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SENEGAL

Taking the brakes off formalising agricultural trade

Strong demand for processed products, and efforts by the government to facilitate administrative procedures, mean that conditions are right for the formalisation of Senegal's agribusiness sector – but there are still hurdles to overcome.

Manon Laplace

In 2002, Fatoumata Diop set up Oumou-Mountaga to help women formalise their businesses. The organisation's status as an economic interest grouping means that several entrepreneurs can join forces to improve and grow their businesses. Each year, she delivers training to 400–500 women, teaching them how to dry, process, package and sell local cereals, fruit and vegetables. Oumy Diouf, in her forties, is one of those women. Before joining Oumou-Mountaga in 2012, she lived hand-to-mouth by selling fruit and vegetables by the roadside as a *bana-bana* – an itinerant trader who account for the overwhelming majority of the informal sector. Diouf has been trained in how to make couscous from millet and maize and, since going formal by joining a cooperative, has enjoyed a steady income meaning she can now pay her rent and take care of her mother.

Formalisation spurs growth

For both Diop and the authorities, one of the biggest challenges is persuading people working in the sector that going formal is a good move. “There’s an issue of trust,” says Ismaïla Dione, head of division at the Directorate for Small and Medium-sized Enterprises (DPME), part of Senegal’s Ministry of Trade. “Many informal traders see formalisation as a way to force them to pay tax. Yet formalising brings many benefits – it can help businesses grow, open the door to exporting (official figures show that only 0.1% of informal production units export their products), boost turnover and allow business owners to pay their taxes.” “Formal businesses tend to produce more, generate bigger profits and, in some cases, create more jobs,” adds Kwaw



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Andam, researcher at the International Food Policy Research Institute.

The authorities also struggle to gauge the true scale of the informal sector. The most recent 2016 census of production units (formal and informal), conducted by the National Agency of Statistics and Demography, excluded the agricultural sector because it was too hard to obtain reliable data. The figures nevertheless show that 97% of businesses in Senegal are informal and, according to the DPME, thousands of these informal units operate in the food processing industry.

The benefits of formal contracts

Formalising is a way for farmers to safeguard their income for the long term. “[Formalising] has one major benefit that farmers aren’t always aware of,” explains Éric Binson, managing director of SOCAS, a Senegal-based industrial tomato purée processing firm founded in the 1970s which employs around 100 people. “Running an informal business is a lottery. It’s a sort of gig economy. There’s no stability. If farmers can’t find someone to buy their produce, they’re left with nothing.” Informal farmers and traders have no guaranteed outlet for their produce but farmers who sign contracts with a formal company have regular orders, with prices set in advance.

Formalising also gives business owners access to logistics and financial support. “If farmers aren’t officially registered, they’re precluded from government procurement, and they can’t secure loans or other funding to buy equipment,” explains Dione. “Without identification, registration or a business plan, there’s no chance of getting a loan. It’s as simple as that.”

Persistent barriers to formalisation

Although the informal sector provides livelihoods for many people in Senegal, it remains a barrier to development. “Formalisation is high on the government’s agenda,” adds Dione. “We need to monitor and quantify the sector so we can

devise the right policies.” In 2014, the government launched the Emerging Senegal Plan (ESP) to foster the emergence of entrepreneurship, to turn the country into a major exporter of fruit and vegetables, and to improve the organisation/structuring of small agricultural producers around modern large-scale farmers through the establishment and promotion of adequate contracting mechanisms. Four years on, no assessment of the impact that the ESP has had on the informal sector is available.

Despite a range of incentive schemes, access to funding remains the main barrier for businesses, according to the World Bank. Moreover, processing units – most of which are micro-enterprises operating out of family homes – struggle to find suitable premises, and are often priced out by steep electricity, water and packaging equipment costs. “Production costs are high,” explains Diop. “It can cost as much as €0.80 (FCFA 525) to process 1 kg of millet, so we have to sell at €0.91 (FCFA 600).” By comparison, figures from Senegal’s Food Security Commission show that locally-produced rice goes for just €0.40 (FCFA 263). Rather than selling to the domestic market, Diop sees much greater potential in exporting to France, Italy or Spain, where a bag of millet sells for more than €1.

Strong demand for processed food among the middle class

The outlook for the domestic market is nevertheless promising, with an urban population that is enjoying ever more disposable income – the result of a burgeoning middle class, returning diaspora, and growing demand for processed, packaged, traceable, easy-to-prepare food products. As such, private businesses could play a vital role in formalising Senegal’s economy by putting in place officially registered production units that comply with food processing standards and regulations, and, in so doing, encourage other value chain actors to follow suit.

“Senegal’s emerging middle class is embracing new food shopping habits,” says entrepreneur Djiby Diagne. “People are taking a greater interest in local, high-quality produce.” Diagne hopes to tap into this new trend. In spring 2018, he plans to open a new mango processing unit in Casamance where, he claims, 70% of mango harvests are lost because of a lack of storage and transport infrastructure. The involvement of the private sector and establishment of registered premises and storage facilities should go some way to addressing the issue of post-harvest loss, the same way it has helped sustain Senegal’s tomato-growing sector. “Without the canning industry, Senegal wouldn’t be able to grow tomatoes on this scale because harvests would be lost,” Binson adds. ■

Growing demand for easy-to-prepare food products is driving agricultural formalisation in Senegal

