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MALI LIVESTOCK MARKETING STUDY AND ANALYSIS

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A TDY was conducted in Mali from May 6 to May 24, 1991 to (1) identify the constraints to livestock trade and marketing in Mali; (2) assess their impact on the marketing efficiency and; (3) propose project activities that will remove these constraints and enhance the contribution of the private sector to the development of the livestock sector.

The present report is based on discussions and interviews conducted in Bamako, Segou and Koutiala as well as on past studies on the livestock sector in Mali. Fruitful comments were received from Cheick Drame, David Atwood, Doral Watts, Vic Duarte, Tracy Atwood of USAID/Bamako and Mechell Jacob of MDST.

Section 1 reviews the economic and business climate in Mali. Section 2 examines some of the government regulations and practices that constitute constraints to trade and marketing in the livestock sector. Section 3 identifies the constraints to the development of a vibrant private sector in the livestock sector and finally section 4 proposes a number of actions that can be taken to assist the private sector in the livestock sector in Mali.

I. <u>Introduction</u>

Over the past three decades, a number of government policies and actions have constituted major impediments to the development of an effective private sector. Indeed, the direct involvement the government in all the production sectors of the Malian economy has contributed to "marginalize" Malian private individuals and minimize their contribution to economic growth. Moreover, the fiscal, monetary and price policies have created distortions in the incentive system contributing to resource misallocation. State enterprises were given monopoly over the marketing and export of cereals, the importation of industrial goods and the production of most of the manufacturing products. Agricultural and industrial prices were administratively set by the government. In 1935, the fiscal deficit amounted to a staggering 15 percent of the Gross Domestic Product (GDP). This deficit which was financed in part by domestic borrowing, reduced substantially the financial resources available to the private sector. The current account deficit represented 31 percent of GDP. Real economic growth was negative.

The low level of financial depth in Mali as measured by the ratio of the currency to total money was exacerbated by the conservative approach of the banks which preferred short term, low risk commercial loans (65 percent) to medium or long term productive loans. In 1987, data from BCEAO indicated that productive loans represented only 33 percent of total loans a large part of which went to the public enterprises. The government development bank, BDM, crippled by bad loans made mostly to parastatals, has not been a consistent source of financing for the private sector.

In the livestock sector, in addition to the distortions introduced by the fiscal and monetary policies, cumbersome and costly rules and regulations have impeded the development of small and medium size enterprises and forced private individuals to operate illegally in the informal sector (Grant and Hanel, 1988). For example, OMBEVI estimated that in 1987 about 190,000 head of cattle were exported illegally, most of them to Cote D'Ivoire. Moreover government regulations and the heavy taxation forced the private entrepreneurs to keep a low profile and operate micro-enterprises. There was very little incentive to introduce new production and management techniques.

As a result of poor economic policies, the livestock sector has not fully exploited its growth potential. The sector has remained very traditional with low input-low output production systems. For the most part production in the livestock sector has relied on the exploitation of the narrow and fragile natural resource base. In 1989, despite employing directly and indirectly 80 percent of the population, the livestock sector contributed only 20 percent to the Gross Domestic Product.

In the second half of the 1980s, the government of Mali reinforced the various financial and structural adjustment programs started in 1982. In particular, the government with the assistance of such donors as the World Bank, the IMF and USAID took several measures to reduce the fiscal deficits and create an economic environment conducive to a private sector export led growth. The measures taken include an early retirement program, the liquidation and privatization of a number of parastatals, a revision and simplification of the structure of taxation aimed at increasing the private sector incentives.

In addition, distortions and inefficiency were reduced in the trade sector by the elimination of all export and import monopolies except for tobacco and pharmaceutical products. In 1990, all export taxes were abolished, most price controls were removed. Furthermore, quantitative restrictions were eliminated and import licensing were replaced by a simple registration system. The government of Mali also simplified the administrative requirements for operating private businesses. In particular, it was decided to institute one-stop windows in order to expedite the administrative formalities for private traders.

In 1989, as a result of the financial stabilization and structural reform measures the fiscal deficit decreased to 9.5 percent of GDP down from 15 percent in 1985. Similarly, the current account deficit was brought down from 31 percent to 15 percent. Domestic savings which were negative in 1985 reached 8.4 percent of GDP in 1989. Finally, favorable weather conditions and the improved economic environment led to economic growth of 9.9 percent.

