MED-Amin Policy Brief n°3

The challenges of transparency in the cereal markets in the Mediterranean: What roles for the public and private sectors?

MED-Amin
Mediterranean Agricultural Market Information Network

1) Food security and transparency of cereal markets are strategic priorities for the Mediterranean countries

Cereals, first and foremost wheat, are of paramount importance for food security in the Mediterranean. They constitute the basis of the diet of the Mediterranean population, who will reach more than 670 million people by 2050 (UNEP/MAP, 2016).

In the Southern and Eastern countries where the population grows significantly (130 million more expected by 2050), the grain production does not cover the current domestic demand and it will be more and more insufficient in the future. Thus, despite contrasting situations, the Mediterranean has become the world region most dependent on cereal external supply, a trend that will accentuate in the coming years given the demographic evolution and the climate change forecasts (OECD/FAO, 2018).

The risks of a sudden rise in global cereal prices or of a supply disruption, fortunately not observed since 2012, are factors of tension for the southern rim of the Mediterranean, where conditions of access to bread are a determining factor of social peace and security of people lives. Wheat, a politically sensitive product, is historically associated with strong State intervention to ensure food and social security.

Public intervention in the region takes many forms, ranging from the establishment of a regulatory framework to the control by the State of the entire value chain, including imports. The private sector is therefore more or less developed, and the relations between private companies and public authorities more or less organized.

The availability of quality information on levels of production, consumption, trade, losses and stocks, not to mention prices, is critical to support any decision-making. It is a common goal for all stakeholders in the cereals sector, public and private.

Debate between representatives of the private sector and the MED-Amin network during the 6th MED-Amin Meeting in Meknes, 22-23 January 2019. (Credits: CIHEAM-IAMM)

The issue of the distribution of roles between the public and the private sector inevitably arises in terms of organization of the value chains and information systems. It is clear that, in many situations, public statistics are the only source of information available to all - private information is covered by commercial secrecy, difficult to access or very expensive.

The MED-Amin network

The MED-Amin multilateral network established in 2014 between the 13 member countries of CIHEAM at the request of the Ministers of Agriculture aims at fostering cooperation and experience sharing between national information systems on cereal markets in the Mediterranean, to provide greater transparency and higher quality information, like the AMIS Initiative (Agricultural Market Information System) at the G20+7 level.

MED-Amin in figures: Out of the 75 Mt of cereals consumed by the 5 countries members of CIHEAM on the southern and eastern shores of the Mediterranean, more than 46 Mt or about 61% come from external supplies. For soft wheat, 65% comes from imports (2018, MED-Amin). The member countries of the network represent (MED-Amin figures, 2018):

- 6% of the world population (470 million inhabitants)
- 47% of world durum wheat production (17 Mt)
- 11% of world soft wheat production (77 Mt), 29% of world imports (43 Mt)
- 17% of world maize imports (26 Mt) for 4% of global production (40 Mt)

CIHEAM
International Centre for Advanced Mediterranean Agronomic Studies

To know more: www.med-amin.org ou Twitter: MEDAmin_network

2) What is the respective position of public and private operators in the cereal sectors of the MED-Amin countries?

2a) In the South and East of the Mediterranean: markets highly regulated

Southern and Eastern Mediterranean countries are major importers of cereals. Their policies are marked by public interventionism: guaranteed prices for farmers, input subsidies, import tariffs and / or subsidized prices for consumers. Their aim is to secure the imports, with logistical optimization of value chains, among which a better grain storage.

The public authorities (the State directly or through an agency, office or entity under the authority of the Ministry in charge of the supply management) elaborate and control the respect of the regulatory framework. They also define subsidy rules at different levels of the chain. They intervene directly on the international markets through imports (Egypt via the GASC, Algeria via the OAIC, partly Tunisia via the Office of Cereals) and/or indirectly via tariffs (Morocco) and authorizations for private importers.

Gradient of liberalization and autonomy of the private operators in each country

The current general trend is towards a gradual liberalization of cereal markets. The countries of the South and the East are at different stages of this gradient (from the least to the most liberalized, see the graph beside).

- **Egypt**: To make the baladi bread accessible to the poorer people, the government is heavily involved in the wheat sector (attempts to reform these subsidies have occurred recently). The General Authority for Supply Commodities (GASC) organizes the imports (about 10 Mt/year) with some traders. The collection of wheat is two-thirds private, its storage one-third. The milling is assured up to 72% by more than 150 publicly managed mills. For rice, the processing, packaging and distribution are shared between the public and the private sector, whereas exports by private operators have been prohibited for two years. The corn sector is private.

- **Algeria**: The collection and supply of cereals are mainly public (95% via the Algerian Cereal Inter-professional Office, OAIC), but processing is 90% private. The logistics and storage of cereals are provided by the OAIC which uses private storage facilities when needed. An inter-professional national cereals Council has been officially established since October 2018. This arena is closely linked to the inter-professional councils of each wilaya that bring together all the players in the cereals sector and whose aim is to improve knowledge of supply and demand, to contribute to the supervision of storage, packaging and processing operations, to contribute to the improvement of the quality of agricultural products.

