

Human Rights Assessment in Senegal

Report November 2015



Executive summary

Arla is now taking its next steps in West Africa with the announcement of two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to develop new markets outside Europe and to fulfil its ambition in Sub-Saharan Africa.

As Arla continues to expand its business activities in African markets, it is essential to the long-term success of our business that the company's growth is achieved in a responsible way that does not bring unintentional negative consequences for the local dairy sector and its related communities. As part of Arla's commitment to respecting human rights, as outlined in the UN Guiding Principles on Business and Human Rights, the company has the responsibility to assess and address our human rights impacts. The purpose of this human rights assessment is, therefore, to identify whether Arla's activities actually or potentially cause, contribute or are linked to a deterioration of human rights in Senegal with a specific emphasis on working opportunities, working conditions and adequate living standards for local farmers who depend on raw milk production, processing, distribution, marketing and sales of dairy products.

In order to conduct the assessment, it has been of utmost importance to consult the local dairy farmers who are the most vulnerable in terms of human rights, in order to get a first-hand understanding of their involvement in the local dairy value chains in Senegal. A significant methodological approach has therefore been to observe and understand the dairy activities on a local level and to follow these from cow to consumer.

Moreover, data has been collected through consulting with a vast number of NGOs, research institutions, government agencies, UN organisations and business partners in order to obtain an understanding of their concerns, expertise and suggestions. The assessment has been conducted by Arla's Corporate Responsibility team, Consumer International, with guidance from the Danish Institute for Human Rights.

Raw milk in Senegal is mainly harvested by members of the Fulani in the northern part of Senegal. The vast majority of Fulanis are nomadic pastoralists, who are highly dependent on the dairy production and sales for their livelihood. This is particularly true for the women who in traditional terms are the ones responsible and thus play the crucial role in small-scale local milk production and processing. In terms of human rights, the pastoralist Fulani are among the most vulnerable groups in Senegal. Access to grazing land is under pressure and together with limited investments in the dairy sector and infrastructure related to education, health and water, it leads to increasing vulnerability in terms of not being able to enjoy basic human rights such as the right to land, food, health, education, work and water.

The vast majority of locally produced raw milk is consumed within the household; sold through the informal channel to neighbours or at local open markets. Today, the local dairy sector faces a spectrum of structural barriers to its development, including low yield per cow, high season dependency and poor infrastructure leading to irregularity in supply, low food safety standards, and it is largely reliant on extensive pastoralism to ensure sufficient fodder for the cattle leading to high production costs which together reduce the chances for commercialisation.

The existing milk collecting centres, usually placed strategically close to clusters of producers, face a variety of barriers from limited capacity to problems with equipment. The present constraints derived from the limited electricity supply in rural areas, the poor infrastructure and lack of sustainable cold chains, do not allow for the establishment of efficient distribution channels on a larger scale and consequently limits the access to market.

Despite the barriers, Senegal has experienced a steady growth in domestic milk production since the beginning of 2000. However, the relative weakness of the Senegalese dairy sector means that it is still rather poorly placed to meet rising consumer demand and to compete against imported milk powder when it comes to price, quality, volume, sales and distribution channels. As a result, there is still a huge gap between increasing domestic demand for dairy products and local supply in Senegal.

During our stakeholder consultation process, widespread concerns were expressed regarding the potential negative impact of Arla's future business model in Senegal. Since Arla's business model in its first stage will be based primarily on imports and repacking of imported milk powder, the major concerns are related to its potential negative impact on development of the domestic dairy sector and thereby contributing to adverse human rights impact on small-scale farmers.

The key findings of the assessment are that Arla seems not to directly cause or contribute to negative impacts on the local dairy farmers' human rights since Arla will not be directly involved with the raw milk value chain through its future business activities due to Arla's business model together with relative high degree of market segmentation in Senegal.

While imports of milk powder from the EU are only part of the challenge facing dairy sector development in Senegal, it should not be neglected that Arla's increasing sale of powdered milk in Senegal is related to the underdevelopment of the local milk sector when looking in a broader perspective. The fact that Arla will play a larger role in the market might contribute to further lessening the government's incentive to invest in the sector due to the easy availability of imported milk powder which can be bought at lower prices and which can meet the urgent local demands. Furthermore, Arla might indirectly be related to the lack of private investment in the development of the sector (i.e. local sourcing), due to lower prices and the irregular availability of local fresh milk, which might incentivise processors to use imported powdered milk, instead of sourcing locally, in the production of other dairy products.

Arla's business model is, in the first stage, based on repackaging, sale and distribution of imported milk powder. Arla might therefore become an integrated part of the complex systemic factors, which is linked to the continuous underdevelopment of the dairy sector by amplifying the current difficulties. This creates a potential linkage to adverse human rights impact on the dairy farmers involved who are dependent on income and nutritional value from raw milk production and sales. Hence this is the connection that is further explored in this assessment.

There are increasing expectations from government, human rights organisations, farmers' organisations, UN and experts for business engagement in the development of the dairy sector in Senegal. In order to mitigate the potentially negative impact and to ensure a sustainable market presence and strong position in the long run, Arla has identified four scenarios to address the potential adverse impact identified and to strengthen the local dairy value chain in Senegal.

This approach to dialogue and partnership is in line with Arla's engagement in The Milky Way to Development, which aims at creating a space for dialogue, learning and co-creation in order to find innovative solutions to address potential negative impacts and to build a sustainable development of the local dairy sector with room for both local producers and international dairy companies.

This human rights assessment is the first stage in understanding the complexity of the issue and addressing the arising issues accordingly. A concrete next step is therefore to engage stakeholders in a round table workshop in Senegal to identify viable platforms for local engagement proportional to Arla's size in the market and the scale of potentially adverse human rights impacts identified. The round table workshop is planned to be conducted within a suitable time frame after implementation of the first stage of Arla's business model has begun. We estimate it to be in the fourth quarter of 2016.

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Introduction

Background and context

Arla is now taking its next steps in West Africa with the announcement of two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to develop new markets outside Europe.

The two new joint ventures are another step towards fulfilling Arla's ambition in Sub-Saharan Africa, where Arla aims to grow its annual revenue from approximately €90m to approximately €460m in 2020. This will initially be achieved through sales of powdered milk and liquid milk, which are in high demand among the rapidly growing middle class in and around the big cities.

Arla's products in Africa will be sold under the Arla Dano[®] and other Arla brands such as Lurpak[®] and Castello[®] at a later stage. The products are produced from raw milk from Arla's farmer owners in Europe.

The new joint venture company in Senegal is called Arla Senegal S.A. and is owned 75% by Arla and 25% by Attieh Group¹. Arla Senegal S.A. will handle packaging, marketing, sales and distribution of Arla products in Senegal, and is expected to be operational by the first quarter of 2016. Attieh Group is a leading distribution and packaging company with an established wide network of distributors and supermarkets in Senegal. The joint venture will target both the consumer market as well as the industrial dairy processing companies.

The company is located in Dakar and there will be around 10-15 staff employed in Arla Senegal S.A. from the end of 2015.

Arla only has limited sales in Senegal today. By forming a joint venture company with the Attieh Group, Arla expects to build annual revenue of €32m by 2020. The ambition of Arla Senegal S.A. is to reach 630 tonnes by the end of 2016 and 2,500 tonnes by 2017, i.e. a market share of 8% in the milk market, thereby becoming a top five player.

As Arla continues to expand its presence and business activities in African markets, it is essential to the long-term success of our business that the company's growth is achieved in a responsible way that does not bring unintentional negative consequences for the local dairy sector and its related communities². However, the responsibility to respect human rights applies to Arla regardless of its size and market shares. The severity of potential adverse impact will be judged according to scale, scope and irremediable character³.

As part of Arla's commitment to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights and in our Human Rights Policy⁴, Arla is committed to assessing our human rights impacts. Potential adverse impacts should be addressed through prevention, mitigation and, where appropriate, remediation⁵.

¹ Established in 2004, Attieh Group has more than 650 employees. The agricultural branch of Attieh Group is Agroline. The Attieh Group has more than €80m EUR in revenue.

² Arla, Our Responsibility: <http://www.arla.com/about-us/responsibility/>

³ UN Guiding Principles on Business and Human Rights, principle §14.

⁴ Arla: http://www.arla.com/globalassets/global/responsibility/pdf/arla_foods_human_rights_policy_update.pdf

⁵ UN Guiding Principles on Business and Human Rights 2011, see §11, 12 and 17.

Due to concerns raised by NGOs towards Arla's potential negative impact on local dairy farmers' human rights⁶ through sales of imported milk powder, we decided to further investigate and understand how our increasing sales of milk powder might potentially have a negative influence on the human rights of local dairy farmers in Senegal.

Moreover, the Senegalese government aims to develop the dairy sector to improve agricultural self-sufficiency and has introduced a number of agricultural programmes to support the local dairy sector. It is to an increasing extent expected that international dairy companies contribute positively to the development of the local dairy sector. As a company, we consider it to be part of our responsible conduct to address these business related challenges in cooperation with the Senegalese government and other relevant stakeholders.

In March 2015, Arla signed the declaration The Milky Way to Development. This is a multi-stakeholder initiative which aims at strengthening international cooperation to address the broken local milk value chains in some of the poorest areas in West Africa. The Milky Way to Development facilitates dialogue between West African dairy farmers, dairy enterprises and European dairy enterprises in order to create socially responsible business models, which define an active role for the small-scale milk producers⁷. The initiative builds on a human rights approach and strives to fulfil basic human rights through sustainable dairy sector development. This includes policy development and investment in local dairy value chains to eradicate poverty and effectively combat malnutrition.

On the 25th September 2015, the UN launched the Sustainable Development Goals (SDG), which represents the most ambitious development agenda ever forged at international level. Together with other companies, Arla has led the way by making a public commitment to play its role as a business to fulfil these ambitious goals. We believe that widespread support from business is a necessary prerequisite for effective implementation⁸.

It is therefore important for us to understand, also in a broader perspective, which measures can be taken to contribute to the development of a sustainable dairy sector in Senegal and to identify Arla's potential role in this. This human rights assessment should be considered as one of the measures to stimulate dialogue with stakeholders in Senegal and to take into account their aspirations in our business decisions.

The purpose of this human rights assessment report is, therefore, to understand more about the dynamics and systemic challenges of local dairy production in Senegal and to identify whether Arla's activities cause, contribute or are linked to a deterioration of working opportunities, working conditions and adequate living standards for Senegalese farmers and dependants who rely on raw milk production, processing, distribution, marketing and sales of dairy products.

⁶ ActionAid, 2011. The concerns expressed in Milking the Poor is mainly related to negative impact of international trade regulations and subsidies on the development of the local dairy sector.

⁷ Care, The Milky Way to Development: <http://www.care.dk/focuscountries/niger-eng/milky-way-development/> and The Milky Way to Development, Declaration from roundtable, 19 March 2015: <https://www.care.dk/wp-content/uploads/2015/03/Final-signed-declaration-Roundtable-19-March-2015.pdf>

⁸ Financial Times, Work with business to achieve sustainable development goals, 2015: <http://www.ft.com/cms/s/0/6a4a9e68-6309-11e5-9846-de406ccb37f2.html#axzz3mvEcSThT>

The main questions to be discussed in this report will be used to assess the potential impact of Arla's business activities on the right to adequate living and other related human rights of the local dairy farmers and their dependants in Senegal:

- Does Arla's sales and distribution of milk powder outcompete locally produced dairy products and thereby adversely impact small-scale dairy farmers' income and livelihoods of farmers and their dependants?
- Is the sale of milk powder from Arla a barrier to unlocking the potential of local dairy production and thereby a barrier for development?
- Does the import of milk powder lead to lack of government incentives to invest in sufficient infrastructure to build the local dairy sector?
- Some of the concerns raised need to be understood in a broader perspective⁹, namely whether Arla contributes and/or hinders sustainable development of the domestic dairy sector by the exclusive focus on distribution and sales?
- What are the concerns and aspirations made by the stakeholders we consulted during our field study and what are our findings based on our field observations, together with the literature reviewed?

The report provides an overview of our observations related to human rights issues, which were made during our field trip to Senegal in August 2015.

The results of the assessment will be integrated into our international business processes and shared across functions and management boards within Arla to inform future business decisions.

In line with the UN Guiding Principles on Business and Human Rights¹⁰ and our ambition to provide stakeholders with transparent and open communication, the two human rights assessment reports are publicly available on Arla's website: <http://www.arla.com/about-us/responsibility/human-rights/>. In addition, information will be provided in the Arla Corporate Sustainability Report 2015. It is our hope that by sharing our methods and reflections openly, we can not only ensure greater human rights due diligence within our own business activities, but promote business respect for human rights of other companies facing similar challenges.

Arla gives thanks to ActionAid Denmark for providing us with valuable input and constructive criticism during our research, design and reporting phase. It is of utmost importance that concerns raised can be addressed through intelligent dialogue and partnership. ActionAid Denmark has challenged us with critical questions during the assessment process which has definitely improved our understanding. Arla trusts that both parties have gained renewed insights for the benefit of sustainable agricultural development in West Africa.

⁹ By September 2015, the UN had launched 17 Sustainable Development Goals (SDG) where sustainable agriculture is related to a number of goals such as eradication of poverty, responsible consumption and production and gender equality. See also <https://sustainabledevelopment.un.org/>

¹⁰ UN Guiding Principles on Business and Human Rights 2011, see §21.

