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DEVELOPMENT & FINANCING OF SELECTED VALUE CHAINS IN MALI

Research & Workshop Summary

May 31 2007

AGENDA FOR TODAY

- Background
- Key Lessons & Findings by VC
Workshop Process & Outcome
- Next Steps
- Q&A / Discussion



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BACKGROUND

USAID MALI OBJECTIVE

- Scope out certain value chains and financing needed
- Get all stakeholders on same page, with respect to value chains and value chain finance

MD OBJECTIVES

- Add to body of value chain case studies - more countries, commodities, and cross cutting issues
- Broaden group of actors in value chain finance research / field work
- Increase role of private sector in value chain finance discussions
- Tie research to mission objectives
- Test sequencing of field work and workshops

KEY PEOPLE

Researchers: Tom Pomeroy, Abt Associates (Team Leader)
Joel Antal, Abt Associates
Tom Shaw, Chemonics International

Facilitators: Anita Champion, Enterprising Solutions (Workshop Lead)
Tom Pomeroy, Abt Associates
Djribil Ba, Chemonics International
Seydou Sidibe, Chemonics International
Anicca Jansen, USAID/Washington

Logistical Support: Mohammed Diarra, CFBM via QED
Jenn Severski, QED
Laura Burns, QED
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Activity Manager: Anicca Jansen, USAID/Washington

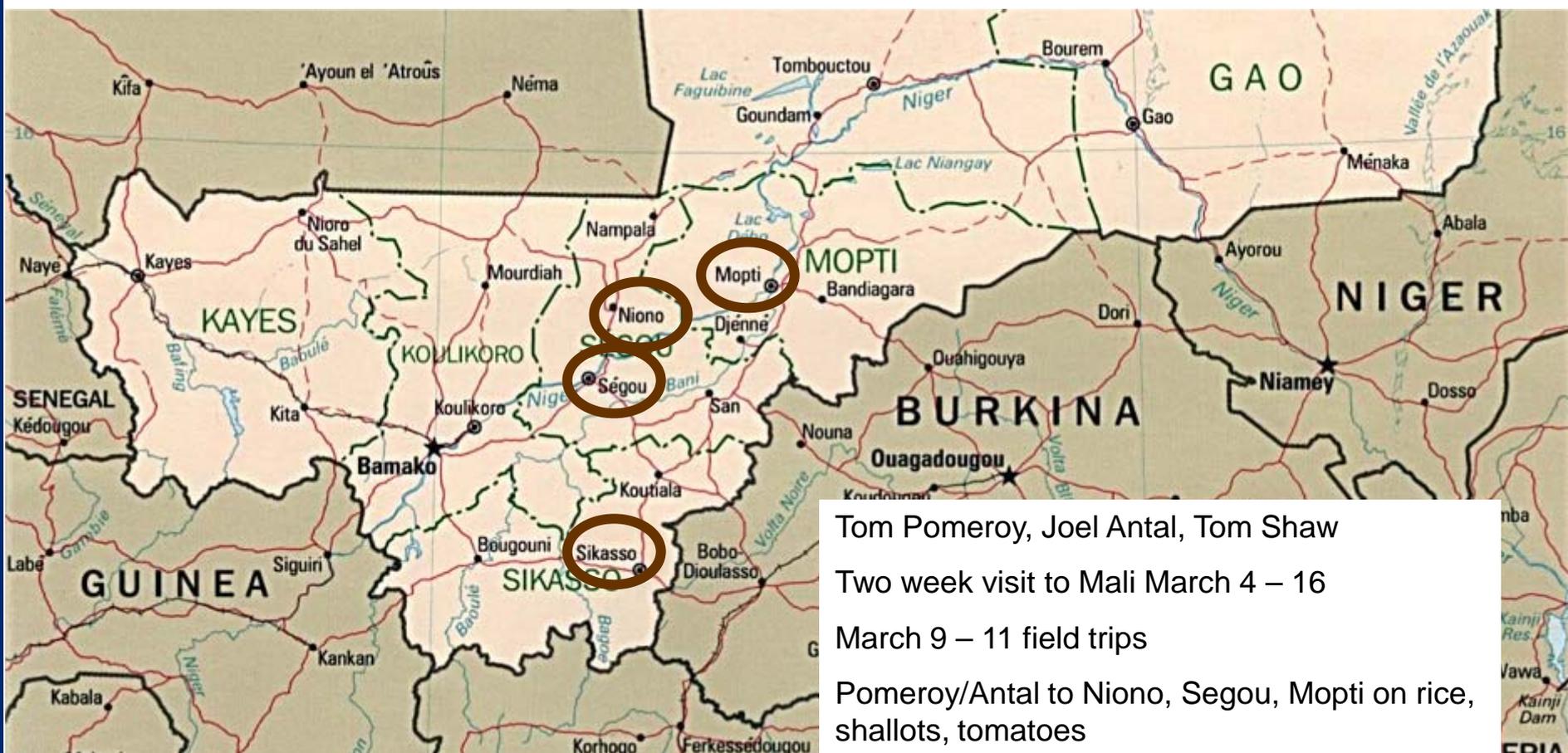
USAID Mali:

Jean Harman

Mali Finance

Trade Mali

SITE VISITS IN MALI



Tom Pomeroy, Joel Antal, Tom Shaw

Two week visit to Mali March 4 – 16

March 9 – 11 field trips

Pomeroy/Antal to Niono, Ségou, Mopti on rice, shallots, tomatoes

Shaw to Sikasso on potatoes (mostly) and rice.

DELIVERABLES

- Draft reports by commodity (4)
- Powerpoint slides & materials (CD)
- MABS G-Cash video (French subtitles)
- Stakeholder Workshop (Bamako)
- Stakeholder Debriefing (DC)
- Final Report (in progress)
- Special Topic Notes & Slides (tbd)

STEPS

1. Identify value chains (target markets and products) with perceived potential for growth
2. Review Previous Studies and Secondary Data
3. Conduct Field Visits
4. ID Key Issues for Workshop
5. Present Preliminary Findings to Key Stakeholders (Mali, DC)
6. Finalize Reports & Disseminate



