

# Market opportunities and entry strategies for palm oil products in Senegal

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International Trade Centre

## About the paper

This study was undertaken by the International Trade Centre within the framework of implementing the Sierra Leone West Africa Competitiveness Programme, which is financed by the European Union under the 11th European Development Fund and implemented by the United Nations Industrial Development Organisation in partnership with the International Trade Centre

For any questions regarding the contents of this report, please send email to [alliances@intracen.org](mailto:alliances@intracen.org).

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## Introduction

The International Trade Centre (ITC), in partnership with the United Nations Industrial Organisation (UNIDO), is implementing a technical assistance project in Sierra Leone under the West African Competitiveness Programme (WACOMP). The programme aims at increasing Sierra Leone's competitiveness through enhanced productivity and trade compliance in the cocoa, cassava and oil palm value chains with a view to boost the country's integration into regional and global value chains.

The programme's specific objectives are to improve the performance, growth and contribution to industry, regional trade and exports of the three value chains, and to improve the business climate at the national level.

The identification of international market opportunities for Sierra Leone's oil palm products and developing a roadmap for product and market development to facilitate access to global markets is an important objective of the programme interventions. This study is conducted to respond to these needs by identifying and analysing opportunities in the Senegalese market and proposing useful market entry strategies into Senegal for Sierra Leonean producers and exporters.

## Acknowledgements

This report is written by ITC consultant, Mr. Lionel Tientega under the supervision of the Alliances for Action (A4A) Agri-Business team in the Sector Competitiveness Section (the Division of Enterprises and Institutions), in close collaboration with the Office for Africa (Division of Country Programmes). It is sponsored by the WACOMP Sierra Leone, funded under the 11th European Development Fund of the European Union.

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## Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

ADEPME	Agency for the Development and Support of Small and Medium-sized Enterprises
APIX	Agency for the Promotion of Investments and Major Works Senegal
CIRAD	International Center for Agricultural Research for Development
COTECNA	Applied Technical Advice
ECOWAS	Economic Community of West African States
FRA	Authorization for manufacture and sale
GIE	Economic Interest Group
HS	Harmonized System
ITC	International Trade Centre
SME	Small Medium Enterprises
UEMOA	West African Economic and Monetary Union
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollar
WACOMP	West Africa Competitiveness Project
WTO	World Trade Organization

## Executive summary

The identification of international market opportunities for Sierra Leonean palm oil products and developing a roadmap for product and market development to facilitate access to global and regional markets is one of the objectives of the project interventions.

This study is conducted to respond to these needs by identifying and analyzing opportunities in one of the potential regional markets: the Senegal market. This study proposes useful market information and entry strategies into Senegal for Sierra Leonean producers and exporters.

Palm oil is an important and growing market in Senegal because it is part of the everyday cooking of the vast majority of the Senegalese population. This applies both for raw palm oil, from Senegal and neighboring countries, which is used for traditional dishes. The same goes for imported refined palm oil, which is one of the most consumed vegetable oils. In Senegal, palm oil stands, estimated at 50,000 hectares, are mainly located in Casamance in the southern part of the country. Oil palm is widespread in Lower and Middle Casamance, either in isolated stands or in fairly tight clusters.

This growth in palm oil consumption is more pronounced for refined palm oil. This is supported by:

- population growth;
- the increase in the standard of living;
- the cost and easy accessibility.

Senegalese consumers do not consider the current ecological considerations unfavorable to palm oil and its production. This remains an asset for the penetration of this market. Refined palm oil is used in everyday consumption. This consumption is for food, individual consumption, and other ingredients in the food industry (as vegetable fat for various food products). Palm oil is therefore a promising market for exporting countries such as Sierra Leone, but penetrating the Senegalese market requires a short and long-term strategy.

Refined palm oil remains the most promising market for Sierra Leonean producers and processors. However, a great deal of caution and a pragmatic strategy is needed to penetrate the market sustainably.

The competition is important regarding main exporting countries of West Africa, such as Nigeria, Ghana, Cote d'Ivoire and southeast Asian countries. Investments (through the establishment of new oil palm plantations) to increase production capacity and yields are underway in Liberia, Cote d'Ivoire, Ghana, Togo and Nigeria.

The following recommendations are made to improve the positioning of Sierra Leone palm oil products in the Senegalese market, based on the findings and analysis of this report:

### Short term recommendations:

1. Obtain the equivalent certification to the Authorization for manufacture and sale (FRA) in Sierra Leone: Access to the Senegalese market is not complex, but it is important to have quality standards equivalent to those required in the local market. It will therefore be necessary to obtain the Sierra Leonean certification for the marketing of food products, which will allow the entry of the products on the Senegalese market.
2. Launch a market readiness and access campaign to help SMEs and exporters promote palm oil products by developing a detailed market access plan. This includes identifying the key benefits of Sierra Leonean palm oil, sales training and a detailed list of potential customers.

### Long term recommendations:

1. Build a presence in the Senegalese market: Sales advisors or similar professional experts in the country who can provide strategies and recommendations to enter the retail and wholesale market. This way, companies of the large distribution as well as small stores of districts can commercialize the products.
2. Establish partnerships with Senegalese refineries, or locally refined if possible: If the refining is not possible in Sierra Leone, it will be necessary to establish partnership and representation agreements with Senegalese refineries in order to market a refined oil respecting the NS 03-072 standard, vitamin A enrichment.



## Methodology

This study aims to:

- Research the Senegalese market and distribution channels for palm oil, and their derivatives from the perspective of Sierra Leone;
- Create a Senegalese market entry strategy for palm oil and palm oil value added products that can be deployed or adopted by businesses /exporters from Sierra Leone.

To achieve these objectives, the methodology adopted consists of a combination of quantitative and qualitative approaches, while maintaining a participatory process, by including the value chain actors. This approach made it possible to gather the opinions of the stakeholders met, to study all aspects related to the functioning of the system, and to identify actions to be taken in the short and long term. These actions were carried out with a view to identifying strategic orientations for the entry of palm oil products from Sierra Leone within the framework of the programme's support.

The methodological approach consisted of a combination of documentary studies, analysis and interviews conducted by the author. Information and data shared throughout the report is collected from:

- Literature review (including law and tax documents) for data collection;
- Semi-structured interviews with members of companies and government services active in the palm oil value chain;
- A review of international and domestic trade data;

The combination of these collection methods allows to triangulate the results of the study in order to obtain the best information of the value chain at the local level, current and future opportunities, constraints and actors.

## PART 1 THE SENEGAL PALM OIL MARKET & RELEVANT DISTRIBUTION

### 1.1 Market Overview

All palm oil imported into Senegal is related to the HS code 1511, under which there are two further sub-categories:

- HS 151110: Crude palm oil
- HS 151190: Palm oil and its fractions, whether or not refined (excluding chemically modified and crude).