Finally, we should thank the West African Network organisation, Billital Maroobe, for assistance, information and for letting us get a glimpse into the life, perceptions and aspirations of the pastoralist Fulani dairy farmers in Nigeria and Senegal. Billital Maroobe in Senegal gave us a unique opportunity to study and to discuss development potentials of local dairy production through personal encounters with local farmers in the North Central Region, and in particular the Fulani village of Namarel, in order for us to follow the local value chain from cow to consumer.

The methodological framework, report outline and outline of the assessment process have been designed by the Danish Institute for Human Rights¹¹. The Danish Institute for Human Rights has provided highly qualified human rights expertise during the entire process. However, it should be underlined that the validity of the empirical data generated through our field study, the conclusions as well as the integration of findings into business processes, are solely the responsibility of Arla.

There is still a lot to learn when it comes to assessing and addressing business impact on human rights. The journey has started and we are thrilled to be a part of a global movement, which strives to implement the UN Guiding Principles of Business and Human Rights by sharing tools, methods and practical how-to-do approaches.

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¹¹ The Danish Institute for Human Rights, Business and Human Rights: <http://humanrights.dk/business-human-rights>

Methodology

This human rights assessment was conducted during August 2015. The report should not be seen as representing a full human rights impact assessment, and should not limit the scope of such future assessments and/or periodic reviews which are undertaken parallel to this assessment. Rather, the observations in the report can be used to add a human rights perspective to future activities of Arla in Senegal with a specific emphasis on the human rights impacts on individuals and communities involved in the local dairy sector.

We have used a number of mixed methods to generate data such as:

- Desk research and literature review
- Statistical data collection
- Stakeholder mapping
- Semi-structured interviews and discussions with government institutions, researchers, NGOs, UN organisations, local dairy farmers, dairy companies, Arla employees, business partners and development projects
- Field visit to local dairy producers and processing facilities¹²
- Knowledge sharing with Laiterie du Berger in regard to business models
- Registration of dairy products at rural open markets, urban open markets and supermarkets

In total, we have conducted semi-structured interviews and stakeholder meetings with approximately 100 people representing three main stakeholder groups in terms of human rights:

1. Project affected stakeholders (local dairy farmers, local dairy processors, local farmers' organisations)
2. Duty bearers/responsible parties (national and local government bodies)
3. Non-project affected stakeholders (NGOs, experts, UN organisations)

The UN Guiding Principles on Business and Human Rights should be implemented in a non-discriminatory manner, with particular attention to the rights and needs of the groups and individuals that might be at heightened risk of becoming vulnerable.

It has therefore been of utmost importance for us to visit, consult and listen to the most vulnerable local dairy farmers in order to get a first-hand understanding of the farmers' involvement in and activities related to the local raw milk value chain – from production to processing, distribution and sales. A significant methodological approach has therefore been to observe and understand the dairy activities on a local level – from cow to consumer.

¹² See list of interviewees for reference.

Special attention has been paid to gender issues since it is the women from the Fulani tribe who first and foremost are involved in raw milk production and processing. Local female and male farmers, farmers' organisations and women's organisations have been consulted directly with the purpose of understanding their concerns and to get their views on measures to improve their living standards through dairy business. Interviews with local farmers have been conducted with the assistance of a Fulani-speaking interpreter.

We are aware that time and limitations in numbers and range of interviewees influence our data. Our findings therefore relate to the specific time and scope of the conducted research.

We are also aware that our decision to conduct the assessment by our own internal Corporate Social Responsibility team in Consumer International might have a biased influence on the views expressed. Our priority is to profit from the useful insights and valuable stakeholder relations we have gained through this approach. We see this assessment as an essential part of the journey to understand and to engage stakeholders in Arla's business activities.

We have deep respect for the complexity of the subject and are aware that our findings should be presented with humility due to the limitations in methods, data and time. It is obvious that more research is needed in order to understand the dynamics of the relationship between Arla and the local value chain and to identify the most effective mitigation measures. This assessment is the first step on the journey.

The report is based on both primary and secondary data. Updated statistical information on the dairy sector in Senegal is only available to a limited extent. The statistical information in our report is based on sources including FAOSTAT, US Department of Agriculture, Institut Senegalais de Recherches Agricole, Global Dairy Trade and Euromonitor. In addition, we have consulted FAO, the Institute of Research to the the Ministry of Agriculture and Rural Equipment (ISRA) and Billital Maroobe for updated estimations on domestic dairy sector data. Several studies on dairy sector development are more than 10 years old. To get updated information, we consulted FAO, ISRA, CIRAD, Care and Billital Maroobe to gain insights into the latest research and into their understanding as leading experts on the Senegalese dairy sector.

Since the vast majority of raw milk production in Senegal is consumed within the household and therefore is an integrated part of the rural subsistence economy, statistical information is often lacking or incomplete. The qualitative data is based on desk research and semi-structured interviews conducted with a number of individuals and organisations during our field study. The interviews have been recorded and transcribed to support our analysis. We have chosen not to include quotations but instead refer to the meetings held with the particular stakeholder. The list of interviewees is included.

The two reports were sent for consultation to ActionAid Denmark, Care as well as Arla's internal expertise on trade policy, human rights and market conditions in Senegal before publishing. Moreover, the Danish Institute for Human Rights has provided comprehensive consultation during the entire process.

Human rights impacts

Country profile

Political context

Senegal is located in the western part of Africa's Sahel region and has a national territory that spans over 196,722km². Its population is estimated at 14.5 million, the high percentage of which live in urban zones. Administratively, Senegal is divided into 14 regions, each headed by a governor appointed by the president¹³. Senegal aspires to become an emerging economy¹⁴ by 2035. However, it has been stuck in low-growth equilibrium since 2006. In recent years, progress has been observed, and the Senegalese economy is expected to continue to accelerate in 2015. More favourable oil prices coupled with a rebound in agriculture and the end of the Ebola epidemic will benefit the national economy¹⁵.

Since Senegal's independence from France in 1960, the country has considerably strengthened its democratic institutions. As a result, Senegal is today one of the most stable countries in Africa. Senegal is characterised by a multi-party-system, which promotes pluralism and allows different parts of the society to raise their voice¹⁶.

Senegal has a bicameral parliament consisting of the senate, which was reinstated in 2007 with 100 seats in which 35 members are indirectly elected and 65 members appointed by the president and the National Assembly. The main function of the legislature is law-making and oversight responsibility over the other arms of government. The current legislature was elected in June 2007 in parliamentary elections¹⁷.

The incumbent president of Senegal is Macky Sall, who won the election with 65.8% of the votes in March 2012. Both local and international observers considered the election as free and fair¹⁸. The next presidential election in Senegal is expected in 2019. However, President Macky Sall intends to shorten his term from seven to five years. If his proposal is accepted by a referendum in 2016, this will move the election forward to 2017¹⁹.

There are several ethnic groups with Wolof, Fulani²⁰ and Serer being the three dominant ones, shaping 80% of the ethnic profile of the country. Conflicts on the basis of ethnicity and religion are rare. However, Casamance, the Senegalese territory south of The Gambia, is a subject to a long-standing conflict with the separatist group Movement of Democratic Force of the Casamance (MFDC).

¹³ African Union, Country Profile: Senegal:

<http://www.au.int/en/sites/default/files/Country%20Profile%20SENEGAL%20Final.pdf>

¹⁴ Emerging economy is a nutshell refers to nation's economy that is progressing toward becoming more advanced, usually by means of rapid growth and industrialisation. These countries experience an expanding role both in the world economy and on the political frontier.

¹⁵ World Bank, Country Senegal, overview: <http://www.worldbank.org/en/country/senegal/overview>

¹⁶ Maouloud, M., Evaluation of the National Human Development Report System, Case study: Senegal, 2015: <http://web.undp.org/evaluation/documents/thematic/nhdr/SENEGAL.pdf>

¹⁷ African Union, Country Profile: Senegal:

https://www.google.dk/?qws_rd=cr,ssl&ei=TUkrVqrOCsH5yQOSmoH4AQ#q=au+int+country+profile:+Senegal

¹⁸ United States Department of State, Senegal 2014 human rights report, 2014:

<http://www.state.gov/documents/organization/236610.pdf>

¹⁹ World Bank, Country Senegal, overview: <http://www.worldbank.org/en/country/senegal/overview>

²⁰ The Fulanis are also referred to as Pulaar or Peul in Senegal.

MFDC has its roots in the main ethnical group in Casamance, the Diola, who have had strained relations with the Wolof Senegalese in the North. Peacekeeping efforts with the group have been ongoing since the 1980s with several peace deals failing to resolve the conflict²¹, even with the efforts by previous President Adboulave. Current President Sall undertook a peacekeeping initiative in 2012 through Christian and Islamic organisations experienced in conflict mediation. Violence has since decreased but there are still instances of kidnapping and harassment in the area²².

Since taking office, Sall has launched economic reforms with the aim of boosting economic growth²³. He has also initiated corruption investigations, which have contributed to improvement of the political era²⁴. This democratic era is further strengthened by Senegal's long-standing tradition of political openness. This, combined with the relative political stability, form the basis for ongoing dialogue and development of the country²⁵.

Demographics & economy ²⁶	
Population	14.55 million (2014)
Ethnic groups	Wolof 43.3%, Fulani 23.8%, Serer 14.7%, Jola 3.7%
GDP ²⁷	€14.39bn ²⁸ (2014)
GDP (Purchasing Power Parity)	€30.03bn ²⁹ (2014)
GDP growth rate (est.)	4.5% (2014)
GDP per capita (PPP)	€2,085 ³⁰ (2014)
GINI per capita in PPP terms (constant 2005 international \$) ³¹	40.3 (2011)
Unemployment rate	48%
Human Development Index rank (out of 187 countries) ³²	163

²¹ The World Factbook, Senegal: <https://www.cia.gov/library/publications/the-world-factbook/geos/sg.html>

²² The World Factbook, Senegal: <https://www.cia.gov/library/publications/the-world-factbook/geos/sg.html>

²³ The World Factbook, Senegal: <https://www.cia.gov/library/publications/the-world-factbook/geos/sg.html>

²⁴ African Development Bank, Republic of Senegal, Country Strategy Paper, 2010:

[http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/SENEGAL - 2010-2015 CSP.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/SENEGAL_-_2010-2015_CSP.pdf)

²⁵ Maouloud, M., Evaluation of the National Human Development Report System, Case study: Senegal, 2015: <http://web.undp.org/evaluation/documents/thematic/nhdr/SENEGAL.pdf>

²⁶ The World Factbook, Senegal, unless otherwise noted: <https://www.cia.gov/library/publications/the-world-factbook/geos/sg.html>

²⁷ The World Bank, Senegal: <http://data.worldbank.org/country/senegal>

²⁸ Equal to \$15.88bn.

²⁹ Equal to \$33.13bn.

³⁰ Equal to \$2,300.

³¹ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

³² UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

Inequality³³	
Inequality-adjusted education index	0.204 (2013)
Inequality-adjusted life expectancy index	0.471 (2013)
Inequality-adjusted income index	0.359 (2013)
Inequality-adjusted HDI value	0.326
Labour force participation rate, female-male ratio (Ratio of female to male shares)	0.75
Poverty³⁴	
MPI: Multidimensional poverty index (%)	0.39%
MPI: Intensity of deprivation	56.22%
MPI: Headcount, percentage of population in multidimensional poverty (% of population)	69.36%
MPI: Population living below €1.13 ³⁵ PPP per day (%)	29.61%
Food³⁶	
Average dietary energy supply adequacy	99% (2014)
Average value of food production	96% (2013)
Domestic food price index	2.02
Prevalence of undernourishment	17% (2013)
Prevalence of food inadequacy	35.3 (2014)
Water	
Access to safe water ³⁷	74% (2012)
Health³⁸	
Under-five mortality (per 1,000 live births)	60
Life expectancy at birth m/f (years)	60.95 years
Health index	0.668
Education³⁹	
Expected years of schooling of children	8 years
Adult literacy rate, both sexes (% aged 15 and above)	49.8
Education index	0.368 (2013)

³³ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

³⁴ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

³⁵ Equal to \$1.25.

³⁶ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

³⁷ WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation: <http://www.wssinfo.org/>

³⁸ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

³⁹ UN Development Programme, Human Development Report, Senegal – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/SEN>

Freedoms ⁴⁰	
Freedom rating (1 - high level of freedom; 7 – extremely low level)	2 (2015)
Political rights rating (1 - high level of freedom; 7 – extremely low level)	2 (2015)
Civil liberties rating (1 - high level of freedom; 7 – extremely low level)	2 (2015)
Corruption ⁴¹	
Corruption perceptions index score (0 - highly corrupt; 100 - very clean)	43
Country ranking (out of 176 countries and territories)	69

Protection of human rights in the legal and policy framework⁴²

Senegal is a State Party to all of the core UN human rights treaties, and the government has also made binding international commitments to adhere to the standards laid down in these universal human rights documents. At the regional level, Senegal is a member of the African Union (AU) and the Economic Community of West African States (ECOWAS). It is also a State Party to the AU's African Charter on Human and Peoples' Rights (African Charter)⁴³.