- **Tunisia**: The public sector is progressively withdrawing from the sector. The Office of Cereals ensured only 1% of the cereal collection in 2016 compared with 32% in 2005. It relies on intermediaries (private for two thirds, cooperatives for a third). The storage capacities are 50% private, the imports of wheat and barley are 100% performed by public actors, the rest being the business of the private sector (10% for wheat in temporary admission, 100% for maize). Processing is provided by 22 private mills. The price system is administered by the Office of Cereals at all stages of the value chain and decided periodically according to the economic situation.

- **Lebanon**: The collection and supply of cereals (mainly soft wheat) is 90% public. The private sector is involved in 100% of the processing and 90% of the trade (mainly imports of maize and rice). Public authorities (Ministry of Agriculture and Ministry of Economy and Trade) have a regulatory and control role and are involved in the agricultural research. They also set subsidized prices along the value chain through the Office of Grains and Beet. The private sector has greater freedom to operate since 2010. Public-private committees meet at least once a year, and at short notice in case of emergency.

- **Morocco**: Morocco advocates a “directed liberalization”. Public authorities do not intervene directly in the various segments of the market. Since 1996, the private sector has been managing the different aspects of marketing. The public sector monitors supply levels (production and imports), establishes the regulatory framework, manages subsidy schemes and specific operations. Prices are set by the market, but the public authorities announce a “reference price” to avoid excesses in price fixation, and define the import tariffs. The FIAC (Inter-professional Federation of Cereal Activities), promoted by the “Plan Maroc Vert”, brings together all the professionals of the sector.

- **Exception: Turkey:** Turkey is a net exporter of cereals and a major exporter of flour. The private sector is the major operator in the chain (90% of trading, transport, storage, processing, exports and imports). The flour is processed by 1,200 private mills. Public authorities ensure the proper functioning of the sectors and markets. They encourage the private sector to build storage capacities and to invest in R&D.

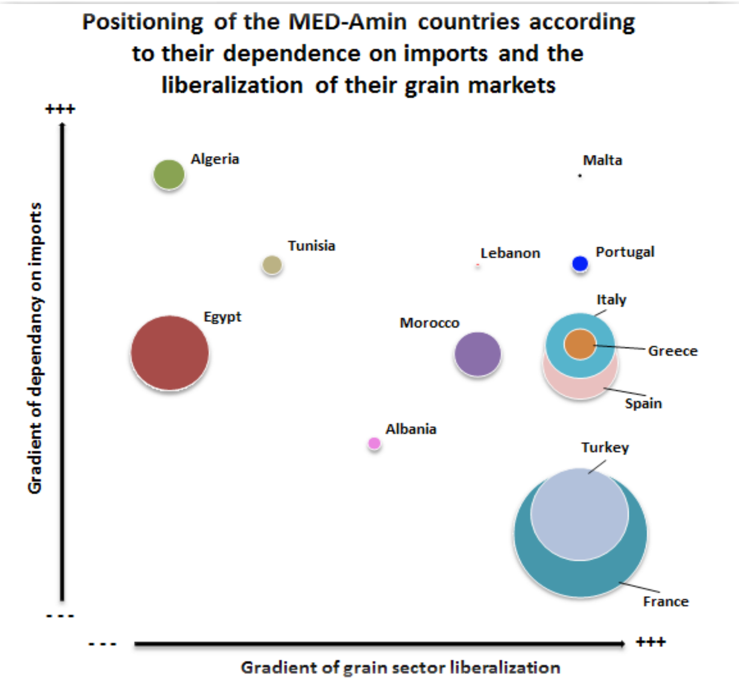
2b) North of the Mediterranean: grain markets liberalized or in the process of liberalization

The countries of the European Union (EU) have a common regulatory framework with the Common Agricultural Policy (CAP) and Trade Policy with third countries. All countries have more or less liberalized agricultural markets. However, differences still exist given their agricultural history, their date of accession to the EU or for countries in the process of accession.

Exporting countries:

- ***France***: The collection and trade of cereals, shared between traders and cooperatives (respectively 30% and 70%) as well as the processing, are in charge of the private sector. Meetings of the Specialized Grain Council bringing together representatives of all players of the French sector and those of public authorities are regularly organized by the public institution FranceAgriMer under the umbrella of the Ministry of Agriculture and Food, to discuss on the market evolution and current issues. In parallel, every collector must register itself to FranceAgriMer and report data (on collected volumes, stocks, utilizations, etc.) on a monthly basis. Through the structures it finances, the cereals inter-profession carries out promotion and R&D activities, in particular for export with France Export Céréales.

- ***Italy***: The sectors are entirely private. Their organization is complex because of the large number of operators. The public actors give the general orientations and regulations, coordinate the policies, monitor the productions and the markets and release data annually. Although the country is a global importer of cereals, Italy is one of the leading exporting countries of pasta, making the durum wheat sector a priority - its inter-profession is particularly well developed.



