

Groundnut Processing in The Gambia

Project Profile

April 2013



Why The Gambia?

- Situated on the Atlantic coast and with a navigable river that flows more than 1,100km inland, The Gambia is the ideal entry and exit point for West Africa and the Economic Community Of West African States (ECOWAS)

- This document outlines:
 1. **The market opportunity for investment in groundnut processing**
 2. **The favourable conditions available to investors**
 3. **The support investors can expect to receive**

The most competitive country in West Africa¹

Average Crop Production one of the highest in West Africa²

Home to the only West African river easily accessible to ocean-going shipping³

The best agricultural policy framework in West Africa¹



1. World Economic Forum Global Competitiveness Report 2012-13

2. World Bank, Online Data Resource. Period measured: 2008-10. Accessed: 8/2/13

3. Encyclopaedia Britannica. Accessed: 2/3/13

Economic indicators

- **GDP:** US\$752mn in 2011 – predicted rise to \$941mn by 2015 ¹
- **GDP growth:** 3.3% in 2011 – predicted annual growth average of 5.9% between 2012-2015 ¹
- **Country risk:** Lower risk level (yellow) than all neighbouring countries and in the same category as Sierra Leone, Ghana, Togo and Benin ²
- **CPI Inflation (2011):** 4.4% ³
- **Exports / Imports value (2011) :** - Exports: \$94.7mn ⁴
- Imports: \$343.69mn
- **Labour force (2008) :** 400,000 ³
- **FDI stock and inflows (2011):** \$703mn stock / \$36mn inflows ⁵
- **Currency exchange rates 2012 – highs (H) and lows (L):** ⁶
 - GMD/USD: 0.033 (H) / 0.029 (L) GMD/GBP: 0.021 (H) / 0.018 (L)
 - GMD/EUR: 0.028 (H) / 0.022 (L)



1. IMF World Economic Outlook. Real GDP (constant prices). Accessed: 8/2/13

2. Maplecroft Political Risk 2012. Accessed: 8/2/13

3. Access Gambia. Accessed: 8/2/13

4. UN Comtrade. Accessed: 11/2/13

5. UNCTAD Stat. Accessed: 11/2/13

6. Oanda.com. Accessed: 9/4/13

The Gambia's Groundnut Industry

- The Gambia offers the ideal environment for groundnut processing in terms of production levels, know-how and available skills
- Groundnuts are grown throughout The Gambia and constitute one of the country's principal exports



KEY FACTS:

- 25,000 metric tonnes (MT) of groundnut commercial purchases in 2011¹
- Groundnut export trade value of US\$1.93m in 2011 (compared with \$1.07m in 2007)²
- 558,000 hectares of arable land, of which 81,000 hectares is irrigable³
- 42% of cultivated land planted with groundnut in 2012⁴
- Agriculture employs 78.6% of the labour force and accounts for 30% of GDP³
- Groundnuts contribute around 23% to agricultural GDP⁵

