MALI
MAFAP POLICY BRIEF #6
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MAFAP SPAAA
Monitoring African Food and Agricultural Policies

Aligning policies to boost rice production and exports in Mali

Main Findings and Recommendations

Although several policies - notably input subsidies - aim at promoting rice production in Mali, producers receive prices that are lower than international reference prices. MAFAP analysis suggests that the following measures would improve production incentives for producers:

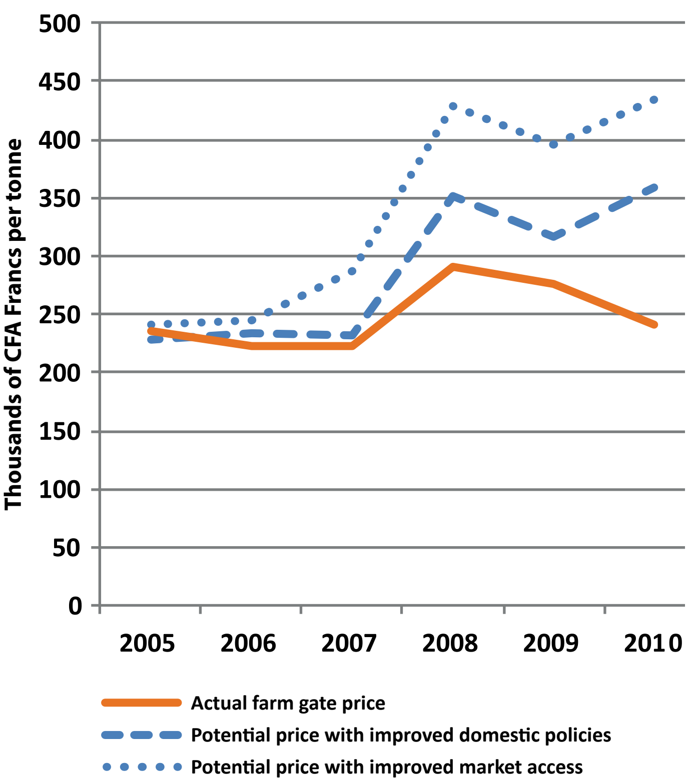
- ensuring that short-term policies aimed at keeping prices affordable for consumers do not contradict long-term policies aimed at boosting production;
- defining policy objectives more clearly and communicating them to producers and consumers in a transparent way;
- improving infrastructure to lower transport costs, especially between the farm-gate and wholesale markets;
- eliminating illicit costs; and
- providing regular and transparent price information to consumers and producers.

SUMMARY

The government's objective of making Mali a net exporter of rice is hampered by policies which keep producers' prices lower than what they could be. MAFAP analysis reveals that policies aimed at boosting production, mainly input subsidies, did not lead to higher prices for producers. Farmers did not benefit from the rise in international rice prices, as domestic prices declined from 2008 onwards (Figure 1). This is because policies designed to keep consumer prices low during the global food price crisis also kept prices low for producers. The effect of these consumer oriented policies counteracted the effects of policies aimed at boosting production. Low prices made it difficult for producers to make the investments necessary to increase rice production in the medium-term.

Enhancing policy coherence and implementing policies to boost long-term domestic production would help producers receive higher prices. Prices would rise even more if access to markets was improved and the issue of illicit costs addressed.

Figure 1: Price of rice in Mali at the farm gate level (in CFA Francs/ton), 2005-2010



INTRODUCTION

Rice is the main cereal produced in Mali and is important for food security. The government aims at increasing producers' incomes and keeping the price of rice affordable for urban consumers. Moreover, the government aims at making Mali a major regional producer and exporter of rice.

The government's Rice Initiative, consisting mainly of input subsidies, was launched in 2008 to boost rice production. Concurrently, policies to lower prices for consumers were implemented during the food crisis in 2008 and 2009, and extended into 2010.

KEY ISSUES

Policies to support consumers and producers should be better aligned to make sure they do not cancel out each other's benefits

On one hand, the government seeks to boost rice production through input subsidies and irrigation projects. On the other hand, it seeks to keep consumer prices low through trade and price policies.

These two simultaneous objectives do not seem to have been fully attained. Consumer prices did not substantially decrease because the small number of importers were able to maintain control over prices. Producer prices decreased despite increasing international prices. Low prices for producers are a medium and long-term disincentive for agricultural production. Low producer prices could ultimately counteract the beneficial effects of input subsidies on production.

A large share of public expenditure has gone to input subsidies (seeds and fertilizers) and irrigation projects to boost rice production. These efforts may be undermined if producers do not receive appropriate prices. A successful strategy for increasing rice production would need to carefully balance consumer and producer oriented policies.

Improving transport and market infrastructure and reducing illicit costs along transport routes would lead to higher producer prices

Rice producers would receive higher prices if transport, handling and storage costs between the farm gate and wholesale markets were reduced. Addressing illicit costs and bribery along transport routes, and reducing traders' excessive margins, would also benefit producers and make the value chain more effective.

Defining a suitable exchange rate would increase producers' prices

MAFAP analysis suggests that the overvalued exchange rate between the CFA Franc and the US Dollar protected consumers, especially during the food price crisis. However, without the overvalued exchange rate, the price of imported rice would be higher and producers' prices would increase. This would provide domestic producers with better incomes and more production incentives.

Rice is Mali's main cereal in terms of production volume and is important for food security. The government aims at increasing producers' incomes and keeping its price affordable for urban consumers. (Photo: ©FAO/ A. Benedetti)

Further Reading

MAFAP Technical Note on Rice in Mali (2012) by Balié, J. et al.
Available at: http://www.fao.org/mafap

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This note was prepared by the Monitoring African Food and Agricultural Policies (MAFAP) team at FAO and at the Institut d'Économie Rurale (IER). MAFAP is implemented by FAO in collaboration with the OECD and the financial participation of the Bill and Melinda Gates Foundation (BMGF) and USAID. MAFAP supports decision-makers at national, regional and pan-African levels by systematically monitoring and analyzing food and agricultural policies in African countries.