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KEY LESSONS & FINDINGS BY VALUE CHAIN



rice

KEY LEARNING ISSUE FOR RICE

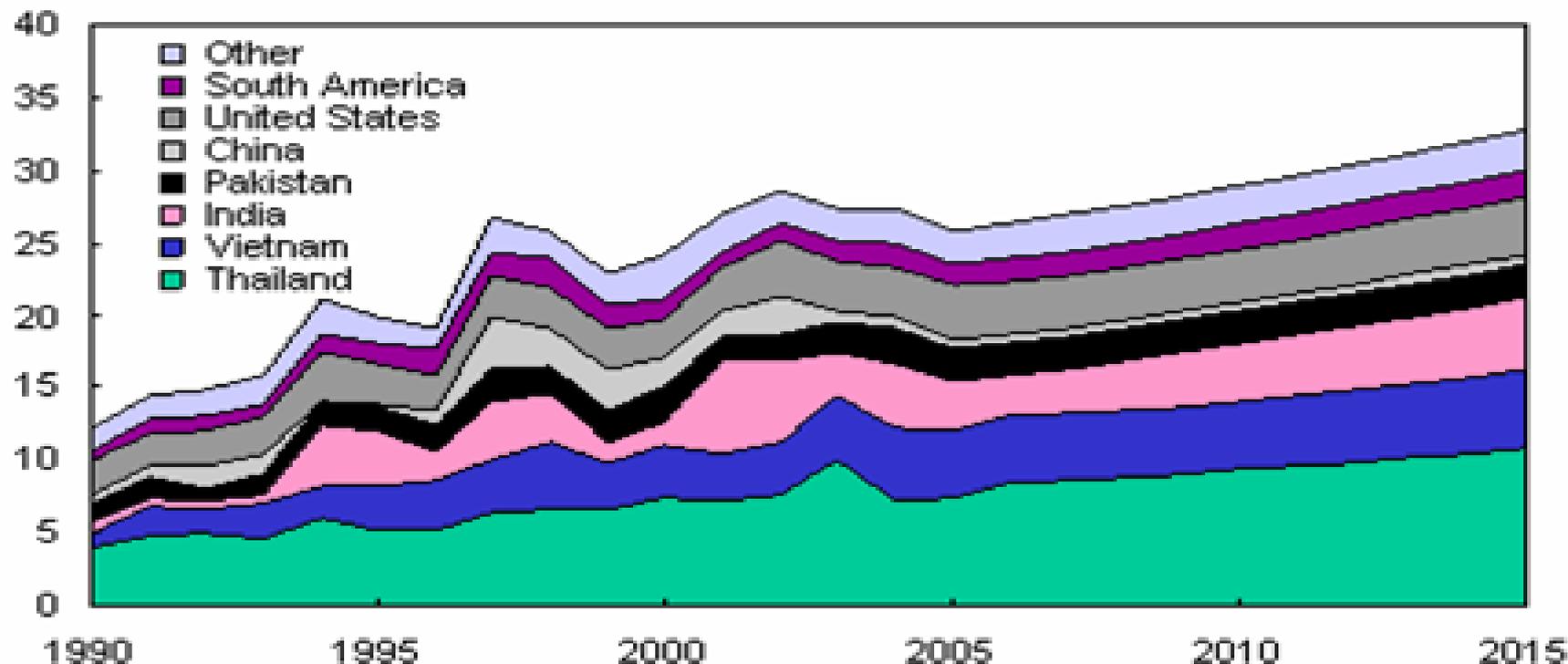
Because rice is a very common commodity, it was used to introduce the value chain concept overall

In particular rice was used to show the need to understand the end market and the country's comparative position in the end market.....

ASIAN COUNTRIES ARE MAJOR RICE EXPORTERS

Global rice exports

Million metric tons

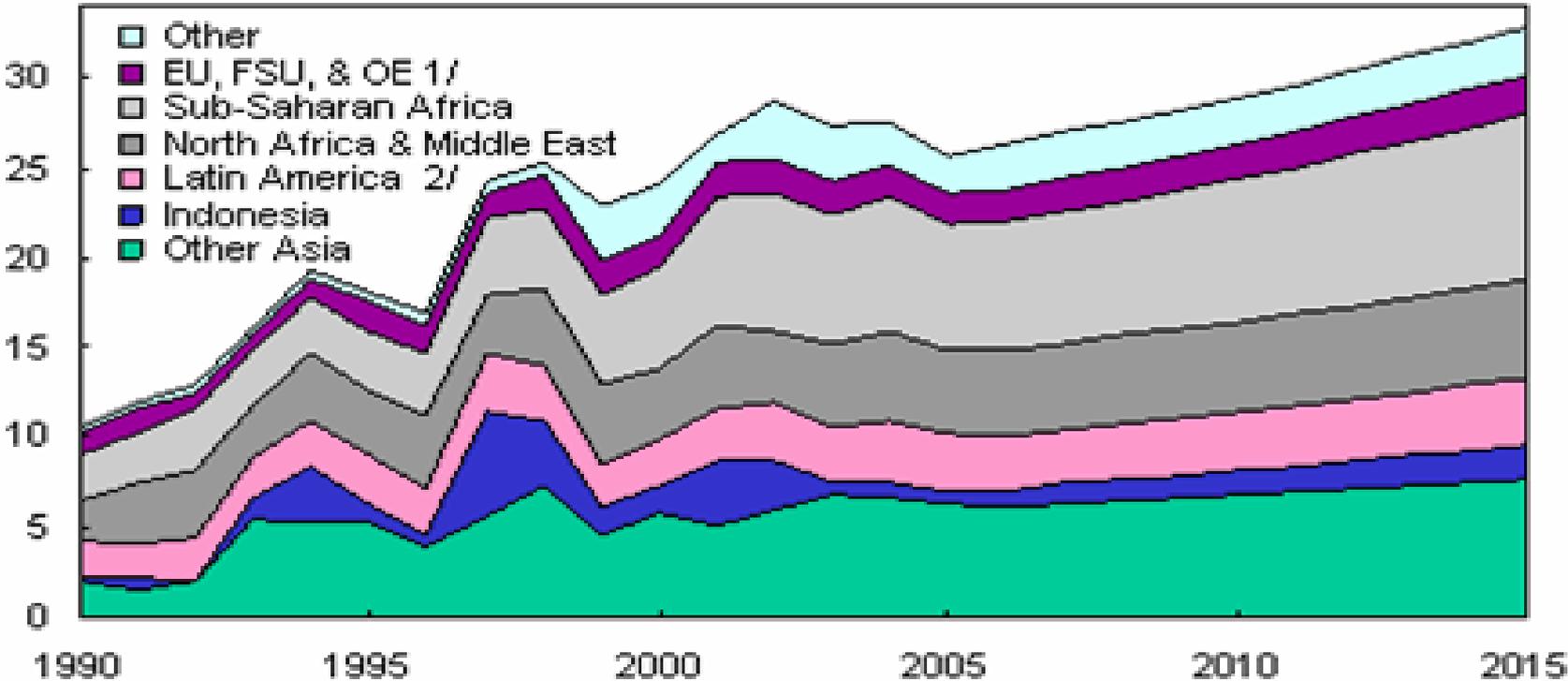


Source: *USDA Agricultural Baseline Projections to 2015*, February 2006.
Economic Research Service, USDA.