At the sectorial level, the effective implementation of the above measures will have a positive impact on the livestock sector. For example, it expected that the elimination of the export taxes will contribute to increase the competitiveness of Mali livestock in foreign markets. The simplified registration process will contribute to reduce marketing costs by saving valuable time for livestock merchants and by reducing the opportunities for rent seeking behavior on the part of the civil servants. Furthermore the elimination of state monopolies will open new opportunities for the private sector in such activities as milk processing, tannery, exportation of hides and skins and commercialization of animal drugs. Finally, reduction of the fiscal deficit will limit the government intervention in the financial market and make more financial resources available to the private sector. Other economic policies aimed at freeing prices and eliminating subsidies will reveal the true profit opportunities in the various sectors and permit optimal economic investments by the private sector.

The intensification and effective implementation of economic reform policies will set the stage for a private sector-led growth in Mali. There still exist government policies and practices that introduce distortions in the economy and prevent the private sector from fully exploiting market opportunities and effectively contributing to economic growth. The following are some of these regulations and practices:

II. <u>Government regulations and practices in the Livestock Sector</u>

<u>2.1. Illegal Taxation by Government agents</u>

The numerous checkpoints on Mali roads constitute convenient pretexts for government agents to illegally exact fees from livestock merchants. It is estimated that these illegal fees can reach up to 150,000 CFA francs for a truck load (30 head) of cattle exported to Cote D'Ivoire. These illegal fees contribute to reduce the competitiveness of Mali livestock in foreign markets. In addition, these practices may contribute to the inefficiency of the marketing system by reducing the competitiveness of road transportation. Merchants may not be able to take advantage of the conveniences associated with trucking, that is, the rapid capital turnaround and the ability to respond quickly to market opportunities.

Note further that the long delays at the various police stops discourage inter-temporal arbitrage and may also contribute to marketing inefficiency. Number of producers have engaged in animal feeding operations to take advantage of the inter-temporal price differential resulting from the seasonal scarcity of animals due to the transhumance. To avoid weight losses, fed cattle or small ruminants have to be trucked to the markets. However, delays at roadblocks lead to substantial weight losses and consequently defeat the purpose of animal fattening operations.

It is recommended that policy dialogue be engaged between the GRM and USAID in order to eliminate illegal taxation by government agents along the roads.

2.2. The Quota System for Animal Feed

In Mali there exist only three factories that produce animal feed. Two of these factories (HUICOMA at Koulikoro and Koutiala) are public owned and use cotton seeds to produce high quality feedstuff. The third one (Grands Moulins) use wheat and maize to make tourteaux, a lower quality feed. With regard to the animal feed produced by HUICOMA, the factory does not commercialize its production which was estimated at 80,000 tons in 1990. Instead, there is a commission which sets quotas for various government agencies and other professional organizations. These agencies and organizations are in charge of allocating their respective quota among individual producers or producer groups. These individuals producer and producer groups are then provided with order forms to purchase the animal feeds at HUICOMA factories.

It is reported that government officials and leaders of the professional associations sell the quotas set aside for the producers and producer associations to private merchants. These merchants then purchase the feeds at HUICOMA at the official prices of 12.8 and 20 CFAF/Kg and resell them in the free market for up to 40 CFAF/Kg.

This high market price resulting in part from the shortage of animal feed and the quota and allocation procedure set in place by the GRM, constitutes an obstacle to animal fattening activities and therefore contribute to the inefficiency of the marketing system and the relatively high price of livestock at the end the dry season.

It is recommended that commercialization of the animal feed produced by HUICOMA be liberalized and handled by the private sector. A quota should only be set aside for the coton farmers. It is further recommended that the government encourage the production of improved animal feed by the private sector.

2.3. Simplification of Registration Process and Administrative Requirements

In an effort to promote livestock trade, the GRM took a number of measures to simplify the registration process and the administrative requirements. In 1990, a one-stop window system was adopted by the government to permit merchants to complete all the administrative requirements at one location. However, the implementation of this one-stop window system seems to be posing some problems. To date only the new system is operating only in Bamako. Such major supply area as Mopti, Segou and Sikasso do not have one-stop windows. As a result, except in Bamako, traders continue to go through several lengthy and costly steps to obtain either documents or approval from government officials. Traders in Bamako still have to go to the Chamber of Commerce to buy "Intention D'Exporter" forms. Hence the system as it works presently is not quite a one-stop window system.

Several merchants indicated that they were required to seek the assistance of forwarding agents to act on their behalf. This was confirmed by the OMBEVI agent in charge of livestock exports. It appears that this practice has started only recently. In Segou, an exporter indicated that he had to pay 20,000 CFA to a forwarding agent in order to obtain all the documents needed to export 30 cattle to Cote D'Ivoire. A forwarding agent in Bamako explained that for 30 cattle an exporter would have to pay about 62,000 CFA francs for his service. This practice if confirmed would defeat the purpose of the one-stop window which was conceived to permit merchants to save time and reduce export cost.

