSV (Veterinary Public Health and Inspection Agency).** While access to vaccines is not itself an issue, logistical and manpower constraints severely restrict the capacity of the DNSV to control a number of severe animal diseases. Until such time as these diseases can be effectively controlled, productivity will be reduced and access to export markets for meat will be restricted. Support in the training of veterinary and para-veterinary staff, and in the provision of technical and logistical equipment, would help to improve the health status of the national herd.
- **Enabling border crossing procedures for live animals with neighboring countries,** including bilateral efforts between Mali and its neighbors, such as Senegal, which imposes a value-added tax on Malian cattle imports in contravention to ECOWAS trade agreements.
- **Develop and commercialize dairy producers associations to catalyze investment in the dairy sector.** Increased productivity through improved genetics and feed quality and processing (pasteurization and eventually UHT milk production) would find a ready market through import substitution. However, meeting domestic market demand will require improved commercial linkages between producers, aggregators, small-scale pasteurizing facilities, and larger industrial dairy processors.
- **Promote the use of moveable assets as collateral.** A pilot program could identify the key risks to participants, such as misinformation of claimed assets and potential for repossession, and seek ways to leverage existing mechanisms for gathering and compiling borrower information, such as the wealth of knowledge about transacting parties that exists among livestock brokers.



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