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Report Highlights:

The MY 2013/14 (Nov-Oct) peanut campaign had a rocky start as farmers and peanut processing companies disagreed about pricing of in-shell peanuts. The *National Inter-Professional Peanut Committee of Senegal* (CNIA) set the in-shell peanut price at \$0.4 per kg in November 2013, but the marketing campaign started timidly one month later after the Government of Senegal (GOS) agreed to reimburse peanut oil companies for losses incurred after sales of peanut oil and derived products in the international market. GOS estimates MY 2013/14 in-shell peanut production at 710,000 tons, a 2 percent increase compared to the previous year in which the three main peanut oil companies collect 200,000 tons for oil processing. However, according to industry insiders, Post believes 600,000 tons is more likely. Peanut quality was low in oil content and density with no foreign buyers this year. For MY 2014/15 GOS forecast peanut production at 850,000 tons, but Post believes production will not exceed 700,000 tons due to low seed quality.

Production

Government of Senegal (GOS) estimates MY 2013/14 (Nov 2013/Oct 2014) peanut production at 710,000 tons, a 2 percent increase compared to last year but a 77 percent decrease from record highs in MY 2010/11. However, according to industry insiders, Post believes 600,000 tons is more likely. The MY 2013/14 planting area increased by 9 percent, but the yield was lower than the previous year (922 kg/hectare vs. 943 kg/hectare) due to poor quality seeds which were not certified for the most part and lack of rains, especially during the peanut reproductive phase.

Experts noticed in MY2013/14 that the peanut production zone is shifting south from the peanut basin in Kaolack towards Niore, Tambacounda, and Velingara. These regions received more rains compared than Kaolack.

For MY 2014/15, GOS forecast seed peanut production at 850,000 tons, but Post believes production will not exceed 700,000 tons due to low germination rate.

Lack of quality seeds

Farmers and peanut processors said that the quality of MY 2013/14 seed peanuts is not as good as the previous year is with only 24 percent of oil content compared to 30 percent in MY 2011/12 and lower density (weight of the seed within the shell) of 50 percent. That is why farmers preferred to sell in-shell peanuts rather than expand additional labor shelling peanuts which typically sold at better prices.

The Senegalese Union of Agricultural Cooperatives (UNCAS) preferred not to participate in the MY 2013/14 campaign to collect and sell peanuts due to low seed quality which impeded on its ability to distribute proceeds from sales equally to farmers. Since processing companies use a blower to remove all in-shell low density peanut and waste, the exact quantity sold to the companies differs substantially from the quantity collected by cooperatives.

The *Reseau National des Cooperatives de Producteurs de Semences d'Arachides* (RNCPS) which represents 26 cooperatives located in six regions in Senegal (Kaffrine, Kaolack, Tambacounda, Diourbel, Thies, and Saint Louis) produced 1,600 tons of certified seeds during MY 2012/13. For MY 2013/14, there were 2,900 tons of seed peanuts that needed to be certified.

For MY 2014/15, GOS provided a \$18.6 million subsidy to purchase 74,000 tons of planting seeds of which 24,000 tons were certified. Subsidized prices for MY 2014/15 have been reduced from 200 F CFA (\$0.4 per kg) to 140 F CFA (\$0.28 per kg) for improved seeds and from 200 F CFA (\$0.4 per kg) to 150 F CFA (\$0.3 per kg) for certified seeds. Seeds have been analyzed by national seed laboratories which showed an average germination rate of 30 percent, lower than the previous campaign (50-60 percent). With this poor quality of seeds, experts said that farmers will need to use more seeds per hectare (200-250 kg/ha instead of 100 kg/ha). For MY 2014/15, fertilizer will be subsidized at 55 percent.

Marketing

The MY 2013/14 campaign was complicated for both farmers and peanut processing companies.

In November 2013, the *National Inter-Professional Peanut Committee of Senegal* (CNIA) set the in-shell peanut market price for farmers at 200 F CFA per kg (\$0.4 per kg). Price were acceptable to producers but not to peanut processors who believed prices were too high especially given its low quality and international market prices which decreased continuously (from \$2,400 per ton in 2013 to \$1,160 per ton in 2014) due to low demand of peanut oil. Processors said that with low oil content, the amount of peanuts needed to make one liter of peanut oil had to increase up to 4 kg which increases sales and production costs.