It is recommended that (1) the GRM open several windows across the country, especially in the major export cities and in the border cities in the south; (2) the requirement to go through a forwarding agent for the export formalities be abolished and; (3) the "Intention D'Exportation" forms be sold at the one-stop windows.

2.4. Price Liberalization and the Monopoly of the Boucher-chevillards

There exist 49 boucher-chevillards in Bamako who are given by law the exclusive right to slaughter animals at the Bamako slaughterhouse. Regular butchers pay a fee in kind (usually hides and skins) in order to be able to use the boucher-chevillards' permit to slaughter animals at the Bamako slaughterhouse. In theory, this exclusive right gives the bouchers-chevillards the power to effectively influence meat price in Bamako by controlling the quantity of animals slaughtered on their behalf. In practice, however, since the liberalization of meat price, the bouchers chevillards have not been able to control price. It is reported that in January 1991, the price of beef with bones has reached a low of 400 CFA francs a kilo down from the government fixed price of 700 CFA francs, a year ago.

Meat price in Bamako have since recovered. However, according to the general-secretary of the association of bouchers-chevillards, the current meat price (around 600 CFAF/Kg) is well below their break even price. Consequently, the association is contemplating actions to increase meat prices. Given the large number of animals slaughtered illegally outside of the Bamako slaughterhouse, it is unlikely that the association of boucher-chevillards would be able to achieve their objective.

Nevertheless, the decree 26-1972 as it stands today, gives the boucher-chevillards the power to control supply. It is reported that in early 1991, the former government had adopted a decree which would have eliminated the monopoly of the boucher-chevillards. However, this decree has not been published yet.

In order to effectively liberalize the price of meat and eliminate the monopoly of the boucher chevillards, it is recommended that decree 26-1972 be abolished and a new decree effectively opening the slaughterhouse to all butchers be adopted and published. This new decree will lead to a reduction in cost for butchers who will no longer be required to give the hides and skins as fees to the chevillards. This may also contribute to the improvement of the quality of the hides and skins as the butchers will own them in the future.

III. Trade and Marketing Constraints in the Livestock sector

3.1. Livestock Export Markets

Official statistics as well as traders interviews indicate that during the second half of the 1980s, livestock exports from the Sahel have declined substantially. Several factors have been evoked to explain such decline. The two most important factors relate to conditions in the import markets, especially in Cote D'Ivoire.

Since the early 1980s, the Cote D'Ivoire is suffering from an unprecedented economic crisis which has caused income to decline by as much as 4 percent per year. As a result meat consumption has decreased by 3 percent on average limiting demand from the Sahel. Starting in 1984 the share of the Sahel in the supply of beef in Cote D'Ivoire declined drastically as a result of the unfair competition from meat from the European Community. Indeed, the decision by the EEC to reduce milk and butter production led to the slaughter of a large number of milch cows. The resulting meat which was stored for a while, was eventually dumped in developing countries including the coastal countries in West Africa. The EEC also subsidized the exports of a low quality meat, the CAPA, a by-product of the European fast food industry. The low price of the European meat gradually displaced the Sahel meat in the consumer diet in Coastal countries in West Africa. For example, in Cote D'Ivoire, the share of the Sahel beef in the total consumption declined from 64 percent in 1980 to 28 percent in 1988.

This situation has caused widespread bankruptcy in the livestock trade sector as well as decline in all livestock related activities (tannery, animal feed, transport etc). Reacting to this situation and in an effort to protect domestic production, the government of Cote D'Ivoire took several measures to reduce the meat imports from the EEC. In 1987, a 32.6 percent import duty was imposed on all imported frozen beef. In 1989, beef imports from Europe declined from 41,450 to 25,400 ton-carcass, a 63 percent decline. The CIF price of beef went from 236 to 356 FCFA/kg or about 51 percent increase. Despite this increase in the CIF price, the European beef remained highly competitive in Ivorian market where local beef cost on average 820 CFAF/Kg.

To further protect its domestic livestock production and investment in the sector, the government of Cote D'Ivoire decided in 1990 to impose a variable levy on imported meat from Europe. This new protection scheme is in its first year of implementation. Consequently, it is too early to assess its impact on prices and consumption. However, it is expected that the variable levy will lead to a reduction in meat import from Europe and an increase in the price of meat in Cote D'Ivoire. Given the reduction in the purchasing power of the Ivorians, it is expected that consumers will shift from meat to fish which is cheaper. Nevertheless, it is expected that domestic production and supply from the Sahel will replace part of the meat currently imported from Europe. The extent of this substitution will depend on future productivity gains and reduction in marketing cost.

