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EVOLUTION OF CEREALS POLICIES

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EVOLUTION OF CEREALS POLICIES

Summary of CILSS and Club du Sahel
activities and proposals for
their work programme

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INTRODUCTION

At the second Club du Sahel Conference (Ottawa 1977) the Secretariats of CILSS and of Club du Sahel presented a regional food strategy for the Sahel. The strategy, which has been constantly revised since 1977, shows that there is considerable potential in the CILSS countries to increase agricultural production and to attain greater food security. If certain conditions can be met, this potential can be developed.

The regional strategy must be complemented by national food strategies. Some of these are actually in preparation or in an early stage of implementation (1). Cereals policy plays a major role among the conditions essential to the success of the regional and the national food strategies.

CILSS and Club du Sahel have been pioneers in organizing a permanent dialogue on cereals policy between the national authorities of CILSS countries and representatives of donor agencies. The present note retraces the main stages in the dialogue, evokes the evolution of cereals policy in the Sahel, and the support given by donors in favour of policy reform. It also raises some questions about the actions to be taken to further improve the cereals policy in Sahel countries.

(1) See: Elaboration of Food Strategy for Mali (Republic of Mali, CILSS, Club du Sahel) July 1982, prepared by the Malian authorities, in cooperation with US-AID and France.

I. AN IMPORTANT STAGE IN THE REFLECTION ON CEREALS POLICY:
THE NOUAKCHOTT COLLOQUY

The Nouakchott Colloquy held in 1979 provided an opportunity for Sahelian and foreign specialists to exchange views on cereals policy (1).

The recommendations made at the Nouakchott Colloquy showed that the specialists understood that a cereals policy is a complex system of interlinked components (production, marketing, distribution, consumption, storage and information), and that it is impossible to act on one component without affecting others. The interaction and the need for balance between the different components explain the difficulty of drawing up and conducting an appropriate cereals policy.

The recommendations of Nouakchott were largely adopted by the CILSS Council of Ministers in 1980. Given their relevance to improved cereals policy, they are briefly summarized below.

1. Production and purchase of cereals

The Nouakchott Colloquy agreed that the first objective of a cereals policy should be to increase production. Since this is entirely up to the farmer, the latter should be motivated to increase his production and to market a part of it. The purchase price plays an important role in the farmer's decisions.

In those countries where official producer prices are set, the decision-makers must take into account all available data on; cost prices, reasonable farmer's incomes levels, relations between cereals prices and those of export crops, the market situation, etc... The purchase price must be announced before planting.

However, the manipulation of purchase prices without adequate precautions could cause over-exploited soils, whereas soil fertility must be preserved.

(1) See: "Cereals Policy in the Sahel countries". Proceedings of the Nouakchott Colloquy - 2nd/6th July 1979, and "Marketing, Price Policy and Storage Food Grains in the Sahel" CILSS/Club du Sahel, August 1977.

To maintain soil fertility, production must be re-organised not only by introducing new and appropriate farming systems, but also by accelerating their introduction by subsidizing certain factors of production (fertilizers, pesticides, agricultural equipment) at least during an interim phase. Subsidies must progressively be replaced by an efficient agricultural credit system.

The Nouakchott Colloquy underlined that other measures are also required to achieve production growth:

- a guarantee to purchase cereals offered for sale by farmers;
- start the marketing campaign as soon as offers to sell cereals are made by farmers.

As regards structures, the Colloquy considered that primary marketing through producer associations (village associations, cooperatives) must be encouraged. It recommended that each marketing agent (national grain agencies, producer associations and private traders) should be encouraged to play its role in primary marketing.

2. Cereals distribution and processing

Concerning intermediate costs between producers and consumers, the Colloquy agreed that they would be lower if national cereals agencies were well managed and, if competition existed between various marketing circuits. Participants noted the social benefits of annual price stabilization and thought that cereals agencies were concerned in this.

Two types of intervention were discussed in relation to the achievement of balance between supply and urban demand:

- small scale and industrial processing of agricultural products to make them suitable for the needs of urban consumers (flour, semolina, couscous, etc...)
- the protection of regional cereals production through taxation of imported cereals, using the revenues to encourage local production, price stabilization, etc...