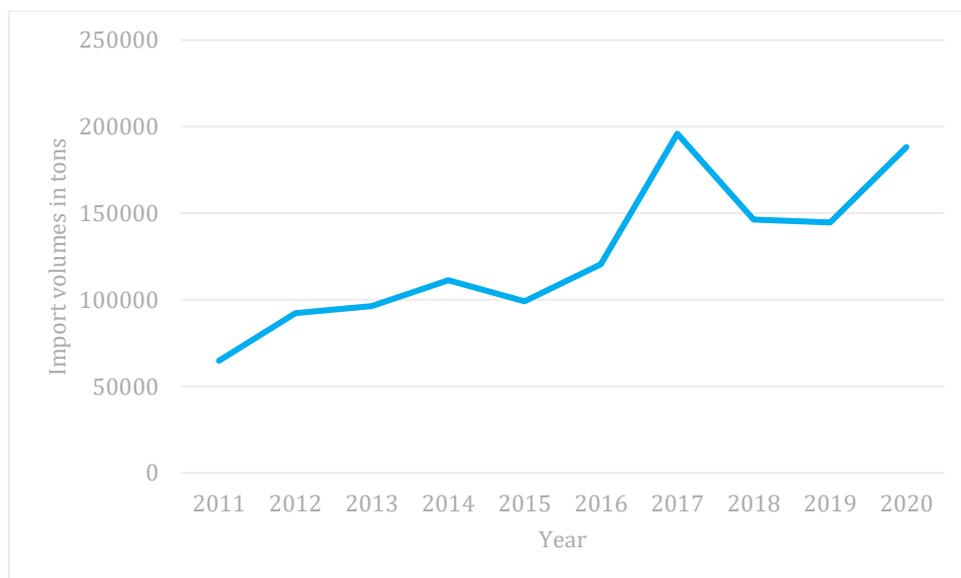
Crude palm kernel oil is also imported under HS 151321, for which the imports of 797 tons<sup>1</sup> mainly come from Liberia, Ghana, Gabon and Guinea, Liberia being the most important importing country and Guinea the less important.

Palm oil is a new export market for Sierra Leone, as UN COMTRADE statistic indicates export data since 2014. In 2018, crude represents 62, 581 tons for USD 9,396,000 while refined represent 1,579 tons (USD 28,656,000). These two figures have increased significantly since 2014, by 254,533% for crude and 1,541% for refined.

Both crude and refined palm oil were imported mostly to Senegal in 2018. In 2018, Benin and Nigeria were the second and third biggest market for crude; UK and USA were second and third biggest for refined products.

Demand on the Senegalese market for palm oil is increasing even though the country is a producer of palm oil, which counts for about 14,000 tons per year.

Figure 1: Senegalese import volume of palm oil under HS code 151110



Source: ITC Trade Map ([www.trademap.org](http://www.trademap.org))

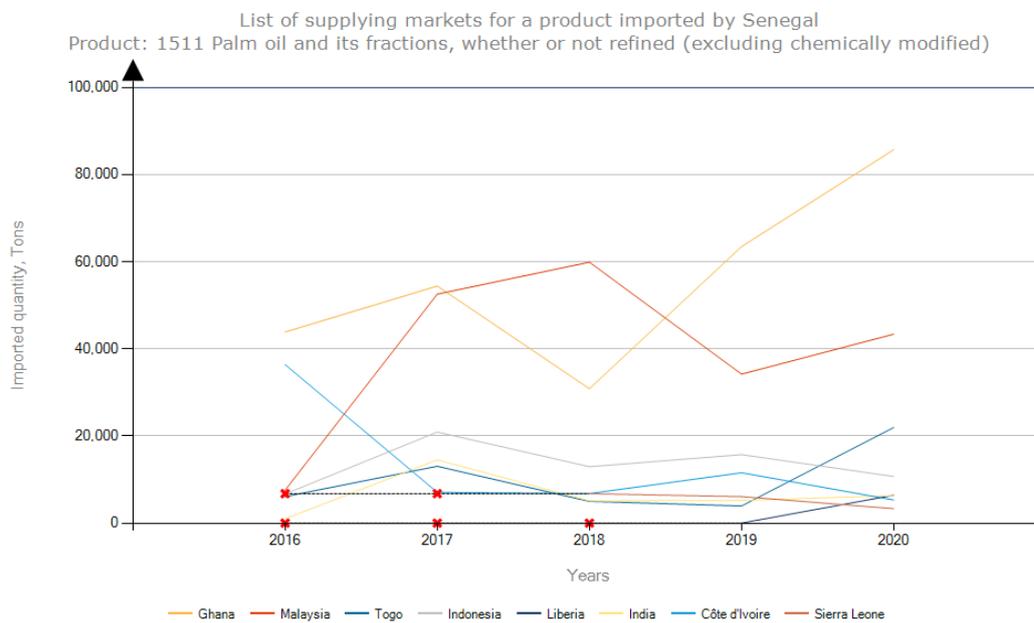
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<sup>1</sup> [www.comtrade.un.org](http://www.comtrade.un.org)

While crude has never been highly demanded on the market, refined is and remains the main demand through the years. At least there is an important breakthrough of crude palm oil produce in Senegal, which occupies 80 to 85% of the Senegalese market share.

Groundnuts remain a priority in food policies with the support of numerous development projects in the agro-ecological zone of the “basin arachidier”. The local supply of refined peanut oil meets barely 5% of the market demand due to its high cost, with a liter costing 1,200 CFA (1690 CFA for crude palm oil liter). The needs are essentially met (about 90%) by massive imports of refined palm oil, sold at 1,000 CFA francs per liter. More than 45 brands are present on the local market, according to Pape Dieng, general manager of Sonacos<sup>2</sup>. The rest is supplied by a local supply of refined soybean or sunflower oil but packaged locally (15%). Groundnuts are a strategic crop in the country. It occupies nearly 70% of the rural workforce and provides the bulk of their annual income of the farmers growing groundnuts. According to World Bank figures from 2016, approximately 480,000 rural households were growing peanuts in Senegal.

Figure 2: List of countries importing palm oil in Senegal



Source: ITC Trade Map ([www.trademap.org](http://www.trademap.org))

Many online and boutique supermarkets offer locally produced raw palm oil as shown in the photos below. The prices remain higher than those on local popular markets.

<sup>2</sup> Sonacos, formerly Suneor, is the leading agribusiness company in Senegal, the main partner of farmers in the groundnut sector and of the leading company of vegetable oil sector in Senegal.

