EAGER
Policy Brief
NUMBER 1 / JANUARY 1999

Can Mali Increase Red Meat Exports?

Recent research* examines prospects for exporting red meat from Mali and suggests that the government of Mali can encourage the expansion of markets for red meat and promote international trade by:

- **reducing import taxes in the region;**
- **developing infrastructure to support the export of meat outside the region;**
- **removing restrictive marketing policies and preferential treatment for selected industries;**
- **reducing indirect taxes on transport; and**
- **promoting investments in processing.**

What are the prospects for exporting red meat from Mali? Throughout the Sahel, demand for red meat is growing as the region undergoes improvements in transport and market infrastructure. Within Mali, modern refrigerated abattoir are in place and now meet domestic demand. Virtually all of the present trade involves live animal exports to other countries in the region. In fact, this trade has become increasingly profitable in recent years in part because of the 1994 devaluation of the CFA. Adding value within Mali by slaughtering livestock, processing byproducts locally, and exporting chilled or frozen meat offers Mali's economy additional benefits.

In 1997, USAID, through the EAGER project, supported a study of the Malian livestock trade that included an assessment of opportunities for red meat exports. Researchers conducted interviews in several regional markets to collect data on live animal export costs. Data on costs of fresh meat exports were estimated based on experience with trade in commodities such as frozen fish and fresh fruit. The study found that under current market conditions, livestock exports to the regional market remain more financially profitable than meat exports. But opportunities for red meat exports exist. Through policy changes and the following actions, the government of Mali can encourage the expansion of markets for red meat and promote international trade.

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Equity And Growth through Economic Research– an activity of USAID, Bureau for Africa, Office of Sustainable Development, Strategic Analysis Division

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• Expand Markets for Red Meat Exports by Reducing Import Taxes in the Region. Mali's only important market for livestock is coastal West Africa. Currently, more than 80 percent of exports go to Côte d'Ivoire, but Ghana, Senegal, Liberia, and Nigeria have been important markets in the past. Each of these countries is a potential market for red meat. Business relationships are well developed, tastes and quality preferences are understood, and no important sanitary restrictions exist.

Livestock trade within the West Africa region benefits from efforts of the Economic Community of West Africa (ECOWAS) and the Economic and Monetary Union of West Africa (UEMOA) to reduce restrictions on regional trade for traditional products. Livestock faces no official export or import taxes in moving between CFA countries in the region. Red meat is subject to import taxes whether it originates in the region or in world markets. Côte d'Ivoire and Ghana are reviewing their policies that could grant Sahelian red meat the same status as livestock. Further efforts to reduce taxes on red meat would encourage regional trade.

• Develop Infrastructure to Support the Export of Meat Outside the Region. Mali can export meat only to countries that are not certified as free of certain epizootic diseases such as foot and mouth disease (disease-tolerant). Although Mali has not had an outbreak of foot and mouth disease in several years, the uncontrolled flow of animals between countries in the region makes early certification unlikely. Potential disease-tolerant markets include North Africa, the Middle East, Eastern Europe, and Latin America.

In the Middle East, range-fed meat is preferred over meat fed on grain and agro-industrial byproducts. Range-fed meat from Mali has a comparative advantage in such markets. Larger-scale shipments would require investments in infrastructure, particularly to maintain the cold storage chain. To promote meat exports, the government of Mali could offer incentives for private investment in slaughterhouse and cold storage facilities that meet international standards. In addition, private operators could be assisted in obtaining training to meet the grades and standards required for meat product exports. Additionally, the government could provide information on prices, markets, and regulations.

• Remove Restrictive Marketing Policies and Preferential Treatment for Selected Industries. Mali has simplified its export procedures and removed many constraints to export, including a substantial export tax. The only requirements for export are a livestock marketing license and health documents for the animal. However, limitations continue to constrain the export of reproductive stock (females under nine and males under five years old). These restrictions are aimed at protecting reproductive stock in times of drought but are in fact unnecessary because herders understand the reproductive value of animals, which is reflected in market prices. Marketing rules should be eliminated; they are much less efficient than allowing individual producers and traders to determine optimal strategies.

In May 1997, Mali eliminated its tax on raw hides and skins exports, a tax that provided preferential treatment to the tanning industry. The tax depressed the value of the hide and skin byproducts. It reduced incentives to domestic slaughter and raised incentives to export livestock. Thus the tax acted to the detriment of the domestic slaughter industry. A more even-handed policy of low taxation for the entire sector would promote investment and allow private businesses to determine the most lucrative investments for raising their financial returns and the sector's economic returns.

• **Reduce Indirect Taxes on Transport.** Transport costs are a major factor in reducing the attractiveness of private investment in red meat exports. Taxation of vehicles, fuel, lubricants, and spare parts combine to represent approximately one-third of truck transport costs in Mali. The high cost of air freight is due to both a preferential contract between the government of Mali and Air Afrique and extraordinary high landing and servicing charges at the Bamako airport. Reducing taxation on road transport and liberalizing air freight services to permit competition would encourage private investment in meat exports.

Illicit taxes levied largely by customs, police, and veterinary inspectors at official checkpoints represent approximately 25 percent of all marketing costs for cattle transported from Bamako to Abidjan. Monitoring inspection services can help eliminate unauthorized taxation. Sponsoring a dialogue among market actors and officials in Mali and destination countries may help sustain progress in reducing illicit taxes.

• **Promote Investments in Processing.** At present, it is more profitable for Malians to export live animals than meat products. Investments in equipment, training, and quality control are essential to improving the profitability of processing.

In general, once the necessary infrastructure is in place, profitability increases with additional processing. For example, the export of carcasses is more profitable than the export of live animals and the export of boxed cuts of meat is more profitable than the export of carcasses. Boxed meat provides for efficient and hygienic handling and offers savings in transport because bone and gristle are removed. Boxed meat earns higher prices by permitting market differentiation for different cuts. Higher prices offset the costs of processing and packaging.

A comparison of processing costs for carcasses and boxed cuts in Mali and the United States suggests that costs are much lower and profits potentially much higher in Mali. Profitability increases with larger scales of operation, but current facilities in Mali are inadequate to handle export volumes. The abattoir in Bamako was built to export specifications but operates well below capacity. Expanding international trade could enable the abattoir to operate two shifts and improve technical efficiency.

Byproducts can also be processed in Mali. Byproducts include organ meat, hide, head and horns, hooves, blood, and other waste. At present, byproducts represent about 10 percent of slaughter value. Their value could be increased by export because some byproducts, such as offal, are more highly valued in other markets. Semi-processed hides and skins are now exported to world markets. The value of hides and skins could be increased by further processing within Mali, but the development of a modern leather industry would require substantial investment in equipment, training, and quality control.

Conclusion

Under present market conditions, livestock exports are more profitable than meat exports within West Africa, but opportunities exist to increase processing within Mali and to expand to profitable markets outside the region. Private investments can be encouraged by removing restrictive taxes, improving the transportation infrastructure, and reducing unofficial taxation. With these changes, the benefits to trade in red meat would increase for both Mali and its trading partners.

***This policy brief is based on EAGER Research, *Prospects for Developing Malian Livestock Exports*, 1997, by Jeffrey Metzel [jmetzel@aird.com], AIRD, Cambridge, Massachusetts; Abou Doumbia, Cellule des Statisiques et de la Planification, MDRE; Lamissa Diakite, Institut d'Economie Rurale; and N'Thio Alpha Diarra, Compagnie Malienne de Developpment des Textiles.**

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