



Regional Seminar on the Development of Cereal Commodity Chains in West Africa

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Diagnosis, Proposals and Recommendations

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1 A Shared Diagnosis of the Cereal Situation, Prospects, and Challenges

1. West Africa produces roughly fifty-five million tons of cereal per year. Production has increased three-fold in less than thirty years. This progress is primarily linked to the increase in the amount of cultivated land: nineteen million hectares in 1980, forty-five million today. Indeed, with the exception of maize, average yields have risen very little because of input and equipment supply difficulties, worsening soil fertility, uncertainties as to outlets and prices, etc.
2. Millet, fonio and sorghum account for 57% of regional production (and 70% of cultivated land), maize accounts for 25%, and rice accounts for 18%. Over the past thirty years, the proportion of maize in the total regional cereal supply has risen from 13% to 25%, while dry cereals have dropped off, falling from 67% to 57%, and rice has held mostly stable.
3. Cereals are one of the main pillars of agriculture and food security in West Africa. They concern more than 80% of smallholder farms. They provide monetary incomes and are the basis of rural households' diets (self-consumption), especially in the Sahel. They contribute heavily to the food supply in cities.
4. The region currently consumes approximately sixty-five million tons of cereal. Production covers 80% of these needs. The deficit of approximately thirteen million tons is offset through commercial imports from the world market and food aid. West Africa imports all the wheat and half the rice it consumes.
5. Countries' dependency on imports for their supply is very variable. Landlocked Sahelian countries, close to self-sufficiency and with less "extroverted" food systems, are less dependent on imports, whereas the cities of coastal countries are heavily turned toward the world market.
6. Imported products have now reached secondary cities and rural areas, notably during pre-harvest periods. The very strong stability of world prices until 2006, their low level due to the subsidies granted by exporting countries, and the economic crisis and its repercussions on poverty in the 1980s, led numerous governments to favour imports to ensure social peace in cities.
7. Imported products' regularity of supply and ease of preparation compared to local products amplified this propensity by cities to consume imported products.
8. The local cereal market concerns only a portion of production because of self-consumption by smallholder farms. The volumes traded are variable and depend on the year's production level, as well as on farmers' cash needs that force them to sell at harvest when prices are the least favourable. Farmer debt amplifies this early trading.

9. In response to State withdrawal, farmers' organizations have taken many initiatives in the field of collective marketing, with the aim of giving farmers greater weight in the negotiations with traders. While these initiatives run up against multiple difficulties, notably in regard to financing collection and storage infrastructures, market identification, managing price instability, etc., they make it possible to improve cereal valuation and farmer remuneration. These initiatives frequently combine management of both marketing and input supply. However, FOs still weigh too little in trade to have an influence on the general formation of cereal prices.
10. Storage is insufficiently developed, and does not make it possible to regulate supply and prices throughout the year. Prices fluctuate wildly in function of the crop year. These instabilities, between years and within any given year, discourage farmers and raise supply problems for consumers.
11. Regional trade makes it possible to take full advantage of the complementarities between production basins in the region (millet and sorghum in dry areas, maize in Sudanian areas, rainfed rice in areas with sufficient rainfall and irrigated rice in developed areas along the large regional rivers). Cereal trading connects surplus-producing regions to deficit regions, and is an important vector for regional integration. Nevertheless, multiple obstacles hinder the development of regional trade, notably monetary fragmentation (eight currencies), commercial fragmentation (customs duties are not uniform) and finally technical obstacles (phytosanitary laws, standards, "informal taxes," etc.). These obstacles increase consumer prices.
12. The expansion of the regional market is also limited by low levels of product standardization, processing and valuation that would enable products to conquer new consumption niches.
13. Food commodity chains were liberalized in the framework of the structural adjustment programs in the early 1980s. They received very little support from the government authorities, who favoured export commodity chains when it came to both research and financing.
14. The food crisis, set off by the sharp rise in world prices in 2007-2008, provided a reality check. It revealed the risks of heavy dependency on imports to feed the population. Agriculture, neglected by States' and donors' development programs since the structural adjustment period, has regained its position in national, regional and international priorities. The reaction of States and the region to this crisis showed that they were willing to increase the budgetary resources devoted to agriculture. In this, some countries are keeping the promises they made in Maputo in 2003 on public agriculture financing.
15. The region has elaborated a regional agricultural policy, the ECOWAP. FOs' participation in the process made it possible to put the region's food sovereignty and the modernization of smallholder farms at the centre of this policy. The national and