Figure 3: Few products as sold by supermarkets



Source: <https://www.auchan.sn/>

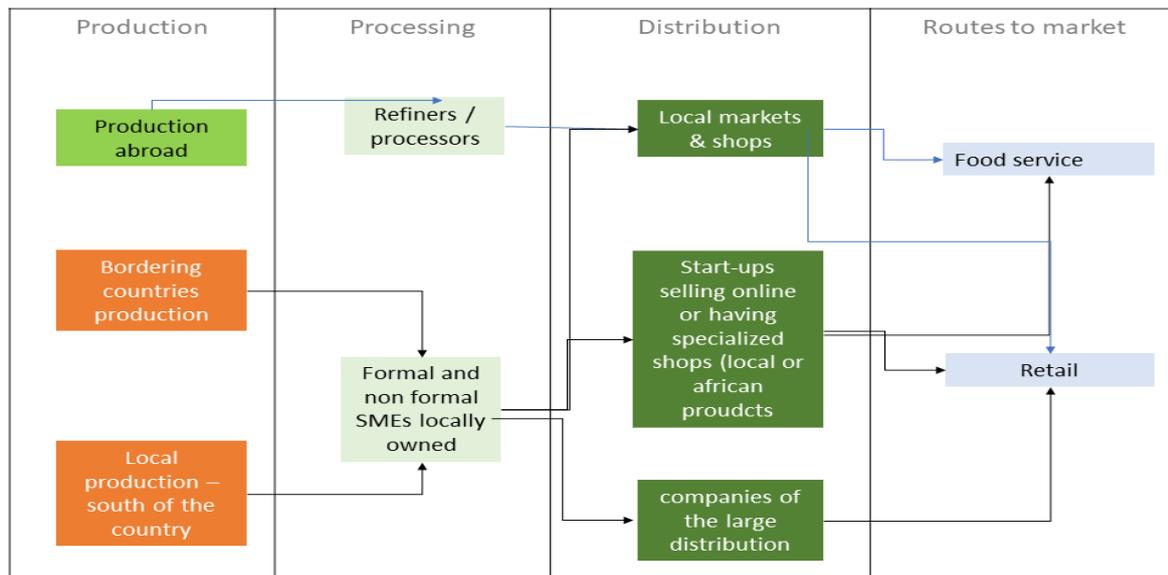
A large part of the crude palm oil entering Senegal is not monitored by the authorities because the borders are porous. Much of the imports from Guinea Conakry and Guinea Bissau are repackaged or sold in bulk in local markets.

## 1.2 Market Structure and Key players

As shown in Figure 4 in the previous section, there are two parallel circuits (refined and raw). There is no industry that refines palm oil in Senegal, as local refining efforts are concentrated on groundnuts. Processing efforts by Small and Medium Entreprises, Economic Interest Groups (EIGs) <sup>3</sup>is focused on raw palm oil. This oil is used for cooking traditional dishes.

<sup>3</sup> The Economic Interest Grouping (EIG) is a gathering of physical or legal persons whose purpose is to facilitate the exercise of the economic activity of its members (or to improve or increase its results), by pooling various components of this activity (services, sales outlets, technical assistance, etc.). Although it has legal personality, an EIG is neither a company nor an association

Figure 4: Supply chain for palm oil entering in Senegal



Source: Author

Palm kernel oil is not shown in this table, as this will be discussed below. It is a market that remains very small and concerns a niche market.

## Producers

Since 2004, a government program has been conducting a pilot phase of an oil palm research and development project *"in order to provide technical reference materials for agro-industrial production"*. One of the objectives of the project was to develop and improve the yields of selected palms in favourable areas of Senegal, with a view to industrial exploitation. In the southern zone, test plots of oil palms (Tenera variety) were installed in Teubi, Badiana, Fanda, Dialang, Boukitingho and in the northern zone in Keur Momar SARR, Syer, Guidick, Lompoul and Sanghé. A specific objective of the project is to plant at least 5,000 ha of oil palm trees annually in the regions of Ziguinchor, Kolda, Sédhiou, Thiès and Louga. Unfortunately, it was not possible to access information on the implementation of this project and its results.

However, the introduction of the Ténéra variety, the most widely used in large commercial plantations, was also promoted by other organizations. One example of the planting of Tenera palms took place in the "Kalounayes" area, thanks to a partnership between the rural community, the "Kalounayes" economic and social development (Kdes), the non-governmental organization Acra of Ziguinchor, and the Global Environment Facility. Another example is the reforestation program for the "early" variety of oil palm (Ténéra) in the Kindakame valley in the Sédhiou region. This program is financed by the Austrian cooperation and through the Local Initiative Project for Food Security (Pilsa). The fact that large-scale plantations have not developed in Senegal can be partly explained by the existence of an armed independence movement in Casamance, which is the most suitable region for this crop. It can also be explained that the powerful peanut oil lobby, which dominates the domestic oil market.

### Traders and refiners / processors

Processing remains traditional and yields crude oil. Essentially small economic interest groups (EIGs) that are SMEs and cooperatives / women's groups. These EIGs also carry out other activities. Almost every village and neighbourhood in the palm oil production areas creates a EIG and carries out artisanal processing of palm oil.

There is no industrial processing industry. For example, the EIG Kadiamor is specialized in the production and processing of agricultural products: mangoes, sesame, cashew nuts, palm oil, honey.

The priority is essentially given to peanuts. Industrialists and producers of crude groundnut oil, such as Sonacos, Copeol, West African Oils, Touba Agro-Industrial Complex, Oleosen, have the infrastructure to refine palm oil, but this is not a strategic direction chosen by the country or the industrial groups.

### Manufacturers (ingredients/consumer goods)

If refining is possible in Sierra Leone, there are other opportunities to enter the Senegalese market supply chain. Refined palm oil is used as an ingredient in the manufacture of other products of the major local agribusiness firms: Patisen, Saprolait, Finamark and Kirène, Sofiex, Chocosen. These companies also act as importers of products or have licenses to manufacture and sell them locally.

### Food service & hospitality

Palm oil is also used in the restaurant industry. There is no real restaurant industry, but chains such as the EDK Group, such as fuel stations with supermarkets and restaurants, or Brioche Dorée, a retail restaurant and pastry group, sometimes offer dishes on their menus that use raw palm oil as an ingredient. One of the most popular dishes is Suppu Kandja, also called okra soup, which is a dish made with okra and palm oil. Other dishes include Thiou Diw Tiir, which is rice with a vegetable sauce and raw palm oil, Cebon, which is rice with raw palm oil, or Thiebou Tiir.

There are also a very large number of small restaurants that offer dishes using raw palm oil as an ingredient once or twice a week.