In terms of international human rights instruments, Senegal has ratified the following conventions⁴⁴:

- International Covenant on Civil and Political Rights (ICCPR)
- International Covenant on Economic, Social and Cultural Rights (ICCPR)
- Convention on the Elimination of All Forms of Racial Discrimination, the Convention on the Elimination of All Forms of Racial Discrimination (CERD)
- Convention on the Elimination of All Forms of Discrimination against Women, the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the Protocol on Individual Complaints
- The Convention on the Rights of the Child
- The African Charter on Human and Peoples' Rights
- Rome Statute of the International Criminal Court, the International Criminal Court (ICC)

⁴⁰ Freedom House, Freedom in the world, Senegal, 2015: <https://freedomhouse.org/report/freedom-world/2015/senegal#.VaT8qfntmko>

⁴¹ Transparency International, Corruption Index 2014: Results: <http://www.transparency.org/cpi2014/results>

⁴² United Nations Human Rights, Reporting status for Senegal: http://tbinternet.ohchr.org/_layouts/TreatyBodyExternal/countries.aspx?CountryCode=SEN&Lang=EN

⁴³ Amnesty International, Mining and human rights in Senegal, 2014: <http://www.amnesty.ch/de/laender/afrika/senegal/dok/2014/goldtausch-menschenrechte-werden-geopfert/report-mining-and-human-rights-in-senegal>

⁴⁴ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

According to a report released by the Freedom House, human rights groups and other NGOs generally operate freely in Senegal, but the political tensions in 2011 and early 2012 resulted in some efforts by the government to curb their work. On 30 January 2012, Alioune Tine, the secretary general of the human rights group Rencontre Africaine pour la Défense des Droits de l'Homme, was arrested for his involvement with the M23⁴⁵ movement and held in police custody for 48 hours before being released⁴⁶.

Even taking the current political stability and the large number of international human rights commitments from the government into account, the implementation of the aforementioned is not always carried out to the right degree, with several vulnerable groups emerging.

Enjoyment of human rights in practice

Human rights violations are dealt with through the judicial courts, the High Commission for Peace and Human Rights in the Office of the President, as well as international tribunals. However, lacking resources and education, the levels of impunity and corruption mean that these laws and court orders are not always enforced.

Most human rights are protected by law in Senegal. An explicit exception concerns the rights of gay and lesbians, who are discriminated in Article 319.3 of the Senegalese penal code criminalising “unnatural” consensual sexual conduct among adults. Breach of this law may be punished with five years in prison and a fine⁴⁷.

In terms of the respect for the “right to life, physical integrity and freedom from torture”, even though it is guaranteed by the constitution and the government has expressed a willingness to fight against abuses, progress is still slow. According to the pan-African human rights organisation Rencontre Africaine pour la Défense des Droits de l'Homme (RADDHO) and Amnesty International in Senegal, changes should be made in the procedures for prosecution in order to avoid or at least limit abuses⁴⁸.

The law regulates maximum working time and determines a minimum wage per month; however, the designated amount is not considered enough to ensure an adequate standard of living for a family, especially in the rural areas of the country. Furthermore, labour legislation reaches only the formal sector. Senegal has ratified the International Labour Organisation’s (ILO) eight core conventions on human rights⁴⁹.

⁴⁵ M23 or the “June 23 Movement” is a movement of a group of organisations like Touche Pas à Ma Constitution! (Don’t Touch My Constitution!) Citizens’ movements like Y’en a marre (Fed Up With It), that came to rise in an opposition to former President Wade. See more at: <http://forums.ssrc.org/african-futures/2012/07/12/june-23-movement-change-senegal/#sthash.RGOrVZe1.dpuf>

⁴⁶ Freedom House, Freedom in the world, Senegal, 2013: <https://freedomhouse.org/report/freedom-world/2013/senegal>

⁴⁷ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

⁴⁸ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

⁴⁹ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

However, inadequate implementation has led to constraints and increase in levels of emigration. Even though people are entitled to the right to strike by law, there are various restrictions that put limitations to the execution of the right⁵⁰.

Women are one of the most vulnerable groups in terms of human rights. According to the report published by the Swedish government, the majority of working women work in the informal sector and only 20% of women have formal paid work. According to the Senegalese constitution, women and men are equal, but traditional values and customs prevent real development of women's rights. Women also do not have the same rights to inheritance and land/property ownership⁵¹. They are faced with discrimination, especially in rural areas where traditional customs are strongest⁵². These are issues that have been raised in both the political and media spheres through the efforts of women's rights organisations and other groups, which has led to education campaigns and enforcement measures and sanctions.

Children are also suffering a spectrum of human rights violations. A large number are forced into begging and other forms of child labour. The Committee on the Rights of the Child expressed after its review of Senegal in 2006 concern over the growing number of begging street children and so-called "talibé"⁵³. Human Rights Watch estimated that by 2010 there were 50,000 talibés⁵⁴. The Ministry of Labour often carries out inspections, but not in the informal sector, where most of the child labour abuses take place. According to the 2014 Human Rights Watch report on Exploitation in the Name of Education, which provides details on the uneven progress in ending forced child begging in Senegal, not only the right to education, but many other rights, are being denied to thousands of school-aged boys. In Quranic schools across the African nation, boys as young as six are being exploited under the guise of getting an education. In these schools, they are forced to live in unsanitary conditions, are subject to forced begging, and are abused near daily⁵⁵.

Another issue that needs to be taken under consideration is the right to land. Here, the affected group is the pastoralist farmers from the Fulani tribe who are predominantly located in the northern part of the country. Due to the required movement for their cattle, underpinned by a large spectrum of issues discussed below, they are pushed to search for grazing land. However, with the development of the agricultural sector and quickening urbanisation, the available land is becoming increasingly scarce. Furthermore, the government does no longer ensure their access to the aforementioned, and there are cases emerging of what is referred to as "land grabbing"⁵⁶.

⁵⁰ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

⁵¹ United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

⁵² United States Department of State, Senegal 2014 human rights report, 2014: <http://www.state.gov/documents/organization/236610.pdf>

⁵³ Talibés are disciples of madrassas where they are taught but pushed to beg food and money.

⁵⁴ United States Department of State, Senegal 2014 human rights report, 2014.

⁵⁵ Madisetti, I., Human Rights Violations in Senegal: "Exploitation in the name of education", 2014: <http://ugtimes.com/2014/05/news/exploitation-in-the-name-of-education/>

⁵⁶ Interview with representatives of the Fulani tribe.

Probability of adverse human rights impact by business

There have been a number of cases in Senegal where companies have been associated with adverse human rights impacts. This includes cases in the mining and agricultural sectors. Under international law, states have a duty to protect human rights from abuse by non-state actors, such as international businesses. According to UN treaty bodies this is to be done through adopting legislative measures to prevent corporate abuse, investigating and sanctioning abuses when they do occur, and ensuring that those affected receive an effective remedy.

In Senegal, there are a few cases in terms of human rights violations by business that come to the forefront, most of which are related to the mining sector. For instance, in 2011, a group of six families from the hamlet of Dambankhoto were moved to new homes some kilometres away, near a village called Faloumbo, to make way for a waste disposal pond being constructed by Sabodala Gold Operations (SGO).⁵⁷ After signing an agreement between the chief, the company and local government, the families were relocated. However, the terms of the agreement were not entirely fulfilled, with several human rights, including the right to water access, adequate standard of living and the right to food being hampered⁵⁸. Forced relocation can of course be caused by other types of business, including small-scale farmers involved in agriculture, which can directly affect the right to land of vulnerable groups such as the Fulani.

In another case raised against the same company, the issues put to the forefront were in terms of pollution and deforestation, effectively harming the right to access to safe water for instance with an environmental expert assigned to Kédougou claiming rising levels of mercury content in the River Gambia⁵⁹.

In regard to the issue of companies taking over land without proper consultation with local communities, an exemplary case is related to Senhuile SA. Even after facing scrutiny regarding their approach to community engagement and considerations over environment and the right to land, they have continued to implement a project for obtaining concessions for sunflower seed production for export. According to a report released by ActionAid on the matter, the company has benefited from the lack of protection of local communities' customary land tenure rights, failing to carry out adequate consultations, ignoring its legal obligation under Senegalese law to conduct an in-depth Environmental and Social Impact Study (EIES) before starting any activity in Ndiael, violating the right to water, food and the environment, and disregarding the requirement for free, prior and informed consent. The investment is therefore considered a clear case of a land grab⁶⁰.

An interesting example in the agricultural sector, where the rights of local producers have been threatened, is the case of rice. This is considered as one of the key food groups in Senegal. The section of the sector has been monopolised by imports for decades, thus raising concerns regarding the human rights impacts for the people involved in local production.

⁵⁷ Amnesty International, Mining and human rights in Senegal, 2014: <http://www.amnesty.ch/de/laender/afrika/senegal/dok/2014/goldtausch-menschenrechte-werden-geopfert/report-mining-and-human-rights-in-senegal>

⁵⁸ Amnesty International, Mining and human rights in Senegal, 2014: <http://www.amnesty.ch/de/laender/afrika/senegal/dok/2014/goldtausch-menschenrechte-werden-geopfert/report-mining-and-human-rights-in-senegal>

⁵⁹ Marlyatou, S., Sénégal: L'exploitation artisanale de l'or impacte gravement l'environnement et le mode de vie des populations, 2015; <http://business-humanrights.org/fr/s%C3%A9n%C3%A9gal-lexploitation-artisanale-de-lor-impacte-gravement-lenvironnement-et-le-mode-de-vie-des-populations>

⁶⁰ ActionAid, No land, no future: A community's struggle to reclaim their land, 2014.

Facing an uncompetitive market position in terms of prices, distribution and marketing, the local producers were becoming increasingly vulnerable. In reaction to that, in December 1994, the government devalued Senegal's currency, causing the cost of all imported products to double overnight. The government was hoping consumers would replace imported rice with domestically produced foods to stimulate the agricultural sector and reduce the country's dependency on imported rice. This unstructured protectionist measure, however, did not have the desired outcome. As the initiative was not supported by adequate and sustainable development programmes and investment at the time, it did not lead to a change in consumer preferences. On the contrary, according to an independent researcher, the devaluation did have an undesirable effect on consumers' diets. In order to be able to buy imported rice at inflated prices, they bought less meat and other foods, which adversely affected the nutritional status of millions of Senegalese. This shows how vulnerability of the general population arises, when an insufficient policy is implemented instead of a comprehensive and sustainable approach. This case can be taken as an example for lessons learned and applied to the dairy sector as well.

Companies in the energy sector have also faced scrutiny. For instance, Lumière Synergie pour le Développement (LSD) and Takkom Jerry Plyvalence Culturelle et Environnementale have filed complaints at the Swedish National Contact Point (NCP) against the company Nykomb Synergetics Development AB, which had a contract with the government of Senegal in 2009 for the construction of a coal power plant of 125MW in Sendou. The complaint referred to non-adherence to the OECD guidelines, and not taking into account the results of the Environment and Social Impact Assessment (ESIA), which unequivocally showed significant adverse social and environmental impacts⁶¹. The company issued an official response regarding the accusation, stating that it was neither executing nor owning the power plant, and that the complaint should be addressed to the right company⁶².

Concerns regarding adverse human rights impacts by business have been raised in terms of the right to adequate standard of living, the right to work and the right to health.

Senegal's Director of Human Rights at the Ministry of Justice, Mr. Mouhamadou Seye Moustapha, is currently advocating an independent regulatory body to encourage and ensure that companies in Senegal respect human rights.

⁶¹ Business & Human Rights Resource Centre, Senegal: Two local NGOs filed a complaint to the Swedish NCP against Nykomb Synergetics Development AB for noncompliance with the OECD Guidelines: <http://business-humanrights.org/en/senegal-two-local-ngos-filed-a-complaint-to-the-swedish-ncp-against-nykomb-synergetics-development-ab-for-non-compliance-with-the-oecd-guidelines>

⁶² Business & Human Rights Resource Centre, Senegal: Two local NGOs filed a complaint to the Swedish NCP against Nykomb Synergetics Development AB for noncompliance with the OECD Guidelines: <http://business-humanrights.org/en/senegal-two-local-ngos-filed-a-complaint-to-the-swedish-ncp-against-nykomb-synergetics-development-ab-for-non-compliance-with-the-oecd-guidelines>

Sector profile

National production and consumption	
National milk production (cow)	201,950 tonnes (2013) ⁶³
Annual dairy consumption	324,268 tonnes (2011) ⁶⁴
Dairy consumption per capita (excluding butter)	24.3 kg/capita/yr. (2011) ⁶⁵
Import of milk powder (quantity)	20,000 tonnes (2007) ⁶⁶
Import of milk products, excluding butter (quantity)	108,414 tonnes (2013) ⁶⁷
Import of dairy products (value)	€93.83m (2007) ⁶⁸
Import of dairy products (percentage in proportion to domestic production)	70% of consumed dairy products are imported (2013) ⁶⁹
Raw milk delivered for commercial use	Up to 300 tonnes (2005) ⁷⁰ - i.e. > 1%
No. of cows	3.3 million (2010) ⁷¹
Average yield per cow	Around 0.7 – 1.5 litres per cow per day ⁷²
No. of households involved in cattle breeding	350,000 households ⁷³

The Senegalese dairy sector

Senegal is the largest dairy importer in the West African Economic and Monetary Union (UEMOA) and after rice milk is the second largest food import. The cost of imports is estimated at CFA6.3bn in 2010.

