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## MALI'S MARKET INFORMATION SYSTEM: INNOVATIVE EVOLUTION IN SUPPORT OF A DYNAMIC PRIVATE SECTOR

By

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**BACKGROUND:** The Malian Cereal Market Information System (SIM, by its French acronym) was created in 1989 as a key component of Mali's cereal market reforms. It grew from the realization that (1) government and donors needed timely information on how price and supply conditions were evolving in the new context of broad-based economic reforms, and (2) private sector actors, including consumers, needed timely, accurate, low-cost information to operate effectively in a liberalized market. Furthermore, price information was needed to evaluate and adapt the reforms to the evolving macroeconomic and political context as well as to design effective policies to promote food security and higher economic growth through private investment and reduced transaction costs.

**OBJECTIVES:** This bulletin briefly highlights the successes achieved by the Malian SIM over the last twelve years in improving the performance of Mali's agricultural sector and promoting the food security objectives sought by the reforms. It also examines the principal factors that have contributed to the establishment of a successful and sustainable

SIM and the instrumental role played by support from USAID/Mali and the multi-donor Cereals Market Restructuring Program (PRMC). Finally, it discusses future challenges facing the SIM, which in 1998 was restructured and renamed the *Observatoire du Marché Agricole* (OMA).

### FINDINGS:

#### SIM Successes

- **Increased market competition:** Access to improved market information played a decisive role in facilitating the entry of new cereal traders into the assembly, wholesale and retail market following the marketing board's (OPAM) disengagement from cereals marketing in the mid 1980s. By allowing traders to operate more openly, the reforms led to greater use of spot markets to buy and sell cereal (with information provided by the SIM), minimizing traders' need to invest in developing a series of highly personalized relationships with other traders to succeed in the business. As a result of the increased entry, the wider



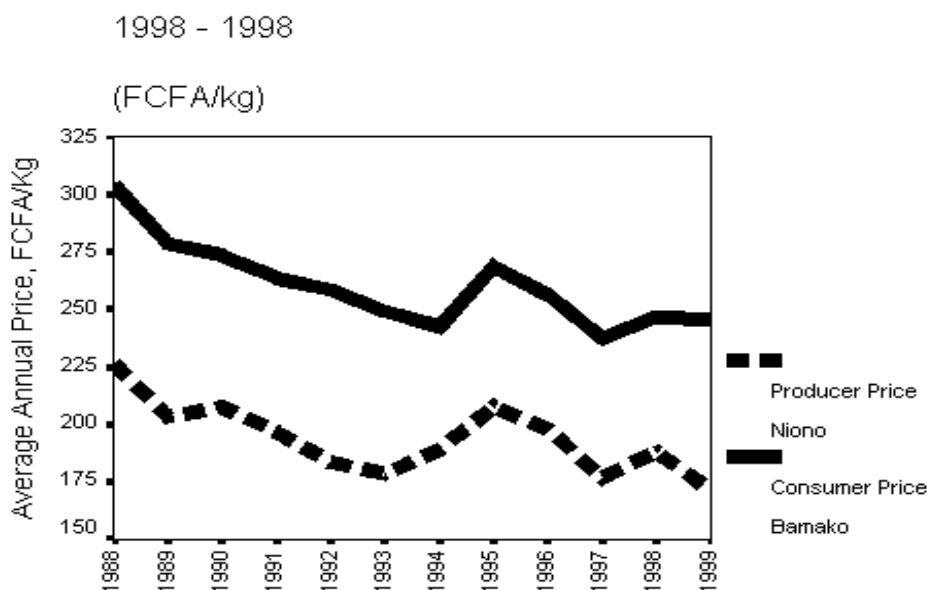
availability of market information, increased specialization, and removal of movement restrictions, the coarse grain trade became much more competitive.