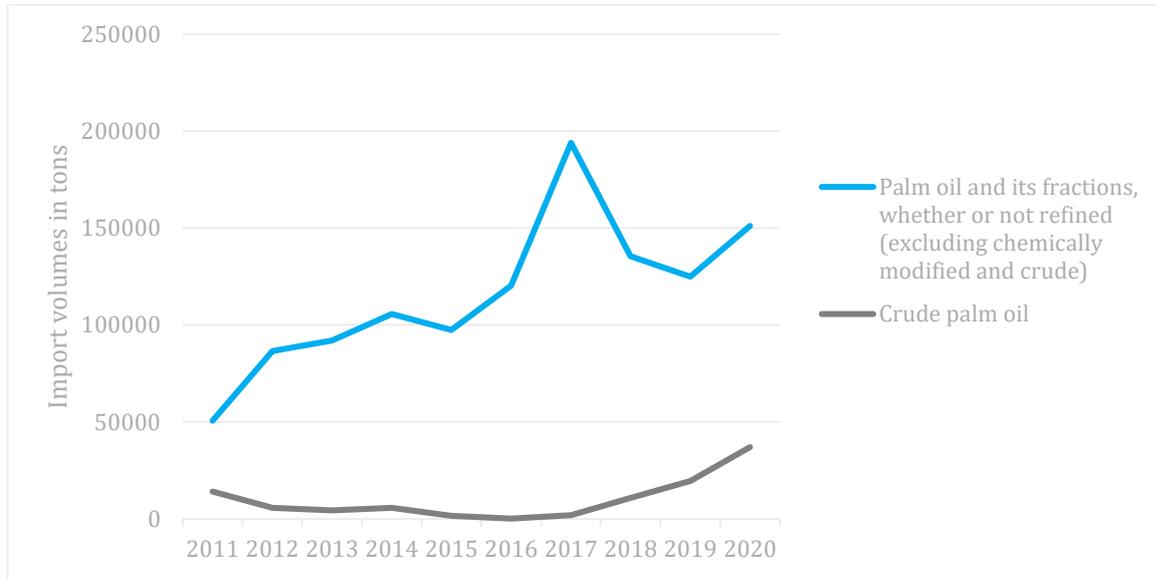
## 1.3 Points of entry

In this section we will analyse trends of crude and refined palm oil using relevant Harmonized System (HS) codes.

### HS 151110: Crude palm oil

As can be seen in Figure 5, crude palm oil is less imported than refined palm oil. This is partly due to a large domestic production.

Figure 5: Senegalese import volumes of palm oil goods under HS code 1511, in tons, 2011 - 2020

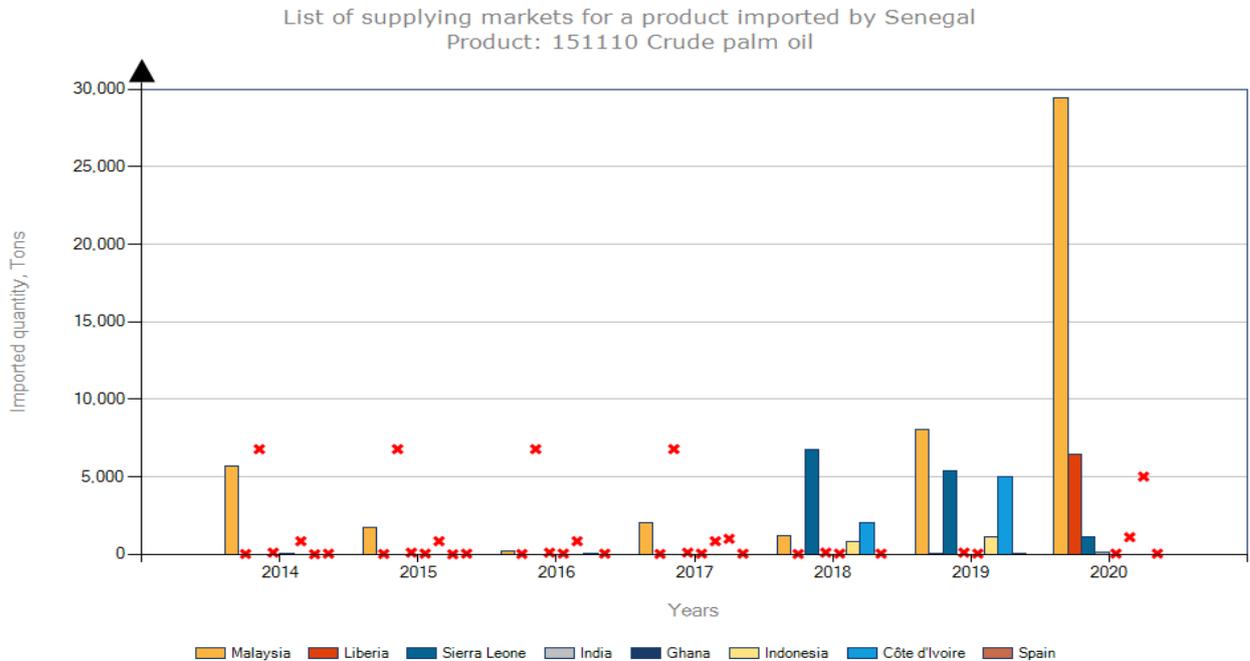


Source: ITC Trade Map ([www.trademap.org](http://www.trademap.org))

As shown in figure 6, Malaysia remains the largest importer country of origin and Sierra Leone an importer that brings in slightly less quantity in 2020.

HS code 151110 also includes refined palm oil, which may partly explain why Malaysia remains a major importer.

Figure 6: List of supplying markets for 151110 crude palm oil



Source: ITC Trade Map ([www.trademap.org](http://www.trademap.org))

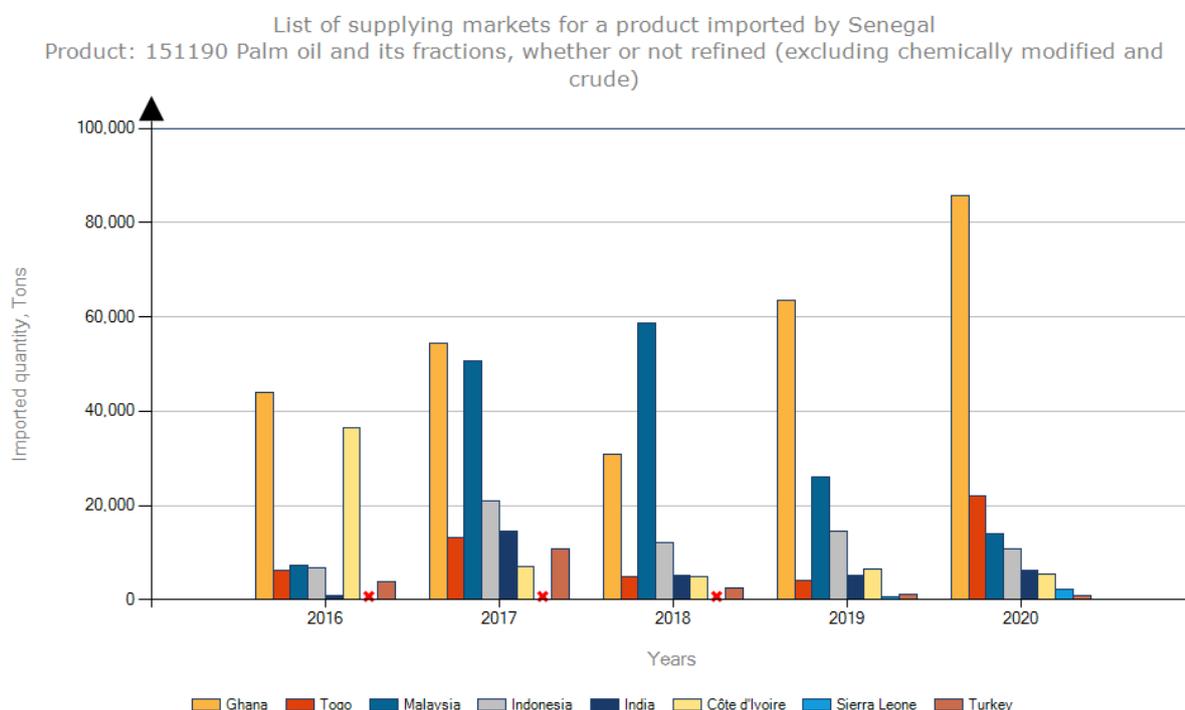
## HS 151190: Refined palm oil

As shown in Figure 5, imports of refined products rose sharply in 2017 and then fell significantly before rising again. Imports of refined products are significantly higher than imports of crude products due to the accessibility (price and availability) of these products to consumers in the market.

