



## Chinese involvement in the Senegalese peanut trade: threat to local markets and processing industries?

**To deal with household socio-economic difficulties in rural areas in Senegal, peanut cultivation was introduced by French colonial powers at the beginning of the 20th century. The cultivation was to enable Senegal's domestic agricultural economy to generate revenues and contribute to the development of its agro-processing industries. Over the years, it has become a source of revenue for many families living within the groundnut basins across the country as well as being an important resource for peanut processing industries. In 2010, the liberalisation of the peanut trade in Senegal enabled Senegalese peanut farmers and producers to directly sell to foreign buyers; including the Chinese.**

Senegal is among the world's top ten groundnuts producers (See Figure 2). The country ranks 4th for the largest land area concentration of groundnut crops after India, China and Nigeria. The cultivation of the product is important for the Senegalese agricultural sector and overall economy. It provides 70 per cent of overall agricultural production and employs a large number of the population. The majority of employment is concentrated in the groundnut basins which are subdivided into the Northern basin (the River Senegal), the Central basin (Kaolack, Diourbel and Fatick), the Eastern region (Tambacounda) and the Southern groundnut basin (Casamance).

While peanut cultivation in Senegal has always attracted citizens from neighbouring countries, it has recently also driven Chinese buyers, along with other foreign buyers, into Senegal's peanut basins. Even though China is the world's largest peanut producer, increasing consumption of peanuts and peanut derived products among Chinese has led to increased Chinese imports from other countries. The Chinese, among other foreign buyers, seized the opportunity to satisfy the increasing domestic peanut consumption at home as well as peanut processing industries' needs to produce peanut derived products.

Peanut cultivation has also drawn larger economic interests among Lebanese who previously controlled the peanut trade

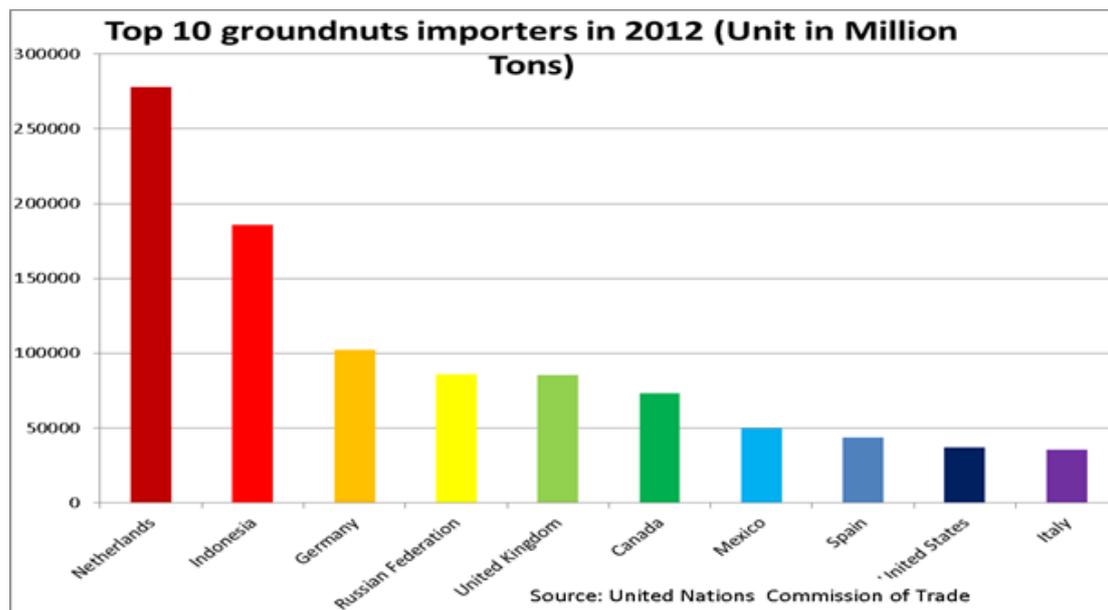
and were intermediaries between producers and colonial industrial companies. Citizens from neighbouring countries (Mali, Burkina Faso, Gambia, Guinea Conakry and Guinea Bissau) migrated to Senegal, particularly as seasonal peasants (during the rainy season) and as producers. Peanut cultivation therefore created temporary and long-term migration around the groundnut basins and across Senegal.