Rapid urbanization in Guinea and economic recovery in Ghana and Nigeria may offer new export opportunities for Mali livestock sector. Past studies have argued that the overvalued CFA franc constituted the major export constraint to these countries. However, prudent monetary policy in Mali may have reduced the impact of the high nominal value of the CFA franc relative to the Guinean franc, the cedi and the Niara, respectively. Indeed, the monetary authorities in Mali have achieved a real devaluation of the CFA franc by reducing inflation. During the 1980s, real effective exchange rate has depreciated by about 22 percent. The real export constraint to Guinea, Ghana and Nigeria appears to be the non convertibility of their currencies and the exchange control policies in place in these countries.

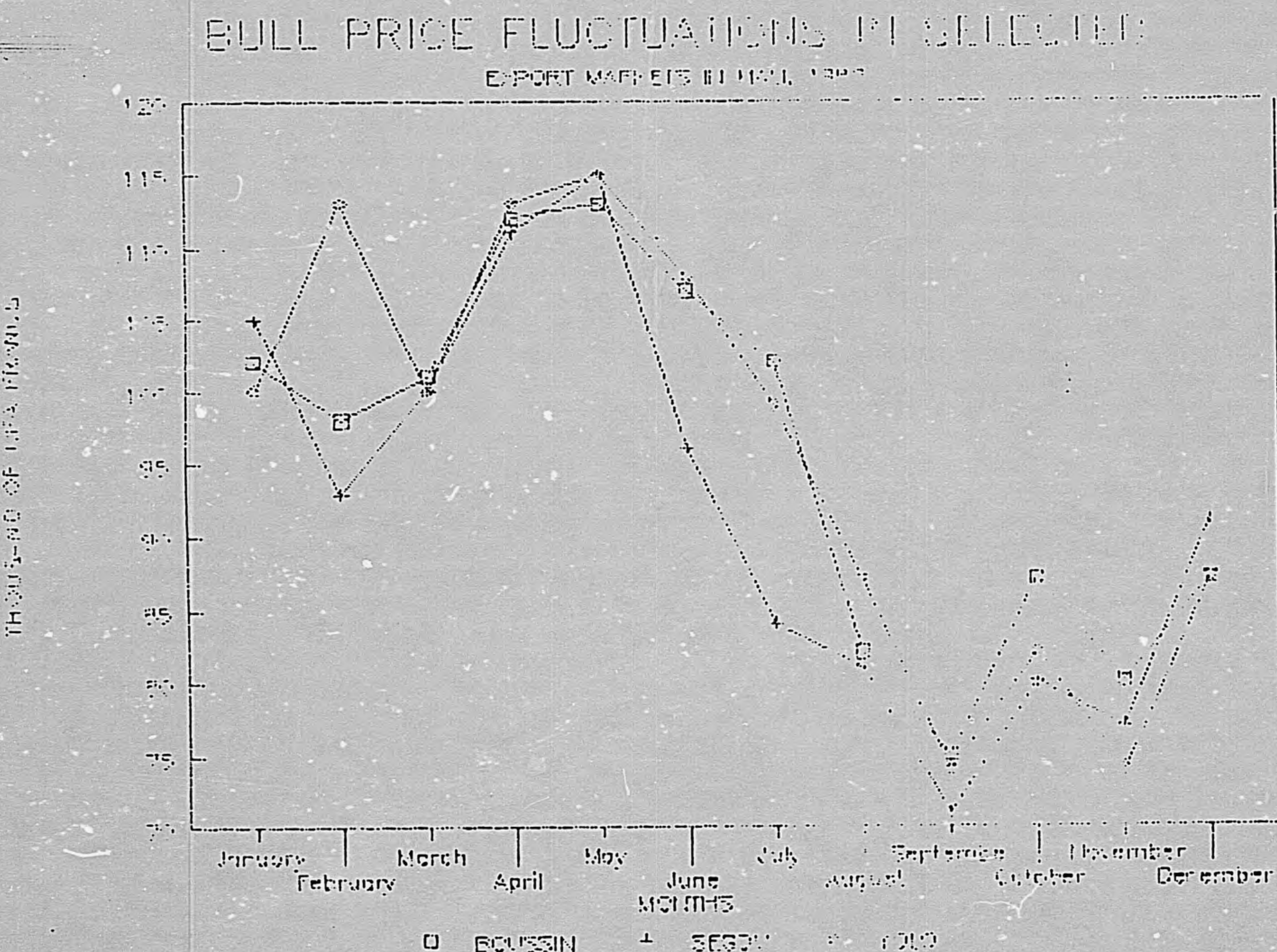
It is recommended that the GRM engage negociations with Guinea, Ghana and Nigeria to devise a scheme which will permit livestock traders to be paid in hard currencies. As a second best solution, a barter arrangement may be negotiated.

