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

The Challenges in Regard to Commercialization and the Regional Cereal Market

Thematic Paper No. 3 - Summary

Roger Blein (Bureau Issala) and Bio Goura Soulé (LARES)
1. West Africa is a lightweight in the global cereal market (3% of production) although it is one of the largest cereal importers (5.3% of total cereal imports, and 17% of world rice imports). With cereal production estimated at approximately fifty-two million tons (CILSS, 2008), it contributes only 3.3% of the world supply estimated at 1.7 billion tons and only 40% of African production. The challenges in regard to commercialization and the cereal market (economic challenges, food security, and regional integration) are, however, considerable.

2. After livestock transactions, cereals form the category of local produce that makes the largest contribution to stimulating regional trade in West Africa. Nevertheless, while the primary sources and destinations of cereal flows are well known, the scope of this trade is still poorly known. The West African cereal market has a number of characteristics that make analyzing its operation highly complex: (i) high inter-annual and seasonal instability and price volatility, (ii) “informalisation” of some transactions, (iii) weak farmers’ organizations, and (iv) little visibility as to operators’ structure and how trade is financed.

3. The major challenge for smallholder farms is dual: how to (i) minimize the risks involved with this type of atypical market operation and the inadequacies of public policies while drawing the best profit from the opportunities it provides; and (ii) actively contribute to organizing and regulating the market in order to improve farmers’ remuneration and encourage them to invest in production. To do so, they are developing numerous initiatives along two major lines: (i) participating in the elaboration of public policies; and (ii) structuring and organizing themselves to manage collective marketing: storage, warrantage, marketing credit, grouped market intervention via the establishment of mini–stock exchanges or inter-branch organizations, etc.

   **A Sharply Growing Cereal Supply**

4. Over the past thirty years, cereal production (maize, millet, sorghum and paddy rice) has risen significantly, from some sixteen million tons in 1980 to approximately fifty-two million tons in 2008, before falling to 50.6 million tons in 2009 (CILSS, 2009). Overall, the pace of production growth, estimated at approximately 4%, is faster than regional population growth (2.6%). According to FARM (2008), the rise in cereal production is explained by the doubling of cultivated land, whereas yields rose by only 14% over the period.

5. Maize and rice have recorded the largest gains in productivity; in 2009, they accounted for 31% and 21% respectively of the regional supply, compared to 13.5% and 20% in 1980. Simultaneously, the share of millet and sorghum has regressed.
6. Despite this considerable increase, domestic production does not meet the needs, forcing the region to obtain substantial outside supplies some years. The volume of imported cereal and cereal products was approximately ten million tons per year over the 2004-2006 period. This marks a considerable rise over previous years. For the 2004-2006 period, cereal imports accounted for an annual bill of 2.8 billion dollars for ECOWAS, or 39% of the cost of agrifood imports. Over the past ten years, this bill has increased by 230%.


Highly Segmented Demand

8. The West African cereal demand has evolved considerably over the last thirty years, in conjunction with three essential factors: (i) very rapid population growth, which comes with deep-reaching changes in population patterns (urbanization) and correlative changes in food habits, (ii) demand from the agrifood industry, and (iii) rising demand for animal feed.

9. Overall, the cereal demand is clearly divided into two primary basins with very different characteristics.

   a. The Sahel basin corresponds to the northern zone ranging from northern Nigeria to the eastern borders of Guinea spanning in particular Niger, Burkina Faso and Mali. This basin is characterized by the prevalence of a consumption model heavily dominated by local cereals, notably millet, sorghum and rice, supplemented in recent years with maize. Average per capita consumption is approximately 220 kg per year. The share of local cereals in the total volume of cereal consumed can attain 70% to 80% in some countries such as Niger and Mali. This basin is shaken by cyclical food crises linked to production shocks and price volatility (the poor’s access to food).

   b. The coastal basin corresponds to the region stretching from southern Nigeria to Senegal. It is the most urbanized zone in West Africa, notably the large conurbation spreading from the city of Abba in south-eastern Nigeria to Abidjan in Côte-d’Ivoire. This basin has seen a clear evolution in the food habits of people who are increasingly replacing the consumption of tuber and root products (yam, sweet
potato, cassava) with cereals, most of which are imported from the international market. Most of the cereal imported from the international market and circulating in the region is destined to meet the food needs of the people in this zone. In this region, mass demand focuses on two main cereals: maize and rice.

10. The regional cereal balance reveals a structural deficit whose effects are sometimes amplified by the situation on the international market. However, prospective analysis of the market highlights an ambivalent food situation. First, the pressure on traditional cereals (millet, sorghum) is progressively easing. This situation explains why the tension over their prices is lower despite the fact that the growth of the domestic supply (1.7%) is slower than population growth in the areas where they are consumed in priority (2.8%). Second, demand for rice and maize is becoming very strong. According to the Africa Rice Center, the West African demand for rice is growing at the rate of 6% per year compared to 4.8% for Africa as a whole. The regional rice supply is growing by approximately 3.2% per year; this not only explains the level and pace of the growth in imports, but also raises the tricky question of suitable strategies to overcome this imbalance between the paces at which supply and demand are growing. The challenge facing the cereal market and its role in food security will undoubtedly play out around this cereal over the next few years.

A Market Marked by Considerable Price Instability

11. Price instability is a structural characteristic of the West African agricultural product markets. This instability is double: intra-annual (between harvest and pre-harvest periods) and inter-annual, notably in function of the production level. The inter-annual and inter-season variations can attain magnitudes that sometimes exceed 50% of the price at harvest in some countries for certain cereals.