WITH AFRICA BEING A MAJOR RICE IMPORTER

Global rice imports

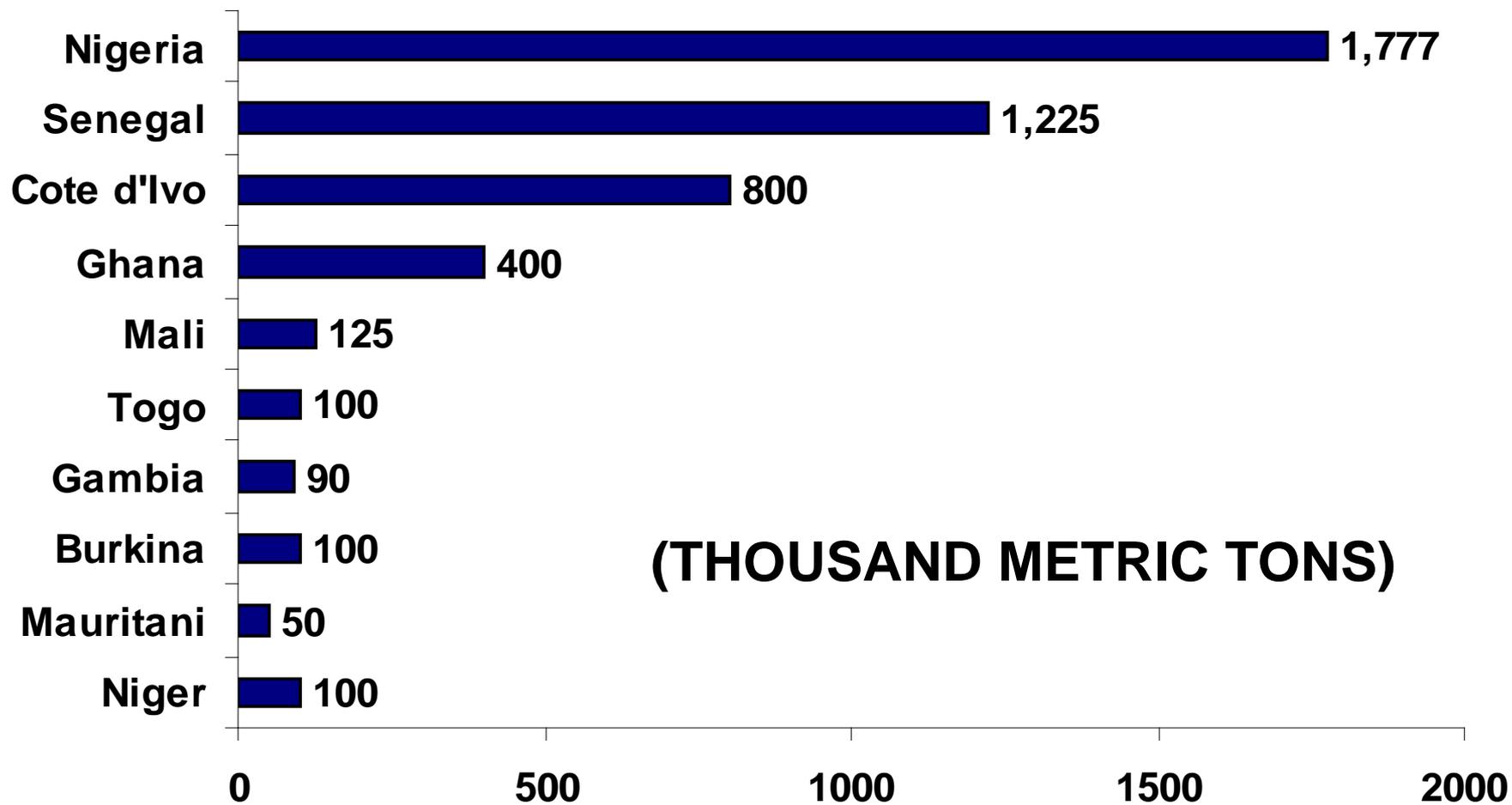
Million metric tons



1/ European Union, former Soviet Union, and Other Europe. 2/ Includes Mexico.

Source: *USDA Agricultural Baseline Projections to 2015*, February 2006.
Economic Research Service, USDA.

RICE IMPORTS BY WEST AFRICA IN 2005/06



RICE – SOME KEY FINDINGS

- Not possible to compete on global market
- But there is an opportunity regionally and locally

- Mali rice has a taste that is in demand locally and regionally
- Currently there is not a high premium for improved quality (i.e., upgrading)

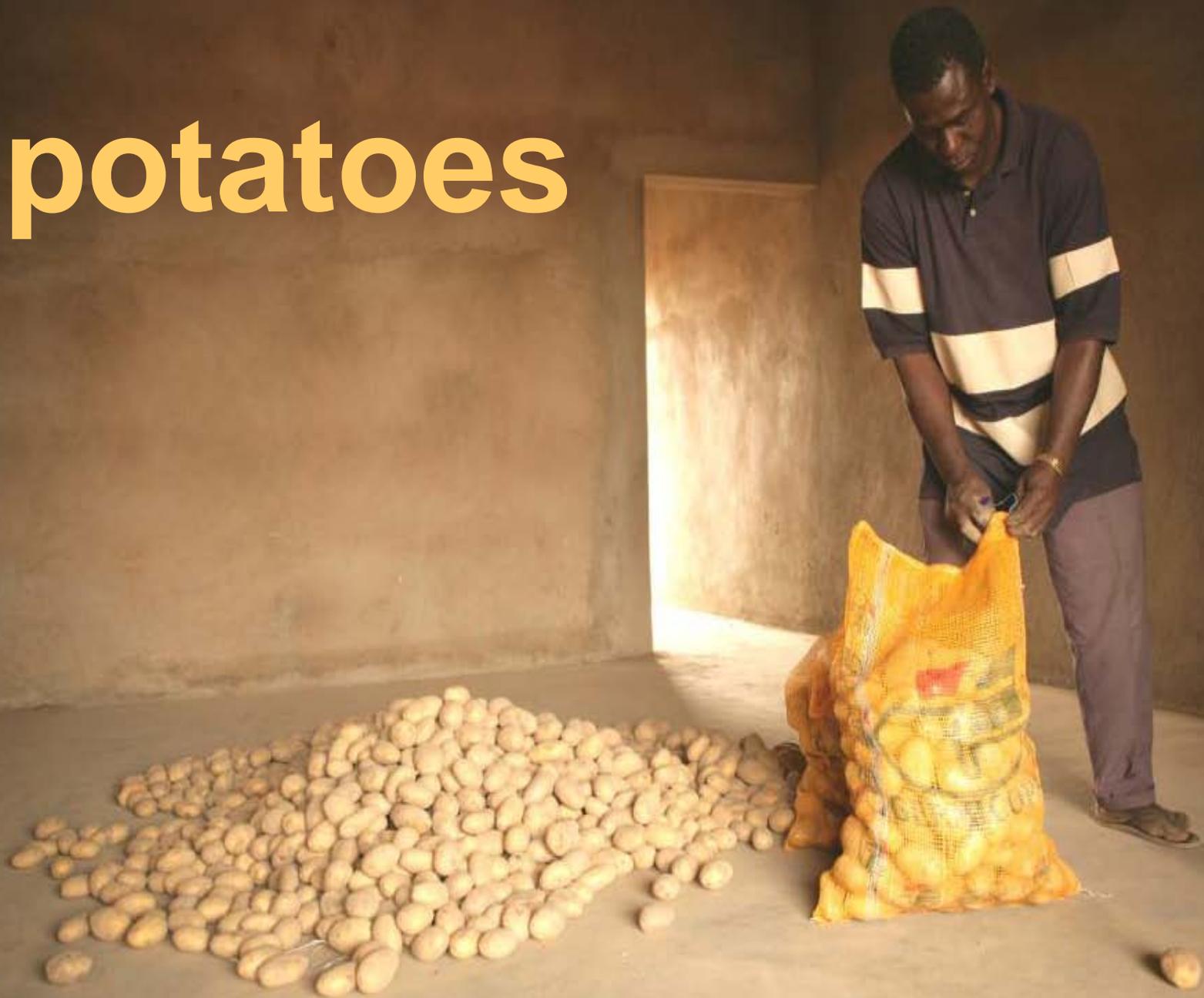
- With correct inputs output can be substantially increased
- There is a risk of overproduction which could result in serious surplus and price drop (note that MCC intends to heavily support rice)