Photo 1: Truck loading sacks of peanuts
(Source: FAS Dakar)

Farmers did not agree to revise the peanut price thinking over optimistically that they could get it from foreign buyers (Chinese, Pakistan, Russian) who came last year and bought large quantities of peanuts. Unfortunately, none came during MY 2013/14. Post met with peanut actors who believe that it was due to poor peanut quality, aflatoxin content which restricts entry into some countries such as China, or low demand from the international market which does not justify the fixed price. Last year, the Chinese bought a lot of peanuts at a higher price offered by local processing companies but couldn't export them. This peanut was shelled in country and send to the Dakar port for export. Therefore, shelled peanuts were stuck at the port. Part of it was damaged, and the other part sold at a lower price in the national market.

Due to the low quality of seed peanut (low oil content and density) farmers didn't find artisanal processing activity profitable and preferred to sell in-shell peanuts directly to oil processing companies who ended up being the only buyers. However, peanut processing companies wouldn't buy it at 200 F CFA per kg (\$0.4 per kg).

To resolve the issue, the GOS arrived at an agreement with peanut processing companies. Processing companies will be subsidized by GOS for any losses after evaluation of the following parameters during MY 2013/2014 such as:

- December 2013 to October 2014 crude oil quotations made by the journal Oil World and the

meal in reference to Argentine soybean meal with a coefficient of 0.71

- Fees paid to collect peanuts to collectors and transporters, financial expenses, marketing expenses, and other related expenses.) fixed at 37,700 FCFA (\$74.4) per ton of in-shell peanut and 50 000 FCFA (\$100) per ton for crushing
- Crushing coefficient determined by the Institute of Food Technology (ITA) "

In addition, the GOS guaranteed banks which provided loans to the peanut processing companies to finance the marketing campaign. The CNCAS, the national agricultural bank, injected about \$17.6 million into the marketing campaign.

Usually, GOS subsidizes the fixed peanut farm price, but it has not been done since MY 2010/11.

Once the loan was in place two to three months later, those peanut processing companies started buying peanuts. The agreement made with the GOS really boosted peanut sales because companies were more confident in buying large stocks. In June 2014, the three main peanut oil companies - Suneor, the largest, followed by COPEOL ex NOVASEN, and *Complexe Agro-Industriel de Touba* (CAIT), collected 300,000 tons of seed peanut in which 200,000 tons will be crushed and the remaining sold as seeds.

SUNEOR is the first Senegalese agroindustry company and the largest peanut oil company. It is involved in the peanut sector since 30 years with 200,000 tons of peanut processed in 2007. The company produces and sells peanut oil under the “Niani” label.

COPEOL, the second peanut processing company replaced in 2013 NOVASEN. It is a joint venture between the two groups Castel and Sophiproteol. The activity will only be peanut processing into crude oil. COPEOL said it will collect 70,000 tons of peanut in MY 2013/14.

CAIT is the third largest peanut processing company that was created in 2004 but started oil activity in 2009. The production capacity is 35,000 tons, but not fully they never reached it. During the MY 2013/14, CAIT expected to collect 25,000 tons compared to 3,400 tons in MY 2012/13. CAIT sells all its refined peanut oil production in Senegal distributing under the Diwline label or supplying private distributors under the “Tin’or” or “Pod’or” labels. Part of the refined peanut oil production is exported in Switzerland.



Photos 2 and 3: Refined peanut oil under private labels “Tin’or” (left) and “Pod’or” (right) produced by CAIT

(Source: FAS Dakar)

operations yet. It aims to collect about 10,000 tons for tests by the end of the year. West African Oils LLC is a company created in 2012 to promote the investment in Agro-industrial projects in Africa. WAO is involved in setting up agro industrial companies (growing and industrializing) related to oilseeds, cereals and related products. It plans to invest about US\$ 8 million during the first year (equipment and buildings) in Senegal.