regional programmes ECOWAP/CAADP (NAIP and RAIP) form the implementation framework for this policy.

16. FOs, States and regional institutions agree on the objective of basing the region's food security on valuing production potential and limiting recourse to imports.
17. The challenge to overcome is major. It is estimated that the cereal demand will reach more than 125 million tons by 2030-2035. This demand is boosted by population growth and urbanization, the demand for animal feed, and other industrial uses for cereals.
18. Cereal demand is diversifying heavily and segmenting. Under the effects of urbanization and the rising purchasing power of a segment of the population, the demand for cereal products is diversifying and becoming more demanding: processed products that are easy to prepare, well-presented, and come with health safety guarantees. Similarly, the consumption of animal products is on the rise (notably milk, eggs and poultry) and increasing the demand for cereals to produce animal feed (maize).
19. For all that, most of the regional population will have a very low purchasing power. In this context, West African cereal commodity chains will need to bring products to the market that are not too expensive and are sufficiently competitive so that consumers will prefer them to imported products.
20. For FOs, rising to the challenge of supplying the region with cereal produced in the region is not only possible but necessary. The uncertainties that weigh on global food security in the coming decades are too large for the region to base its food security on world markets. As far as FOs are concerned, food sovereignty is the only possible and the only reasonable option for the region. It can only be attained if a majority of farmers are involved in the transformation of regional agriculture. Accordingly, FOs believe that the development model based on agribusiness will not be able to rise to the social and environmental challenges of agricultural development. They are most highly concerned by the land grabbing strategies that are spreading in the region.

2 Principal Proposals and Recommendations

2.1 Production-Related Challenges

21. The growth in demand and in the cereal market is an opportunity for producers. This demand may drive production system intensification and better remuneration for farmers.
22. Increasing production will not be able to rely on increasing the amount of cultivated land, as has been the case for the past thirty years. This would cause irreversible

damage to the environment and would intensify conflicts over land use between farmers, ranchers, foresters, etc.

23. In these conditions, FOs would like to begin a process of smallholder farm modernization and controlled intensification of production systems. This intensification must be sustainable in regard to natural resource management (land and water), able to bring quality products to the market, and based on economical production systems that can lower production costs by taking advantage of countries' comparative advantages.
24. Investing in intensification comes with technical and financial risks. FOs state that it is nevertheless possible to invest in intensification if four conditions are met: (i) land tenure security; (ii) access to production techniques and inputs that are suited to the agro-ecological conditions; (iii) a good input supply financing system; and (iv) a marketing system that makes it possible to secure outlets and obtain sufficiently remunerative prices.
25. FOs believe that intensification must not be tackled only from the angle of chemical inputs, which are often costly and not always effective in regard to soil characteristics, weather, and fertilizer quality. Sustainable intensification means paying close attention to agro-ecological techniques such as combined farming and stock-farming, organic manure, biological weed and pest control, etc.
26. FOs have developed multiple initiatives: land developments (restoring land and improving soil fertility, rainwater retention and management techniques, irrigation, etc.), revolving funds for inputs, technical support-advice for farmers, experimentation with varieties and seed propagation, etc.
27. These initiatives run up against the lack of structuring policies, and the weakness of research institutes and support services. In the area of financing access to inputs, the mechanisms set up by FOs are usually negotiated locally with financial institutions and outside partners. Conditions are very heterogeneous and the context does not make it possible to set up systems that are accessible for a majority of producers (line of credit amounts, credit terms: interest rates, guarantees, repayment modalities, etc.). FOs note that only farmers and FOs carry production and market risks, which are the main factors in loan defaults.
28. In these conditions, FOs expect strong re-engagement by States and regional institutions on several levels: (i) the promotion of agricultural research targeting farmers' expectations and action-research that involve farmers' organizations extensively so as to facilitate the dissemination of research results; (ii) input supply financing (seasonal credit) and medium- to long-term equipment financing, by mobilizing the banking sector and spurring it to re-invest in agriculture; and (iii) the establishment of agricultural insurance or risk pooling systems.
29. The deregulation of input markets and the lack of transparency surrounding how central purchasing offices operate hinder the growth of an input market and an