In 2016, members of the Senegalese government publicly<sup>4</sup> reached out to Indonesia Ambassador for Indonesia to invest in a palm oil refinery to cover local consumption of 150 million tons. The idea is that this refinery will be set up in the industrial zone under construction in Diamniadio City, the new city designed to relieve Dakar, which is about 30 kilometers away.

Currently, Indonesia exports various agricultural and food products to Senegal, such as palm oil and its derivatives, beverages, textile products, detergents, and furniture. It mainly imports peanuts, cashew nuts, cotton and frozen fish.

Figure 7: List of supplying markets for 151190 refined palm oil



Source: ITC Trade Map ([www.trademap.org](http://www.trademap.org))

## 1.4 Consumer preferences

Palm oil is still a widely used food product in West African kitchens. It is used in the preparation of various traditional local dishes. In Senegal, it is used to accompany dishes such as *Supu Kandja* (okra sauce with crude palm oil) or *Cébon*.

The results of a CIRAD study<sup>5</sup> show that in rural areas, spending on starchy products, with a composition similar to or containing starch, amounts to 40%, animal products 20% and other products 40%. In large cities,

<sup>4</sup> Commodafrica.com

<sup>5</sup> Nicolas Bricas, Claude Tchamda, Pauline Martin. Les structures de la consommation alimentaire.

the structure is different. Roughly speaking, 30% is spent on starch products, 30% on animal products, and 30% on other products.

Also, the fact that raw palm oil is used mainly in local dishes makes it very culturally related. In the southern areas of the country (predominantly populated by Christian) the palm is also used to produce a local alcohol used for traditional rites.

As with most food products, prices for raw palm oil on the local market remain highly volatile. Recently, there has been an increase in the price of crude palm oil. The price of a 20-liter can has risen from CFA 15,000 to CFA 17,000 , causing many complaints from customers on the market. This is due to delays in the supply of stocks which have led intermediaries through the interplay of supply and demand to increase prices.

Ecological considerations are still weak in Senegal, despite the law passed by the government to ban plastic and the choice to move towards the agroecology model. This facilitates the presence on the market of palm oil and derived products which are not yet badly connoted as polluting products.

Vegetable oils, such as refined palm oil, sunflower oil, soybean oil are the ones most consumed in daily cooking. It is affordable for the average consumer, with a price of about CFA 1000 per liter, and is adapted to the dietary habits of consumers. This oil is mainly imported from Cote d'Ivoire, Ghana, Malaysia.

## 1.5 Market trends and positioning

Senegal is a country with a moderately developed and growing agribusiness industry. Refined palm oil is mainly used as opposed to raw palm oil. There are significant opportunities to meet the demand for quality oil at affordable prices. Much of the local consumption of palm oil is required to comply with the NS 03-072 Standard on Refined Palm Edible Oil fortified with Vitamin A. It constitutes most of the oil used daily for cooking and food processing. However, the local production of palm oil is not refined, and this large daily consumption is provided by the imports.

### Refined oil

Industrially refined palm oil remains a very strong and growing market. A new customs rule sets the cumulative rate of duties and taxes applicable to refined vegetable oils at 44.48%, where the tax base is being determined by the CIF value. However, this rule has not yet been applied, but it is an element that could change the situation in the medium to long term.

### Puree for niche market

Palm pulp puree is a product used in the kitchens of West African nationals for cooking traditional dishes. It remains a niche market, for approximately 200,000 consumers.

It is also a market with growth possibilities for traditional palm oil-based dishes. The puree has the advantage of being healthier and reducing oil consumption.

## 1.6 Packaging recommendations

Most of the palm oil is marketed in retail, such as 0.5 liter, 1 liter, 5 liter and 20 liter plastic cans, whether crude or refined. In December 2020, the Senegalese National Assembly adopted the law on the prevention and reduction of the environmental impact of plastic products, which prohibits "the production, import, holding for sale, sale, making available to the user, use, in any form, of single-use plastic products or disposable

plastic products". <sup>6</sup>However, given the absence of accessible alternatives to replace plastic, the application of this law in reality is not yet done.

## 1.7 Labelling considerations

Containers or packages containing products intended for human or animal consumption and held for sale, offered for sale or sold, must be permanently marked either by labelling or by direct printing with the following information, which must be written in French in a visible and legible manner, such as:

- the name of the product;
- the nature of the product;
- the composition of the product;
- the name and address of the manufacturer or the company;
- the weight or volume;
- the brand of the product;
- net weight or gross weight with tare indication, or capacity of the container;
- the date of manufacture and expiration;
- FRA authorization number, e.g.: Aut.\_/2007/FRA;

## 1.8 Certification analysis and recommended standards

A supra-national UEMOA regulation (Regulation N° 0072007/CM/UEMOA) requires the verification of all plant material and any product likely to carry harmful organisms upon entry into the UEMOA area.

This regulation therefore requires:

- a phytosanitary control at the point of entry of the regulated product;
- the presentation of a phytosanitary certificate issued by the official services in charge of plant protection in the country of origin.

In addition, any product marketed on the Senegalese territory must have a manufacturing and marketing authorization called FRA.

The authorization of manufacture and marketing commonly called FRA code allows the manufacture, processing and packaging for sale of all products intended for human or animal consumption in Senegal. This authorization is the responsibility of the Ministry of Commerce and more precisely of the Directorate of Internal Trade through the Division of Consumption and Consumer Safety.

In order to obtain it, it is necessary to submit to the administration of commerce an application for authorization of manufacture and release for consumption addressed to the head of the division. It must be

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<sup>6</sup> 12. Journal Officiel du Senegal ; (2015). LOI N°2015-09 relative à la prévention et la réduction de l'incidence sur l'environnement des produits plastiques

specified in the request the name and the address of the interested party, the place of production, the nature of the products objects of the request, the type of packing used as well as the various conditionings.

Informations obtained through Senegal's department of internal trade show the following steps in order to obtain the FRA

The application must be accompanied by:

- 4 samples of the product for analysis;
- The model of the label and/or the packaging (in paper);
- the certificate of analysis of the product;
- certificate of registration in the Trade and Personal Property Credit Register;
- the status of the company (legal entity);
- the manufacturing process;

The authorization is issued only when:

- the product meets the safety criteria (microbiological and chemical quality satisfactory or in compliance with standards)
- the labelling of the product and the packaging comply with the regulatory requirements
- the manufacturing premises and the employees meet the hygiene and sanitation standards
- The authorization is issued according to a code. Example: 999/2009/FRA

The definitively granted FRA authorization remains valid as long as the production activity is carried out. It constitutes, if necessary, a document of admissibility for obtaining a certificate of origin for export.