3.2. Trade and Marketing Constraints in Mali

Livestock sector is dominated by a traditional production system based on range grazing and the exploitation of natural resources. Herd management is closely linked to climatic and ecological conditions. Two types of livestock production systems co-exist in Mali: The sedentary and the transhumance systems. Despite the increasing importance of the sedentary system, especially in the South, the transhumance system remains the most important type of livestock production in Mali.

In the transhumance system, during the dry season (September-June) the animals are driven south in search of water and pasture. Such journeys correspond to a period of weight loss and relative scarcity in the livestock markets. At the end of the rainy season the animals are brought back to their traditional grazing land in the north. These transhumance movements greatly influence supply conditions in the livestock markets and consequently dictate in part price fluctuations in Mali as well as in coastal countries. Indeed, during the dry season, as the animals are away on transhumance, livestock markets show a relative scarcity and prices tend to increase. On the other hand, at the end of the rainy season (August-September), producers who are back from their annual transhumance tend to sell animals to buy grain. The relatively large supply during this period causes prices to drop substantially in the various markets. Graph 1 shows that prices can decline by as much as 38 percent during the months of June - July. Other factors such as christians and muslim holidays, drought and the price of cereals influence supply and demand conditions in the livestock markets.

Discussions with producers and merchants in Mali indicated that in recent years, the degradation of traditional pasture lands, increase in human population and the development of agricultural production, have forced livestock producers to seek new, less productive pasture lands farther away from their villages and the markets. In addition, the poor condition of the limited number of trekking routes linking production and consumption regions increases the risk of conflict between farmers and herders. The limited number of water points along the routes forces animal to travel long distance in very difficult conditions. This usually results in animal arriving in the markets in poor physical conditions.


BULL PRICE FLUCTUATIONS
January
February
March
April
May
June
July
November
December
MONTHS

The need to reduce marketing cost, regulate supply and reduce risk facing merchants requires that several actions be taken to (1) define a clear land tenure policy and to ascertain the rights of livestock producers over pasture lands; (2) protect and upgrade traditional pasture lands and; (3) build new trekking routes and improve existing ones.

3.2. The Shortage of Credit:

In Mali all the participants in the livestock sector cite shortage of capital as one of the main constraints to production and trade. The lack of capital is thought to limit the volume of livestock trade and the investments in processing and transport of livestock and livestock products.

A 1987 study by Guillermain estimated that each year, traders needed at least 6.2 billion CFA francs to initiate cattle trade in the primary markets. The same study estimated that at least one billion was necessary for small ruminants. In Mali, traders have rarely the working capital necessary to engage in large scale trade operations. The working capital of exporters average only 2 millions CFA and rarely exceed 4 to 5 millions, a negligible amount when one considers that a large part of it is used for other activities.

The lack of capital in Mali explains in part the structure, conduct and performance of the marketing system in Mali. The reliance on credit determines the nature of commercial activities in the livestock sector which are highly personalized and based on trust relationship among the market participants. One typical transaction consist of collectors, working for merchants or exporters, buying one or two cattle or small ruminants from producers. Several merchants would then pool together their animals and constitute herds of 50 to 100 cattle that would be trekked to redistribution markets. In these markets, the merchants would sell on credit to butchers, exporters or other merchants who would bring the animals to the terminal markets in foreign countries or in the Malian cities. At this level, cash transactions are financed by large urban traders and exporters of hides and skins. However, these represent only a negligible fraction of the total transactions.

Note that because of the importance of credit in the system, transactions rarely involve directly the ultimate buyer and the primary seller. In general, the owners give their animals to middlemen who are responsible for finding clients. These intermediaries usually extend short-term credit to butchers, exporters or other local merchants. The animals may change hands several times before reaching the terminal markets. At each transaction the middlemen bid up the price of the animal to include their fees and the interest.

The interest rate on these short term credit (15 to 30 days) is a function of the supply and demand conditions in the livestock markets. When supply is abundant merchants would charge between 50 and 60 percent interest rate. When supply is tight interest rate can go as high as 100 percent, on an annual basis. Note further that as a result of widespread defaults on credit, both merchants and producers are reluctant to sell on credit. Credit is extended only to well known individuals, family members or members of the same tribe. This arrangement not only limit competition by reducing the number of merchants who can engage in livestock trade but also restrain the number of animals moving through the marketing channel.

The lack of credit also contribute to marketing inefficiency as merchants and producers cannot take advantage of spatial and temporal arbitrage opportunities. In recent years animal fattening activities have spread among herders, farmers and even civil servants in the Bamako area. However, the scope of these activities has been limited by the lack of financial means. Banks in general have been reluctant to finance livestock production and trade.

