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Promoting Malian Rice Exports to Neighboring Countries

Can Mali conquer West African rice markets? A study* of Malian rice production and diversification examines opportunities for exporting Malian rice to neighboring countries and selling Malian rice on domestic markets. Researchers examine rice production under irrigated conditions in the zones under the authority of the Office du Niger in Mali, and shed light on issues for policy makers. Results show that Malian rice has great potential and can conquer West Africa's subregional markets if policy makers in neighboring countries undertake the necessary steps to alleviate or eliminate constraints such as import barriers on rice in the subregion, financing difficulties and inadequate money transfer mechanisms, international market constraints, and lack of market information systems and exchange among countries in the subregion.

To help Mali secure a larger share of the West African market the study goes on to make the following recommendations:

- Encourage subregional organizations to consider rice as a local product and thus exempt it from customs, duties and taxes.
- Establish Mali as an exporter of high-quality rice and importer of low-quality rice.
- Exempt inputs from customs, duties, and taxes.
- Reduce customs, duties, and taxes on utility vehicles and their spare parts.
- Encourage national commercial banks to finance the rice sector.
- Promote subregional and international investment in the Office du Niger.
- Encourage useful and rapid market information gathering and information exchange between the MISs in the region.

The structural adjustment programs undertaken in the 1980s led to the transformation of the Malian economy, which until then, had depended exclusively on the export of beef, cotton, and several mineral-based products to generate hard curren-

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cy. Largely due to economic liberalization and devaluation of the CFA Franc in January 1994, Mali's economy improved dramatically and became more competitive, resulting in an increase in product diversification in both export and domestic markets. Malian rice may be one of the products to benefit from today's favorable export climate. However, current rice production remains far below its potential, thus preventing Mali from taking advantage of these emerging opportunities.

Rice production in Mali has increased significantly during the 1990s due to several factors. First, liberalization of the paddy rice price took place under the incentive of the cereal market restructuring program (PRMC) and encouraged producers and merchants to increase and improve allocation of resources. Second, the proliferation of small mills reduced processing costs significantly. Third, investments in public sectors increased, specifically in rehabilitation of production infrastructure. Finally, the CFA Franc was devaluated in January 1994. All of the above mentioned factors have led to both significant increases in yields and new production records, resulting in a notable reduction in the cost per unit of production and the improved competitiveness of Malian rice.

Building on the strength of Mali's rice sector, the study sets out to answer questions related to the competitive advantage of Malian rice with respect to domestic markets and the regional markets of neighboring countries. It formulates several hypotheses in regard to supply and demand in order to estimate, understand, and alleviate export-related constraints. The objective of the various analyses is to propose specific measures that are likely to stimulate the supply of Malian rice and to increase exports to neighboring countries in the subregion – all within the context of West Africa's changing economic reforms framework and changing import and commercialization conditions.

Based on the cost of domestic inputs (coût des ressources internes) the analyses suggest that, in general, Mali enjoys significant comparative advantage in the production and commercialization of rice both domestically and in the neighboring countries of Côte d'Ivoire, Guinea, and Senegal. The comparative advantage is largely attributable to government efforts of the last eight years. Broadly speaking, these efforts targeted irrigation infrastructure in rice-producing areas under the authority of the Office du Niger and created favorable conditions that improved both rice production and commercialization. Malian rice also benefited from the higher prices of rice on the international markets as well as from the January 1994 devaluation of the CFA Franc and thus gained an advantage in both domestic and subregional markets.

The results of the analysis also reveal that Mali's comparative advantage in rice export to large urban centers in the subregion's coastal countries diminishes when transportation costs are taken into consideration. These results led the team to run some simulations on the effect of transportation costs on the relative advantage of Malian rice sold on various markets in the subregion.

Using cost-effectiveness as a measure of competitiveness, the results indicate that Malian rice is competitive on all domestic markets except for Gao. Malian rice is also competitive on most markets in Côte d'Ivoire, but is not competitive in Senegal partly because many Senegalese consumers prefer crushed rice over Mail's whole-grain rice. Malian rice contains only 35 percent crushed grains and therefore is more expensive than rice with a higher crushed grain content. Nevertheless, middle class and urban Senegalese prefer Malian rice. Given that these two population segments enjoy relatively high purchasing power, they could be targeted for the purchase of Malian rice. Sales can be enhanced by better communication and market information systems. Mali could also target markets in Upper Guinea (Kankan and Siguiri); rice consumption in that region is relatively high owing largely to isolation and higher transportation costs. Securing a much larger share of the Guinean markets will require Malian entrepreneurs to satisfy the preference of Guinean consumers for steamrolled rice. Steamrolled rice usually involves much higher production cost than the rice consumed in Mali.