It is called into question in case the product is found to be harmful or not in conformity with the registered specimen.

Any change in the composition of the product requires the formulation of a new request for authorization.

The administration must be informed of any change in the labelling or packaging of the product. It is the same in case of change of address, of the place of manufacture or of transfer of the production unit to a new owner, and in case of final stop of the product, or of withdrawal of manufacture by the interested party.

To guarantee an acceptable level of hygiene and healthiness, the company must focus on six (6) elements (General principles of food hygiene. CAC/RCP 1-1969, Rev.4- 2003):

- The conditions of conservation of the raw material (respect of the scales of conservation, storage of the products, etc.)
- The working methods which must respect the food standards (respect of the forward march, respect of the scales of preparation, etc.)
- Good hygiene of the workforce (work clothes, hand washing, good health, etc.)
- Equipment adequate to the activity (nature and state of maintenance, etc.)

- The work environment, which must meet standards (spacious, water supply, free of contaminants)
- The respect of labelling standards (Decree 68-507 of May 7, 1968 and Codex Standard for the labelling of pre-packaged foodstuffs CODEX STAN 1-1985 - Rev. 1-1991)

The FRA concerns products intended for consumption and processed on the Senegalese market. All imported products must show:

- the equivalent of the FRA of their country of origin;
- have a certificate of sanitary analysis issued by the country from which it is imported;
- be imported by a natural or legal person with an importer card.

## 1.9 Recommended customer targets

Recommended customers depend largely on the product being exported. If it is crude palm oil, there are various options, such as going through commercial intermediaries or selling through distribution networks. This could also be accompanied by lobbying the oil industry to refine palm oil locally.

For refined oil, there are many more options, but the market is already well occupied, so there is room for a very competitive product in terms of quality and price. Table 1 shows a number of potential customers.

Table 1: Potential customers

Company	Sector
SONACOS	Refiner
COPEOL	Refiner
West African Oils	Refiner
Touba Agro-Industrial Complex	Refiner
Oleosén	Refiner
Patisen	Industrial processor and importer
Saprolait	Industrial processor and importer
Finamark	Industrial processor and importer
Kirene	Industrial processor and importer
Sofiex	Industrial processor and importer
Chocosen	Industrial processor and importer
Auchan Retail Sénégal	wholesaler and retailer
Casino supermarkets	wholesaler and retailer
Carrefour	wholesaler and retailer
Exclusive supermarkets	wholesaler and retailer
Club Thioissane	Retailer

Soreetul	Retailer
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**Source:** Author

### Refiners and industrial processors

Regarding to the importance of their production capacity and processing volumes, businesses acting as refiners and industrial processors are willing for stable, affordable, constant quality and high-volume suppliers.

### Wholesaler and retailer

Over the past 15 years, the retail sector has undergone major strategic changes linked to the evolution of consumer behaviour and the emergence of new middle classes in emerging and less developed countries. Today in Senegal, there is a growing presence of Western retail chains (mostly from France as Auchan, Carrefour, Utile). The country's distribution sector has undergone significant changes in recent years, with the introduction of foreign brands (e.g. ATAC, Casino, Auchan, Carrefour, Hypermarché Exclusive), the launch of mini-markets by local groups (e.g. Senchan, Senterranga, Club Thiossane), and the development of stores in service stations (e.g. Select at Shell, Bonjour at Total, My Shop at Oil Lybia, Kheweul Boutique at Touba Oil, low price at EDK, etc.). In addition, the public authorities are becoming aware of the importance of having an attractive business environment, notably with the creation of agencies dedicated to the promotion of investment and entrepreneurship, such as APIX, ADEPME. However, modern retailing must compete with traditional retailing, wuch as stalls, neighborhood stores, open-air markets, street vendors., which still dominates the Senegalese market. In the rapidly changing Senegalese retail sector, different types of actors, traditional and modern sales techniques, a formal economy, and an informal economy coexist.



## PART 2 PALM OIL MARKET ENTRY STRATEGIES

### 2.1 Senegal imports of palm oil from Sierra Leone

Many general considerations regarding Sierra Leone's economy are discussed in Section 2.2, and are equally relevant here.

Understanding how palm oil fits into the overall economy of the country is, however, an important consideration when discussing entry into the export market.

In 2020, Sierra Leone's palm oil exports totalled USD 3,525 million, of which USD 2,131,000 went to Senegal. At the same time, imports from Senegal totalled more than US\$172 million. Sierra Leone's imports to Senegal represent just 1.24% of Senegal's total imports. More than 50% of Senegal's imports come from Ghana, 20% from Malaysia and 12% from Togo (UN COMTRADE). In Ghana, palm oil is mainly exported as Refined Bleached Deodorized Oil (RBDO) which is used for making ice cream and cookies. It is mainly sold in Senegal where it is used by the industry (cf Table 1).

Sierra Leone's palm oil imports are worth USD 6,426,000 million, representing a deficit of about USD 2,900,000 (3868 tons).

Palm oil imports decreased significantly by more than 60% in 2020, as did exports by more than 40%. However, there is a significant increase in exports for HS 151190 while there is a significant decrease for HS 151110. This suggests that refining capacity in Sierra Leone has increased and is reaching more diversified markets.

### 2.2 SWOT Analysis

This analysis is based on capacity considerations identified during initial calls with stakeholders and their relation to the recommendations in the previous pages.

PRODUCTION (STRENGTHS VS WEAKNESSES)	
<p>STRENGTHS</p> <ul style="list-style-type: none"> <li>Existing history: buyers are already familiar with Sierra Leonean products that are sometimes sold as Senegalese products</li> </ul>	<p>WEAKNESSES</p> <ul style="list-style-type: none"> <li>Low yield: the low capacity of producers and the inaccessibility of improved seeds do not allow for significant production.</li> </ul>

PRODUCTION (OPPORTUNITIES VS THREATS)	
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> <li>Existence of projects and programs to strengthen value chain actors to produce economically advantageous varieties;</li> </ul>	<p>THREATS</p> <ul style="list-style-type: none"> <li>Lack of quality due to management weaknesses and lack of quality standards</li> </ul>

MARKET (STRENGTHS VS WEAKNESSES)	
<p>STRENGTHS</p> <ul style="list-style-type: none"> <li>▪ Quality: Respect the regulatory quality standards and suit the food habits</li> <li>▪ Provenance: Sierra Leone is a neighbouring country with a shared history with Senegal</li> <li>▪ Existing supply chain: palm oil already enters the Senegalese market from Sierra Leone.</li> <li>▪ Large market: palm oil use continues to grow and remains affordable compared to locally produced peanut oil</li> </ul>	<p>WEAKNESSES</p> <ul style="list-style-type: none"> <li>▪ Competition: Exports from Ghana, Togo, and Malaysia dominate the market.</li> <li>▪ Established supply chains: would need a strategy using key players to put them in favour of Sierra Leonean product</li> <li>▪ Crude: imports of crude palm oil are low compared to refined oil. Opportunities for refining before import or after import should be explored/expanded.</li> <li>▪ Domestic Supply: Sierra Leone currently has a considerable deficit.</li> <li>▪ Price fluctuation: prices remain highly sensitive and volatile to resupply failures.</li> </ul>

MARKET (OPPORTUNITIES VS THREATS)	
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> <li>▪ Wide market available for both crude and refined</li> <li>▪ Refined market is really important and growing</li> <li>▪ Proximity and possibility for low transportation cost</li> </ul>	<p>THREATS</p> <ul style="list-style-type: none"> <li>▪ Major importators are also representing oil foreign trademarks</li> <li>▪ Competition: many Singaporean and Malaysian investors are investing in production expansion in Liberia, Cote D'ivoire, Togo</li> </ul>

## 2.3 Market Threats

### Regulation

There is a very heavy tax and customs administration. Many industries (any sector) and other companies are periodically controlled by the customs, tax authorities, economic control, hygiene.