Officials at BNDA explained that previous experiences with the livestock sector has been disappointing. The default rate has been very high due to the poor technical knowledge of the promoters and their poor managerial and marketing skills. The head of the Bamako BNDA office explained that in the mid-eighties, the bank lost substantial amount of money in cattle production and in trade activities. As a result the bank is reluctant to engage in large scale financing of livestock production and trade.

In 1990/91 the Bamako office of BNDA lent 32 millions to private individuals for cattle and sheep fattening operations. Another 32 millions were lent to 25 village associations. Finally, the ECIBEV funds (136 millions) were used to finance cattle and small ruminant production. In this particular case, the DNE provided technical support to the beneficiaries. The result of these operations has been satisfactory as the repayment rate was close to 95 percent, a high rate.

Several donors promote animal fattening activities across Mali. In particular, the EEC through the European Fund for Development, provides financing for cattle and small ruminant fattening operations in Segou, Sikasso, Mopti and Bamako. However, donors financial assistance is limited and cannot cover all the credit needs of the sector. Moreover, it is suggested that for this type of activities donors cannot and should not substitute themselves to bank financing. Instead the sustainability of production and trade activities in the livestock sector requires that local banks be encouraged to finance productive and commercial activities in the sector.

It is recommended that new projects promote livestock production, trade and processing by encouraging local banks to finance the private sector through various risk sharing schemes.

3.4. Livestock Transport:

3.4.1. Trekking

In Mali despite the move toward road transportation, trekking remains an important means of moving animals. In particular, at the collection and redistribution levels of the marketing channel, trekking is the predominant transportation mode. Trekking also play a major role in export activities. In 1988, Kulibaba and Holztman estimated that at least 38 percent of the Ivorian cattle imports entered the country on the hoof.

The limited number of protected trek roads, the development of agricultural production and the increase in human population tend to endanger trekking in Mali. This situation results in numerous conflicts between herders and farmers. Furthermore the degradation of pasture land as well as lack of water points along the existing trekking roads increase marketing risk for traders. Herders are forced to wander off the trek route in search of water and pasture causing substantial irregularities in market supply, weight losses for animals and increased cost for the traders.

The regular supply of livestock markets both in Mali and coastal countries requires that existing trek routes be protected and upgraded. Efforts to reduce marketing risk and costs should seek to build new trek routes. Water points should be constructed along these routes. Measures should also be taken to protect pasture lands along the trek routes.

3.4.2. Railroad and Road Transportation

The need for quick capital turnaround and the expansion of the animal fattening activities have created a new demand for rapid transportation in the livestock sector. However, the numerous police roadblocks and the associated illegal fees, the shortage of trucks and railroad cars and the poor conditions of the existing transport facilities limit the benefits of road and railroad transportation.

Interviews with livestock traders and previous studies have indicated that there is an overall deficit of transport capacity for livestock shipment from Mali to Cote D'Ivoire. This relative shortage leads to high transport cost. Kulibaba and Holtzman calculated that it cost between 8,500 and 6,300 CFA francs to truck a cattle from Koutiala, Mali to Abidjan, Cote D'Ivoire. Illegal fees add about 5,000 CFA francs to the above figures.

In the past, several factors have limited investments in transport facilities for livestock. These factors include (1) the high import duties on vehicles, spare parts and fuel; (2) the poor road conditions and; (3) the long delays and the associated illegal taxation along the roads. However, conditions are slowly changing in Mali. The government of Mali with assistance from donors has invested in roads. Today, except for few segments, the road linking Bamako to Abidjan is totally paved and in good condition. Second, in its efforts to reduce distortions and increase competitiveness, the GRM has introduced several reforms aimed at reducing import duties. Third, increase in population density and agricultural lands as well as expansion of animal fattening activities have led to an increased demand for road transportation for livestock.

With regard to railroad transportation, limited number of cars as well as the frequent breakdowns constitute the major constraints to this mode of transportation. The severity of the situation came to light during the past two years when demand for Malian livestock from Senegal increased as a result of the conflict between Senegal and Mauritanea. In 1990, the railroad company could not accommodate all the requests from exporters. Furthermore, delays and frequent breakdowns resulted in a high mortality rate among the animals being exported to Senegal. This situation has discouraged a large number of traders who indicated that it was too risky for them to export small ruminants to Senegal.

It is recommended that (1) policy dialogue be engaged between donors, the government of Mali and the government of Cote D'Ivoire to eliminate the illegal taxation along the roads; (2) studies be undertaken to assess the feasibility of investing in transport facilities (trucks and railroad cars); (3) the GRM continues to improve the roads especially those linking major livestock markets in Mali.