- Finance constraint at producer level because individual growers pay high interest rates

BROKEN VERSUS WHOLE GRAIN RICE



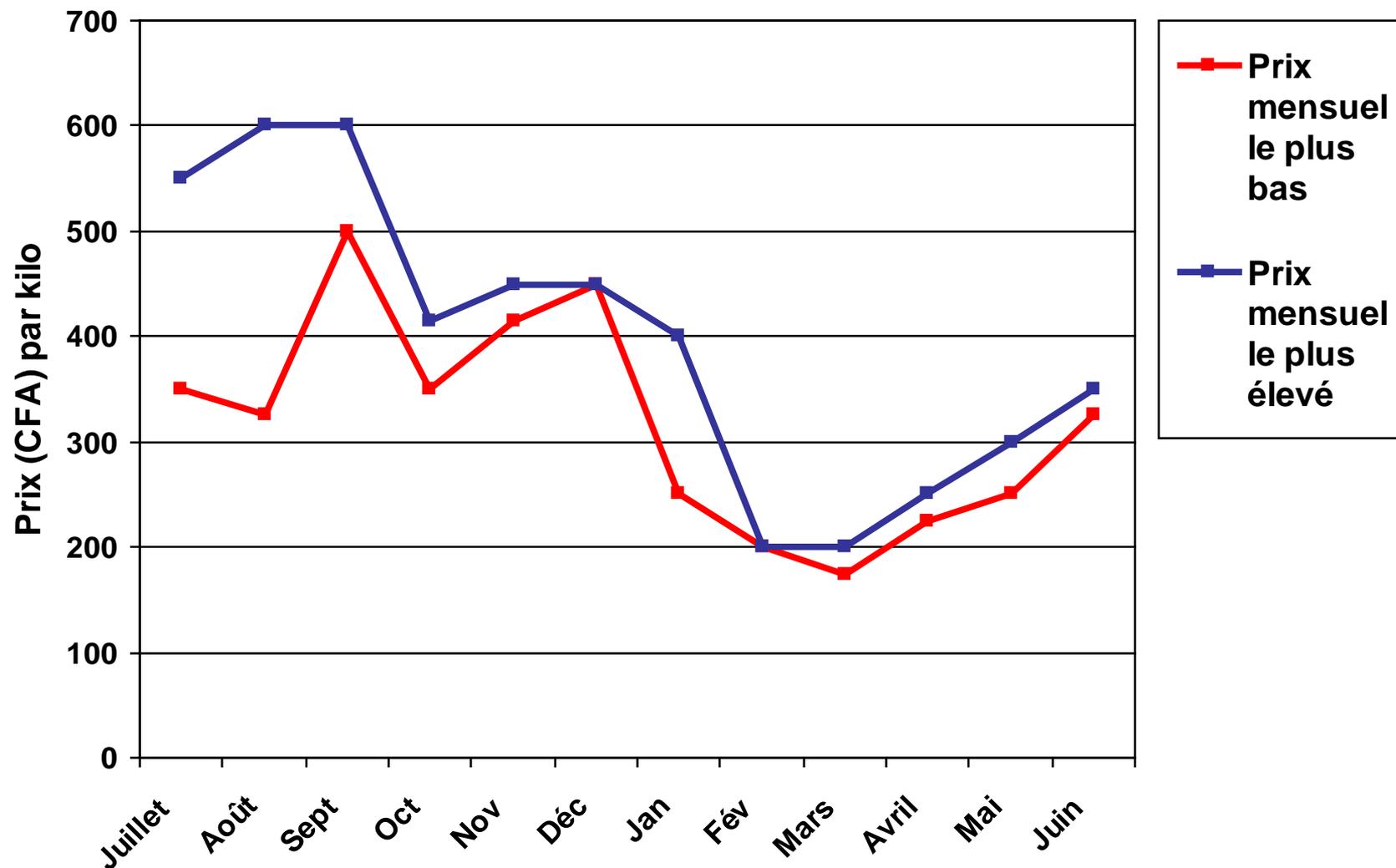
potatoes



KEY LEARNING ISSUE FOR POTATOES: SEASONALITY

Activity	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Growers Credit Pre-approval	█											
Importation Orders Placed in Europe	█											
Seed Potatoes Arrive in Mali			█									
Growers receive inputs			█									
Production period				█								
Harvest Period							█					
Production Loan Repayment											█	
Katibougou production in Bamako Mkt						█						
Sikasso production in Bamako Mkt									█			
Storage for Later Sales										█		
Imported potatoes in Bamako Mkt	█											█
Retail Prices in Bamako (Medine) Mkt - FCFAF	350-550	325-600	500-600	350-415	415-450	450	250-400	200	175-200	225-250	250-300	325-350

SEASONALITY OF THE SALES PRICE FOR POTATOES IN THE BAMAKO MARKET (MEDINE)



POTATOES – SOME KEY FINDINGS

- End market opportunity is regional & local
- Not possible to compete on global market
- Controlling seasonality is KEY to increased revenue
 - Currently cold storage is not economical, however ventilated storage is an opportunity
 - There is no control over timing of production and sales
 - Upgrading opportunities include storage and better varieties (for staggered production).
- Better inputs are required (seeds, fertilizer)
- Finance constraints at storage and producer level
- However, finance “snafu” in 2005 season has caused lenders to pull back from potato sector (production actually dropping)



