Market Reforms and Local Realities: The Case of the Malian Cotton Sector

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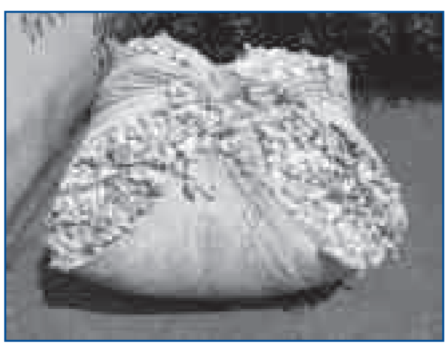
In March 2010, I had the opportunity to go back to Mali to further explore the interaction between local realities and cotton sector performance. This second phase of field research builds on the work done during summer 2009, by investigating the issues and concerns related with the ongoing reforms. Given that Mali is one of the latest African countries to reform its cotton sector, many studies have previously examined the relationship between market structure (i.e., monopoly versus competitive market) and cotton performance (i.e., farm gate prices and production). However, little research has analyzed the interaction between local realities and cotton reform success. My research contributes to the literature by providing deeper insights on how the internal challenges facing the cotton sector, such as farmer indebtedness, delays in farmer payments, and increase in input costs, influence cotton farmer production decisions and market reform success.

The Malian cotton sector has traditionally been vertically integrated. Indeed, a parastatal monopoly is responsible for providing inputs on credit to farmers; purchasing all cotton at the harvest at a fixed pan territorial price; and transporting, processing, and selling all production on the international market.

Despites relative past success, the Malian cotton sector has recently faced important internal (i.e., large financial deficits) and external (i.e., low world prices) challenges that ultimately led to major reforms.
As a way to improve the efficiency and competitiveness of the Malian cotton sector, market-oriented reforms that aim to privatize and liberalize some segments of the sector have been undertaken. For instance, the parastatal monopoly has centralized its activities toward cotton processing and marketing; has withdrawn from the provision of public goods, such as literacy and extension services; and will be soon privatized into local monopolies. Under the reforms, former village associations have also been transformed into cotton producer cooperatives (CPCs), where membership can be, in theory, selective. However, it appears that exclusion is not such an easy option in reality.



During this second phase of fieldwork, I examined the issues related with the joint liability program prevailing in the CPCs, in order to better understand how local realities affect repayment rates, and therefore, indebtedness. Under the joint liability framework, members of a CPC are jointly liable for each others' loans. If certain members are unable to pay back their loans, contribution from solvent members will make up the difference. Although the exclusion of insolvent cotton growers from a cooperative seems a *priori* a solution, the strength of the social relations prevailing in villages might prevent it from happening. One objective of my research is, therefore, to analyze how local realities, through social and economic status and linkages, influence both the performance of the farmer (individual's capability and willingness to repay) and the cooperative (withdrawal of the performing farmers facing low profit margin due to other members' insolvency). In conjunction with the African Power and Politics (APP) Malian team, I conducted individual interviews with the main stakeholders involved in the Malian cotton sector at the village and national levels. Moreover, focus groups with cotton producers were also conducted in order to shed light on how credit and inputs, such as fertilizers and pesticides, are managed inside the CPCs. From my fieldwork, I have learned that the success of the cotton reforms largely depends on the ability to work closely with the local realities.

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