⁶³ FAOSTAT, Milk whole fresh cow, Senegal, 2013: <http://faostat3.fao.org/browse/Q/QL/E>

⁶⁴ FAOSTAT, Milk – Excluding Butter, Food supply quantity (tonnes), Senegal, 2011:

<http://faostat.fao.org/site/610/DesktopDefault.aspx?PageID=610#ancor>

⁶⁵ FAOSTAT, Milk – Excluding Butter, Food supply quantity (kg/capita/yr), Senegal, 2011:

<http://faostat.fao.org/site/610/DesktopDefault.aspx?PageID=610#ancor>

⁶⁶ Ndiaye, M., Senegal – Agricultural Situation. Country Report 2007:

<http://apps.fas.usda.gov/qainfiles/200701/146279961.pdf>

⁶⁷ FAOSTAT, Import – export trends in Senegal, Milk – Excluding butter, 2013:

<http://faostat3.fao.org/browse/FB/BL/E>

⁶⁸ International Business Publications USA, Senegal - Foreign Policy and Government Guide.:

https://books.google.dk/books?id=0a2yDGOJA9MC&pg=PA113&lpq=PA113&dq=milk+powder+import+%22senegal%22+value&source=bl&ots=iPZjw91qMc&sig=Hbl7bw_3KLZ-fieZu99Qsl2yv8&hl=da&sa=X&ved=0CDAQ6AEwCGoVChMjRcsqouoyAIVhzqaCh2lqQk2#v=onepage&q=milk%20powder%20import%20%22senegal%22%20value&f=false, equal to 104m USD.

⁶⁹ Accuell, Commercialisation du lait local. Restructurer les chaines d'approvisionnement, 2013:

http://www.commerce.gouv.sn/article.php3?id_article=285#sthash.qzA8ID8Z.FLKQYEKN.dpbs

⁷⁰ Ndiaye, M., Senegal – Agricultural Situation. Country Report 2007:

<http://apps.fas.usda.gov/qainfiles/200701/146279961.pdf>

⁷¹ La Laiterie du Berger, Building industrial dairy business based on smallholders: 'Laiterie du Berger' experiences. Senegal, West Africa:

http://www.livestockdialogue.org/fileadmin/templates/res_livestock/docs/2013_Ottawa/17_oct/8-Laiterie_du_Berger_Ottawa_2013_VF.ppsx

⁷² International Livestock Research Institute, Determinants of use breeding technologies in small to medium scale dairy cattle farms in Senegal, 2014: <https://senegaldairy.wordpress.com/category/regions/west-africa/>

⁷³ Estimations done by FAO and Billital Maroobe, August 2015.

The Senegalese economy is growing at a promising 6.3% per year. With the increasing economy, operators in the dairy industry experience a huge growth in the demand for dairy products, generated by demographic growth, an increasing consumer class and change in food habits. Since the domestic production of dairy products is far below the domestic demand, Senegal therefore depends highly on international imports in order to bridge the gap between supply and demand⁷⁴. As a result, Senegal has a major trade deficit within the dairy sector.

Senegal's dairy sector is dominated by imported milk powder from Europe, but milk powder is also imported from New Zealand, Argentina and Australia⁷⁵. Powdered milk represents some 90% of imported dairy products since it is the basic raw material for the dairy industry. Domestic Senegalese milk production currently supplies 30% of domestic demand⁷⁶. Despite the huge milk deficit, Senegal has experienced a moderate but steady growth in the domestic production of raw milk since the beginning of 2000⁷⁷. The gap between production and imports has declined since 2000-2010. Domestic production grew 42.5%, while imports grew only 5.4%⁷⁸.

Average milk consumption per capita is still quite low around 24l/capita/year⁷⁹, which is eight times lower than the WHO/FAO recommendation of 220 litres yearly milk consumption per capita⁸⁰. Senegalese people mainly consume milk in the form of milk powder or fermented milk named Lait Caillé, which is similar to yoghurt⁸¹. Lait Caillé is an essential part of most Senegalese diets. Only middle to high-income people in urban areas and the producers themselves consume fresh milk frequently. Remarkably, however, Senegalese consumers accord a high value to domestic industrialised fresh milk⁸².

Today, you find a diverse and impressive range of dairy products in the urban supermarkets such as liquid milk, yoghurt, condensed milk, fresh milk, butter and cheese. Most of the products are made of imported milk powder. The impressive variety of cheeses is mainly imported from Europe, especially France.

⁷⁴ FAO, The State of Food Insecurity in the World, 2015; FAO, Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006; Stads & Séne, Recent policy, investment, and capacity trends, 2011.

⁷⁵ Ministère Du Commerce, De L'Industrie Et Du Secteur Informel & Centre de Recherches, d'Analyses des Echanges at Statistiques, 2013: http://www.commerce.gouv.sn/IMG/pdf/bulletin_juillet_13.pdf

⁷⁶ CIRAD, Etude relative a la formulation d'un programme d'actions detaille de development de la filiere lait au sein de l'UEMOA annexe 7: Rapport senegal, 2013.

⁷⁷ FAOSTAT. Production, Livestock Primary, Milk whole fresh cow. Senegal: <http://faostat3.fao.org/browse/Q/QL/E>

⁷⁸ Alternatives Economiques, L'agroécologie, la nouvelle <revolution verte>, 2013: <http://www.cfsi.asso.fr/sites/www.cfsi.asso.fr/files/327bis-bdef.pdf>

⁷⁹ FAOSTAT, Milk – Excluding Butter, Food supply quantity (kg/capita/yr), Senegal, 2011: <http://faostat.fao.org/site/610/DesktopDefault.aspx?PageID=610#ancor>

⁸⁰ World Bank, Budgeting for Effectiveness in Rwanda: From Reconstruction to Reform, 2010.

⁸¹ FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004; own observations and interviews, August 2014.

⁸² FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004; interview with CERAD, August 2005 – study not yet published.

There are four primary forms of dairy production, processing and distribution in Senegal:

1. Traditional processing and distribution (traditional Fulani pastoralist)
2. Peri-urban production (agro-pastoralists, milk collectors, processors and NGOs and state enterprises)
3. Intensive dairy production (large farms using exotic or cross-breed cows)
4. Powdered milk import-based industry

The bulk of raw milk is harvested by the Fulani tribe in the Northern Central part of Senegal. Pastoralist Fulani make up nearly a third of Senegal's population and it is estimated that 350,000 family farms are active in breeding and milk production⁸³. The average herd consists of only two to three cows producing in average 0.7-1.5 litres per day. The vast portion of the milk is consumed within the household or sold to neighbours or at the local market. Senegalese milk production fluctuates heavily according to season. The vast majority of local milk is produced and sold during the rainy season, when feed supply is high. Billital Maroobe estimates that today some 60% of income for daily household expenses among the Fulani households derives from dairy⁸⁴. Despite the underdeveloped local production, processing and distribution opportunities, the sector represents an important component with great economic, nutritional and social implications for the people involved. Climate change and lack of market opportunities add to the vulnerability of the Fulani dairy producers. Despite the importance of dairy to the national economy, the local dairy production in Senegal is characterised by low productivity and plagued by major structural, socio-economic and environmental constraints. It is estimated that rainfall in West Africa has decreased by 25% over the last 50 years which has had serious consequences for the access to areas with sufficient fodder. The model of raw milk production is mainly based on pastoralism and has not been intensified in line with galloping urban development. The result has been increasingly degraded natural resources and more and more conflicts over land use between farmers and herders, as pressure on land intensifies. The most vulnerable dairy producers consist, obviously, of the small-scale Fulani pastoralists in the Northern Central regions who suffer from food insecurity, inadequate living standards, lack of access to water, to education and to jobs.

Despite the existence of more intensive dairy production methods, there is no production of milk powder in Senegal due to the rather limited and irregular amount of locally produced milk.

For decades, businessmen and researchers have wrestled with how to make Senegalese cows more productive and the dairy business more commercially viable. Several studies suggest that the Senegalese dairy sector is caught in a vicious cycle between increasing demands for cheap and nutritious dairy products, inefficient traditional production methods and lack of a favourable framework to stimulate commercial domestic dairy production⁸⁵. In spite of the steady growth of domestic production, Senegal is still the largest importer of milk in the West African region, followed by Côte d'Ivoire. This emphasises the challenges of reaching the market and commercialising domestic milk production.

⁸³ Figures provided by Billital Maroobe, Senegal.

⁸⁴ Figures provided by Billital Maroobe, Senegal.

⁸⁵ FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004.

Governmental programmes and regulations

The institutional framework of the dairy sector is organised through a number of ministries. The Ministry of Agriculture and Rural Equipment, the Ministry of Livestock and Animal Products and the Ministry of Commerce, the Informal Sector, Consumption, Promotion of local products and SMEs are the most influential.

Despite the fact that dairy sector development has not been on top of the agricultural agenda in Senegal, several ministries have launched programmes to stimulate local milk production, ensure food security and reduce the negative trade balance,

Governmental programmes

As economies and trade become increasingly globalised, West Africa is building a space where people and goods can circulate freely. Since the establishment of ECOWAS (Economic Community of West African States) in the mid-seventies, the 15 member states have been developing a common foreign trade policy to stimulate economic growth, improving food security and food self-sufficiency amongst the member states. One of ECOWAS's objectives is to create binding commitments from governments in its member states to allocate 10% of its national budget to the development of a sustainable agricultural sector. According to data collected by the Regional Strategic Analysis, Senegal already allocated more than the 10% threshold to agriculture⁸⁶. As a reaction to the radical increase in prices on food in 2008 as well as increasing import of subsidised western agricultural products, ECOWAS formulated a regional strategy, named ECOWAP for the development of a sustainable agricultural sector at farm level as well as supply chains, institutional capacity building through gender sensitive approaches, environmental management and resilience towards food insecurity⁸⁷.

As a response to massive urbanisation, the government of Senegal has initiated a programme, named Return to Agriculture (REVA). The aim of the programme is to encourage young farmers to live in the rural areas. The motivation will be created through an enhancement of the infrastructure, i.e. through the construction of roads in the rural areas, promoting water infrastructure and connecting electricity to the rural communities⁸⁸.

Senegal also implemented the National Agriculture Investment Plan (NAIP). Particularly, the focus of this plan was on enhancing the increase in value of agricultural products through further processing. The plan also includes initiatives aimed at increasing the productivity of the agricultural sector, for example through increased control of animal diseases, animal feed supplements and cattle fattening activities. Finally, the programme supported improvements to 10 mini-dairies and promoted the development of the dairy sector through the establishment of integrated milk collection⁸⁹.

⁸⁶ European Centre for Development Policy Management, West Africa on the Move to Accelerate the Implementation of its Regional Agricultural Policy (ECOWAP), 2013: <http://ecdpm.org/talking-points/west-africa-regional-agricultural-policy-ecowap/>

⁸⁷ ECOWAP, Regional Agricultural Policy for West Africa: ECOWAP, 2008.

⁸⁸ Stads & Séne, Recent policy, investment, and capacity trends, 2011: <http://www.asti.cgiar.org/pdf/private-sector/Senegal-PS-Report.pdf>

⁸⁹ Government of Senegal, Global Agriculture and Food Security Program (GAFSP). Food Security Support Projects in Louga, Matam and Kaffrine Regions, 2012

Cross-breeding has been another initiative to enhance the productivity of the dairy sector. As mentioned above, the breeds of cattle in Senegal have a low milk production potential (around 0.7-1.5 litres of milk per cow per day with a high seasonality). With the aim of improving milk production, the government initiated cross-breeding through artificial insemination in the mid-1990s⁹⁰. Through the cross-breeding of the Senegalese local breeds of cattle, which provide a low milk production, with European or Brazilian breeds with high milk production, the attempt is to enhance the milk production per cow⁹¹. A study has found that it is possible to improve the milk production per cow just by using the different breeds of Senegalese cattle. The study further concludes that it is possible to improve the cattle's adaption to climate changes through cross-breeding. This study therefore claims that cross-breeding is an effective tool to enhance milk production, if the genetic selection is managed effectively⁹². In spite of this, the use of cross-breeding in Senegal still remains limited⁹³. According to Billital Maroobe the cross-breeding in Senegal has not succeeded because the governmental implementation of the genetic selection has not been effective. The breeds of cattle, which the government has imported for cross-breeding, have not been suitable for living in Senegal⁹⁴. However, FAO ascribes a certain potential in cross-breeding, if the government allocates a larger amount of resources into this programme⁹⁵.

NGOs and donors often assist small rural milk producers to improve the processing and distribution systems at local level and increase their capacity to access the urban and semi-urban markets. This has not led to a sufficient boost in commercialised dairy production and processing of locally sourced raw milk⁹⁶. However, it seems to provide local small-scale farmers with increased income.

According to Agritrade, the Senegalese Ministry of Trade, Entrepreneurs and the Informal Sector announced in 2013 the launch of a project set to establish 500 processing units, primarily in the dairy sector, with the support of the Chinese government. It has not been possible to identify further information on this significant initiative⁹⁷.

In summary, the governmental support directed towards the dairy sector includes subsidies for animal feeds and emergency feed supply operations, implementation of vaccination and animal disease programmes and genetic improvements through cross-breeding. Furthermore, the government has promoted small-scale dairy processing and enhanced the opportunity of the milk produced in the rural areas to reach the markets⁹⁸.