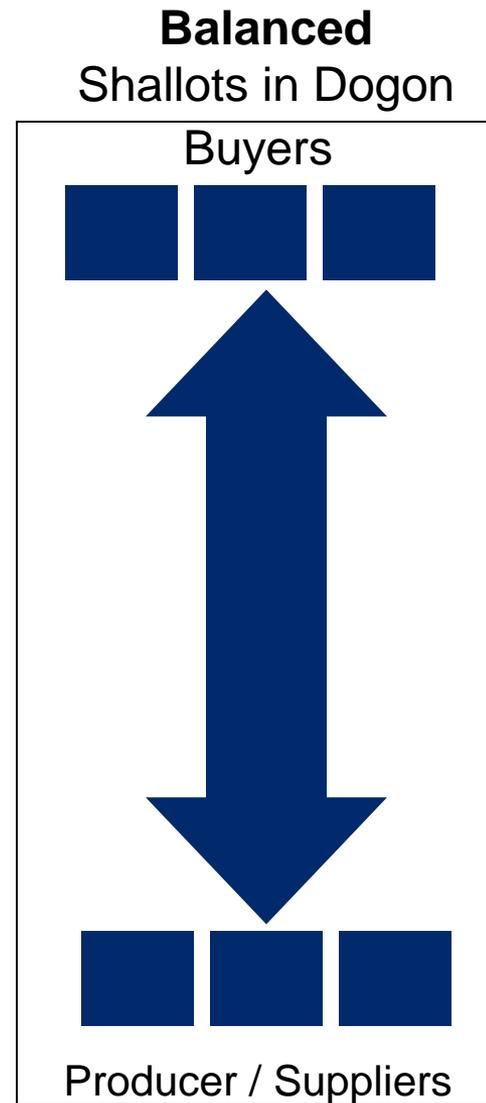
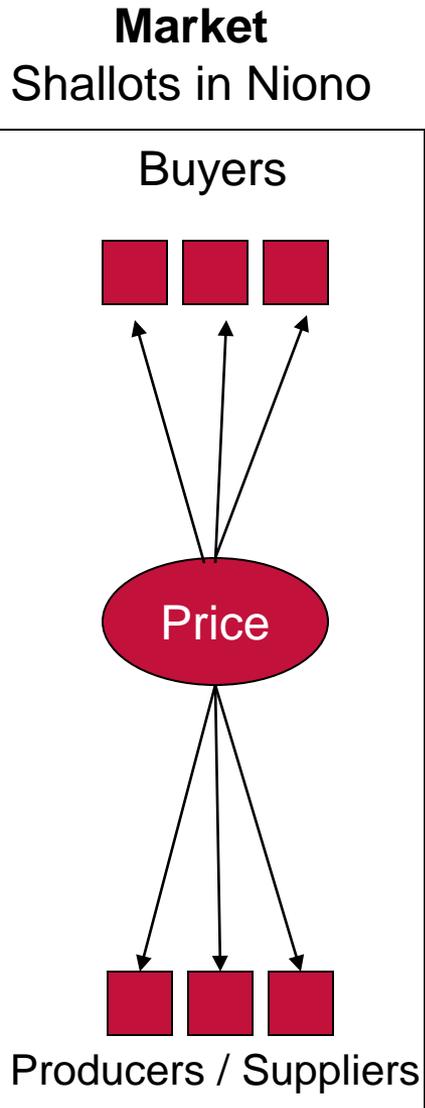
SHALLOTS

KEY LEARNING ISSUES FOR SHALLOTS: GOVERNANCE AND UPGRADING



Women's Coop Dries Shallots & Onions

GOVERNANCE : NIONO VERSUS DOGON PLATEAU



SHALLOTS – Some Key Points

- Local market near saturated
- Regional market has some potential
- Global market for Mali shallots currently being reached by Senegalese exporters.

- Upgrading Opportunities for:
 - (process) slicing, drying,
 - (channels) branding “Mali”,
 - (product) Government is introducing new varieties, appropriate fertilizer is needed
 - (function) well organized women’s coops are poised to export to new markets

- Financing needed to improve trucking, storage, slicing and drying equipment



TOMATOES

KEY LEARNING ISSUE FOR TOMATOES – Multiple Problems of Highly Underdeveloped Chain

- End Market
 - Local spot markets for fresh produce
 - Currently no domestic market for locally processed tomatoes
- Upgrading
 - Little financial incentive to invest in upgrading
 - Tentative plans for dried tomatoes for export, small scale
- Governance
 - Producers are price takers
 - Trucks arrive at villages with no prior contracts
 - Highly perishable product so forced to sell
- Gender
 - Men dominate trucking, therefore purchase price
- Access to Information
 - No available price information (and price fluctuates widely)

TOMATOES – Some Key Points

Fresh tomatoes:

Easy to produce (sometimes oversupply)

Imported seeds, fertilizer

Food Safety – using cotton pesticides

Perishability - Short shelf life (3 days)

Narrow consumer demand in Mali (no taste for cherry, dried tomatoes)

Upgrading Possibilities:

Dried to Europe or region

Fresh & concentrate to Senegal

Financing Issue:

Limited appeal to lenders because of lack of organization, lack of processing and value added, and high perishability



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SUMMARY TABLES

MALI'S COMPETITIVENESS BY END MARKET

VALUE CHAIN MARKET	Rice	Tomato	Shallot	Potato
GLOBAL	Not competitive	Possible market in Europe for dried	Possibly fresh, dried	Not competitive
REGIONAL	Asian imports much cheaper, Mali quality may be a selling point.	Modest possibilities in Senegal for concentrate, and fresh. Regional market for dried uncertain	Good current market for fresh, future market for dried.	Good market demand if Mali has supply
LOCAL	Imports cheaper but Mali rice is preferred.	Fresh – good market Canned – competition from imported Italian paste imported	Strong demand for shallots (other onions not a substitute)	Excellent domestic market Imported in off season
SUBSISTENCE / GROWER CONSUMPTION	Rice is key staple in urban and rural areas	Strong demand for fresh tomatoes but not cherry or dried.	Strong demand for fresh and dried shallots -- used in 2/3 of sauces in Mali	Fresh potatoes are an important source of food

UPGRADING OPPORTUNITIES

	RICE	TOMATO	SHALLOT	POTATOES
PROCESS	<p>Improve milling, Stagger plant/harvest timing. Maintain quality in harvest and storage. More irrigation & better inputs</p>	<p>Explore dried tomatoes</p> <p>Improved chemical choices, application, and handling.</p>	<p>Better quality slicing machines, drying, packaging, branding.</p> <p>Cost effective storage to extend shelf life</p>	<p>Stagger plant/harvest timing. Disease & water control</p> <p>Cost effective storage to extend shelf life.</p>
PRODUCT		<p>Use new varieties such as cherry tomatoes or varieties suited to processing</p>	<p>Government is developing new seed bulbs with desirable color and size.</p>	
FUNCTIONAL	<p>Improve logistics</p> <p>Coops poised to move up marketing channel. Share better info on consumer preferences & incentives</p>	<p>Better information on consumer demand & incentives at all levels.</p>	<p>Women's processing coops expand to high value urban marketing.</p>	<p>Need improved logistics, to optimize use of transport and warehouses.</p>
CHANNEL	<p>Improve branding. Use channels for other products</p>	<p>Explore regional market for fresh, dried, concentrate.</p>	<p>Use channels for other products.</p>	<p>Increase regional marketing</p>