1. Ministry of Trade, Industry, Regional Integration and Employment: Mid-term programme 2013-16

2. UN Commodity Trade Statistics Database

3. GIEPA Agriculture Investment Brochure 2012

4. GIEPA Investment Guide 2012

5. Gambia Bureau of Statistics (GBOS) estimate, 2009.

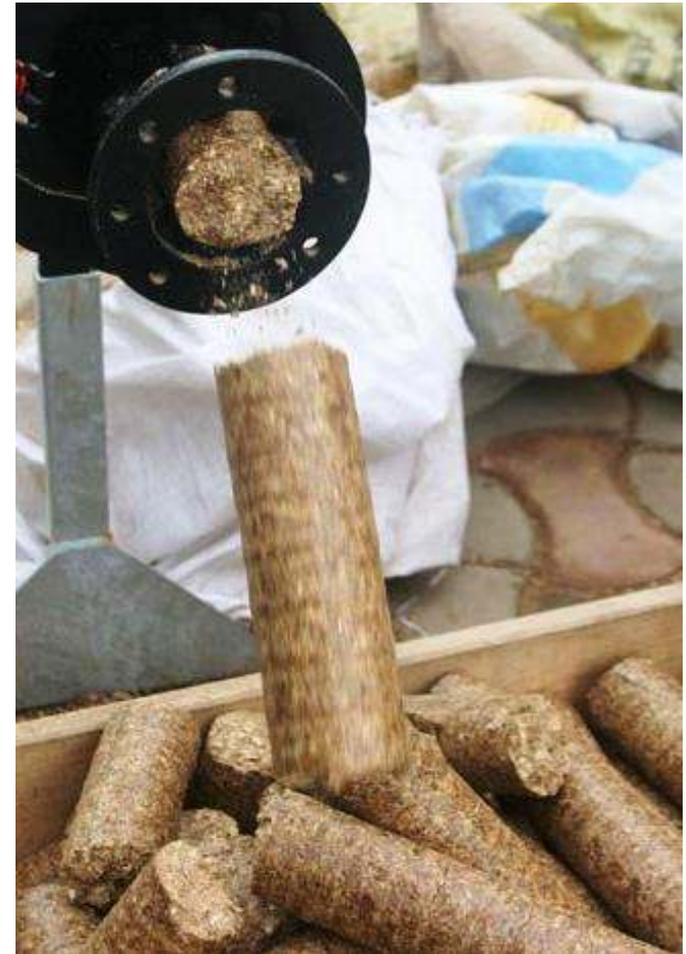
Image source: Access Gambia. Accessed: 4/4/13.

Current groundnut shelling capabilities

- The Gambia’s groundnut shelling operations are concentrated in two key locations:
 - **Denton Bridge** (between Serrekunda and Banjul)
 - **Kaur** (western part of the North Bank)

- Capabilities at the two sites are as follows:

SHELLING CAPACITY (TONNES PER DAY)	
DENTON BRIDGE	KAUR
Installed Capacity: 480	Installed Capacity: 720
Achieved Capacity: 300	Achieved Capacity: 200
NUMBER OF EMPLOYEES	
Permanent: 138	
Seasonal: 85	