Food aid

The experts present at Nouakchott recognised that marketing problems are often caused by food aid. Although food aid provides a partial solution to immediate supply problems, it has some very negative aspects:

- it modifies consumption patterns, with the attendant risk of increasing dependence on foreign production jeopardizing the food self-sufficiency objective;
- it creates a "welfare" mentality and does not favor cereals production;
- it disturbs traditional circuits and projects in execution, and discourages producers.

The Colloquy accordingly recommended:

- that free distribution of food aid should be stopped, except for the most vulnerable groups and in case of emergency;
- that productive investments should be financed out of food aid counterpart funds and that "food for work" type projects should be promoted.

3. Cereals Storage

The Nouakchott Colloquy accepted the forecast that at the turn of the century over 80% of cereals would still be produced under rainfed agriculture and therefore, cereals production would still be vulnerable to climatic conditions. This makes a policy of annual and inter-annual storage necessary.

Studies show that on-farm storage causes little loss and is cheap. On-farm storage allowing farmers to build up family reserves and to ensure their own self-sufficiency, should be encouraged.

It was agreed that on-farm storage should be complemented by adequate storage capacities at all stages of the cereals circuit to regulate the markets and to ensure food security in case of emergency.

The stocks should be managed rigourously and maintained continuously, (periodically renewed, systematically treated, etc...)

4. Development of regional trade in cereals

The Colloquy thought that a number of problems could be better solved in a regional context and that regional trade could contribute to increased food security.

It recommended the following actions on the regional level:

- improvement of information on trade between countries;
- harmonisation of price policies so as to facilitate the integration of the agricultural economy;
- concertation between national grain agencies;
- standardisation of products.

In relation to food aid, the Colloquy further recommended that donors should give priority to the purchase and transfer of cereals produced in the region.

II. A SECOND STAGE IN THE REFLECTION ON CEREALS POLICY: THE JOINT CILSS AND CLUB DU SAHEL "RESTRICTED COMMITTEE".

In order to pursue the process started in Nouakchott, the Secretariats of CILSS and Club decided to set-up a "restricted committee" with the task of defining and conducting studies on specific aspects of cereals policy, and to continue the dialogue on this policy between sahelian and foreign experts. To summarize the work they have done as clearly as possible, the description below follows the same headings as those used for the Nouakchott Colloquy.

1. Production and purchase of cereals

The "Restricted Committee" provided guidance on the execution of the

programme-overviews of irrigated and rainfed agriculture in each CILSS country (1).

It noted that very little progress had been made in these sectors. It identified the main reasons for the lagging growth of production and productivity. In this way it has helped the Sahel countries and the donor agencies to become aware of the cereals policy gaps holding up significant progress.

The Committee has frequently given attention to the role of cereals purchase prices in promoting production and productivity. It has in particular observed that:

- despite the existence of cereals agencies in almost all CILSS countries and the establishment of official price policies, cereals marketing and its essential component from the producer's point of view, the purchase price, remains largely governed by the laws of supply and demand. As a result the question was raised if it would not be better to try to influence the supply and demand of cereals directly.
- production remains low because farmers have little incentive to produce and sell at actual market prices, undergoing major fluctuations and providing too low returns to labor;
- especially in urban areas, demand is subjected to significant fluctuations in part due to cereals imports (which may or may not be substituted for traditional cereals) financed commercially or granted by aid programmes. These imports progressively alter consumption patterns and reduce the size of the urban market, which is a solvent market that could provide increasing demand for locally produced cereals;
- given current cereals purchase prices and prices of modern production factors (fertilizers, pesticides, agricultural equipment, etc), it is not always in the farmer's interest to employ the

(1) See in particular: Synthesis of irrigated agriculture (D(80)75 April 1980) and Synthesis of rainfed agriculture (D(83)221, July 1983).

more efficient farming systems available, even if these systems were technically superior which seems not always to be the case.

For the last few years most of the CILSS countries have substantially increased official purchase prices for local cereals. However, the policy of official prices, which is not necessarily applied or only to a small part of the marketable surplus, does not automatically result in the growth of cereal production and productivity. The purchase price of local cereals, moreover, is only one component of a cereals policy. The "Restricted Committee" has shown that a global policy should take into account the relations between prices of locally produced cereals, those of cash crops, those of exported and imported cereals and prices of inputs. Without arriving at a final conclusion, it also discussed what the respective roles of the market and the state should be for such a global policy to be successful.