SUMMARY OF CONSTRAINTS

Value Chain Actor	Rice	Tomato	Shallot	Potato
Retailers & Wholesalers	<p>Imported rice is cheaper</p> <p>Need high end market development</p>	<p>3 day shelf life.</p> <p>Supplier credit default risk.</p>	<p>Fresh market oversupply approaching. Dried quality & packaging not standard.</p>	<p>Imports when prices very high, Quality premium insufficient</p> <p>Cold storage not economical</p>
Processing	<p>Cheap mills break kernels.</p> <p>Low premium for higher quality</p>	<p>Competition from low cost European paste</p> <p>Difficulties supplying tomato paste factories in Senegal.</p>	<p>Many qualities with different markets. Need market development for dried in region (& overseas?)</p>	<p>No processed product market. Currently insufficient premium for high quality.</p>
Production	<p>Irrigated land is scarce. Water not reliable in some places. Farmers need input credit.</p>	<p>Easy entry, no advance contracts leads to oversupply and occasional discarding of product.</p>	<p>Hand irrigation. Dogon – need to bring earth to plant. Niono – need to buy fertilizer.</p>	<p>Pests</p> <p>History of loan default has impacted credit for seed potatoes</p>
Input Supply	<p>Farmers seen as credit risk by lenders</p>	<p>Input credit difficult. Cotton & rice chemicals diverted.</p>	<p>New planting bulbs not yet widely available</p>	<p>Seed import loan default snafu last year.</p>

ADDRESSING CONSTRAINTS

Value Chain Actor	Rice	Tomato	Shallot	Potato
Retailers & Wholesalers	Stress high end regional markets, standards for contracts, storage	Build relationships / trust. Increase flow of end market price information and shipping costs.	Build customer relationships & organized markets. Improve storage. Develop product standards for contracts.	Explore upgrading premiums. Ventilated warehouses to prolong shelf life
Processing	Better small mills. High end packaging & branding	Explore consumer receptivity for processed products, including regional & international markets.	Better slicing machines. Packaging and branding for dried product. Stress regional marketing	Explore storage techniques, sprout control, ventilated storage.
Production	Improve irrigation systems. Staggered crop calendar, organize to seek lower cost inputs & credit.	May improve with better market info & organized marketing	Extension Incentives for upgrading, Continue organized market days.	Disease control. Coordinated planting times, Build trust & cooperation
Input Supply	More tech info. More credit to producers	Enforce controls on seeds to be sold. Pesticide education.	Expand seed bulb development & multiplication	Fix snafu in credit system Regain and build trust

SUMMARY FINANCE NEEDS BY VALUE CHAIN

Value Chain Actor	Rice	Tomato	Shallot	Potato
Retailers & Wholesalers	LT finance for trucks, warehouses, packaging equip info systems. Product standards.	LT finance for trucks, warehouses.	LT finance for trucks, warehouses. Product standards for storage financing, contracts	LT finance for trucks, warehouses, info systems. Product standards
Processing	MT finance for mills, polishing, sorting , equipment.	MT to LT financing for drying and other processing equipment, if competitive opportunities found.	MT finance for slicing, drying, packaging equipment	Few processing opportunities are evident.
Production	More ST finance needed, MT-LT loans for tillers, threshers, warehouses	ST finance, as well as MT for farm equipment	MT-LT loans for equipment, warehouses	MT-LT loans for equipment, warehouses, water control.
Input Supply	Distributors: credit from European suppliers	Distributors get credit from suppliers. Rice and cotton chemicals used on tomatoes.	Fertilizer may be diverted from rice.	Rebuild trust in seed potato import credit.

QUESTIONS FOR FUTURE VALUE CHAIN INVESTORS

Are projects viable (i.e. bankable)?

How do we develop trust between value chain actors?

Do the right financial products exist?

Is financing targeted at the right level in the value chain?

How do we develop product standards for contracting, financing?

How do we develop formal or informal contracting mechanisms?

Can we segment and price borrowers according to risk?

How do we improve market information flows?



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WORKSHOP PROCESS & OUTCOME

WORKSHOP OBJECTIVES

- 1) Introduce value chain model**
- 2) Bring together diverse stakeholders**
- 3) Ground truth research findings**
- 4) Bring in information from other countries**
- 5) Reach a common understanding of challenges, opportunities, and roles for Mali**

WORKSHOP APPROACH

- 1) Present value chains in context of local, regional and international markets... i.e., start with « end market »**
- 2) Stress private sector role (rather than donors)**
- 3) Provide venue for sharing learning and making connections**

FORMAL OPENING OF WORKSHOP



WHO PARTICIPATED?

81 participants, including 71 Malians (15 women)

Private sector	30%
Financial institutions	8%
NGOs & Project Staff	15%
Malian Government	10%
Donors	15%
Independent Consultants/ Others	15%
TOTAL	100%



OVERALL RANKING OF SESSIONS

Role of Innovation and Technology

Rice Value Chain Development & Finance

Potato Value Chain Development & Finance

Shallots & Tomato Value Chain & Finance

Reducing Risk and Attracting Finance

Building Competitive Value Chains

Introduction

Session for Donors and Government



tradenet

Welcome!

- » [welcome](#)
- » [features](#)
- » [data services](#)
- » [how it works](#)
- » [the technology](#)
- » [getting started](#)
- » [partners](#)
- » [team](#)
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Tradenet is a internet application that enables you to provide market information via the web, email and SMS quickly and affordably. The application has been designed and developed by an international team based in Accra, Ghana. They are dedicated to supporting the application, developing new features and providing integration services to your current system. It consists of the following types of content:

- » **prices**
- » **news stories**
- » **buy & sell offers**
- » **files & documents**
- » **contacts database**
- » **forex rates**

The goal is to put more information into the hands of the producers and traders, making the market more transparent and efficient, and assisting stakeholders to make decisions about when to plant, what to grow, who to trade with, when to sell, and for how much.