The factory is located in Kaolack and expects to employ 150 local permanent workers when the factory is running at full capacity. WAO wants to provide technical and administrative training to the workers and later to the farmers focusing on quality and yield improvement. WAO will have environmental practices such as raw material, water and energy conservation, re-use of materials and energy, appropriate management of waste, emission controls, and production of electricity (for their own use and to sell to the national grid) using organic matter, which will not only be an environmentally sound practice, but will also lower the cost of electricity.

In terms of social programs, WAO plans to implement programs to improve health, education and support worker's families. WAO wants to expand into farm production in the region (always maintaining external farmers as the majority of its suppliers) and bring additional business into Senegal to turn the Kaolack location into an agro-industrial hub for the company. WAO also has expertise on producing flours, soaps, feed, oil refining and food distribution, manufacturing finished (peanut paste, peanut butter, peanut crackers for dietary supplements for kids, etc.) and is willing to expand into those products once will have control of aflatoxin and other quality issues on the raw material.

Peanut processing could be a profitable activity since nothing is lost. When removing the shell, the pod is sold and used as wood chips for energy. The bran from shells as well as peanut meal are sold as animal feed. During the process, when the acidity of the oil is removed, the over left product is sold as soap paste.

The Chinese company Qindao Golden Rock Nuts Co established a partnership with the Chamber of Commerce, Industry, and Agriculture of Kaolack (CCIAK) to open a new peanut processing company in the region. The president of the CCIAK said that the new company named Sino Senegalese Joint-Venture Agricultural Corporation SA will promote peanut production and create jobs in the region of Kaolack. The company has not started yet. Only the agreement between the two parties has been signed. It is a \$4 million project.

Most of the peanuts sold by Private Operators (OPs) to peanut processing companies have been paid except to the major company SUNEOR which seems to have some problems this year. SUNEOR, the main peanut oil processing company bought a large quantity of peanuts but hasn't yet started processing working as it is performing maintenance equipment.

Post was told that prior to setting farm prices in November, farmers were selling their production to OPs at reduced cost ranging from 120 to 140 F CFA per kg (\$0.24 to \$0.28 per kg). This peanut was sold to the processing companies at \$0.40 per kg plus transportation cost. Therefore most of the margin goes to the OPs and not to the farmers.

Artisanal processors continue to play a role in the value chain

As compared to the previous year, artisanal processing such as shelling, extracting oil, and producing derived products such as meal and soap decreased due to low quality of seed which has low oil and density. Farmers preferred to sell in-shell peanuts rather than shelled peanuts to oil processing companies. Nevertheless, some organizations and households continue to process peanuts in an artisanal manner using small equipment. The artisanal processed oil called “segal” is not refined and may contain aflatoxin except for products from organizations which employees trained to remove it. Nevertheless, the concentration of aflatoxin may be higher than the accepted rate.

Post believes that the quantity of artisanal oil sold in the market is 100,000 tons. If we consider GOS official numbers, there is still 200,000 tons of peanut stock in the country.

Post again visited this year the women’s organization, *Groupement Inter Villageois des Producteurs d’Arachide* (GIPA) located in Taiba Niassene. It is the biggest organization in the region of Kaolack that processes large quantities of peanut oil and butter and also makes soap and derived products.



Photo 4: Non industrial peanut oil production used to make soap.

(Source: FAS Dakar)

There has not been major improvement since our last visit. The organization continues to produce peanut oil, peanut butter, meal, and soap. It uses pods and chips as an alternative source of energy or sells it to households for cooking. The 20 liters oil container costs about \$40 in the market and \$2.2 for one liter. Packaging is a big problem as processors mostly use recycled containers which may not have been cleaned well. Products are often sold in the weekly market and during trade fairs. There is no regular circuit of distribution. During MY 2013/14, the women stated they have collected 60 tons of peanut compared to 50 tons in MY 2011/12, and 300 tons in MY 2010/11.

The quantity of peanuts processed non- industrially is difficult to determine. People are informal and not registered with the government. However, Post believes that the quantity of peanuts used for own

use is estimated at 400,000 tons in MY 2013/14.

The national agricultural extension service “Agence Nationale pour le Conseil Agricole et Rural (ANCAR)” reported in January 2014 that it will install 70 treatment units of the artisanal oil in six regions of Senegal within two years. It is a World bank funded project valued at \$420,000. These treatment units will help solve aflatoxin contamination and reduce acidity to avoid public health problems.