By-products and processing potential

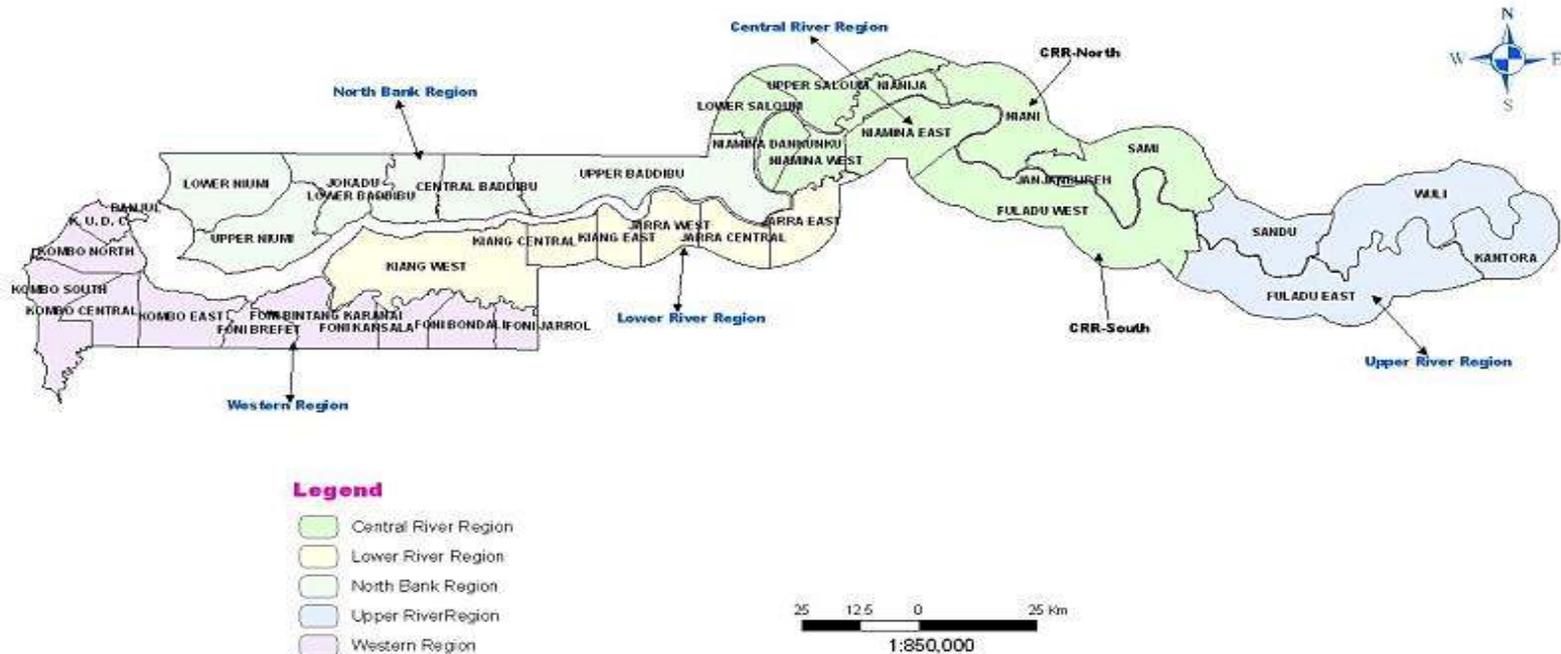
- Groundnuts are the base of a diverse set of products – a recent report by the US Department of Agriculture’s Foreign Agricultural Service stated it is possible to derive 63 derivatives products from raw peanut¹ – a small selection of these are presented here
- The Gambia therefore offers important investment opportunities in groundnut processing activities that would enable value-added products to be developed and sold at a premium
- Very little groundnut processing is currently done in the Gambia, and many current exports are sold as low-value products (e.g. birdfeed) - this presents an untapped area of potential investment

Roasted & salted peanuts	Groundnut oil	Peanut butter
Peanut flour	Soaps	Shampoos
Dyes	Fertilizer	Bioenergy from shells

1. USDA Foreign Agricultural Service report: Revitalization of the Groundnut Sector in West Africa, March 2010

Locations

- The current production of groundnuts concentrated along the north bank and south bank areas, although they can be grown in almost all parts of The Gambia
- The west coast offers easy access to Banjul's port and international airport, while the north and south roads and navigable river ensure easy access from the rest of the country



Infrastructure

- Banjul port has a handling capacity of:
 - 48 metric tonnes of bulk cargo per hour
 - 17 container moves (discharging and loading) per hour
- Banjul Airport has undergone a US\$21 million modernisation² and the Government is continuing to upgrade the infrastructure³
- Other new infrastructure / upgrades in development:
 - The Trans-Gambia bridge (completion due 2017)
 - Improved cross-border trunk roads with Senegal
 - Ports Expansion Programme underway – Gambia Ports Authority planning to build a second port on the Atlantic coast
 - Gambia Ports Authority is assessing the potential establishment of an inland port to facilitate shipping to inland locations across the region



1. Gambia Ports Authority. Interviewed: 20/11/12
2. GiEPA Investment Guide 2011
3. The Gambia Trade Policy 2011

The Gambia's groundnut community

- The Gambia is already home to a developed community of stakeholders in the groundnut industry (including businesses, industry associations and representative groups) - a few examples of these organisations are displayed below
- The presence of these groups demonstrates The Gambia's attractiveness and potential as a prime location in West Africa for the production, small-scale processing and export of groundnuts and related products

EXAMPLES OF ORGANISATIONS:

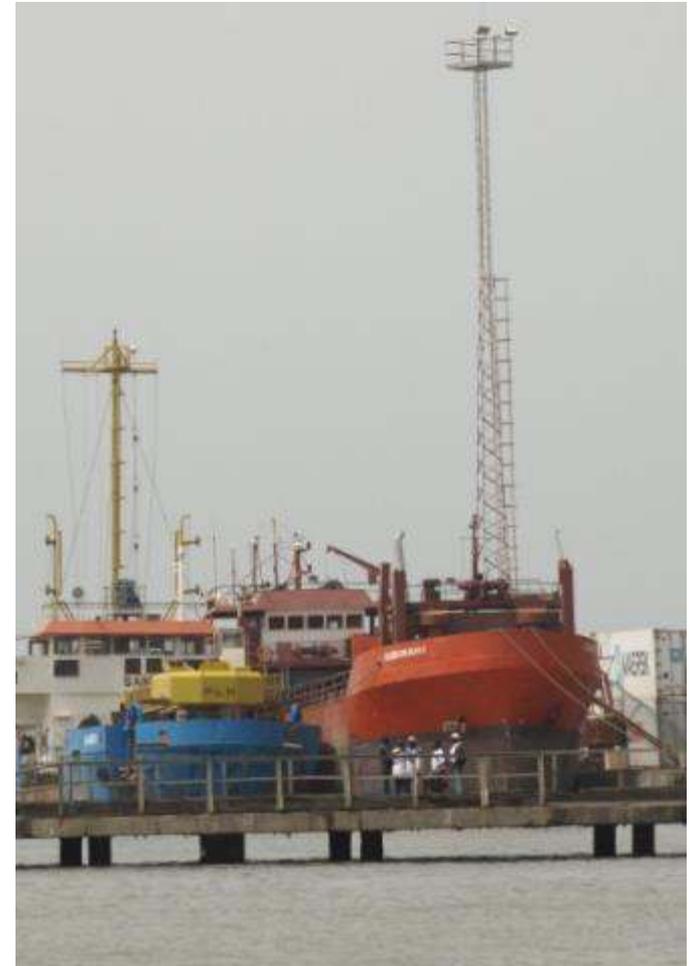
Agribusiness Services & Producers' Association (ASPA)	ComAfrique Ltd.	Ghatson Company Gambia Ltd.	Gambia Groundnut Corporation
GreenTech	Gambia Farmers Platform	Reliance Oil Mills	New Nut Company

“I think we entered the [Gambian] market at a very exciting time, when government is trying to prioritise cum mechanise and make the agricultural sector more attractive”

*Momodou S Samateh
Director of Administration
New Nut Company*

Export agreements

- Groundnuts and other Gambian agricultural products can be exported at preferential duty rates and quota free to:
 - ECOWAS markets under the ECOWAS Trade Liberalization Scheme (ETLS)
 - EU market under the Everything But Arms (EBA) Initiative offered by the European Union
 - US market under the African Growth and Opportunity Act (AGOA)
 - India, Brazil and South Korea under preferential duty rates for products from Least-Developed Countries (LDCs)



Availability of incentives

- A host of incentives are available to investors in the groundnut processing sector, provided certain criteria relating to investment value and job creation are met. These incentives include:
 - **Tax Holiday:** tax breaks on corporate and turnover tax, withholding tax on dividends and for a period of 5-8 years, depending on the project's location
 - **Import Tax Incentives:** Exemption from payment of import tax on direct inputs for the project (e.g. agricultural machinery)
 - **Export Incentives:** Exemptions / reductions on corporate and turnover tax, exemption from Excise Duty and Sales Tax on goods produced or imported within the Export Processing Zone (EPZ) for processing and export – depending on proportion of goods exported
 - **No export tax on agricultural products**

1. To access incentives, a new investment must be worth at least US\$250,000 and lead to the creation of at least five jobs in the agriculture sector.
Source: GIEPA Regulations 2012. More information on criteria available from GIEPA.