But today, peanut cultivation and trade in Senegal have attracted foreign buyers who seek to satisfy their home markets and industries' growing demand for groundnuts and derived products.

### **Peanut cultivation and trade in Senegal**

As the main cash crop in Senegal, peanut cultivation and trade involve a large number of farmers around the groundnut basins. Peanut cultivation creates seasonal employment and peanut trade contributes to Senegal's GDP and economy. However, the decline in peanut exports since 1987-1995 has had an impact on Senegalese peanut production and trade in domestic as well as international markets. Changes in the global demand for groundnuts and related products led to competition between peanut and other oil seeds industries and price decline for groundnuts. Even though Senegal is still a major peanut producer, its peanut sector is steadily declining due to the

Figure 1: Top 10 peanut importers in 2012



limited production compared to 1970s and 1980s.

Peanut cultivation and trade contributed to Senegal's economic growth in 1960s. With a growth in production realised between 1959-1965 (from 830,000 tons to 1,170,000 tons), Senegalese peanut producers enjoyed an increase in income. As the state held control of the peanut sector, to ensure the management of the sector and its promotion for exports as well as to provide advice and inputs for farmers and producers, the *Office National de Coopération et d'Assistance pour le Développement* (ONCAD, in English, "the National Office for Cooperation and Development Assistance") was set up. With the changes which occurred in global demand for peanuts and derived products, Senegal's groundnut exports fell from 80 per cent to 40 per cent, thus affecting the country's economy. Yet, this declining situation in the peanut sector was not unique to Senegal as there was a global price boom coupled with a worldwide decline in the global demand for peanuts. The production of other oil products by competitors such as the United States and Argentina, among others, contributed to the decline of Senegal's peanut exports and prices decline.

Beyond the global crisis in the peanut production sector, the low production in Sub-Saharan Africa has also been due to drought, insufficient rainfall and limited use of modern inputs (i.e. irrigation and modern technologies).

### Chinese involvement in Senegal's peanut sector

While China used to be a leading exporter of groundnuts, the

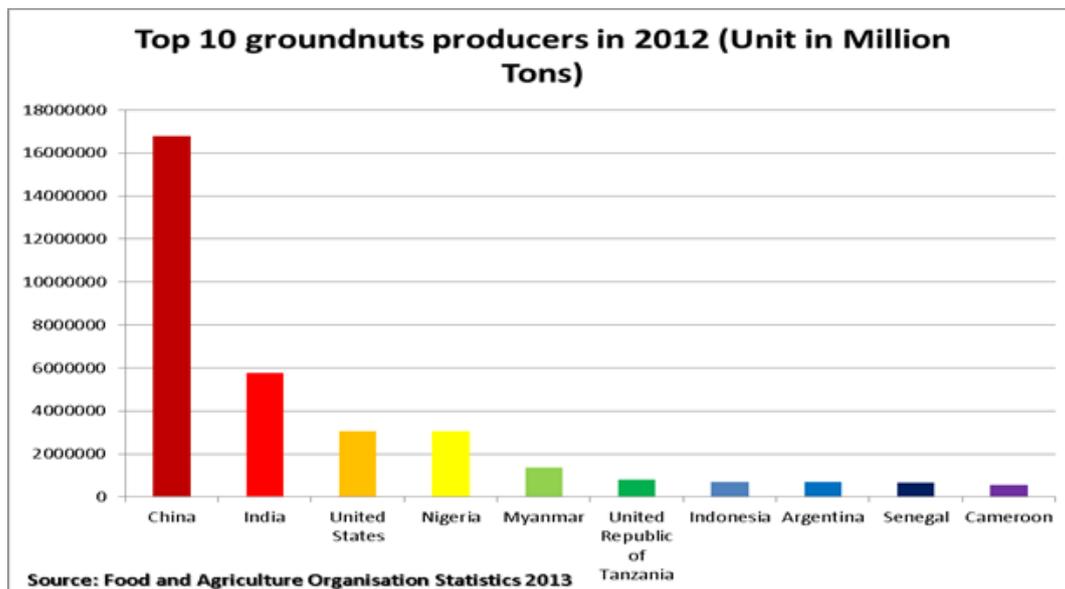
scarcity of arable land due to urbanisation and the growing domestic peanut and derived products consumption reduced China's groundnuts export abilities. Between 2005-2013, China's total exports dropped from 605 600 to 65 500 tons. China is the world's largest groundnut producer followed by India and is also an important consumer (See Figure 1). Its production accounts for 41.5 per cent of world peanut production. Even though