<u>3.5. Market Information System:</u>

In modern economies, market information is essential for producers, traders, consumers and government officials. Indeed, information on supply and demand conditions as conveyed by prices, allow producers to determine what to produce, how to produce and when to produce. Similarly, price information permit traders and consumers to take advantage of arbitrage opportunities across markets. Finally, market information allow government officials to formulate rational policies.

In Mali livestock traders rely on informal word-of-mouth information on market conditions. Market information are usually transmitted by merchants traveling back and forth between specific markets. However, given the large size of Mali and the poor transport conditions, long delays necessarily occur in the transmission of this information. Hence, prices communicated by travelers which usually refer to specific markets, may be outdated by the time the merchants receive them. Moreover, the irregularity in the timing and frequency of delivery limits the value of this information for most traders. The lack of a standard unit of measurement makes comparison across markets difficult for buyers and sellers. Finally, as noted by Redenuis et al, this informal information system does not contribute to marketing efficiency as it inhibits competition by privileging a small number of large traders and by indirectly restricting entry in the livestock sector for newcomers (Redenuis et al., 1990).

In 1990, the Office Malien du Betail et de la Viande, OMBEVI, initiated a weekly radio and television program where livestock price are broadcasted. However, several methodological shortcomings limit the usefulness of this program. First, the agents collecting the market information are usually the same ones collecting market fees. Merchants who attempts as much as possible to elude the market fees, do not always provide accurate information to the OMBEVI agents. Second, OMBEVI reports are based on very subjective collection methods. For example, the practice of relying on judgment to assess animal weight may be very misleading. Indeed, poor judgment of animal weight by individual agents and differences in weight assessment by the agents in the livestock markets across the country constitute two potential sources of error.

Third, number of inconsistencies in the OMBEVI reports further reduce the usefulness of the weekly broadcast. Comparison across markets is rendered difficult by the fact that the reports do not always give comparable information. In many instances, OMBEVI reports price and quantities for small ruminants without specifying the type of animals (Sahel or Sud). However, it is well known that in Mali animals from the Sahel are selling at a premium. For the period November 14 to November 20, 1990, for the market of Yolo, the report gave price information for both rams and femele sheep. However, in Bamako, Segou and Nara, only rams prices were reported. For Boussin, the report failed to mention whether the price referred to femele sheep or rams.

Fourth, merchants are concerned not only with the expected profit as indicated by price levels but also with such risk indicators as highs and lows. However, OMBEVI reports provide no information regarding the risk associated with each market.

It is recommended that an efficient market information system be established to provide timely and relevant information to both the private sector and government decision makers.

IV. Recommended Areas of Project Focus

4.1. Illegal Taxation:

The recent political events give the new government a unique opportunity to take measures to eliminate the practice of illegal taxation by police forces. It is recommended that the GRM take a public stand on the issue by strongly voicing its opposition to this practice by clearly expressing its determination to fight it. In particular, a senior government official (i.e the prime minister) should go on the air and publicly announce the penalties facing those who engage in illegal taxation of livestock merchants.

It is also recommended that the GRM reduce the number of roadblocks along the roads. This will reduce the opportunities for rent seeking behavior by government officials.

It is further recommended that the GRM investigate the possibility of initiating with the government of Cote D'Ivoire a control system where trucks will be checked only at departure and arrival points. For example, it is suggested that when the animals are loaded in the trucks, police, custom and animal health agents check the animal compartment as well as the export documents. These officials will then seal with lead the doors of the animal compartment and issue a clearance certificate to the driver. With this certificate, the driver will be allowed to go all the way to his final destination without being stopped for further control. At the final destination, say Abidjan, local authorities will remove the lead and check the truck as well as the export documents. This procedure will permit to reduce marketing cost, reduce weight loss along the roads, save valuable time for merchants and reduce meat price for Ivorian consumers.

It is recommended that USAID and other donors join forces to fight the illegal taxation by introducing conditionalities in their agricultural and livestock projects/programs that have regional implications. Hence for example, it is recommended that whenever possible agricultural and livestock projects/programs financed by donors in Mali and Cote D'Ivoire, include a conditionality aimed at eliminating the illegal taxation.

4.2. Land tenure policy and Protection of the trek routes

Trekking remains one of the most important means of moving livestock in Mali. The volume of trade as well as the regularity of market supply depend in part on the availability of pasture land and water points along the trek routes Consequently, it is important that trek routes be protected in the face of the development of agricultural production and growth in human population. Consequently, the government should take steps to clearly define a land use policy that will protect the interest of livestock producers and merchants. In addition, the new project should work with herders, village associations and the government to upgrade existing trekking routes and build new ones. In particular, it is suggested that protected pasture land and water points be developed and managed by the users.