On average, custom duties, import duties and taxes amount to 44.48% of the value of the cost and Fret/Dakar, except for alcohol, (Senegalese custom code). The tariff includes the custom duty at a rate of 20%; the statistical fee of 1%; the UEMOA community solidarity levy (PCS) of 1%; the levy for the benefit of the Senegalese Shippers' Council (COSEC) of 0.20%; the community levy for the benefit of ECOWAS of 0.5%; the VAT at a rate of 18%.

## Competition

According to United Nations Conference on Trade and Development, Africa is the third largest palm oil producing region, with harvested areas more than four times larger than in Latin America, but with yields much lower than those in Asia or South America. There was a slight increase in harvested area between 2003 and 2013 (+3.4%). In Côte d'Ivoire, the sector has grown by 84%. In April 2015, the country launched its third oil palm plan over 2015-2025 where 200,000 hectares will be replanted and planted.

Several African countries have attracted investment in recent years, which should boost production in the short and medium term. Among the foreign investors, mainly Asian, who are looking for growth relays in other regions, are the Malaysian Sime Darby and the Singaporean Golden Agri-Resources (GAR) in Liberia, the Singaporean Olam in Gabon, the Singaporean Wilmar in Côte d'Ivoire, Ghana, Nigeria and Uganda, the Singaporean NavaBharat in Tanzania, the Indian Kaylan Investment in Togo, but also the Belgian SIA in Nigeria, Ghana and Gabon, the Italian-German FR-EL Green in the Congo and Nigeria, the American Herakles in Cameroon, the Luxemburgish Sofcind in several West and Central African countries, and the Israeli DekelOil in Côte d'Ivoire.

## 2.4 Import laws and consideration

Palm oil is considered by Senegalese regulations as a class D<sup>7</sup> product. Class "D" products and materials can only be introduced into Senegal through the seaports of Dakar, Kaolack and Ziguinchor and through the airport of Diass. However, this regulation is not respected because many products enter the market through the Guinean and Gambian corridors.

The cumulative rate of duties and taxes applicable to this kind of products is 44.48%, for which the tax base is being determined by the CIF value.

The fortification of refined edible oils with vitamin A, and soft wheat flour with iron and folic acid are now mandatory throughout the national territory. Custom declarations related to refined edible oils must be accompanied by a declaration of import of food products (DIPA) issued by the Department of Internal Trade, attesting to compliance with the standards in force.

## ABOUT THE ECOWAS Common External Tariff (CET)

The Common External Tariff (CET) applies the same duties and taxes to goods entering the Community of West African States (ECOWAS).

Since January 1, 2000, the CET has been in force within the West African Economic and Monetary Union (UEMOA - WAEMU). In addition to the eight UEMOA countries, the CET has been extended to the ECOWAS region since January 2015. However, UEMOA's States have given themselves five years before its effective application.

One of the key elements to be highlighted is the following: "the customs duties levied on several agri-food products will be 35%, from the date of entry into force of a common external tariff concerning 15 countries".<sup>8</sup>The CET for crude oils is 10% for example and 20 % on refined oils.

The CET was designed so that the population could benefit from the reduced prices of imported products for which tariffs were lowered for essential products. Obviously, the high tariffs are to protect industrial products,

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<sup>7</sup> Class D products: it is a classification of products issued from the Decree n°60-121 SG of the State of Senegal which sets the conditions of import and export of plant products.

<sup>8</sup> collection of the main regulatory texts on regional trade in west africa in west Africa by WAEMU, 2020

especially agricultural products. Therefore, some rates are 35%, to protect sensitive products. The CET is designed as an instrument of trade policy first, and then as an instrument of tax revenue.

Unfortunately, its application in practice is not yet effective.

### Import requirements

Destination Inspection is a requirement and is carried out in Senegal by COTECNA (Applied Technical Advice). The following steps are involved in the import of goods into Senegal:

- DPI (Declaration Provisoire D'importation) issued for all shipment with a total FOB value between CFA 1000.000 and CFA 2.999.999.
- A.V. (Attestation de Vérification) issued for all shipment with a total FOB value exceeding CFA 3000.000. This value makes it compulsory to have the goods inspected at the port of loading by the Cotecna office. Two kinds of inspection can be done: Physical and/or documentary, depending on the sole decision of Cotecna office. Issued for all FCL (Full Containers Load) containers with a total value exceeding CFA 3000.000 (INSPECTION become compulsory in addition to the DPI) Document required: Commercial invoice, Bill of lading, packing list.
- ARA (Avis de Refus d'Attestation) issued for inconsistencies including quantity, eligibility, and/or quality and when final documents are not received within 2 months following inspection date.

Most food products are subject to inspection (COTECNA) before loading of containers.

After obtaining the IPR, COTECNA Senegal contacts the supplier through its representative abroad to load the container.

If, on the final invoice, the CIF/DAKAR value exceeds 3 million FCFA, it is necessary that after loading the container, sending the final invoice, the packing list and the bill of lading to the department representing COTECNA in the country of loading, to transmit its information to COTECNA Senegal. The forwarder in Senegal goes to COTECNA with all the documents to obtain the verification certificate.

In conclusion, the following are required for submission:

- Certificate of verification
- Final invoice
- Packing list
- A phytosanitary certificate from the country of loading and a Senegalese phytosanitary certificate
- A certificate of origin
- A DIPA (declaration of import of food product): to obtain the DIPA, the products must have mentions in French, mentioning the date of manufacture date of manufacture and expiration.

If the COTECNA procedure is not respected, a fine of 20% of the CIF value is charged by the customs.

## 2.5 Sales considerations

The proximity and long-standing links between Sierra Leone and Senegal are assets for the actors of the palm oil value chain in Sierra Leone. In any case, it is recommended that a Senegalese sales agent be recruited on a part-time or full-time basis to facilitate exchanges.