⁹⁰ International Livestock Research Institute, Determinants of use breeding technologies in small to medium scale dairy cattle farms in Senegal, 2014: <https://senegaldairy.wordpress.com/category/regions/west-africa/>

⁹¹ International Livestock Research Institute, Improved food and nutritional security from better utilization of dairy cattle breed/cross-breed types in Senegal, 2014: <http://www.slideshare.net/ILRI/mtt-senegal-tapio2012>

⁹² Ndiaye, P., et al., Genetic diversity and phylogenetic relationships in local cattle breeds of Senegal based on autosomal microsatellite markers., 2015: <http://www.veterinaryworld.org/Vol.8/August-2015/9.html>

⁹³ International Livestock Research Institute, Determinants of use breeding technologies in small to medium scale dairy cattle farms in Senegal, 2014: <https://senegaldairy.wordpress.com/category/regions/west-africa/>

⁹⁴ Interview Billital Maroobe, August 2015.

⁹⁵ Interview FAO, August 2015.

⁹⁶ FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004.

⁹⁷ Agritrade, Senegalese government looking to support local dairy sector development, 2013: <http://agritrade.cta.int/en/layout/set/print/Agriculture/Commodities/Dairy/Senegalese-government-looking-to-support-local-dairy-sector-development>

⁹⁸ FAO, Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006.

However, the government seems to have largely addressed the dairy sector development from a veterinarian point of view, for which reason the stakeholders blame the government for taking a technical approach⁹⁹ to address a very complex problem in the dairy sector¹⁰⁰ overlooking other managerial and organisational aspects.

This approach to stimulate the production part of the value chain instead of investing in marketing and sales might explain why the increase in domestic production has not lead to a remarkable increase in locally produced dairy products reaching the urban markets. As a result, the Fulani pastoralists have not experienced a sufficient increase in income from raw milk production and processing since their market access is still far too limited.

Governmental regulations

Senegal implemented ECOWAS's Common External Tariffs (CET) in January 2015. The CET is organised into five rates of duty¹⁰¹:

Category	Description	Rates of duty
0	Essential social goods	0%
1	Goods of primary necessity, raw materials and specific inputs	5%
2	Inputs and intermediate goods	10%
3	Final consumption goods	20%
4	Specific goods for economic development	35%

Before the adoption of the CET, Senegal had a tariff structure equivalent to the first four categories in the above table. Consequently, Senegal's highest rate of duty was 20%. The new duty structure, therefore, implies considerable increases in the tariff of prioritised goods, which primarily constitute agricultural products¹⁰².

The CET is organised with a special view to protecting the regional agricultural sector, which is evident from the fact that 55% of the agricultural products are imposed a tariff of 20% or 35%. Moreover, 90% of the products with an import tariff of 35% are agricultural goods – while “none are in the 0% band”¹⁰³.

⁹⁹ Cross-breeding, fodder and vaccination.

¹⁰⁰ Interview with Billital Maroobe, ISRA and FAO, August 2015.

¹⁰¹ Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014.

¹⁰² Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014.

¹⁰³ Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014, page V.

Simultaneously with the adoption of the CET, ECOWAS eliminated tariffs between the members. The free market and the closer regional integration are initiated with the aim of improving food security and food self-sufficiency in the region¹⁰⁴.

In determining the tariff rates, ECOWAS has tried to reconcile interests that are mutually incompatible. First of all, the region wishes to protect agricultural producers from outside competition. Simultaneously, it is vital to maintain relatively cheap prices on key staple foods, in line with the objective of promoting food security¹⁰⁵, so that consumers face affordable prices on nutritious food. These conflicting interests have necessitated trade-offs between the different policy objectives¹⁰⁶. The agreed tariff rates will be renegotiated every fifth year, for which reason a revised categorisation of products will be initiated in 2019. If a product or a sector is allocated a higher priority in the future, the tariff rates can be adjusted according to the priority.

The current tariff rate on milk powder in Senegal is 5%¹⁰⁷. This relatively low tariff is most likely a result of the policy aim of securing affordable nutritious products for the mass population and closing the gap between demand and local supply. FAO further states: "While consumer-ready yoghurts fall within the fifth band, milk powder imported in bulk is taxed at 5%, suggesting that ECOWAS might see a limited growth potential for milk production in the region but seeks to protect its dairy processing industry, which is based mainly on imported milk powder"¹⁰⁸.

In the coming years, it could be expected that the government would initiate further measures to regulate import and stimulate the local dairy sector. However, such measures are only applicable if they are consolidated by support policies and measures to develop local production and collection¹⁰⁹. It is estimated that within the next 20-30 years¹¹⁰, domestic milk production will not be developed to a degree relevant for extensive import restrictions like the tomato, rice and onion businesses are undergoing today. Furthermore, a crucial element of the development of the dairy sector in Senegal has been the emergence of small businesses in Dakar and other cities that flourish through small-scale processing or repackaging of imported milk powder. In Senegal, small-scale milk powder marketing becomes a profit generating opportunity for micro-enterprises, and a steep increase in taxation or trade barriers for imports might impose a risk of diminishing the opportunities for these players¹¹¹.

In spite of the above mentioned programmes and political initiatives to stimulate the dairy sector, years of disinvestment in structural improvements by the shifting Senegalese governments, international institutions and the donor community government seems to have been a reality¹¹².

¹⁰⁴ Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014.

¹⁰⁵ Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014.

¹⁰⁶ Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa - Focus on the ECOWAS Common External Tariff, 2014.

¹⁰⁷ Nigeria Customs Service. CET code, 2015:

<https://www.customs.gov.ng/hscodes/resultshcode.php?TYPE=DESC&HSCODE=milk&MODE=ALL>

¹⁰⁸ FAO: Hollinger, F. & Staatz, J., Agricultural Growth in West Africa: Market and Policy Drivers, 2015, page 335.

¹⁰⁹ Dieye, P. et al., Linking local production to urban demand: the emergence of small-scale milk processing units in Southern Senegal., 2005.

¹¹⁰ Among others estimated by FAO, August 2015.

¹¹¹ FAO, Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006.

¹¹² FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004.

Role and involvement of actors

The present Minister of Livestock in Senegal was appointed in 2012 with a clear ambition to boost local milk production and reduce the import of powdered milk. The Minister wants to focus on genetic improvement, building storage facilities and improving road access.

Stakeholders have for years been frustrated over lack of involvement in political processes. In August 2013, the Minister convened a meeting with local dairy industry stakeholders to explore ways of developing the local dairy sector. The meeting resulted in the creation of a national body Le Conseil National des Maisons des Éleveurs du Sénégal (CNMDE). The aim of this multi-stakeholder forum is to follow up on the issues discussed and to link dairy industrialists, processors and producers in order to provide an outlet for local milk production.

The most vulnerable and poorest producers in the sector still remain relatively unorganised and disadvantaged in the policy-formation process¹¹³. Billital Maroobe is recognised by both national and international stakeholders as an organisation that actually has been able to strengthen the representability of the cattle breeders vis-a-vis governmental decisions. Billital Maroobe now holds a seat on the Le Conseil National des Maisons des Éleveurs du Sénégal (CNMDE). Billital Maroobe raises their voices to protect the rights of the pastoralists Fulani across borders between seven West African countries. Billital Maroobe seeks to lobby against the Senegalese government's attempt to stimulate settlement¹¹⁴. Instead, they try to push the Senegalese government to invest in pastoralism and to improve investments in infrastructure in the pastoralist Northern Central regions of Senegal to improve the framework conditions for an improved dairy value chain. This is linked to a set of fundamental human rights in terms of the right to education, health, water and living standards.

As mentioned, women are the main milk producers in the Fulani communities. They are represented by a number of national, regional and local organisations. DINFEL (Directoire National des Femmes en Elevage) is a federation of about 20,000 women members working in animal farming. The goal is to strengthen capacity building and financial investments. They have local offices in the 11 regions of Senegal. DINFEL is also represented on Le Conseil National des Maisons des Éleveurs du Sénégal (CNMDE).

In recent years, FAO has also been involved in building governmental framework programmes to support the dairy sector and to enhance food security and confront malnutrition issues¹¹⁵.

The Senegalese government has over the years been criticised for supporting investments in local milk production on a far too limited scale. Government measures have mainly been geared towards commercially profitable cash crops such as rice, tomato and onion rather than supporting the transformation of raw milk production and processing in order to achieve its objectives of food security, rural employment and integration into the regional market. Already in 2004, a report from FAO stressed the negative consequences of insufficient state or private investments as well as international assistance.

¹¹³ FAO, Gning, M. C., & Leonard, D. K., Trade, political influence and liberalization: Situating the poor in the political economy of livestock in Senegal, 2004.

¹¹⁴ Fieldtrip Billital Maroobe, August 2015.

¹¹⁵ Interview with FAO, August 2015.

During our stakeholder consultation process several critical points were raised towards the limited impact of government programmes. The arguments can be categorised into four main themes:

1. Insufficient investment in basic infrastructure (roads, electricity, water), which is a prerequisite for improved business opportunities both in regard to small-scale dairy farmers as well as commercialised dairy business.
2. Government programmes do not prioritise the dairy value chain. Focus has been on rice, tomatoes, onions and peanuts.
3. The government addresses dairy from an entirely technical approach. The government focuses on cattle, not on people. Cross-breeding programmes have been introduced together with vaccination, veterinary services and settlement. The programmes have been irregular and inconsistent and the impact is deemed to have been limited.
4. With a technical focus on a complex problem, capacity building in terms of organisation of small-scale farmers has been neglected. The programmes have been irregular and inconsistent and the impact is deemed to be limited.
5. Qualified research is required to identify needs and to evaluate impact of governmental programmes.

Stakeholders also raised critical points towards the potential negative impact of the low tariff on the development of local milk production. Since the government defines milk powder for industrial use as a social product and a fundamental necessity, the import tax is very limited. Seen from stakeholders' perspectives¹¹⁶, it means that imports of milk powder will continue to be massive and thereby pose a hindrance for local milk production to develop.

Arla's activities in relation to governmental programmes and regulations

The impact of the European Union Common Agricultural Policy (CAP) continues to spark controversy for its perceived impacts on third country markets¹¹⁷. Under the auspices of the Doha Development Round, the European Union was committed to fully repealing the use of export funds by 2013.

The European Union subsidies paid to the Arla farmers are direct payments decoupled from actual product and price. European farmers are today subsidised indirectly by the European Union agricultural programmes with an amount equal to €0.05/l of raw milk¹¹⁸.

As with other European dairy cooperatives and businesses, Arla has also benefited from the European Union's dairy sector reforms over the years, which have provided Arla with favourable framework conditions leading to a global competitive advantage. Efficient production methods, a well-developed infrastructure, high yields and well-implemented quality standards are among the characteristics of modern European dairy production.

¹¹⁶ Including FAO, ISRA, CERAD, Billital Maroobe and related farmers' organisations.

¹¹⁷ Revoredo-Giha, C., et al., The Impact of EU Export Refunds on the African Continent: An Impact Assessment, 2013; Green, D. & Griffith, M., Dumping on the Poor: The Common Agricultural Policy, the WTO and International Development, 2002; FAO, Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

¹¹⁸ Stated and confirmed by SEGES.

Since the abolition of the European Union milk quota on 1 April 2015, and with the Russian embargo together with the decrease in Chinese dairy imports, milk prices have decreased dramatically. By July 2015, the European Union weighted average milk price stood at only €29.70/100kg¹¹⁹. It is estimated that the end of dairy quotas will lead to nine billion litres of additional milk production in the European Union, which has led to a much larger external strategic focus from EU dairy companies, including Arla.

Imports from the European Union dominate the market for dairy products in Senegal¹²⁰, partly linked to the high level of consumer confidence in their safety and to regularity and attractive prices on milk powder.

In sum, it is in the context of:

- low import tariffs on imported milk powder,
- no import restrictions on milk powder,
- huge milk deficit between supply and demand,
- weak policy framework to support local dairy sector, and
- limited influence of the most vulnerable milk producers (the Fulani pastoralist) on policy processes

that Arla penetrates the Senegalese dairy market, building on a business model based on repackaging and distribution of imported European farmer milk. An essential component of Arla's business model is the linkage to the strong partner Attieh Group, which is a leading distribution and packaging company with a wide network of distributors and supermarkets in Senegal.

The weakness of the Senegalese dairy sector, together with rather insufficient governmental measures, mean that the local dairy sector is rather poorly placed to meet rising consumer demands and to compete against Arla in regard to price, quality, volume, sales and distribution.

Potential impact of Arla's activities on human rights

The question is then to assess what is the potential impact of Arla's business activities on governmental programmes and regulations and what does that mean for the fulfilling of human rights amongst small-scale dairy farmers and their dependants?

Governmental programmes and regulations are aimed at eradicating poverty, ensuring self-sufficiency and reducing a negative trade balance. The programmes and regulations therefore aim at fulfilling human rights in terms of the right to adequate living standards and the right to work, as well as the right to health, for the Senegalese small-scale dairy producers.

During our stakeholder consultation process, we systematically asked for their views on the impact of Arla's business model based on repackaging and distribution of imported milk powder, and how it is linked to the broader economic and political context related to the underdevelopment of the dairy sector in Senegal.