The "Restricted Committee" has not examined thoroughly yet all the issues related to subsidization of cereals prices for consumers, and for producers and input subsidies. The Sahel countries all practice subsidy policies which burden their budget heavily. Taking into account the objectives of the regional food strategy and of the national food strategies as well as the financial constraints, these subsidy policies will be further studied in the future.

2.Cereals distribution and processing

Besides prices, marketing represents another link in the chain constituted by a global cereals policy.

The analysis of the "Restricted Committee" confirms the finding of the Nouakchott Colloquy that the national grain agencies have failed in the role the governments had wanted them to play. They have become more and more cumbersome and bureaucratic. Provided with restricted budgets, the grain agencies procured the necessary funds to permit their operating by becoming food aid distributors. Although, they purchase a certain volume of locally grown cereals, they have neither adequate storage capacity nor such transport facilities as necessary for movement of grain from surplus to deficit regions. In no case, have they been able to become efficient in the purchase and storage of food-crops or in supporting local production.

Private traders have continued to control most of the cereals marketing. Producers and consumers in the Sahel are governed by the law of a market which, in the Sahel, is subject to many restrictions due to little or no competition, the multiple roles practised by traders, transport problems, government interventions and many other factors.

The efforts made by governments to reform or to eliminate the grain agencies, and the attempts made by donors in support of these efforts has been discussed by the "Restricted Committee", which conclusions may be summarized as follows:

- neither a public nor a private marketing monopoly would be favourable to the well functioning of the cereals market. This had already been observed by the Nouakchott Colloquy, recommending the participation of all qualified agents;
- the farmers will not increase production without a purchase guarantee or an attractive price. But what should be the state's role and what the market's role in this regard? Some members said that because the regional market is and for the time being, will remain deficit there is considerable potential for expansion should cereals policy be favourable to production. Other members said that the government should act as arbiter intervening to meet the needs of deficit areas and those of the most vulnerable groups, pursuing a price support and stabilization policy. The general consensus was that the role of the state should be rather limited and founded on accurate information on market performance, adequately managed transport facilities, national storage capacities proportional to the volumes of cereals marketed, improved private storage systems (traders and producers), coherent cereals policy and sound investment compatible with management and maintenance capacities. In the light of what can be seen elsewhere in the world, the Committee emphasized that a cereals policy favourable to both producers and consumers would be rather expensive, and raised the question whether donors would be willing to share the costs.

The "Restricted Committee" stressed that attempts must be made to arrive at industrial or small scale processing of traditional cereals into finished products which are more easily accepted by urban consumers and may be substituted for imported cereal products. As a result, several studies have been made on processing of traditional cereals:

- a study of the urban market for local cereals and their derivatives which may be substituted for imports (Senegal, Upper Volta) financed by the EEC;
- two studies financed by the FAC of intermediate technologies and processing of local cereals (Upper Volta, Niger, Mali, Senegal);

Food Aid

The successful implementation of a cereals policy depends on various conditions, especially the protection of local production against food imports and food aid. To examine this problem, the "Restricted Committee" organised three meetings on food aid:

- a meeting of experts from donor agencies (Paris, September 1981);
- a meeting of sahelian experts (Dakar, October 1981);
- a meeting of both groups (Dakar, June 1982)

The experts' recommendations have already had significant effects on the policies of CILSS countries and those of donor agencies: According to the recommendations:

- each year the authorities of each State should appraise food needs in collaboration with local representatives of donor agencies, and together they should determine how to cover these needs;
- as food aid has negative effects on local cereals production and productivity, it would be necessary,

- a. to differentiate between short term needs and structural needs in appraising the amount of food aid,
- b. to modify consumption patterns as little as possible by purchasing food aid preferably on surplus markets in CILSS and neighbouring countries,
- c. to integrate food aid counterpart funds into a single fund to be controlled by both governments and donors in line with the main objective of supporting local food production.

The Committee's suggestions on food aid have urged donors to examine the effects of their food aid programmes and to consider methods and means avoiding at least the most negative ones. Some donors might be willing to change their policies (1).

Another hopeful sign of changing practices is given by Mali where several donors use their food aid programmes to support price and cereals marketing reforms. In 1983, several donors agreed to supply funds to OFNACER (Upper Volta) to permit the purchase of cereals on the domestic market and the removal of surplus food aid stocks from Upper Volta to neighbouring countries. The "Restricted Committee" welcomed these developments.