effective distribution system allowing farmers to obtain certified inputs (formula, weight). FOs would like to be involved in their management or, when appropriate, help set them up.

30. FOs are glad to see ECOWAS set up instruments to support intensification in the framework of ECOWAP's implementation. They expect ECOWAS to provide detailed information on these instruments widely to farmers, and suggest that ROPPA work along with ECOWAS toward this aim. FOs proclaim their availability to work alongside States and ECOWAS to clarify the practical and specific implementation conditions for these instruments (such as the input and equipment co-financing program). They believe that their experience (accomplishments, failures) will make it possible to fine-tune these instruments and meet farmers' real needs, thus allowing more rapid implementation of agricultural policies.

2.2 In Regard to the Challenges Relating to Product Storage and Marketing

31. Improving product marketing is crucial to increasing the valuation of products, improving the profitability of cereal products, and better meeting market needs.
32. FOs have acquired extensive experience in cereal marketing. They have set up innovative mechanisms in several fields: organizing and financing primary harvesting from members, storage, group selling, the link between the input supply system and product delivery, warrantage, etc.
33. FOs' mastery of marketing is a crucial function because it allows them to intervene more effectively in input supply, and deliver a set of services that support the intensification of production and the improvement of the quality of products marketed.
34. FOs believe that organizing farmers is a major stake to give farmers more weight in commercial negotiations within the commodity chain. They recognize the importance of other actors (collectors, traders, processors, transporters, distributors) in ensuring that the commodity chain functions properly. They feel that in-depth dialogue between the various categories of actors provides each with a better grasp of the interests and constraints of the others and lays the foundations for trust. This is indispensable to move toward forms of negotiation and contractualization within the commodity chain.
35. Lowering production and transaction costs between the various links in commodity chains is a vital element in reducing the cost of food for consumers. In this regard, FOs insist on the importance of making rural areas accessible and investing in road communications.
36. Improving the operation of the cereal market is crucial. Accordingly, FOs must have an efficient and reliable information system covering production costs, the structure of prices and costs at different places in the commodity chain, prices, regional flows, stock status, harvest predictions, and production level. They would like the

information produced by national and regional institutions to be made available to and affordable for FOs. They would like cereal exchanges to be promoted so as to foster the relationships between sellers and buyers, and between deficit and excedent zones.

