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Revitalization of the Groundnut Sector in West Africa (Gambia, Guinea Bissau and Senegal)

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Report Highlights:

FAS Dakar Agricultural Specialist participated to a regional workshop on “The Revitalization of the Groundnut Sector in Gambia, Guinea Bissau and Senegal” in Gambia from November 9-10, 2010. Groundnuts (GN), produced in the three countries contribute largely to food security, poverty reduction, livestock feeding, export earnings and national trade development. It is a basic food and cash crop. The big news in the sector is that Senegalese groundnut production reached 1 million tons in 2009/10, representing an increase of 41 percent compared to previous years’ production and 83 percent over the past five years. With Decree 2010-15, the Senegalese government allowed exports of peanuts to commence January 2010, thereby improving opportunities for farmers to increase revenue, but only if productivity, seed quality and availability are met and international standards are respected.

Groundnut (GN), also called peanuts, produced in Gambia, Guinea Bissau and Senegal contributes to food security and poverty reduction. Senegalese Ministry of Agriculture has reported a production of 1 million tons of peanut in 2009/10, an increase of 41 percent compared to the previous year and 83 percent over the past five years (565,776 tons). Senegal forecasts again a production of 1 million tons in 2010-11. Despite this increase in groundnut production, only 25 percent of the global production is being processed by local industrial companies into groundnut oil and meal. The remaining 75 percent is sold in the parallel market at a lower price.

Senegal peanut exports have always been restricted by the Government of Senegal (GOS) to support local processing. In the 1990s, this policy was liberalized to permit snack peanuts exports (raw, shelled/unshelled). Due to the huge peanut production in crop year 2009/10, the GOS issued Decree 2010-15 in January 13, 2010 to permit the export of all varieties of peanuts except seeds. This measure is intended to reduce the peanut surplus. In 2010, Senegal exported a total value of \$1.3 million of groundnut compared to \$93,000 in 2009 and \$376,000 in 2008, United Kingdom being the main importer (86 percent). Since 2009/10, there has been a launch of revitalization of the groundnut sector for export market penetration that could lead to increase of farmer's revenue.

Context of the workshop

The workshop was organized jointly by the *International Trade Center* (ITC), the *International Islamic Trade Finance Corporation* (ITFC) and the Gambian Ministry of Trade, Regional Integration and Employment.

The *International Trade Center* (ITC) is undertaking a project aimed at revitalizing the GN sector based on the Governments of Gambia, Guinea Bissau and Senegal poverty alleviation strategies. The objective of the project is to develop export of GN and value added derived product.

The *International Islamic Trade Finance Corporation* (ITFC) has an important mission for the development of strategic commodities by assisting *Organization of the Islamic Conference* (OIC) member countries to develop their trade capacities and competitiveness in the sectors and products where they have comparative advantages.

During the workshop, historic, constraints and challenges on the GN sector were presented per country. In addition, an action plan drafted prior to the event had been proposed for review and validation. Discussion on the action plan focused on the following topics for Gambia, Guinea Bissau and Senegal:

- Groundnut sector policies and strategies
- Structural organization and capacity building for stakeholders
- Groundnut seed sub sector
- Production and productivity: constraints, farm input provision and quality management systems
- Value addition of industrial, small and medium scale groundnut processing
- Trade information and export promotion

Objectives, activities, time period, initiators and partners, potential donors and estimated costs for each topic were also proposed.

Targeted donors have also been identified such as the *Bill & Melinda Gates Foundation* (B&MGF), the World Bank (WB), the *African Development Bank* (AfDB), the *International Islamic Trade Finance Corporation* (ITFC), the *European Investment Fund* (EIF), the *European Commission* (EC), the *Food and Agriculture Organization* (FAO), and the *European Union* (EU).