China produces an important quantity of groundnuts, its production is more for domestic consumption than for export. High domestic consumption of groundnuts worldwide entails that only 5 per cent of global production is sold on international markets. Due to the demand for peanut oil consumption in China, large quantities of the country's groundnuts are processed into peanut oil and a small portion is consumed as edible nuts. The country's groundnut production does not match the increasing consumption of its population; hence the interests in other markets for imports. Recent major peanut importers include the European Union, Indonesia, Russia and Canada (See Figure 2).

However, China has shown interest in finding new markets for peanut imports and in 2012 the country was ranked the world's 20th largest peanut importer (See Table 1 for Senegal's peanut exports). Recently Senegal, as an important peanut producer, has attracted Chinese buyers. They are involved in buying and stocking huge quantities of peanuts directly from the farmers and producers at a higher price than the government offers and with cash in hand. They travel to different peanut basins across Senegal and are interested in in-shell and shelled groundnuts.

Additionally, Chinese buyers have managed to secure larger investments in the peanut sector by developing joint-ventures with Senegalese businesses in the peanut processing sector; particularly in peanut oil production. Qingdao Golden Rock Nuts Co, a Chinese company headquartered in Qingdao, Shandong

**Figure 2: Top 10 groundnuts producers in 2012**



province, has committed to invest US\$ 4 million in Kaolack (one of the groundnut basins in Senegal) for peanut transformation. This was possible through the city’s Chamber of Commerce, Industry and Agriculture (CCIA) with a protocol agreement signed by both the CCIA director and the managing director of the Chinese company during Senegalese President Macky Sall’s visit to China earlier this year. The company is a major supplier of agricultural products (peanut, garlic, raisin, ginger, beans and wolfberry) in China. From the CCIA officials’ point of view, such

investment will create jobs and enable peanut transformation in the area. With the arrival of foreign buyers in the peanut sector in Senegal, particularly the Chinese, the Senegalese peanut oil industry is facing difficulties in acquiring needed quantities of peanut to be used for the production of peanut oil. In 2012, Suneor, the major peanut oil producer in Senegal, did not manage to collect the 200,000 tons of peanuts it needed for peanut oil production; instead the company only got 15,000 tons. The peanut shortage for local industries and markets which contributed to price increases for peanut and derived products was due to purchases made by foreign buyers. In order to offer better prices to farmers and producers, the peanut oil producers have secured credits from banks (for example *La Caisse Nationale de Crédit Agricole du Sénégal* – CNCAS – in English, the National Agricultural Credit Fund) in order to withstand foreign competition. While the government has set the price for a kilogramme of peanut at CFA

**Table 1: Senegal’s peanut exports (2009-2011 and January-April 2012)**  
Unit in Tons

Countries	2009	2010	2011	2012 (Jan-April)
China	0	840	6,390	4,013
Vietnam	0	0	0	3,866
United Kingdom	18	2,553	4,320	450
Sierra Leone	0	0	765	111
Serbia & Montenegro	0	0	529	0
United Arab Emirates	0	630	1,386	0
Other	122	1,251	3,991	1,131