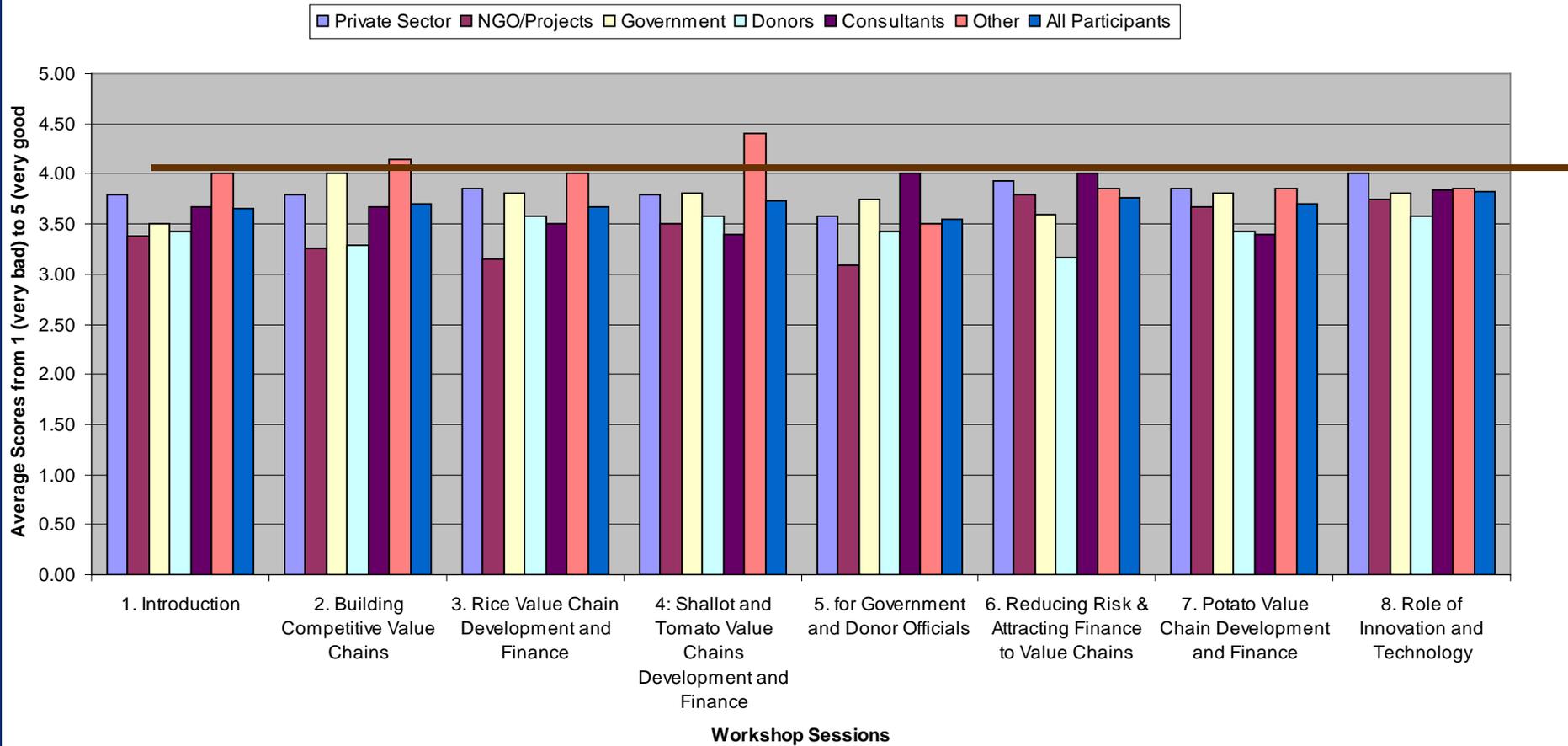
It is also a powerful analysis tool that enables participants to generate historical and comparison charts and data for price history.

trading information via sms, fax, web, radio



tradenet and sms
access to market
information

Chart 1: Mali Agricultural Value Chain & Finance Workshop Session Evaluations



PARTICIPANTS VARIED WIDELY ON SESSION PREFERENCES,

Session in Order of Occurrence (number ranking in top 3)	NGO/ Project	Consul tant	Private Sector	Govt	Donor	Other
1. Introduction (1)	MID	HIGHEST	MID	LOWEST	HIGHEST	MID
2. Building Competitive Value Chains (2)	LOWEST	HIGHEST	MID	HIGHEST	LOWEST	MID
3. Rice Value Chain Development and Finance (4)	LOWEST	LOWEST	MID	MID	HIGHEST	MID
4: Shallot and Tomato Value Chains Development and Finance (3)	HIGHEST	LOWEST	MID	MID	HIGHEST	HIGHEST
5. For Government and Donor Officials (1)	LOWEST	HIGHEST	LOWEST	LOWEST	MID	LOWEST
6. Reducing Risk & Attracting Finance to Value Chains (3)	HIGHEST	HIGHEST	MID	LOWEST	LOWEST	MID
7. Potato Value Chain Development and Finance (3)	MID	LOWEST	MID	MID	MID	MID
8. Role of Innovation and Technology (4)	MID	MID	HIGHEST	MID	HIGHEST	MID

HIGHEST Greens MID Oranges LOWEST Violets

generally preferring practical information to theoretical

COMMON POSITIVE PARTICIPANT COMMENTS

- Sessions were well presented overall, like methodology and active participation
- Liked diversity of presenters, panellists and guest speakers
- Especially liked the group work
- Workshop allowed value chain actors to meet and share experiences.
- A lot of new information shared.
- Good time management
- Several said liked the content overall
- Liked the documents and supporting materials.
- “The atmosphere was marvellous!”

PARTICIPATORY WORK GROUP ACTIVITY – key stakeholders together designing a financial product

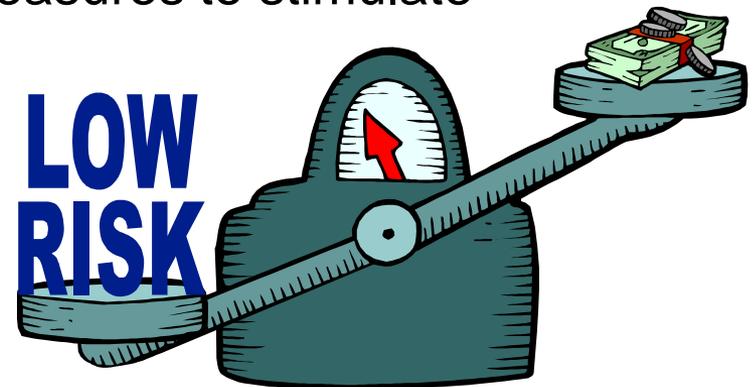


HOW PARTICIPANTS PROPOSED TO USE INFORMATION

- **Common comments for all participants:**
 - Learned the importance of working together (inter-firm cooperation) with all value chain actors to become more competitive.
 - Will apply the information to strengthen these 4 value chains, as well as others.
 - Will use the information to improve decision making.
- **From independent consultants:**
 - Use information and innovations to improve the competitiveness of value chains.
 - Provide technical assistance to actors at each level of the value chain.
 - Use the concepts to see how other value chains can be strengthened.