37. FOs also expect the authorities to effectively eliminate barriers to regional trade, as these barriers are acknowledged as being harmful to regional production. This lifting of barriers to the single regional market is primarily the responsibility of political authorities and administrations (police, customs). Accordingly, FOs expect that common laws on standards be defined and really enforced: phytosanitary certificates, product origin certification, etc.
38. With the aim of lowering the cost of cereal products for consumers and improving producers' remuneration, FOs take a position in favour of direct and contractual trade relations with processing units, distributors or consumers' organizations.
39. Storage, making it possible to delay sales, is a decisive element in improving product valuation and regulating the market in the interests of producers, consumers, and society.
40. Storage cannot be separated from collective marketing of goods. To this aim, FOs must develop storehouses by taking advantage of diverse possibilities: investment subsidies and credits, warehouse rental, storage, provision of company infrastructures and public offices, etc.
41. FOs have acquired extensive experience in the field of warrantage, making it possible to secure the establishment of lines of credit by microfinance institutions. They feel that this system deserves to be developed, but think that forms of risk sharing or pooling must be promoted (borrowers, lenders, States), along with stock guarantees.
42. More generally, the establishment of guarantee funds would be able to ensure this pooling of risks and encourage banks and microfinance institutions to begin financing marketing by FOs.
43. The plans to build regional stocks, envisaged by ECOWAS with the support of the WFP, is seen favourably by FOs. However, they would like to be involved in its implementation to avoid the unwanted negative effects that could result.
44. Border trade policy is a strategic part of market regulation. FOs would like ROPPA to be fully involved in finalizing the CET and defining the safeguard measures, complementary to customs duties.
45. FOs recognize that they encounter numerous in-house difficulties mastering group marketing ("discipline" and members' respect for commitments and cooperative principles, mastery of technical and financial functions). Mastering marketing functions requires action and learning over the long term, and necessitates building the institutional capacities of FOs.

46. Finally, FOs expect regional institutions and States to be fully involved in implementing the instruments and programmes planned in national and regional agricultural policies. They notably expect ECOWAS to be involved in implementing instruments relating to market organization and regulation.

2.3 In Regard to Product Processing and Distribution Challenges

47. The ability of West African products to re-conquer the regional market will depend on commodity chains' capacity to offer competitive products that fit demand, both in terms of quality and quantity.

48. Faced with the segmentation of demand and the increasing quality requirements, the supply must adapt and FOs have a crucial role to play in this area.

49. The shift from an "all grades" market to a market for diverse processed products suited to the specific requirements of different segments of the demand is a crucial stake that calls on FOs.

50. In this aim, FOs believe that they must invest in improving the quality of the cereal brought to the market and in improving distribution channels. It would be appropriate to promote product labelling and certification practices. Improving the image of local products also requires considerable efforts to make the products known, get consumers to taste them, and disseminate the cooking practices that showcase them.

51. Adapting to demand requires one to diversify packaging (small quantities for households with little purchasing power, for example), and promote product quality and food safety. Product processing and market preparation make it possible to improve value added and create jobs and incomes at the FO or among processing operators, downstream from production.

52. FOs need to have true market studies that give them a better grasp of demand and allow them to adapt to it. They can do so by improving the quality and traceability of raw products, and by getting into processing.

53. For FOs, entering the field of processing necessitates large investments in equipment and training for their members. The insertion of the processing link requires good control over the quantity and quality of cereals as raw materials.

54. The harmonization of quality standards within the region and the possibility of conducting quality analyses at affordable cost (laboratories and certification) are important aspects that call on States and regional institutions.

2.4 In Regard to General Issues

55. FOs believe that the region will not be able to rise to the regional cereal challenge without an in-depth re-evaluation of the level of financial commitment in regard to both subsidization and credit policy.
56. Given the region's agriculture situation and the global context, West African food crop subsidies are vital to offset the effects of unfair competition from subsidized imports, lower production costs and increase productivity, and finally, facilitate vulnerable populations' access to food.
57. In the area of credit, the various links in the commodity chain need lines of financing lines that are suitable for their specific constraints. Accordingly, the banking sector must re-invest in financing production and marketing. The rules of the Central Bank of West African States (BCEAO) and other central banks must be adapted to these requirements.
58. Promoting inter-branch organizations is recognized as an important strategy to form efficient value chains involving all actors in the commodity chain to (i) defend the interests of the commodity chain and represent it to the government authorities, (ii) structure the commodity chain and promote contracting between the various categories of actors, (iii) lower costs at the various stages in the commodity chain, and (iv) improve the commodity chain's ability to provide products that live up to consumers expectations.
59. Building the capacities of FOs is a prerequisite for them to be able to play their role in these inter-branch systems properly and, more generally, rise to the challenges facing them to allow the region to ensure its food sovereignty. From this perspective, developing exchanges and experience sharing among FOs in the region is a major stake.