Malian entrepreneur should take advantage of opportunities to penetrate and dominate the above-mentioned regional markets by responding to various consumer demands and preferences. The difference in consumer preferences should be seen as an opportunity for diversification in Malian rice production. To capitalize on these opportunities and realize their full potential, Mali must adopt a more liberal market policy with respect to subregional and international commerce. It should also lower its taxes to facilitate rice import in case of deficits. Although rice is produced seasonally, it is consumed throughout the year, thus leading to periodic deficits. Given that rice storage is extremely costly, Mali should export its rice immediately after harvest and import needed quantities from abroad to stabilize prices over the course of the year.

Projection of Supply and Demand of Malian Rice

The study undertook rice supply and demand projections independently of one another and demonstrated that, due to spectacular rice production, Mali has experienced an increasing surplus since 1996, reaching approximately 50,000 metric tons in 1997. If the observed rice production trend of the 1990s continues into the future, the surplus will reach 230,000 metric tons by 2,005, even according to the most pessimistic prediction. As a result, Mali is a potential and credible rice exporter in West Africa.

Rice commercialization efficiency. On the basis of a rice supply and demand model, the assessment of rice commercialization efficiency shows a good integration between the Niono and the other three Malian domestic markets. In particular, Malian market integration appears stronger since the CFA Franc devaluation. In fact, devaluation is partly responsible for the improvement in the competitiveness of local rice, thus encouraging rice transfers between the production areas of the Office du Niger and consumer markets. At the same time, though, the results generally indicate segmentation between domestic markets and neighboring countries. Field surveys verify this observation.

Recommendations of the Study

To help Mali secure a larger share of the vast West African market, the study makes the following recommendations:

- **Encourage subregional organizations to consider rice as a local product and thus exempt it from customs, duties, and taxes.** Mali exports fewer products than it imports from subregional countries such as Côte d'Ivoire and Senegal. Accordingly, it should leverage its position to negotiate better terms for its rice exports and ensure that rice is listed along with the other products considered as local by the subregional organizations, especially Economic and Monetary Union of West Africa (EMUWA). This proposal is important because it will exempt Malian rice from customs, duties, and taxes when traded in the subregion and will make it more competitive against rice imported from the international markets. The success of this mechanism will certainly serve as an example that other subregional organizations such as Economic Community of West African States (ECOWAS) may take into consideration.

- **Establish Mali as an exporter of high-quality rice and importer of low-quality rice.** Given the diversity in rice consumption in West Africa, Malian traders should focus on the Ivoirian market, where consumer income is relatively high and a growing middle class has developed a taste for fresh high-quality rice. The export of high-quality rice will help establish Mali's position as a high-quality rice producer that dominates other markets in the subregion. By the same token, Malian decision makers should undertake efforts to reduce tax rates on rice imported from international markets, thereby allowing rice imports to close the gap between local supply and demand as needed.

- **Exempt inputs from customs, duties, and taxes.** To strengthen and improve the competitiveness of Malian rice, the Malian government should exempt from duties and taxes all rice imports used for intermediate consumption during rice production.

- **Reduce customs, duties, and taxes on utility vehicles and their spare parts.** Transportation costs undermine the competitiveness of Malian rice. The largest component of transportation cost is customs, duties, and taxes; thus, Malian decision makers should reduce duties and taxes.

- **Encourage national commercial banks to finance the rice sector.** Malian decision makers should encourage local commercial banks to grant loans to the rice sector in order to promote rice production and facilitate rice distribution at the national and subregional levels.

- **Promote subregional and international investments in Office du Niger.** Given that the land tenure code has undergone a complete revision as a means of encouraging investments in the Office du Niger, the Malian government should undertake an aggressive campaign at the subregional and international levels to attract the participation of private investors in rice production. The campaign could be carried out via the Internet or through international investors' forums and symposiums.

- **Encourage useful and rapid market information gathering and information exchange between the (Management Information System) MISs in the subregion.** Given that all West African nations have established MISs, they should be encouraged to gather market information and make it available to users daily. Providing timely and useful information exchange among MISs is also important to the promotion of information flow in the subregion and can enable traders to make resource allocation decisions on a reliable basis.

***This policy brief is based on EAGER Discussion Paper Number 17, *Promoting Regional Exports of Malian Rice*, by Abdoul W. Barry [abarry@aird.com], AIRD, Cambridge, Massachusetts; Salif Diarra and Daouda Diarra.**

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