

VALUE CHAIN BRIEFER

FEBRUARY 2012

PERSPECTIVES ON THE BUSINESS ENABLING ENVIRONMENT FOR ONE SUBSECTOR



MILLET AND SORGHUM IN MALI

THE BUSINESS ENABLING ENVIRONMENT FOR MILLET AND SORGHUM

Millet and sorghum, when taken together, remain the most widely consumed cereals in Mali, particularly in rural areas and among low-income Malians. Despite this, however, production and yield growth in recent years have been low, increasing much more modestly than rice and maize, largely as a result of embryonic commercial processing. The Malian government has launched cereal production objectives that involve continued increases in the absolute amount of millet/sorghum production. However, because the sector is so subsistence-based, 'commercializing' production will require a number of policy and institutional reforms, such as removing the barriers to the utilization of improved seed varieties and developing export markets for both processed and unprocessed grain.

Policy uncertainty and downward pressure on prices for domestic consumers have created a major disincentive to investment in the commercialization of the millet/sorghum subsectors. Little development of the subsector will occur until demand is strong enough to elevate prices and the Government of Mali (GoM) is willing to allow this to happen. The commercial development of the subsector suffers from other constraints, including the limited availability of improved seed, inconsistent quality of agrochemicals, limited extension capacity, limited availability of finance among both growers and traders and lack of storage capacity. In addition, ongoing uncertainty over export authorizations stemming in part from GoM policy and in part from corruption within local authorities is a substantial disincentive to traders wishing to export and indeed to the market overall.

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The availability of inputs for commercial production is limited. In particular, the quality of agrochemicals available to improve yields is compromised by a lack of enforcement of standards and labelling procedures, while the availability of improved seeds is restricted by inadequate certification capacity and lengthy seed production procedures. The social stigma often associated with the purchase of seed may inhibit traditional growers but is unlikely to be a barrier to commercial production.

Because millet and sorghum are produced mainly by smallholders and are rarely commercial crops, it is difficult for growers to access credit unless it could be made available against a contract or on another more innovative basis. The same holds true for traders and processors who have expressed difficulties in accessing the finance necessary to purchase the crop in economic volumes. The neutral attitude of the GoM to the development of millet and sorghum has not helped the commercialization process, especially when compared with *Initiative Riz*. There is a lack of extension capacity for these crops, and there is limited interest on the part of the government in public-private partnerships, such as a case in which local authorities might organise growers and collaborate with private sector processors to provide the necessary extension and grower management.

Quality standards are poorly defined and enforced, leading to confusion and opacity within the market. This usually works to the detriment of producers, but also contributes to an overall failure in terms of price signals and the efficient use of productive resources. The strong reliance upon trust-based market transactions limits the potential markets for each buyer and seller, effectively segmenting the value chain and reducing its efficiency.

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 millet and sorghum industry:

- **Liberalize the domestic and export markets for grains and flours to enhance commercial development and increased production.** The restrictive policy of GoM regarding domestic prices of cereals constrains the development of a viable commercial subsector. The export market is similarly constrained by intermittent and unpredictable restrictions on the export of grains.
- **Increase clarity and ultimately reduce GoM intervention in input markets.** The lack of predictability in GoM interventions in the price of inputs for millet and sorghum currently generates uncertainty and may well reduce rather than increase subsector productivity. A clearer non-interventionist position would allow farmers to allocate their resources most efficiently between food security and cash crop production. On the other hand, increased emphasis on the enforcement of standards and labelling for agrochemicals, the development of accreditation standards and procedures for seed certification, and the development of a second tier of quality declared seed, would all help to overcome input constraints to production.

- **Increase the availability of finance for grain traders.** Stimulation of the commercial subsector is constrained by a lack of finance especially amongst traders. Increased competition between traders with more liquidity would benefit both growers and consumers, since it would substantially reduce annual price fluctuations. Increased emphasis upon the development of large-volume storage capacity and the consequent use of stored grains as collateral (for both traders and producers) is one way in which credit facilities could be made more accessible to the subsector.
- **Reduce transaction costs between producer and consumers by increasing vertical integration within the subsector.** One key aspect that would increase subsector efficiency is the coordination of grain production to achieve the consistency of volume and quality necessary to be attractive to large-volume traders and processors. The direct payment of quality and volume premiums to growers within a vertically integrated product supply scheme (developed either on an out-grower basis or through contract farming) would result in improvements in quality and volume. This could be achieved through a public-private partnership in which government would coordinate growers in terms of inputs, extension and production, while the private sector would address the issues of industrial processing and marketing.
- **Facilitate regional export opportunities** through improved maintenance of major trunk and long distance feeder roads, and information and export promotion centers in markets. The DNCC's export promotion unit should be given free rein to promote all competitive exports without regard for current trade policy, and should monitor unmet export demand for Malian products, including all cereals.
- **Improve access to better quality seeds** by developing Quality Declared Seed and strengthening the capacity of private and SSN certification agencies to certify seeds for quality, purity, and variety in a transparent manner.



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