¹¹⁹ Agriculture and Horticulture Development Board, EU Farmgate Milk Prices, 2015: <http://dairy.ahdb.org.uk/market-information/milk-prices-contracts/farmgate-prices/eu-farmgate-milk-prices/>

¹²⁰ Ministère Du Commerce, De L'Industrie Et Du Secteur Informel & Centre de Recherches, d'Analyses des Echanges at Statistiques, 2013: http://www.commerce.gouv.sn/IMG/pdf/bulletin_juillet_13.pdf

The concerns can be categorised in four main interlinked concerns:

1. Arla's sales and distribution of industrialised, European milk powder of high quality standards might potentially outcompete local dairy products based on locally produced raw milk. Consumers have a preference for fresh milk but prefer European products due to food safety¹²¹. Therefore, Arla's increasing sale of milk powder at the Senegalese market might have a potential negative impact on local dairy farmers' ability to sell their dairy products based on local raw milk. This could lead to stagnation or decline in the income derived from the sale of locally produced dairy products and therefore lead to an adverse impact on human rights in terms of the right to adequate living, work and health.
2. Arla's sales and distribution of cheaper high quality and easy-to-store milk powder will potentially be a hindrance to a commercial and business oriented development of local dairy, since traders and industries will lose incentives to build their businesses on locally sourced raw milk. This again might have a potential negative impact on local dairy farmers' ability to sell raw milk to the industrialised and commercial dairy processing companies. This could lead to stagnation or decline in the income derived from sale of locally produced dairy products and therefore lead to an adverse impact on human rights in terms of the right to adequate living standards, work and health.
3. Arla's business model does not include investment in the local dairy sector and thereby Arla does not link to government programmes directly or push the government to further invest in infrastructure or improvement of regulative framework conditions. Therefore, Arla might be linked to continuation of rather insufficient government policies and investments and thereby add to the continued underdevelopment of the dairy sector in Senegal. This might have a potential negative impact on local dairy farmers' and their dependants' right to adequate living standards, work, health and education since the development of the local dairy production might tend to stagnate or even decline if investments in the dairy sector do not improve.
4. Arla's business activities are linked to a broader development agenda in Senegal and further into West Africa, since the availability of cheap imported milk powder might reduce the incentive for the Senegalese government to prioritise the development of the sector. The huge gap between supply and demand needs to be bridged in order to reduce the significant milk deficit in Senegal. The availability of cheap milk powder does not create a sense of urgency which could push the government to give the local dairy sector a higher priority on the political agenda. Even though the trade balance is negative, the import tax of 5% provides the state itself with funding. This might have a potential negative impact on local dairy farmers' and their dependants' right to adequate living standards, work, health and education since the most vulnerable amongst the dairy producers will still not experience any improvement, which could stimulate local production or improve market access.

The concerns raised by stakeholders in Senegal are in accordance with the number of reports as well as the views of civil society organisations, which argue that surges of imported milk powder are disrupting local markets with negative effects on prices, production and food security in rural areas.

¹²¹ Free University of Brussels, August 2015.

The scope of the assessment did not include a measurement of the actual impact of the significant import of milk powder on the ability of local farmers to sell their products, and no such data exists.

However, it is worth noting that a case study conducted by FAO in 2005¹²² raises some relevant questions. The study indicates that whereas the negative effects of import surges is clear on the poultry sub-sector, this is not the case when studying the effects of imported milk powder on domestic milk production in Senegal. One important reason was that the small-scale dairy processing units have been taking advantage of the imported powder as raw material to produce liquid milk for Dakar and some other major urban markets¹²³. At the same time, because of high transport costs and lack of facilities to transport fresh milk, domestic milk markets are rather segmented with no overlapping, either geographically, seasonally or by population segments, thus minimising the effect of competition with imported milk powder since the value chains are to a large extent separated¹²⁴. In addition, it is also noteworthy that the domestic production has in fact increased steadily over the past 10 years¹²⁵.

This is not to reject Arla's potential negative impact on the domestic dairy sector. In line with the 2005 study, it is fair to say that there are very few studies that analyse the actual negative impacts of imported milk powder relative to the widespread concerns on this issue. More empirical based studies are required to clarify the specific links between the massive import of milk powder, local conditions and the level of market integration.

Arla therefore also recognises that we need to further understand our part in the structural underdevelopment of the local dairy sector in Senegal, how we are linked to it and what is our role and responsibility in a political context of insufficient framework conditions for the local dairy sector to develop and benefit the most vulnerable producers, i.e. the Fulani pastoralist in the Northern Central regions with a particular focus on the vulnerability of women. In the long term there seems to be a potential discrepancy between Arla's expansion into the Senegalese market through sales of imported milk powder and the government's ambitions to eradicate poverty and enhance food security through development of the local dairy sector.

As Arla enters the Senegalese market and increases its market coverage over time, it is essential that Arla's growth in Senegal does not conflict with governmental intentions to support the development of the local dairy sector in order to eradicate poverty and ensure food security, which are related to the above mentioned fulfilment of human rights and are of crucial importance to small-scale dairy farmers and their dependants.

During our stakeholder consultation processes, it became clear that it is to an increasing degree expected from stakeholders, that Arla's business activities will be supportive of the overall local dairy sector development in order to create a win-win situation for the local dairy producers and for Arla as a business. Withdrawal is not an option, nor an answer, since other businesses and/or importers will just replace Arla's expected position in the market. Instead, Arla should look into business models that facilitate a beneficial co-existence between Arla's business and the development of the dairy sector, so that Arla's presence in Senegal does not hamper local dairy producers, which might have a poten-

¹²² FAO: Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

¹²³ This is exactly the case with Laiterie du Berger, which changed their business model to a mix of local raw milk and imported milk powder to ensure stability in production and sale, August 2015.

¹²⁴ FAO, Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

¹²⁵ Ministère Du Commerce, De L'Industrie Et Du Secteur Informel & Centre de Recherches, d'Analyses des Echanges at Statistiques, 2013: http://www.commerce.gouv.sn/IMG/pdf/bulletin_juillet_13.pdf

tial negative impact on the living standards, work and health of local farmers as well as for people employed in the emerging more commercialised part of the dairy value chain. As the Senegalese government has aspirations and operational programmes to develop local milk production and strengthen the functioning of local milk supply chains, it is important that Arla is supportive to the aims of these initiatives and programmes. This will address potential negative impact on human rights, contribute to a sustainable development and at the same time enhance our social licence to operate in the long run.

As a large international company, Arla might have the leverage to influence the Senegalese government and support policy development in a balanced and informed manner. In this way, Arla might have the opportunity to encourage the Senegalese government to improve the framework conditions for the dairy sector, thereby contributing to the co-existence of local milk production and imported milk powder.

This could include a structured dialogue with investors, government and local dairy producers with the purpose of identifying a policy framework and measures to ensure that European milk powder export strengthens, rather than undermines, the functioning of local milk supply chains.

This approach to dialogue and partnership is in accord with the engagement of Arla in The Milky Way to Development which from a human rights perspective aims at creating a space for dialogue, learning and co-creation in order to find innovative solutions to address potential negative impact and to build a sustainable development of the local dairy sector.

Raw milk production and processing

National context

Characteristics of raw milk production and processing

Senegal is facing a huge increase in demands for dairy products generated by demographic growth and an increasing consumer middle class. As previously mentioned, Senegal is the largest dairy importer in UEMOA (West African Economic and Monetary Union) and after rice, milk is the second largest food import. Powdered milk represents some 90% of imported dairy products since it is the basic raw material for the dairy industry, used for conditioning even by local companies¹²⁶. However, the gap between production and import has declined since 2000-2010. Domestic production grew 42.5% while imports grew only 5.4%¹²⁷. According to the article this is the result of the country's will to reduce its food dependency. It has been largely supported by three main factors: the establishment and progress of organisations like the Senegalese Management Association of Women in Livestock (DINFEL), the involvement of actors outside of the Fulani tribes in the dairy sector, and the tendency to adjust to the market situation through establishing production facilities that use both local sourcing and imported milk powder. All of these will be further discussed below.

¹²⁶ The market share of imported milk powder, its dominating position, and the possible relation to the underdevelopment of the local sector are the reasons why this particular product is the focal point of the assessment.

¹²⁷ Alternatives Economiques, L'agroécologie, la nouvelle <revolution verte>, 2013:
<http://www.cfsi.asso.fr/sites/www.cfsi.asso.fr/files/327bis-bdef.pdf>

In Senegal, over 30% of the population is engaged in cattle breeding, according to FAO statistics¹²⁸. The abundance of cattle, however, has not resulted in the development of a sustainable meat or dairy sector. A lot of the consumers face purchasing constraints due to low income. Furthermore, according to a report by Al Jazeera, there is very limited state funding in the primary production areas and no governmental facilities, health care or schools that can support the producers¹²⁹. FAO's country representative claims that local milk production faces further barriers such as lack of milk collecting centres and an efficient cold chain.

According to official statistics by the Institute of Research to the Ministry of Agriculture and Rural Equipment (ISRA), 70%¹³⁰ of the milk in the market is imported. To a large extent the sector is based on reconstitution of imported milk powder or its direct sales, even by small and medium-sized local companies.

Senegal has four main systems of producing milk¹³¹:

- pure extensive
- agro-pastoral
- intensive system
- powdered milk import-based industry

The extensive system is used by the Fulani pastoralists in the northern part of the country, which is a predominantly dry region and therefore provides further constraints to efficient cattle breeding. Pastoral milk production prevails in the northern central part of Senegal in the area of Fulani. It is based on pastoralist movement between the Senegal river valley and the Jolof area in search of water and pastures. According to relevant studies, the system accounts for 32% of the total cattle population in Senegal and about 38% of the national cow milk production¹³².

The agro-pastoral system is used in the middle and southern parts of Senegal and involves breeders and farmers, some of whom are from ethnic groups other than the Fulani. According to FAO, the aforementioned are involved in cattle breeding and in the dairy sector as they see the potential in terms of revenue and employment. Cows are mostly kept in one location and receive more feed on regular basis, thus having higher milk yields than in the pastoral system. The improved extensive system is characterised by better herd management and higher productivity, through cross-breeding in combination with improved housing and marketing of products. In addition to that, producers pay more attention to reproductive performance, animal husbandry and the integration of pastoral and agricultural activities. A research done by Knipps states that these improved systems are mostly located in the regions of Kolda and Tambacounda in the south of Senegal and comprise less than 1% of the national cattle herd.

¹²⁸ FAO. Country Profile – Senegal: <http://www.fao.org/countryprofiles/index/en/?iso3=sen>;
<http://faostat.fao.org/site/666/default.aspx>

¹²⁹ Aljazeera, Senegal dairy factory sustains tradition - Leveraging work of nomadic herders, local cooperative chips away at domination of imported powdered milk, 2014:
<http://www.aljazeera.com/video/africa/2014/01/senegal-dairy-factory-sustains-tradition-20141126444600543.html>

¹³⁰ Shared during a meeting with ISRA, August 2015.

¹³¹ According to ISRA, Senegal, August 2015.

¹³² FAO: Knipps, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006, page 29, referenced internally source DIAO, 2003.

The agro-pastoral system is commercially oriented with 75% of production being marketed in the dry season and 52% of the production marketed in the rainy season. In the dry season, the major part of the milk production is marketed through mini-dairies, while in the rainy season, when supply is abundant, it is sold directly to consumers¹³³.

The intensive system is used in the western part of the country where they have herds of cross-bred cows. More than 80% of the farmers in the western part of the country are located in the areas of Dakar. This type of system is primarily commercially oriented, and it is characterised by high inputs, especially feeds, the use of biotechnology to improve production, the employment of specialised labour and veterinary support. Cows have higher milk yields, but they comprise at most 1% of the national cattle population, according to the MAE, 2001. Presently, the majority of the intensive dairy farms in Senegal are located in the region of Dakar and the Niayes, but some are also found in the region of Theis¹³⁴. Due to the high costs of production, the profit margins in this system are low, hence, the producers need to find ways to diversify their production spectrum in order to be financially stable.

Types of actors involved in raw milk production

There are several main types of actors that are currently involved in production within the Senegalese dairy sector:

1. Fulani pastoralists, who are the traditional producers, mainly represented by women
2. Small to medium-sized entrepreneurs, involved in either production, processing, or both
3. Medium-sized dairy processing companies using a mixture of milk powder and locally produced fresh milk
4. Large-scale businesses

The Fulani tribe, also known in Senegal as Pulaar, is the ethnic group that is predominantly involved in cattle breeding, and hence milk production. This tribe is characterised by the pastoralist or nomadic way of life. This places them as a vulnerable group in regard to human rights¹³⁵, with a special focus being put on the women, who in traditional terms are responsible for the milk. Furthermore, family labour is quite common during the peak of the rainy season, when even the children can be involved in milk collection. A certain portion of the milk and the produced dairy products is left within the household for direct consumption and improved nutrition within the family¹³⁶. Disappointed over the lack of successful governmental interventions to improve their basic human rights, the Fulanis are raising their voices through organisations like the Billital Maroobe Network (RBM) and ActionAid to advocate more efficient political intervention measures¹³⁷.

¹³³ FAO: Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006, page 30.

¹³⁴ FAO: Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006, page 31.

¹³⁵ This is due to a mixture of factors, including but not limited to lower income, lower standard of living highly dependent on cattle and issues with their right to land.