Senegalese, Gambian and Guinea Bissau Ministries of Agriculture, Gambian Ministry of Trade and Ministry of Finance participated to the workshop as well as the public and private sector, researchers, National Agricultural Research Institutes from Senegal and Gambia, farmers associations, *Food and Agricultural Organization* (FAO), *Foreign Agricultural Service* (FAS)/USDA- Dakar, ITC and ITFC representatives, Commercial Banks, Spanish cooperation, Taiwan Embassy and NGO's.

Background on groundnut

Groundnut is an important crop in the three countries mainly due to its contribution to poverty reduction and food security. It is a basic food and cash crop and contributes to livestock feeding, export earnings and national trade development. Experts said that it is possible to derive from raw peanut 63 derivatives products. For example, in Africa the leaves may be used for animal feed and cooked for human consumption. It can be boiled and broiled. It can be made into peanut oil, butter and flour. Senegal and Gambia are considering to strongly encouraging development of groundnut exports to gain more revenues.

1. Groundnut (GN) Production

- **Production**

Gambia

In Gambia, groundnut is the principal export crop constituting 66 percent of the earnings from agricultural exports. Its production, handling, processing and marketing employ about 70 percent of the active labor force. On average, 45 percent of the agricultural land is annually allocated to this crop. Gambia peanut production varied around 107,000 tons during the past decade.

Senegal

In Senegal, groundnut constitutes about 80 percent of the producer's cash income and export earnings. Peanut production in Senegal fluctuated along the ten past years with a sharp and decreasing trend from about 895,000 tons in 2000/01, one million in 2001/02 to a low peak of 265,000 tons in 2002/03 and 331,000 tons in 2007/08. Again starting from 2008/09, peanut production increased from 731,000 tons and reaches about one million tons in 2009/10. However, only. Even though the GN production increases, the global quantity bought by the local processing company (around 25 percent) doesn't augment. Farmers are compelled to sell the surplus in the parallel (unofficial marketing channel) market at a lower price to at least gain profit from its production. It is exported or consumed as boiled, grilled, peanut butter, flour, and processed locally in oil using small processing machines. The president of the *Platform of Cooperation of Peanut Production* (CCAC) of the region of Kaolack said that for one ton of peanut produced, the farmer earns only \$8, the intermediary, \$14, and the industrial player, \$90.

However, since 2009, we assist to a very dynamic market that generates jobs and income. In 2009, the Government of Senegal encouraged small entrepreneurial organizations by donating 500 machines to the rural communities that will allow processing GN into oil and peanut butter. This donation intervened after that the *Institute of Food and Technology* (ITA) developed a process easily usable by communities to process GN locally into oil almost free of aflatoxin. The government objective is to continue to supply more machines to each rural community.

Senegal through its *National Agricultural Research Institute* (ISRA) has a project to establish a system of sustainable production of pre-basic seed for the reconstruction of the peanut seed capital aiming to produce 100 tons per year by 2013. The needs include building of infrastructures, equipments, logistics, supply, capacity building programs etc.

Guinea Bissau

Guinea Bissau GN is a small GN producer's country compared to Senegal and Gambia. Its GN production averaged 17,000 tons from 2000 to 2006.

2. Groundnut Exports

Exports from Gambia and Senegal are insignificant compared to world imports. The *Global Trade Atlas* (GTA) reported an increase of global import of GN (shelled and in shell) from 1.4 million tons in 2001 to 1.5 million tons in 2009 compared to 482 thousand tons of GN oil in 2009. Netherlands (19 percent) is the main GN importer followed by Indonesia (10 percent) and Germany (9 percent).