- **Lower marketing costs:** Greater market transparency, increased trader confidence in the permanence of the market reforms, and improved incentives brought about by these reforms stimulated investment in storage and trucking, which allowed traders to gain scale economies. These investments, along with the reduced cost of doing business and greater competition, contributed to lower costs of moving cereal from farmers to urban consumers and reduced marketing margins.
- **Improved price incentives:** A recent evaluation of the cereal market reforms

(Egg 1999) indicates that marketing margins have fallen significantly along major trading routes as a result of improved availability and access to market information and increased competition. The result was increased real producer prices and lower costs for cereal consumers for coarse grains. Although the reforms have improved price incentives for producers, price volatility remains a serious challenge for both policy makers and market participants.

In the rice sector, both real producer and consumer prices have exhibited a significant downward trend since the liberalization of the rice market that began in the late 1980s (Figure 1). Despite falling farm-level prices, productivity gains through higher yields has actually improved farmer profitability.

**Figure 1. Nominal Rice Prices in Mali**





- Growing regional ties and private sector partnership:*** A key development has been the OMA's role in organizing annual West African Agricultural Market Outlook Conferences, beginning in 1999. These conferences, in turn, led to the creation of a regional network of SIMs to improve the exchange of information among West African countries and work on methodological issues; and the creation of a private-sector network, aimed at promoting regional trade in agricultural products. These networks have already led to expanded trade. For example, using contacts developed during the second outlook conference held in February 2000, Malian traders were able to export 50,000 tons of millet to Niger during the first half of that year.

In Mali, OMA has also been instrumental in helping facilitate the creation of the first national association of input dealers, aimed at improving coordination in the agricultural input markets. Already, the association, which is self-financed, has called for a revision of government regulations and policies covering the agricultural input sector. In this effort, the association will work with the chambers of agriculture, chambers of commerce and OMA.
- Technical expertise needed to produce quality products:*** Being able to consistently produce accurate, reliable information demanded by clients is the sine qua non of a useful market information system. The success of the Malian SIM in producing valid information and maintaining its clients' confidence is the result of technically sound data collection and analytical methods, well-trained technical staff and functional computer and data transmission technology. USAID/Mali, both bilaterally and through its leadership role in the multi-donor PRMC, has played an instrumental role in assisting the Malian SIM to retain its technological edge through short- and long-term training, technical assistance and critical periodic investments in computer and data transmission technology needed to respond to evolving user demands.
- Responsiveness to user needs:*** The ability of the Malian SIM to satisfy the informational needs of its diverse clientele is the result of its attentiveness to and regular contact with its users. The SIM has periodically conducted user information surveys in order to stay abreast of its clients' needs and evaluate the effectiveness of its radio, television and written products. These results have enabled the SIM to modify its range of products in order to respond more effectively to client wishes. USAID-financed solar-powered, radio-modems have allowed OMA to provide up-to-date market information to remote areas, particularly to an increasing number of local radio stations that have flourished since Mali's democratization (many supported by USAID/Mali's communication unit).

### Key Factors Shaping Successes

Four factors stand out as primary contributors to the success of the Malian SIM: technical expertise needed to produce quality products; responsiveness to user needs; financially-sustainable operations; and innovative institutional evolution.



- ***Financially-sustainable operations:*** Satisfying greater demands for more detailed and varied information by clients is not without cost. In 1997, cognizant of the need for more sound financial footing, less dependence on donor funds and more cost-effective data collection operations, the SIM, with support from USAID and the PRMC, undertook a comprehensive internal institutional and financial review. Data collection costs had grown to 64% of the SIM's operating budget, allowing few resources to diversify information services and respond to evolving client needs. This review led to the creation of a decentralized market information (OMA) linked to the Malian Chambers of Agriculture (APCAM), and a reduction in the system's operating budget by one-third. Prior to this restructuring, the operating budget was entirely dependent on PRMC donor funds; today, it is fully financed by the Malian government.
- ***Innovative institutional evolution:*** In addition to placing OMA on more sound financial footing, the move from the marketing board (OPAM) to APCAM had other benefits. First, the affiliation of OMA with APCAM permitted the decentralization of market information generation and diffusion to meet local stakeholders' information needs, since the chambers of agriculture are themselves organized on a decentralized basis. Second, OMA has a high degree of managerial autonomy within APCAM, leading to more effective staff management. Third, although OMA's decentralized structure and regional offices have proven less costly for data collection,

the greatest benefit of OMA's affiliation with the Chambers of Agriculture are the system's closer ties and direct conduit to its biggest clients, namely Malian farmers and traders.