¹³⁶ Meeting with Fulani women, ADENA Headquarters, August 2015.

¹³⁷ Meeting with Fulani women, ADENA Headquarters, August 2015.

As in most African subsistence farming, traditional milk production, processing and distribution in Senegal are largely dominated by women. While milk is considered as a by-product of cattle, income from milk and/or the share of milk in household diets makes up a substantial part of household income and constitutes a basis for daily survival. Women play the crucial role in taking decisions on food purchasing, and in feeding their families. As a result, a reduction in income from dairy is particularly harmful to family nutrition for the Fulani pastoralists. Billital Maroobe estimates that today some 60% of income for daily household expenses among the Fulani households derives from dairy. Due to the last two years of drought, the income proportion derived from dairy is estimated to be lower than before¹³⁸. Climate change and lack of market opportunities add to the vulnerability of the Fulani dairy producers. Despite the underdeveloped local production, processing and distribution opportunities, the sector represents an important component with great economic, nutritional and social implications for the people involved.

Smallholder milk is mainly used for home consumption and the surplus is processed into fermented milk and butter oil. However, the value chain from smallholder production in rural areas to shops in larger cities is weak at best. Specifically, fermented milk is only to a limited extent able to reach Dakar in good condition, because of bad infrastructure including poor roads and lack of refrigerated trucks. From the fertile areas in the Casamance, fermented milk is unable to reach Dakar due to the previously described difficulties regarding transportation from this region because of its location beneath The Gambia¹³⁹. There are a few existing milk collecting centres, placed strategically close to clusters of cattle breeders throughout the country¹⁴⁰. These however, have a fairly restricted capacity, and currently a high percentage are not functioning due to problems with equipment and its maintenance, or funding¹⁴¹. Improvements in the equipment and the cold value chain are necessary for achieving sustainable market coverage.

New actors in the dairy sector are now emerging, outside of the Fulani, and seeing the benefits of dairy. These are small to medium scale producers, often part of the agro-pastoral or intensive systems, placed in central Senegal, that are attempting to make a business case. An interesting point to be considered is the fact that there are a growing number of processing enterprises that use imported milk powder in addition to local sourcing, thus making a stronger business case by ensuring both quantity and price stability. Informal processing of powdered milk into fermented milk is dominated by men in the main cities and is structured around ethnic and family networks that operate in sourcing as well as selling the products and are either members of a cooperative, or have formed a tax-exempted private firm¹⁴². Small-scale dairies are developing as family-owned businesses or by cooperatives sourcing milk in both urban and rural areas. Formal processing of dry milk is by local NGOs or companies that transform the powder into fermented or pasteurised milk. The milk is then sold to middle and high-income consumers in sachets or containers.

Another type of processors using milk powder are the medium-sized dairy companies that transform powdered milk into pasteurised or fermented milk. And the third type are the key commercial players in the dairy sector, which include a large number of local companies such as SATREC and SAPROLAIT along with international companies such as FrieslandCampina, Laicran and (sofiex) President/Bridel.

¹³⁸ Billital Maroobe, August 2015.

¹³⁹ Parisse, M., Developing local dairy production: The Laiterie du Berger, Senegal, 2012.

¹⁴⁰ Mapping provided by representative of The Free University of Brussels.

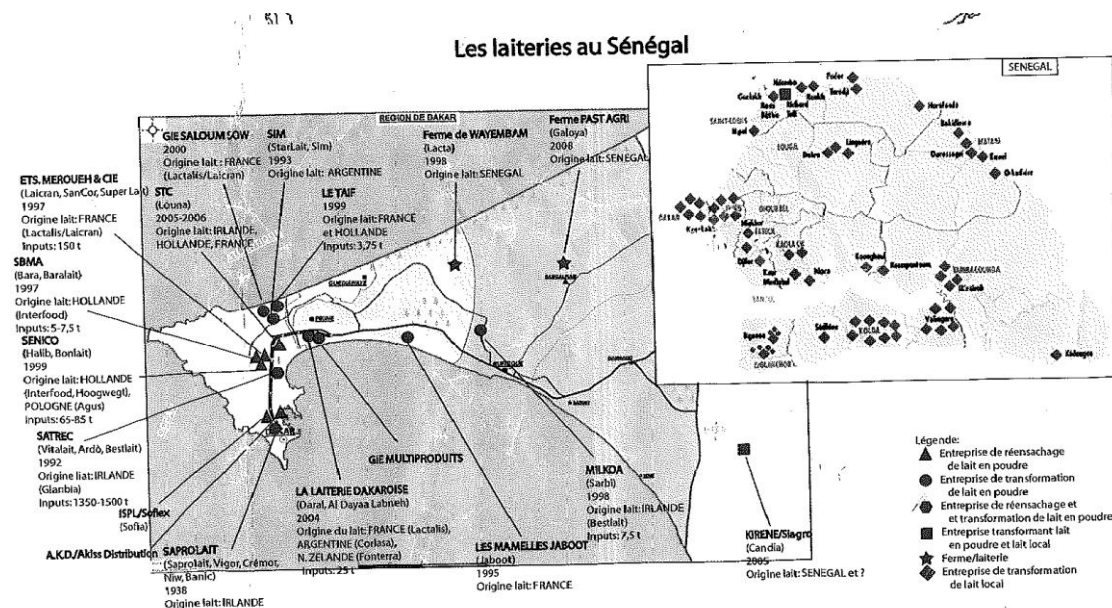
¹⁴¹ Milk collecting centre visit, outside of Dhara, Senegal.

¹⁴² FAO: Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006, page 29; referenced internally source DIAO, 2003, p.36.

Laiterie du Berger is still the only commercial dairy processing company in Senegal which is using raw milk from traditional herds¹⁴³. Laiterie du Berger produces and distributes products under the brand Dolima. It was deemed necessary to change the original business model, based entirely on local sourcing, since the business case was impossible to realise. The revised business model is now based on a mix of local sourced raw milk and imported milk powder in order to stabilise sourcing, processing and marketing. Laiterie du Berger is characterised as a social business and partly funded by Danone Communities¹⁴⁴. Nestlé operated a processing business from 1992 but decided to withdraw due to the difficult dairy landscape in 2003¹⁴⁵.

A crucial element, which has led to the growth in the domestic dairy sector, is the steady emergence of small dairies around the country.

Please review the dairy map below, exploring the dairies around Senegal:



¹⁴³ Aljazeera, Senegal dairy factory sustains tradition - Leveraging work of nomadic herders, local cooperative chips away at domination of imported powdered milk, 2014:
<http://www.aljazeera.com/video/africa/2014/01/senegal-dairy-factory-sustains-tradition-20141126444600543.html>

¹⁴⁴ Danone Communities, La Laiterie du Berger: <http://www.danonecommunities.com/en/project/la-laiterie-du-berger?mode=history>
<http://www.danonecommunities.com/en/project/la-laiterie-du-berger?mode=history>

¹⁴⁵ Felix, B., Africa Business – Senegal dairy firm bets the farm on cattle that roam, 2015:
<http://www.reuters.com/article/2015/03/09/senegal-dairy-idUSL4NOVM6OF20150309>

Capacity of actors

The dairy sector in Senegal faces a lot of structural barriers to its development. The challenges can be summed up as¹⁴⁶:

1. Low yield due to genetic potential for milk production from local cattle (White Fulani, milk is a by-product of cattle)
2. Inefficient pastoralist production methods (milk is a by-product of cattle, cattle are perceived as a bank rather than business, production is scattered, long distance to cities)
3. Limited success with cross-breeding
4. High cost of inputs (fodder, medicine, services)
5. Lack of access to processing facilities (cold chains, storage and processing) is a barrier to business development
6. Widespread cattle diseases and lack of veterinary services
7. Scarcity of water and breeding
8. Climate changes and increasing pressure on grazing land leading to increasing land conflicts
9. No legal framework to support cross-border cattle breeding
10. Lack of governmental investments in basic infrastructure (roads, water, electricity)
11. Lack of well-organised production and processing units (cooperatives)
12. Competition from import of milk powder (cheaper price, availability, regular delivery, higher food safety standards and easy storage)
13. Lack of standards and equipment for quality control of local fresh milk and milk products (consumers do not trust local fresh milk)
14. Lack of training of farmers and personnel to handle milk production and processing on a broad scale
15. Lack of access to credit and/or subsidises to support dairy producers
16. Lack of commercial players to source and process local produced raw milk in an industrial and safe way (no business case, lack of business investment to boost the sector)
17. Lack of sufficient investment in the dairy sector to stimulate dairy production
18. Lack of access to supermarkets with cooling facilities (limits the opportunity to sell fresh milk)
19. Huge gap between demand and supply (milk powder is needed to meet demand)
20. NGO-funded mini-dairies break down due to no money for repairing and investment (no sustainable business models to build up the sector)

¹⁴⁶ The list is based on literature review (see bibliography) together with systematic stakeholder consultation (see list of interviewees). The list is not prioritized.

Looking into the crucial issues, there are a number that come to the forefront and are hereby reviewed in more detail:

- In terms of quality control and food security, the results of this assessment show relatively low standards. Small-scale farmers do not have the capacity, technology or the resources to satisfy high health and safety requirements. Attempts, however, are being made. At the ADE-NA¹⁴⁷ headquarters we were able to observe local cheese production within the local small dairy sector. The staff has received external training and equipment through support from NGOs and are making steps towards improvement.
- Issues related to the right to land also have an impact on raw milk production. The pastoralist model, although embedded in traditions and cultures, does not allow for large-scale development with the current political landscape. It is important to note, that during the interviews with representatives of the Fulani, it was continuously said that the pastoralist way of life should be preserved and that government policy should be developed in support of that. The herds and their herders move around every day in search of fresh water and pasture, as well as undertaking a longer annual migration (pastoralist movement during the dry season). The low rainfall in this pastoral area directly influences the water table and the flora during the dry season (November to June). It also reduces the options for putting the land to agricultural use, which is why it has been referred to as an area with a “pastoral vocation”¹⁴⁸¹⁴⁹. Conflicts regarding grazing areas also arise, especially in the dry season when the herds move southwards. These differ in nature – on the one hand farmers involved in crop growing raise complaints regarding pastoralists entering and hampering their production. On the other hand, cattle breeders consider the continuously limiting of open areas for grazing as an increasingly serious concern¹⁵⁰. After meeting with a local farmer, part of the semi-intensive scale, working with cross-bred cows, who have settled, we could observe an improvement in living standards, employment and revenue¹⁵¹.
- One of the biggest constraints is the fact that raw milk production is season-dependent. The long dry season, which often results in having 150-300ml of rain per year, affects access to water, forage and hence, the quantities of milk produced. The milk yield from a cow in Senegal is up to 3-5 litres through two milkings per day during the rainy season if she is fed well. But during the dry season, this quantity can drop to as low as 500ml/day¹⁵². The vast majority of local milk is produced and sold during the peak of the rainy season (September-October). In 2006, 80% of all milk sold that year was produced and sold during these two months¹⁵³. This means that the lack of local milk is substantial during the rest of the year. Additionally, prices on milk during the rainy season are low due to the high supply, so even though there is abundance of milk during that period, the profitability margins are low. As a consequence of this oversupply, up to 80% of the milk sold by local farmers is at very low prices. This season-

¹⁴⁷ ADENA is an Association for the development of Namarel area in Senegal with a focus on livestock and dairy production.

¹⁴⁸ Area with pastoral vocations here refers to lands predetermined for grazing lands for nomadic cattle breeders.

¹⁴⁹ Parisse, M., *Developing local dairy production: The Laiterie du Berger, Senegal*, 2012; quotation by J-D. Cesaro, 2009.

¹⁵⁰ Bilital Maroobe representative, August 2015.

¹⁵¹ Cross-breeding farmer, Linguere Area, Senegal.

¹⁵² FAO: Fulani representatives, August 2015.

¹⁵³ FAO, Knips, V., *Developing Countries and the Global Dairy Sector Part II: Country Case Studies*, 2006.

ality poses a major constraint to dairies and processing enterprises that source locally and does not allow for appropriate price benchmarking. The volatility of supply does not allow for a stable business to be secured, hence a lot of companies are now relying on imported milk powder to fill in the gap in their processing capacities.

- Furthermore, production is highly localised and the infrastructural inadequacy, not only in terms of roads, but also cold chain and means of transportation and preservation of the milk products, make market accessibility difficult. During our field trip, we were able to see one of the few working milk collecting centres¹⁵⁴. The capacity was of a little over 3,000 litres, but some of the equipment was not functioning. According to the manager of the milk collecting centre they are facing a lot of problems, from electricity supply and maintenance to lack of testing equipment. Even with that, however, a small profit was being made from direct sales of the milk¹⁵⁵.
- The cattle used in dairy production also pose a barrier to development. As mentioned above, the milk yield from the local cattle breeds is low. This, in addition to the low calf birth rate – every 2-3 years instead of annually – is one of the key issues stated by the women’s organisation at ADENA¹⁵⁶. The cross-breed cows, the number of which is quite limited at the moment, can produce up to 15-16 litres of milk per day. After meeting with a local farmer, who has settled and has started a semi-intensive farm, we can conclude that this type of livestock requires settlement and regular access to food and water. This, as previously mentioned, entails higher production costs and bigger financial investment in order to receive sustainable profit in the long run.
- Access to health care for the cattle is also hampered due to the pastoralist nature of livestock breeding. According to Billital Maroobe representatives, veterinarians are often too far out of reach, and since the government is no longer providing sufficient support, this is yet another difficulty.
- A constraint that has been extensively addressed both by involved stakeholders and NGOs is the high cost of inputs (fodder, medicine, concentrate and services), the lack of trained hands in intensive systems of husbandry management and the problem of organising the systems to achieve the national goal even when it is planned for. The resulting shortage of fresh milk pushes up the price. The underlying competitiveness challenges mean that the local dairy sector is poorly placed to meet rising consumer demand¹⁵⁷ and local production cannot generate enough income with which to increase the supply on the market; this in turn feeds the growing trend of using milk from elsewhere¹⁵⁸.

