

Structural Changes in the Malian Cotton Sector: Implications for Export Performance

VERONIQUE THERIAULT

After a year of research, I finally had the opportunity to get directly exposed to the Malian cotton industry last summer. Indeed, I have been able to explore the whole cotton sector, from the field to the capital, during my preliminary fieldwork. Through semi-structured interviews conducted with principal stakeholders (e.g. cotton producers, ginning companies, banks, state representatives and exporters), I went further into understanding the complex roles played by the cotton industry in Mali's social and economic development, and the necessity of taking into account local realities on reform's success.

Cotton, the primary cash crop in Mali, significantly contributes to the national economy by providing income and employment to over three million smallholder farmers. In addition to its direct impact on income and employment, the cotton sector is affiliated with cereal production as well as Malian manufacturing and transport industries. Two recent developments are threatening to offset or slow economic growth derived from cotton exports. The first is downward pressure on cotton prices brought about, in part by increased yields made possible by genetically modified seed. The second is related to institutional reform. Beginning in the 1990's, Mali and other sub-Saharan countries were strongly recommended by the World Bank and the International Monetary Fund to undertake reform measures designed to privatize segments of their cotton sector in order to render them more efficient and more competitive. While the process is ongoing, Malian cotton production has declined drastically since the reform measures began and have resulted in negative repercussions affecting the entire economy.

Using primary and secondary data collected during my fieldtrip, I aim to quantitatively assess the impacts of structural and economic reform on cotton production over the last decade. Specifically, the objective is to analyze the roots of the recent drop in production as a function of both agro-environmental



factors and policy decisions. Choice of explanatory variables in the econometric model is based on discussion with principal stakeholders. For instance, low farm prices for cottonseed, high input costs, delay in payment and insufficient rainfall were all continually mentioned as possible causes of production decrease. Determination of the principal factors responsible for the production decline, as well as their relative importance, could serve as a guide to policymakers in seeking to boost both the cotton industry and larger economy. As an example, if the recent drop is mainly caused by low farm prices, then the new price mechanism put in place with the institutional reforms should be rethought in a way that will motivate profitable farmers to produce rather than encouraging them to withdraw from farming cotton. It suggests that the actual price system is not effective

since it does not send the right incentive to produce cotton.

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