4.3. Market Information System:

Accurate and timely market information is crucial for both the private sector and the government in assessing investment opportunities and formulating policies. However, one requirement for an objective market information system is the existence of a standard unit of measurement. Past experiences to introduce live weight sale in the livestock sector have failed. For example, merchants refused to use the scale that has been introduced in the Kati market. Several reasons have been evoked to explain merchant's reluctance. These range from the type of scale, the location of the scale in the markets and the fact that the merchants are not associated in the management and the weighing operations. A merchant explained that there was a suspicion among traders that the scheme would be used by the officials to cheat them.

It appears that there exist a number of socio-cultural as well as economic obstacles to the collect and dissemination of market information in the livestock sector. It is recommended that a study be undertaken to identify these constraints and suggest an efficient market information system for the livestock sector in Mali. In particular, the study will suggest a standard unit of measurement that could be accepted by the livestock traders. The study will also determine the most relevant data to be collected and the best way to disseminate them. Finally the study will examine the possibility of broadening the market information system to include major markets in West Africa.

4.4. Business Support Center:

For long time the economic and business climate in Mali was not favorable to the development of a vibrant private sector. However, in recent years, the GRM with the assistance of donors has taken steps to improve the economic environment by reducing economic distortions and limiting the involvement of the public sector in the economy. These efforts should be pursued and intensified. The livestock sector more than any other sector in Mali has remained very traditional and informal. To escape government control and regulations, private individuals in the livestock sector have operated micro-enterprises using traditional production and managerial techniques.

It is suggested that given the economic and regulatory environment in Mali, the private sector performed exceptionally well. However, as foreign competition is getting fierce, it becomes necessary that the private sector adapt to the changing market conditions. In particular, in order to compete effectively in world markets, livestock producers, traders and investors in Mali need to increase productivity, reduce marketing cost and minimize business risks.

It is suggested that a Business Support Center be created to assist directly the private sector in developing and exploiting market and business opportunities.

1. The BSC will promote associations of producers, merchants, butchers and other professionals in the livestock sector, and help them with business planning, financial management and marketing strategies.

2. The BSC will help these associations in securing bank financing by assisting them with loan applications and the effective monitoring of their operations.

3. The BSC will conduct feasibility studies for projects in the livestock sector.

4. The BSC will create and maintain a database on new developments and innovations in livestock production and related activities around the world. In particular, the BSC will advise potential investors with regard to technology and procurement sources.

5. The BSC will assist the associations in market identification. The Center will promote business contacts between Malian businessmen and counterparts in the foreign countries.

6. The BSC will organize on an Ad Hoc basis training programs for various professional associations.

7. The BSC will assist private sector individuals and associations with registration procedures and investment laws and practices.

The assistance provided by the Business Support Center may follow the type of assistance provided by the Cooperative League of the U.S.A. (CLUSA). However, it is important that flexibility be built in the scope of work of the Center to allow it to respond to market and business opportunities. In particular, no geographic boundary should be placed on the activities of the BSC. The success of the BSC may require at the beginning strong financial support from USAID. However, once the associations become viable and bank confidence in the livestock private sector is restored, financial assistance may be gradually reduced and replaced by user fees. For example, loan agreement between the banks and the associations may provide for a fee to be paid to the BSC for the services it would provide.

The followings are few examples of the type of assistance that may be provided by the BSC:

1. The BSC will organize associations of livestock exporters, provide them with market information in foreign countries, help them contract with foreign importers and assist them in obtaining bank financing.

2. Encourage the privatization of the animal health delivery by (1) organizing refresher courses for veterinarians; (2) conduct feasibility studies for private clinics; (3) provide accounting and financial assistance to private veterinarians and assist in loan applications.

3. Conduct feasibility studies for the creation of SME enterprises. For example, the BSC can encourage the creation of animal feed factories, milk processing units and tanneries. The Center can also further the current privatization program (TAMALI, MALI-LAIT) in Mali by providing technical advises to potential investors.

4. The BSC can sponsor a training program for butchers and rotisseurs to improve their cutting up techniques in order to minimize the damages to the skins and hides. This training program will be particularly useful if the monopoly of the chevillards is abolished and the skins and hides can be sold by the butchers for their own profit.

5. The BSC may also investigate investment opportunities in transport facilities. In particular, the BSC may assess the economic feasibility of investing in new railroad cars for transporting livestock to Senegal.

4.5. Credit Guarantee Scheme:

It is recommended that a credit guarantee mechanism be put in place to induce banks to finance commercial and productive activities in the livestock sector. It is expected that the assistance provided by the BSC will gradually restore the confidence of the banks in the livestock sector. The guarantee scheme could be gradually phased out. During the first year of the project, the guarantee fund may cover up to 90 percent of the loans. In subsequent years, the guarantee will be reduced to cover 70, 50 and 0 percent, respectively.

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