Figure 2: Variation of the Consumer Price Index for Cereals in West Africa – Examples from the Niamey, Dakar and Ouagadougou Markets

![Graph showing variation of the Consumer Price Index for cereals in West Africa](image)

Source: MIS/CILSS data.

12. Controlling price instability and volatility will remain one of the major challenges for strategies to manage agricultural production markets in West Africa. It is at stake in order to increase the security of investments and farmers’ remuneration, and guarantee consumers’ purchasing power.
An Integration Instrument with Variable Geometry

13. The sale of cereals is modelled less on the integration schemata in force in the region (WAEMU, ECOWAS) than on constructs generated by agro-ecological complementarities, the connection between production and consumption basins, and finally commercial networks’ strategies to adapt to public policy deficiencies. The combination of factors makes it possible to distinguish between five sub-arenas in the cereal trade.

a. **The West sub-arena** is polarized by Senegal and is where Mali plays the role of the granary from which millet and sorghum transactions leave for Mauritania and Senegal. The sale of local rice—for which this zone is one of the largest production basins—is, however, small. Imported rice is re-exported between countries in function of changes in governments’ public policies.

b. **The Centre sub-arena** animates millet and sorghum flows between Burkina Faso and Mali and maize exports from Côte d’Ivoire and Ghana to Niger, Burkina Faso and Mali. These flows, sizable some years, are animated by the Bouaké group markets in Côte d’Ivoire and those of Tamale and Bolgatanga in Ghana.

c. **The East sub-arena** is without a doubt the largest regional cereal market. The maize, millet and sorghum flow mostly from Nigeria and secondarily from Benin to Niger. Nigeria also supplies Cameroon and Chad with cereal. The volume of transactions amounts to more than 300,000 tons per year.

d. **The northern Sahel zone**, covering northern Nigeria, Burkina Faso and Mali, has become the centre of gravity for millet, sorghum and maize transactions. This zone extends into Mauritania to outline a true commercial arena for dry cereal. Niger and Mauritania are the main receptacles of the cereal traded in this zone. More than 70% of the cereal present in Nigerien markets is said to be imported from neighbouring countries or the international market during pre-harvest periods.

e. **Finally, the coastal stretch** including southern Nigeria, Benin, Togo and incidentally Ghana forms an area of opportunistic transactions. The traffic mainly covers the re-export of rice and to a lesser extent wheat flour from Benin to Nigeria. In some years, the transactions involve more than 500,000 tons of rice.

A Market Controlled by Traditional Commercial Networks

14. Despite the government authorities’ attempts to control the market, private operators have always held an important role in the regional cereal market’s operation. They make up traditional networks whose level of organization and field of intervention very often extend beyond country borders. These networks have imposed themselves as unavoidable actors in the cross-border cereal trade. The most visible are represented by Hausa networks that have offshoots in Nigeria, Niger, northern Benin, Cameroon, Togo and Ghana. The Hausa networks are representative of the way actors in the cross-border cereal trade are organized. This mode of organization can be assimilated with “sets of social relations around trade structured by classes and institutions” (Grégoire E., 1986). Because of this, the cereal trade is characterized by the prevalence of multiple forms of coordination that are heavily socialized (Agier M., 1983; Grégoire E., 1986) based on one’s belonging to the same religion (Islam) or the same ethnic group (Agier M., 1983; Grégoire E., 1986; and Igué J., 1985).
Attempts at Market Regulation

15. Although the regional market is still marked by multiple divisions, the cereal market benefits from a free trade schema that should facilitate the free circulation of products. Until a true customs union that is exempt from technical obstacles to trade has been established, various actors are getting involved to set up market regulation instruments.

16. CILSS’s initiatives focus on the regional networking of national stock management companies and offices (RESOGEST) with the aims of: (i) ensuring that a stock of products is continuously available for emergency interventions, (ii) building the capacities of national stock management structures, (iii) facilitating the exchange of foodstuffs between actors; and (iv) making quality information on public and private stocks, farmers, calls for tender and market prices available to actors. Along these lines, creating a stock market for food products is being envisaged.

17. For its part, the ECOWAP Regional Investment Plan plans to (i) adapt the trade policy by adjusting the CET and setting up a safeguard measure to regulate import prices, (ii) establish trade facilitation measures, (iii) subsidize marketing credits, and (iv) sign contracts with private regional storage firms and develop warrantage.

FOs Have Little Hold on the Market

18. Farmers’ organizations’ involvement in the regulation of food product and cereal markets covers with two aspects: (i) they are attempting to position themselves in the local markets for numerous products, and (ii) they are trying to influence national and regional trade policies.

19. The FOs’ involvement in marketing therefore aims to maximize their margins and above all improve their incomes while lowering intermediation costs and regulating supply so as to benefit from intra-annual price hikes. The approaches taken by farmers combine: (i) grouped marketing strategies both alone and combined with the management of other functions such as fertilizer and select seed supplies, storage, standardization, market preparation, support-advice, etc., and (ii) attempts at coordination and negotiation in a predictable framework with other actors—inter-branch organizations or “value chain tables.”

20. FOs’ investments in grouped marketing have had diverse outcomes. In reality, they cover very different forms of organization and end goals: (i) village cereal banks or food security granaries, which are highly developed in deficit zones and “precarious balance” zones with the end goal of improving supply security and food security, (ii) collective selling both with and without purchases by the group from farmers (primary harvesting), (iii) warrantage, and (iv) marketing cooperatives. All of these initiatives involve less than 5% of the supply of products sold in the region and, overall, are still vulnerable to the risks of market upsets in the absence of a risk pooling or insurance system.