Trade

The Global Trade Atlas reported an export increase of 28 percent (22,220 tons vs. 28,423 tons) of peanuts (shelled and in-shelled) from CY 2012/13 (calendar year – Jan-Dec). Only 493 tons were exported from Jan to Feb 2014. Vietnam (45 percent) and China (26 percent) were the main export destinations followed by Virgin islands (U.S.) (16 percent) and Hong Kong (5 percent).

Peanut oil exports depend on the success of the agricultural campaign. In 2012, it decreased 66 percent after rising up to 30 percent in 2011 and then increased 44 percent in 2013. In 2012, exports to Switzerland and Netherlands decreased while France and Italy became the major importers. Lebanon, the top customer in 2009, increased its market share from 39 percent to 68 percent in 2011. Sales to Lebanon stopped in 2011. China only bought peanut oil from Senegal in 2009. It was the second buyer after Lebanon with 35 percent of the market share. In 2013, The Netherlands regained first place with 55 percent of the market share followed by France (39 percent). Only 1.2 tons were exported during the first two months of CY 2014. Peanut oil is exported to France (47 percent), Netherlands (46 percent) and Switzerland (6 percent)

Government policy

GOS continues to support peanut production. For the 2014/15 agricultural campaign, GOS plans to distribute 50,000 tons of seed peanut at a subsidized price. However, when the quality of subsidized seed is low, farmers prefer to sell it and buy improved seeds in the market. National farmers associations produce certified seeds, but not enough to cover demand.

Exchange rate: 1.00 US Dollar = 500 CFA Franc

For more information on the history and structure of the groundnut sector in Senegal, please see previous reports, including the Senegal Oilseeds and Products: Annual Update 2008, 2009, and 2011.

Acronyms

ANCAR	Agence Nationale pour le Conseil Agricole et Rural
CAIT	Complexe Agro-Industriel de Touba
CNIA	National Committee of the Groundnut Industry Association
CNCAS	Caisse Nationale de Crédit Agricole du Sénégal
GOS	Government of Senegal
MOA	Ministry of Agriculture
COPEOL	(replaced Novasen) - Coopératives des Plantes Oléagineuses
NOVASEN	Nouvelle Valorisation d'Arachide du Senegal
OPs	Private operators in charge of stocking and transportation of groundnuts
PSD	Production, supply, and demand
RNCPS	National Network of Cooperatives of Producers of Peanut Seeds - (Réseau national des coopératives de producteurs de semences d'arachides)
SUNEOR	Means our (sunu) gold (or) peanut in Wolof. The company was known as SONACOS prior to 2007
WOA	West African Oil LLC

Production, Supply and Demand Data Statistics

Oilseed, Peanut Senegal	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	709	709	770	540	770	630
Beginning Stocks	63	63	9	8	4	8
Production	693	673	710	600	725	700
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	756	736	719	608	729	708
MY Exports	46	28	50	10	50	50
MY Exp. to EU	0	0	0	0	0	0
Crush	345	300	345	300	345	350
Food Use Dom. Cons.	255	225	255	200	255	210
Feed Waste Dom. Cons.	101	175	65	90	75	90
Total Dom. Cons.	701	700	665	590	675	650
Ending Stocks	9	8	4	8	4	8
Total Distribution	756	736	719	608	729	708

Meal, Peanut Senegal	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	345	300	345	300	345	350
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	18	18	9	10	9	10
Production	136	120	136	120	136	140
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	154	138	145	130	145	150
MY Exports	17	5	20	10	20	15
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	128	123	116	110	116	125
Total Dom. Cons.	128	123	116	110	116	125
Ending Stocks	9	10	9	10	9	10
Total Distribution	154	138	145	130	145	150

Oil, Peanut Senegal	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	345	300	345	300	345	350
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	8	8	7	8	7	16
Production	115	80	115	90	115	95
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	123	88	122	98	122	111
MY Exports	15	12	15	40	15	45
MY Exp. to EU	0	10	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	101	68	100	42	100	44
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	101	68	100	42	100	44
Ending Stocks	7	8	7	16	7	22
Total Distribution	123	88	122	98	122	111