In order to have fruitful contacts with Senegalese intermediaries, it is important to consider the following aspects:

- Transport: The problem of transport is real and is generally the responsibility of the importer. It is therefore necessary to find a reliable logistician in Sierra Leone.
- Favour the contact by phone: it is important to have a first contact by phone then a sales agent having a second physical contact. The Senegalese partners are still in a not very formal logic even when the activities are formalized
- Provide samples: In general, before a first order, samples are always requested to test the products.
- Pay attention to the conditions of sale: Even when the company is a branch of a multinational, the conditions of sale are not always explicit. The information is not officially posted, only those who are willing to establish a business relationship can access it..
- Make sure to always have a legally valid contract: This is an essential condition; the contract must also define in case of alteration of the products who is responsible and/or how to establish the responsibilities.

## 2.6 Market access and penetration

Palm oil is a growing market in Senegal. One of the main market opportunities is the wholesale and retail market. The arrival and massive investment of Auchan Retail Senegal through the opening of several stores in the suburbs offers additional market opportunities. After opening its first supermarket in Senegal in 2015, Auchan has become the leading retail network in the Senegalese market, with 32 stores and one drive-through. In September 2017, Citydia Dakar, one of its main competitors has been bought by Auchan. Auchan is known as the leader of retailing in Senegal as they reach high, middle- and low-income classes.

Concerning the shelving of products by the companies of the large distribution, it is different from one sign to another. Globally, access to information on the rules for putting products on the shelves is difficult to obtain because. The sales conditions are not always easy to access and they should therefore always be requested before participating in any bidding discussions

The Carrefour retail chain, for example, has defined a 15% margin for its products. For chains like Auchan, the shelf listing costs between CFA 150,000 and CFA 300,000 to which must be added a 7% rebate on the annual turnover to be paid to Auchan. Auchan also sets margins between 20 and 45% which does not always allow them to be accessible to many consumers.

## 2.7 Trade shows

There are many trade fairs held in Senegal. They are sometimes multi-sectoral or dedicated to only one sector. They are privileged moments to network, to communicate on the offers of services and products, and to sign contracts for markets. Below are listed the major events as well as their periodicity and organizers:

- **SIPAL:** International Food Fair: annual fair organized by the company Sisemi and Hage Group which is usually held at the CICES (International Centre for Foreign Trade of Senegal in Dakar). It includes

exhibitions and meetings between African producers and industrialists in the fields of biotechnology, distribution, machinery and mechanical equipment, transport and logistics, raw materials, etc.

- **SIAGRO:** International Exhibition of Food Processing Industries and Techniques at the CICES Dakar. It contributes to the promotion and reinforcement of the development of agriculture in general and of the agri-food industry in the West, Central and East African regions.
- **FIDAK:** International Fair of Dakar organized every 2 years (odd years). It includes exhibitions, meetings, scientific forum for the commercial and economic promotion. Fidak is organized by the International centre for Foreign Trade of Senegal (CICES), under the supervision of the Ministry of Trade. Member of the UFI (Union of International Fairs) since 1978
- **FIKA:** Kaolack International Fair is held under the same model as IFADK and is organized by the Kaolack Chamber of Commerce.
- **FIARA:** International Fair of Agriculture and Animal Resources is organized every year by the National Council for Consultation and Cooperation of Rural People (CNCR) and the Senegalese Association for the Promotion of Development at the Base (APRODEB).
- **SALORA:** Food, Catering and Hotel Exhibition in West Africa is a culinary exhibition that offers participants the chance to show their know-how in front of an audience of professionals. In general, it is held during a three-days international exhibition. It offers a Culinary Salon competition to identify the best professional and amateur chefs in the region. It also offers specialized workshops on agribusiness, hospitality management, new technologies in hotel and restaurant equipment.

## 2.8 Conclusions and final recommendations

The Senegalese palm oil market has growth potential thanks to:

- the establishment of an industrialization policy through the Emerging Senegal Plan and the establishment of an industrial pole (including agro-food industries)
- a consumer market attached to traditional eating habits which use a lot of raw palm oil as an ingredient
- the possibility of locally refining with industries operating in peanut oil

Therefore, increasing refining options should be a long-term priority for Sierra Leonean actors if the export market is to be explored.

The proximity of Sierra Leone, where Freetown is located about 1500 km from Dakar, allows to consider a transport by truck in 24 hours through Conakry, which offers a road option to go through the Casamance in the South or Tambacounda in the East. The geographical proximity of the market makes it possible to be able to make regular supplies but also requires close monitoring of the quality of packaging and storage for transport. It also offers the option of directly serving the interior of the country. It would therefore be interesting to be able to deliver directly to local markets or to the branches of selected importers.

The Senegalese market is more interesting for refined palm oil imported through the mass distribution and retail channels. The food industry or refineries present important market opportunities conditioned by the supply of large quantities with a constant and high quality. The following suggestions can be made:

- Establish links with large-scale distribution companies: The wholesale and retail distribution market has been growing for almost 10 years now. They have the capacity to distribute both crude and refined palm oil. The procedures for putting the oil on the shelves, the terms of margin

and remuneration differ from one wholesaler to another, but it is an important positioning to be known by the final consumer.

- Research logistic solutions for moving products from Sierra Leone: One of the main constraints in West Africa on the agri-food market is the transportation of goods between countries. The inexistence of operators able to manage logistics from one country to another without altering the quality of the products, the hassles at the borders and on the roads, and the costly air transport make this aspect complex. It is therefore necessary to find a Sierra Leonean logistics operator capable of transporting the products to Senegal. This also requires better organization of Sierra Leonean producers.
- Establish a marketing plan to promote palm oil from Sierra Leone in Senegal: Sierra Leone palm oil on the Senegalese market is confused with local palm oil. It is necessary to have differentiated packaging, to participate in fairs and exhibitions in order to give the opportunity for food system professionals and consumers to know which products derive from Sierra Leone palm oil.

The quality requirements of the Senegalese market are affordable for Sierra Leonean products. There are no real certificates needed to access and sell in the market. Sales authorizations on the Sierra Leonean market and Phyto-sanitary analysis before imports are sufficient.

One of the main challenges is to develop commercial links with companies established in the sector in Senegal or wholesalers - retailers. This requires the temporary presence of a human resource on site and then entering into an agreement with a permanent local representative.

#### **Short term recommendations:**

1. Obtain the equivalent certification to the FRA in Sierra Leone: Access to the Senegalese market is not complex, but it is important to have quality standards equivalent to those required in the local market. It will therefore be necessary to obtain the Sierra Leonean certification for the marketing of food products, which will allow the entry of the products on the Senegalese market.
2. Launch a market readiness and access campaign to help SMEs and exporters promote palm oil products by developing a detailed market access plan. This would include identifying the key benefits of Sierra Leonean palm oil, sales training and a detailed list of potential customers.

#### **Long term recommendations**

1. Build a presence in the Senegal market: Sales advisors or similar professional experts in the country's sector, that can provide ways of penetrating the retail and wholesale market. This way, companies of the large distribution as well as small stores of districts could commercialize the products.
2. Establish partnerships with Senegalese refineries (or locally refined if possible): If the refining is not possible in Sierra Leone, it will be necessary to establish partnership and representation agreements with Senegalese refineries in order to market a refined oil respecting the NS 03-072 standard (vitamin A enrichment).

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