3. Cereals storage

Like production, prices, marketing and processing, storage represents another link in the chain constituted by a global cereals policy. The Sahel countries are particularly aware of the importance of storage in view of the climatic conditions of the region. After the severe drought they asked FAO to advise them on the elaboration of a storage programme.

FAO, on behalf of CILSS, prepared a feasibility study on national and regional security stocks in the Sahel. This project was examined by the Restricted Committee, that questioned:

- the consistency of the project with the food self-sufficiency objective adopted by the Sahel countries;
- the method followed in preparing the project.

(1) See, e.g.: "Aid at the service of development"; EEC, March 24th, 1983.

In particular, the Committee thought that the project did not sufficiently take into account the potentials for increased food production and the considerable impact an appropriate cereals policy could have on production. It expressed concern about what it thought was the excessive emphasis placed on storage compared with other factors also contributing to food security. Apart from the huge investments and operating costs of such national and regional stocks, it feared that food aid would be used to provision these stocks thus intensifying the very trends it was sought to combat.

Despite the weaknesses of the storage project, its preparation and the discussion it triggered have certainly contributed to progress in thinking on food security. As a first phase, the "Restricted Committee" recommended:

- to establish a regional cereals division within the CILSS Secretariat with the task of collecting data on available volumes of cereals and actual and future needs in the Sahel and circulating these data among CILSS member countries in order to permit more efficient forecasting and warning systems;
- a study concerning on-farm and commercial storage. Little is known about farmers storage capacities and stocked volumes and the mobility of these stocks, and the study to be made in collaboration with CEAO may provide useful information in addition to the CILSS/FAO project.

Some of the members of the Committee would also like to use the CILSS/FAO project as a springboard toward a real food security system in the Sahel. The countries of the region are still very vulnerable and should a new drought occur, it would be unacceptable to be as poorly organized as in 1970. Therefore, pending the implementation step by step of a comprehensive food security system, an emergency plan must be drawn up.

4. Development of regional trade in cereals

From the beginning, the regional food strategy has shown, that because

of differences between individual country's productive potentials and the size of their markets, self-sufficiency in traditional cereals may be achieved at the regional level only. It has also shown that the Sahel countries dispose of sufficient potentials in the south regions, the Sudano-Guinean savannah and river basins, to envisage in the long term production surpluses exportable to other Western-African markets or even to North Africa.

These prospects encouraged the Restricted Committee to start considering development conditions for regional trade in cereals. As could be expected when engaging into this new field of study, the activities of the Committee have not gone very far yet. The Committee requested the CILSS Secretariat to prepare and organise a meeting of Sahelian experts on the harmonization of agricultural price policies in the Sahel countries. The meeting, held in Dakar in June 1982, recommended that efforts should be made to obtain more information on the official price setting criteria in the individual countries, as well as on producer incomes in different farming systems. The meeting agreed that protection of the internal market would foster development of trade exchanges of cereals within the region.

III. CONCLUSIONS

What may be concluded at the end of this short summary concerning the dialogue between Sahelian and foreign experts on cereal policy?

First of all, the dialogue has contributed to advance thinking about the links between cereals policy and investment in the agricultural sector. Sahel governments and donors have become more aware of the shortcomings in their development and programmes and admit that the present situation needs to be improved.

Next, the dialogue has made it possible to understand better that cereals policy is the heart of the regional food strategy and the national food strategies. This policy should be constructed step by step and adapted to changing circumstances and needs.

Finally, the exchanges of views have shown that should high social and political risks as well as damage to food and agricultural production be avoided, the decisions of sahelian governments on cereals policy must be supported by aid policies.

The members of the Restricted Committee feel that they should pursue their work. The Conference of the Club du Sahel could set the directions of its coming activities. Therefore some suggestions are given below:

- conduct a study concerning on-farm and commercial storage and continue the on-going activities related to regional trade focussing particularly on price subsidy policies applied by CILSS and CEAO member states;
- analyse the evolution of the cereals policy in each CILSS country and supporting actions of donor agencies;
- organise in 1984/85 a new Nouakchott Colloquy with the objective to evaluate the progress made and to formulate concrete proposals to prepare for the future;
- help the CILSS member countries and donor agencies to organise periodically a concertation meeting at the national level with the objective of appraising the available volume of cereals and needs and, if necessary, to prepare action to cover the deficit;
- facilitate setting-up a regional cereals division within the CILSS Secretariat;
- continue the study and the elaboration step by step of a regional food security plan, including a contingency plan in case of emergency.