Through OMA's sustained efforts to satisfy its clients' information needs and strengthen their capacity to use market information more effectively, farmers and traders have taken a sense of ownership of OMA. This has resulted in them putting more pressure on OMA to produce the information they want and to establish better links with neighboring countries' market information systems to help foster regional information flow to promote regional trade. Given the private sector's political support for OMA through the Chambers of Agriculture and Commerce, the government will be under pressure to continue its funding of OMA.

**IMPLICATIONS AND FUTURE CHALLENGES:** The effective mix of technical expertise, responsiveness to user needs, institutional innovation and financially sound operations has enabled the Malian market information system successfully to serve the growing and changing needs of a dynamic private sector over the last twelve years. Future success will continue to depend strongly on the way these factors affect OMA's ability to face the following challenges.

- ***Regionalization:*** Growth of Mali's agricultural economy is increasingly linked to markets in neighboring countries. As West African countries solidify their customs and monetary unions and expand



intra-regional trade in agricultural products (which greatly accelerated after the devaluation in 1994), OMA will increasingly need to develop cost-effective ways to provide timely market information to Mali's private sector. The success of the Annual West African Agricultural Market Outlook Conferences and the recently established regional private-sector network provide a firm foundation to meet this challenge.

The growing integration of regional markets has three effects on the Malian food sector that will increase demands on OMA for expanded market information and analysis. First, the integration puts Malian consumers in competition with consumers in neighboring countries, who frequently have higher purchasing power. This raises the risk that poor Malian consumers may be priced out of the market or have to bear the brunt of price increases that result from Malian cereal exports to these neighboring countries. Consequently, government will need to develop its capacity for food policy analysis. Such food policy analysis will depend on reliable information from OMA and affiliated organizations to address issues such the benefits of open trade and options for the design of market-compatible safety nets for the poor.

Second, the regional integration opens new business opportunities for Malian exporters. Therefore, OMA will be under pressure to provide information that supports market transactions in neighboring countries. Already, traders are putting pressure on OMA to provide them with information on

the evolving regional demand for different Malian agricultural products. Third, because of the instability of the regional export demand, the domestic Malian agricultural markets will face greater price volatility in the future. As a result, there will be a growing demand for the development of appropriate risk management tools for farmers and traders. Consequently, OMA will need to provide the required data series to characterize the risks so that appropriate risk management tools can be developed.

- **Marketing extension:** The private sector's support for market information services grew from OMA's ability to meet their information needs consistently in a timely fashion. Future support should continue to the extent that OMA is pro-active in addressing the private sector's needs. Paramount among these is the need to strengthen the private sector's (including farmers') ability to use market information to make better commercial decisions. The private sector and farmer organizations need to develop their capacities to assess new market opportunities and negotiate with commercial partners both on a national and regional level. As a result, OMA needs appropriate marketing extension materials and to strengthen its capacity to develop and implement marketing extension programs, especially at the local level.
- **Grades and standards:** The revival of economic growth and integration in West Africa since 1994 is leading to increased demand for locally produced and processed food products. This growing demand has increased competition between different





suppliers in the region. Developing appropriate grades and standards in order to ensure high and reliable product quality and safety will be key in Mali's remaining competitive in this new environment. Consequently, in addition to providing price information, OMA will need to develop tools to identify and report to market participants the quality requirements of different market segments.

For more information, see:

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