The *National Agency for Statistics and Demography* (ANSD) reported that export of groundnut products represents about four percent of the overall export products and comes after oil products, fisheries, phosphoric acid, and cement. It is exported as peanut oil and meal and as shelled peanut. According to *The Global Trade Atlas* (GTS), Senegal GN exports increased significantly in 2010 (1,731 tons) compared to 382 tons in 2008, and 139 tons in 2009. This is mainly due to the Government of Senegal issuing a new decree (DECRET n° 2010-15 of January 13, 2009) liberalizing exports of peanut. Exports valued \$4 million (5,515 tons) covering 2006 to 2010 (4 years) with United Kingdom (58 percent), Netherlands (24 percent) and Mauritania (10 percent) being the main importers of groundnut. COMTRADE, a *United Nations* (UN) statistical data, also reported a decline on Gambian export from 2,650 tons in 2002 and 415 tons in 2004 to less than 50 tons in 2003, 2008 and 2009 going through Senegal and Sierra Leone.

Guinea Bissau doesn't export GN.

3. Groundnut Oil (GNO)

Groundnut oil is appreciated for its specific slightly nutty taste, its high content of mono saturated fatty acids and its relatively high smoke point which makes it ideal for high temperature cooking and deep frying. The oil is odorless, resistant to rancidity and has a fairly long shelf life.

GTA report a global world trade balance of 700 to 800 thousand tons of GNO (refined and crude) tons from 2007 to 2009 compared to 600 thousand tons in 2001.

Experts said that Senegalese and Gambian GNO export prices are still below the international price.

In 2009, the main exporters of groundnut oil (GNO) are Argentina 38 percent, Senegal and Brazil 14 percent each, European Union (EU) 7 percent, China 6 percent, and USA 2 percent. Senegal exports 43 percent of world exports in 2001, only 8 percent in 2008 and 12 percent in 2009 (cause- drop in EU imports hardly compensated by exports to Switzerland, Lebanon and China).

Exports from Gambia are irregular in quantities and destinations.

1. **Constraints of the groundnut sector**

We note an increase in GN production the past two years, especially for Senegal. However, the groundnut sector continues to face several problems related to edible groundnut production for export. Among them:

- Seed quality
- Adequate quantity of high yielding seeds
- Access to inputs on adequate time
- Low yields (around 800 kg/ ha for Senegal)
- Low capacity of peanut processing companies
- Insufficient extension capacity and agricultural input
- Lack of adequate incentives to farmers
- Disorganization of the sector
- Difficulty to develop the peanut sector because peanut is exported as “bird feeding” due mainly to non respect of quality standards and safety issues (aflatoxin)
- Many jobs lost in the industry segments (need to restructure), but job creation in the informal sector
- No value added to attract high prices

2. **Revitalization**

Gambia and Senegal have the potential of becoming again important exporters of GN products and envisage penetration on new markets including OIC market (if sectors are revitalized). This is the main objective of the workshop that try to address problems facing the sectors and help farmers, industrials and researchers to improve quality and productivity of GN in order to increase exports and therefore farmers revenue. Senegal seems to be more ready than Gambia and Guinea Bissau for export since it has already improved the quality of the GN and GNO by almost completely resolving aflatoxin content. In order to take advantage of the high production of GN in the three countries, it is important to address all problems that are preventing from export. Experts from the workshop said that it will be more profitable to partially shift out from GN oil exports, upgrading quality edible GN and focusing on GN export development where the demand is increasing.

Export development involves:

- Proactive export development strategy

- Quality product
- Strong technical and economic public-private partnership
- Revitalization and sustainability of the sector
- Strengthening market linkages and promotion
- Export diversification: promotion and penetration in OIC and other potential markets
- Investment in technology to scale up, add value and increase competitiveness of exports
- Strengthen the trade information and dissemination capacity

Part of the revitalization will also be to consider increase of penetration and market share of GNO of Gambian and Senegalese origins in developed markets (which are not growing), based on their particular properties and promotion and marketing efforts.

The governments of Gambia, Guinea Bissau and Senegal are showing interest in revitalizing the GN sector. ITC and ITFC will first help by addressing the constraints that are facing the groundnut sectors (farming, processing and marketing in particular) for export and adopting an action plan for the three countries. Action plans will be used to raise awareness and catalyze donor's support for further elaboration and funding of projects. The final draft adopted by each country will be distributed to all participants.