Source: *Global Trade Atlas and the National Agency of Statistics and Demography*

Franc 190 (US\$ 39 cents), the Chinese for instance offer CFA Franc 230 (US\$ 48 cents) and at times CFA Franc 300 (US\$ 62 cents). More often, the Chinese use Senegalese intermediaries who negotiate the peanut price with farmers and producers through weekly markets across Senegal. In their negotiations with the Senegalese government, Suneor’s officials have made it clear that the company will reduce its personnel if it cannot guarantee production with limited quantities of peanuts it acquires from farmers and producers.

The liberalisation of the peanut trade sector in 2010 for peanut exports led to difficulties for the peanut processing industries, with less competitive prices compared to foreign buyers. This has led to limited production

needed for their businesses. In 2001, the Senegalese government cleared a CFA francs 65 billion debt (US\$ 134.7 million) contracted by the National Oilseed Marketing Company of Senegal (SONACOS). Nevertheless, the Senegalese government moved towards the liberalisation of the sector because of high subsidies allocated to SONACOS and the National Seeds Company (SONAGRAINES) which had been bankrupt due to mismanagement. By liberalising the sector, the government aimed at boosting the private sector, developing new technologies and reaching new markets.

The Chinese presence in the agriculture sector in Africa has raised questions around food security within China, as land scarcity due to urbanisation and the ability to feed the Chinese population have become issues for both the Chinese government and its farmers. Certainly, Chinese investment in the peanut sector in Senegal are linked to the country's interests to satisfy its people's rising demand for peanut products (oil, butter, nuts and so on). At the same time, the construction of a peanut processing unit in Senegal could be an opportunity for the Chinese company to export to Europe which is an important import market for peanuts.

## Conclusion and Recommendations

While the Senegalese government has monopolised the peanut sector and put in place policies to promote the sector, offer advice to producers and farmers and provide inputs through the ministry of agriculture and related agencies like the *Agence Nationale de Conseil Agricole* (in English the National Agricultural Advisory), it is doing less to ensure regular production and income generation for the industry. After providing them with subsidies and equipment, the farmers are expected to sell part of their production to the government at a lower price compared to the market price. Over the years, this regulation has created frustration among Senegalese farmers and producers because payment comes late and at times in small amounts. By facing the uncertainty of recovering their production costs and generating income through production sales, the Senegalese peanut farmers and producers have increasingly turned to foreign buyers; particularly the Chinese, who are willing to pay more than the government's price. The growing interests of foreigners in the Senegalese peanut sector

has resulted in price increases and peanut shortages for local markets and processing industries.

The Senegalese government has been strongly involved in peanut cultivation across the country. Subsidies, advisory capacity and seeds are provided to farmers in rural areas through local or national agricultural agencies.

However, while the government has put in place policies to facilitate the farmers' activities for peanut cultivation, the peanut trade has faced difficulties in recent years and has caused tensions between peanut farmers, producers, processing industries and the government. The government has always set the peanut price very low in order to get an important quantity from the farmers in compensation for the subsidies it provides.

In order to recover peanut production in Senegal, the government must ensure that the seeds distributed to farmers are of good quality. To protect the local market and enable peanut processing by local industries, the government needs to reach an agreement with peanut processing companies in order to assist them with credits from financial institutions which will enable them to face fluctuation in the international peanut (and derived products) market.

In order to satisfy domestic demand for peanuts and to make sure that peanut processing industries have important quantities for their production, the government should set a reasonable peanut purchasing price and pay farmers in cash. This has the potential to prevent farmers from selling to foreign buyers who have sophisticated peanut processing technology. Over the long term, peanut exports through foreign buyers will lead to peanut shortage in terms of both local consumption and the Senegalese peanut processing industry.

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