HOW PARTICIPANTS PROPOSED TO USE INFORMATION

- **From private sector value chain actors:**
 - Use the information to strengthen my value chain or business
 - Be in contact with other value chain actors.
- **From financial institutions:**
 - Take the data and the value chain levels into account in making financing decisions
 - Put in place a credit bureau, take measures to stimulate repayments



HOW PARTICIPANTS PROPOSED TO USE INFORMATION

- **From government officials:**
 - Put in place indicators to evaluate the impact of government actions on the value chains.
 - Share the example of financing with the banks.
 - Discuss more with USAID how to ensure the impact on poverty from working with value chains.
- **From donor representatives:**
 - Reinforce organizational capacity, train people on the dynamics of value chains.
 - Conduct analysis by actor, determine needs based on the analysis.
 - The information will allow us to better intervene and support these value chains.

COMMON FEEDBACK ON HOW TO IMPROVE

- Update statistical information (reality is that there is limited information available)
- Lengthen time, especially for discussions
- Do more workshops, separate ones for each value chain
- Include more producers, more female participants
- Better link information to value chain framework, e.g., to help clarify the differences between value chains and subsectors
- Disseminate support materials in advance of sessions

TECHNICAL LESSONS LEARNED

Trade – most of Mali’s immediate market expansion potential for these four products is through domestic import substitution and regional trade, and not global markets

Transportation issues are similar for all value chains in Mali, with the need to target consumer segment in surrounding countries and opportunities for more efficient logistics (e.g. backhauling, advance contracting)

Technologies, such as cell phones, GPS, and SMS, could be used to reduce transaction costs and improve efficiency of value chain and finance transactions.



Trust is a major factor in developing competitive value chains and facilitating their access to finance.

*still struggling with difference between “value chain” and subsector (*filiere*)

CONCLUSIONS





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Next Steps
drawing from AMAP
value chain framework

TO BECOME COMPETITIVE MALI MUST....

1. Identify **competitive advantage** at the end market
2. Develop a commercial **upgrading strategy**
3. Create a process to **sustain competitiveness**

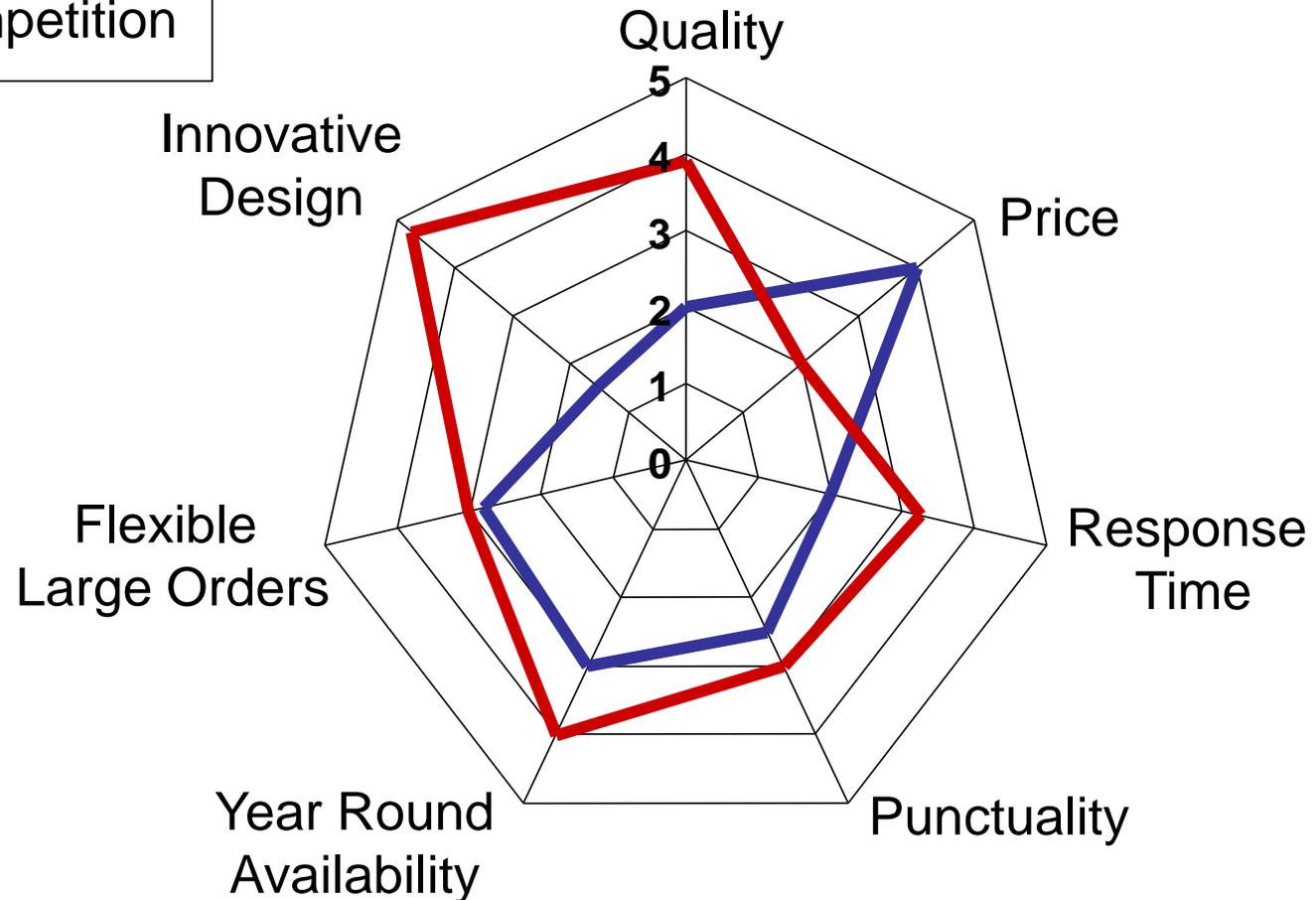
WHERE CAN MALI HAVE A **COMPETITIVE ADVANTAGE?**

That is, in what markets, with what products, can Mali compete based on:

- **Efficiency – best quality for price**
- **Differentiation – unique product(s)**
- **Target Marketing - regional, niche, diaspora, organic**

WHAT CAN MALI OFFER IN TERMS OF

Hypothetical Product



PRINCIPLES FOR DEVELOPING UPGRADING STRATEGY

- **Foster incentives for change/upgrading**
 - Select interventions (constraints and opportunities) that will result in short term benefits
 - Balance longer term competitiveness and shorter term benefits to MSEs
- **Upgrade using small “riskable” steps**
- **Start where the industry is**

FINALLY, IN ORDER TO **SUSTAIN COMPETITIVENESS** THIS MAY REQUIRE.....

- Improved enabling environment
- Better cooperation & coordination among stakeholders
- More win-win relationships
 - Shared vision
 - Collective action
- Access to learning & innovation, resulting in changed behavior
- Greater breadth & depth of benefits



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QUESTIONS & DISCUSSION



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Thank you!