Operating costs

- The Gambia has by far the most efficient labour market in West Africa¹ and offers competitive costs in key areas such as agri-processing labour
- Competitive rates for key utilities such as energy and water are offered to operators in the agri-processing sectors
- The cost of container shipments from Banjul to key European ports are broadly in line with other ports in West Africa

INDICATIVE KEY COSTS:

- Average daily wages for unskilled labour hover between US\$2-4 a day²
- Energy: 10.40 GMD / kWh: (industrial tariff)³
- Water: 31.39 GMD / cubic metre (industrial tariff)³
- Container shipments to Europe: c.1,050 EUR⁴
- Key taxes: - Corporate: 32% (exemption possible)
- Income: up to 30%
- VAT: 15%

1. World Economic Forum Global Competitiveness Report 2012-13

2. Program for Accelerated Growth and Employment 2012-15

3. GiEPA Investment Guide 2012

4. Based on a quote from Maersk Gambia for a shipment of a 20ft container from Banjul to Felixstowe (UK), covering freight and local charges at each port.
Quote provided on: 13/2/13

Government policy position

- The Gambia National Agricultural Investment Programme (GNAIP) 2011-2015 is the national strategic framework for accelerated growth, poverty reduction as well as food, nutrition and income security. A key objective of GNAIP is to transform agriculture from the traditional subsistence form to a commercial and modern Gambian model with well-integrated food chains and a viable agro-processing private sector ¹

- As part of the Government's efforts to promote industrial development, it is currently implementing a UNIDO Country Programme that includes a focus on the groundnut sector

- The Government also plans to:
 - Increase the number of accredited laboratories – supported by the EU-funded West African Quality Programme
 - Establish the Gambia Food Safety and Quality Agency (GFSQA), following the passing of the GFSQA Act in 2011

- The Ministry of Trade, Regional Integration and Employment (MOTIE) has recently finalized a Quality Assurance Framework for groundnuts ²

1. Ministry of Trade, Industry, Regional Integration and Employment: Summary of the Agriculture and Natural Resources Policy 2010 – 2015

2. GNAIP Agriculture Investment Plan 2011-2015

A helping hand – every step of the way

- The Gambia Investment and Export Promotion Agency (GIEPA) is the Government Agency mandated to support companies with their investment, business and export development as well as support to MSMEs
- From the initial provision of information right through to supporting the establishment, growth and development of an investment project, GIEPA is your supporting partner for doing business in The Gambia – every step of the way
- Here are just a few of the ways in which GIEPA can support your business:

Provide all business-related information to current and potential investors

Serve as the link between investors and authorities

Help to identify joint venture partners

Help to obtain licences, land, clearances etc.

Provide advisory services and training to exporters

Support companies planning to expand / diversify

Provide ongoing assistance to companies once they've started operations

Administer and advise on incentives



Four Good Reasons to Choose The Gambia

1

STRONG PRODUCTION LEVELS AND POTENTIAL:

- Groundnut export trade value nearly doubled between 2007-11.
- 63 derivative products from raw peanut possible
- One of West Africa's leaders in the Crop Production Index (World Bank)

2

COMPETITIVE INVESTMENT ENVIRONMENT:

- Best agricultural policy framework and the most competitive economy in West Africa (WEF 2012)
- West Africa's most efficient labour market (WEF 2012)
- Lower political risk than neighbouring countries (Maplecroft)

3

STRONG AND IMPROVING INFRASTRUCTURE:

- River Gambia - easily accessible to ocean- going shipping
- Efficient port with competitive costs (fixed unit tariff system)
- New and upgrade projects underway, improving transport links with ECOWAS markets

4

ATTRACTIVE INCENTIVES, COMPETITIVE COSTS

- Generous incentives for groundnut processing
- Competitive costs
- Strong political support for groundnut processing
- Comprehensive guidance and support from GIEPA



For further information, contact:

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