Dependency to imports is calculated on the basis of the ratio of the average imports of the 5 cereals monitored (soft wheat, durum wheat, barley, rice and maize) and their total utilizations (average of the last 5 years until 2017/18 in each country according to AMIS, MED-Amin and FAO). The degree of liberalization is evaluated according to the importance of the private sector at each sector link of 5 cereals monitored (MED-Amin, 2018). The size of the circle is proportional to total production of the 5 cereals in each country.

Importing countries:

- ***Spain***: 100% of the storage, processing and logistics are carried out by the private sector. Cereals are marketed via farmers (20%), cooperatives (40%) and traders (40%). Public authorities monitor the implementation of national and EU regulations, keeping a constant dialogue with the private sector, holding regular meetings (at least twice a year), in order to analyze the market situation, to promote knowledge transfer and to boost the correct development of the sector.

- ***Greece***: Procurement, collection, storage and processing are 100% managed by the private sector (public silos have been privatized for 20 years). Farmers have organized themselves into producers' groups and organizations. The State intervenes in the development of policies and regulations.

- ***Malta***: The country is totally dependent on grain imports (production is negligible). Privatization was introduced after Malta's accession to the EU in 2004. A cereal market observatory has recently been set up. A public company is involved in port logistics and storage, but procurement and processing are private.

- ***Portugal***: The cereal sector is entirely private. Public – private dialogue has created a climate of trust and enabled the development of a shared 2019-2023 Cereal National Strategy to revive cereal production. A Strategy Monitoring Committee, a public-private alliance, has been set up. It brings twice a year private operators together with the public authorities to discuss issues such as the market situation, knowledge transfer and promotion of the production.

- ***Exception: Albania***: In this country outside the EU, public authorities play a central role in the organization and monitoring of the cereal sector and the access to private information, sometimes "sensitive" because of the concentration of operators. For instance, four mills control 2/3 of the flour market. Public policies support the development of private agro-food industries to fill the national deficit of cereal production.

3) Converging interests to strengthen the public - private dialogue

As illustrated, exchanges already exist between public and private actors in the Mediterranean countries, according to various modalities (see pages 2 and 3). Faced with a complex and moving global environment, capacities of action rely on the establishment of a climate of trust conducive to the collection, sharing and dissemination of relevant information in a timely manner. This information should be related to both the global situation and the national markets.

The challenge is, for the State as for the private operators, to get reliable, regular information, reflecting or even anticipating as much as possible the reality, even if the information has not passed yet the filters of statistical processing and official validation.

This information concerns on the one hand the market parameters in real time (quantities, prices, qualities, etc.), on the other hand the policies influencing domestic or global markets (evolution of tariffs, restrictions on exports or imports, decisions on public stocks, subsidies, price fixing in the sector). Information on the global markets is readily available, via private consultants or public reports (AMIS, FAO, USDA, IGC, MED-Amin...). However, information on domestic and sub-national markets is delivered sparingly, often too late for their efficient use. As for information on medium and long-term trends, they are often not available or ignored whereas it is mostly those trends that matter when taking decisions on strategic policy choices or investments.

Trade-offs between the retention of confidential information and exchange of information for mutual benefit are uneasy. Data are often considered "sensitive" and the competition can be distorted in the case of information given only to a few insiders. Yet, as has been demonstrated, public and private interests can be compatible although different. In this context, the following recommendations can be formulated:

Recommendations to decision-makers

To strengthen the capacities of the countries, for a better knowledge of the situation (market monitoring) and an effective transmission of information, by dedicating staff to the market monitoring and/or appropriate trainings and capacity reinforcement, and if needed by the creation or the strengthening of interprofessional organizations.

To strengthen exchanges between public and private actors in order to improve transparency and predictability of cereal markets, and for more quality and relevant information through:

- **Vivid national public-private interfaces** (creation of inter-professional organizations or public-private strategic groups including professionals of statistics, customs, production, processing, etc.; regular meetings and real-time exchanges between experts, especially at critical times...).
- **The launching of joint medium or long terms studies, prospective and strategies for cereal value chains:** public strategies are all the more effective as they involve the private sector in the monitoring of their development, and in the measurement of their outcomes.

To contribute to multilateral and interregional dialogue, allowing exchanges of best practices and coordination in times of crisis (e.g. AMIS Rapid Response Forum, MED-Amin Crop Forecasting exercise). Multilateral structures can foster the public-private dialogue and the continuous and real-time flow of information in order to facilitate decision-making and anticipate threats on grain supplies. For more than five years, MED-Amin has been coordinating joint actions on crop production forecasts, harvest and planting progress or the production of cereal balance sheets.

References:

- FAO/OECD (2018), *OECD-FAO Agricultural Outlook 2018-2027 – Special focus : Middle East and North Africa*
  http://www.fao.org/publications/oecd-fao-agricultural-outlook/2018-2027/en/
- United Nations Environment Programme / Mediterranean Action Plan (UNEP/MAP) (2016), *Mediterranean Strategy for Sustainable Development 2016-2025*.
  http://planbleu.org/sites/default/files/upload/files/MSSD_2016-2025_final.pdf

www.med-amin.org