¹⁵⁴ Most of the milk collecting centres are run with the support of NGOs and development projects related to dairy

¹⁵⁵ Milk collecting centre interview, August 2015.

¹⁵⁶ Interview, Women’s Organisation, Ferlo/Saint Louis Region, ADENA headquarters, August 2015.

¹⁵⁷ The global Forum for Agricultural research, GFAR, Executive Brief Update 2013: Dairy sector:

<http://www.egfar.org/news/imported/executive-brief-update-2013-dairy-sector>

¹⁵⁸ FAO; Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006, page 36.

Arla's activities in relation to raw milk production and processing

The total Senegalese dairy market is estimated to be €415m, equivalent to 75 kilotons, of which 30 kilotons are milk powder (40%). Senegalese people mainly consume milk in the form of milk powder or fermented milk. Only middle to high-income people in urban areas and the producers themselves consume fresh milk frequently.

Currently Arla is preparing to enter the dairy market in Senegal through the company Arla Senegal S.A., which is a joint venture between Arla and Attieh Group. Arla Senegal S.A. will handle packaging, marketing, sales and distribution of Arla products in Senegal, and is expected to be operational before the end of this year. Attieh Group is a leading distribution and packaging company with an established wide network of distributors and supermarkets in Senegal. The milk powder will target both the consumer market, as well as the industrial dairy processing companies.

The chosen business model relies entirely on repackaging, distribution and sales, with a facility based in the city of Dakar, thus employing people from the respective area. As the company will not rely on local sourcing and will not be involved in processing, there is no business link to local producers or small to medium dairies. The case where a link has been observed is with commercial dairy processors through sale to industries. This assessment does not explicitly address the potential future expansion of the portfolio with Lurpak[®] and Castello[®], as these are products targeting expatriates and upper class consumers with high-purchasing power, living in urbanised areas and therefore will not be in competition with domestic products from local milk¹⁵⁹.

What should be acknowledged is that the cumulative effect of imported milk powder may potentially hinder development of the local dairy sector's capabilities to offer dairy products at competitive prices in a long-term perspective. If a structured development policy is set by the government that fulfils adequate investment, reaching all the existing barriers that limit the production, the situation might differ in the long run.

Potential impact of Arla's activities on human rights

Seen in a human rights perspective, it is of utmost importance to reflect whether Arla's business model, based entirely on imports of milk powder, might potentially negatively impact human rights issues related to local dairy producers and processors.

Different voices rise when considering the effects of milk powder imports. On one hand the European Union subsidies discussed previously put international dairy companies in a favourable market position. According to representatives of Billital Maroobe, imports of powdered milk have slowed the development of the sector. Having a product that brings income directly to the state through import tax, which meets the demand of the market, has lessened the pressure for sustainable policies and support. This statement is given further weight by the lack of sufficient and consistent policy commitment for development. In this sense, it could be considered that Arla's activities are linked to a structural problem in the country's sector.

¹⁵⁹ Furthermore, this assessment addresses the current status of both the Senegalese dairy sector and Arla's operations. Conclusions on the potential expansion of the portfolio would be limited and based on a degree of speculation.

Furthermore, it should be acknowledged that the competitive pricing of imported milk powder may lead to hindering of the living standards of local producers, who already face difficulties reaching the market.

On the other hand, there is an understanding that imports are necessary in order to meet the demand in the market and that the rights and need for access to nutrition of the general population should be taken into consideration. Due to various constraints, including seasonality, higher prices and availability, in combination with lack of infrastructure and an efficient cold chain, it has been difficult for the local production to reach a sustainable level of growth. The section of the local market that has shown improvements in that aspect comprises the small to medium-sized enterprises that use a mixture of local sourcing and imported milk powder. According to market surveys and interviews with local dairy businesses, it seems almost impossible to base industrial or semi-industrial dairy production entirely on locally produced fresh milk. In that sense, these businesses are adapting to the market and benefiting from the opportunities it presents. Consequently, they can become key players in drawing informal milk producers into commercial supply chains. Furthermore, during consultation with stakeholders, it was shared that milk powder has a solid position in the market not only due to its availability and pricing, but also because it presents a healthy, safe and nutritious option, due to lower requirements for storage and longer shelf-life.

Taking all of the aforementioned into consideration and bearing in mind the observations made during this assessment, it became clear there is a range of human rights that should be considered in terms of the vulnerability of local milk producers, arising from milk powder imports. These are to be reviewed in terms of relation to Arla's activities.

Bearing this positioning, both in geographical and operational terms, there are no substantial indications found that at this stage it has had or may cause a direct adverse negative impact on¹⁶⁰:

- Right to work of Fulani farmers or small and medium-sized processors
- Right to adequate standard of living of Fulani farmers and their dependants
- Right to access to food of Fulani farmers and their dependants
- Right to health¹⁶¹
- Right to access to water
- Right to land

However, due to the market position and ambition of Arla, there are several potential linkages to human rights impacts that should be monitored¹⁶²:

- Right to work and just and favourable conditions of work:
Deterioration of working conditions for raw milk producers due to lessened incentive from the government to support the development of the sector.

¹⁶⁰ This includes a list of Human rights that have been the focal point of the assessment.

¹⁶¹ Unless recommendations for use are not kept. Milk powder should be mixed with pre-boiled/clean water and clean tools to avoid health safety risk

¹⁶² This is a preliminary evaluation and it constitutes a non-exhaustive list of potentially affected human rights.

- Right to an adequate standard of living:

Local producers being outcompeted due to unfair market position compared to international importers and thus forced to disengage from production, leading to a deterioration of living standards of raw milk producers due to inability to access the market. In addition the risk of reducing business incentive for commercial producers to source locally might negatively impact on the right to adequate living because it may affect the local producers' ability to improve their raw milk production and thereby income from selling raw milk.

- Right to access to food:

Limited ability to purchase food products that ensure higher nutrition levels due to lower income.

- Right to health:

The risk for negative impact on the right to health of local household members if any mitigation measures lead to reduced local consumption of milk.

Given the difficult sector landscape, the vulnerable stakeholders will need external support to ensure the advancement of their rights situation. However, a balanced solution is required in order to achieve both sustainable development in the long run, and meet the consumer demands at this stage.

Distribution and sales

Context

Characteristics of distribution and sales¹⁶³

There are various sales channels, which differ depending on the geographical area. In the big cities and urbanised areas, there are more and more supermarkets and small to medium-sized stores that are easily accessible to the majority of the urban population. However, it is estimated that direct sales and open markets still hold a large section of the food sales sector. The continued westernisation, growth in incomes, and development of modern retail channels, means that sales of dairy products are expected to perform better¹⁶⁴.

In rural areas, the local community and the local open markets are the primary sales outlets, which provide limitations for consumers both in terms of product storage, product range and availability.

There are two main categories of distribution and sales channels in Senegal:

- Formal or modern trade
- Informal or traditional trade

¹⁶³ Note that quantitative information is limited, as a large section of the sales are done through the informal channel.

¹⁶⁴ Euromonitor International, 2013.

In relation to local milk production, the formal channel encompasses direct sales to collection centres and/or industrial processors or mini dairies run either by cooperatives or entrepreneurs with the support from NGOs. The next step is for the milk to be transformed into other products such as pasteurised or fermented milk, cheese or yoghurt and reach the urban markets.

The formal channel mostly relates to imported products and in particular milk powder. This includes sales to industrial and small to medium processors, bulk retailers and supermarkets. These outlets are targeting the middle and higher classes of society and are predominantly selling imported products by international players, with the exception of local companies like Laiterie du Berger, which has substantial market outreach. Local marketing and sales are dominated by the presence of multinational companies such as FrieslandCampina, Promisador and Nestlé who capture the majority of the market.

When considering informal or traditional trade, it refers to direct or distributed sales in the rural areas. It is often on a door-to-door principle and covers a limited spectrum of consumers. If these are through informal sales to mini-dairies they reach rural markets and possibly even urbanised markets. There the sales are often through canteens which are one of the most common outlets for locally produced dairy in the urban areas. These small shops, designated specifically for selling the aforementioned, are the basic means for small and medium-sized producers to get their products to the bigger markets.

There is a wide range of dairy products that reach the different markets through the aforementioned channels:

- Fresh milk
- Yoghurt
- Fermented milk
- Butter and butter oil
- Pasteurised milk
- Cheeses
- Cream

Pricing:

There are no concrete estimates of the cost of locally produced fresh milk and dairy products in the informal sector apart from the pricing information we received during our interviews and field study. This is due to three factors: prices change depending on the season and the sales outlet (there is a strong devaluation of milk during the rainy season), and because the sales often are done in terms of bartering.

When considering the formal channel, locally produced fresh milk is still sold at relatively high prices – between CFA250-400¹⁶⁵ depending on the season and availability. This induces a competitive disadvantage compared to the lower prices of imported milk powder, which may be up to 1-2 times lower. Consumer purchasing power is a determining factor of dairy consumption, especially for the general population.

¹⁶⁵ Equals to 0.38 euro-0.61 euro.

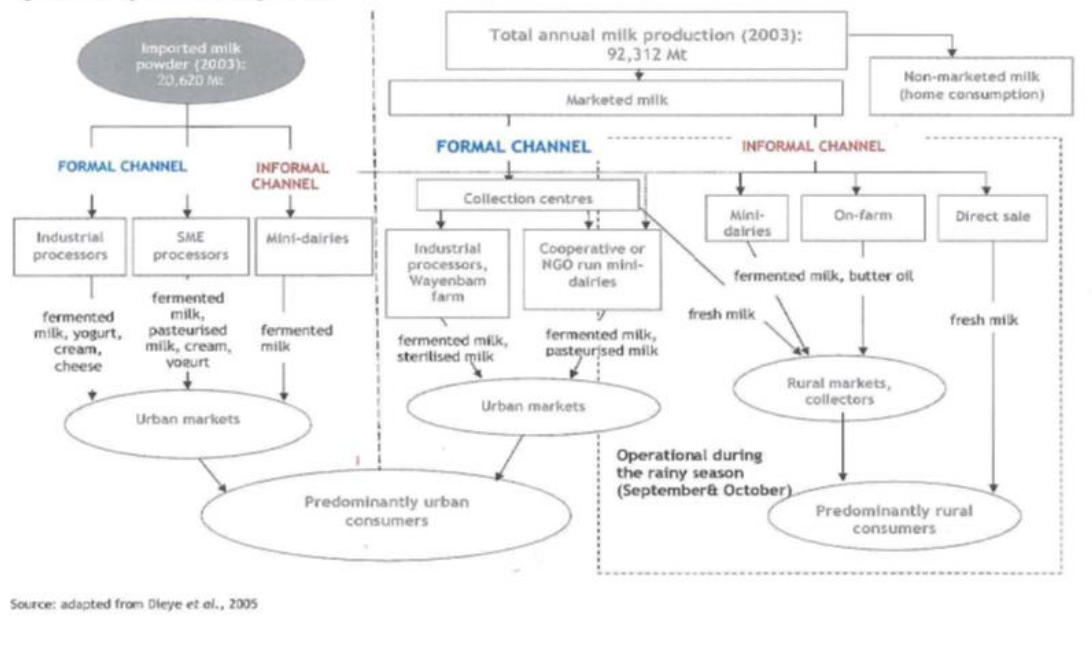
In Dakar for instance, a litre of fresh milk can easily cost 30-50% of a worker's daily earnings and a litre of reconstituted milk costs half the price¹⁶⁶. It is also important to note that, due to costs of transportation in the difficult infrastructural landscape and due to the limited availability of an efficient cold chain, prices of locally produced fresh dairy rise significantly by the point they reach the urban markets.

Consumer preferences:

There are differences in consumer preferences and a lot of factors that determine their choice. According to the CEO of Laiterie du Berger, the three reasons for a large portion of the population to choose milk powder over local milk are: health and safety considerations, availability and price. According to a relevant study¹⁶⁷, however, research shows that if available and affordable, local consumers would prefer locally produced products. Expatriates would, however, still largely rely on imported dairy, especially within the cheese category¹⁶⁸.

All of these are to be discussed in detail below. See the following table for a detailed review of distribution/sales channels¹⁶⁹.

Figure 15: Senegal milk marketing channels.



Source: adapted from Dieye et al., 2005

¹⁶⁶ Broutin, C., & Diedhiou, Y., Legislation on dairy products in Senegal note written in May 2005 - actualized in October 2010.

¹⁶⁷ Dieye, P., et al., Linking local production to urban demand: the emergence of small-scale milk processing units in Southern Senegal, 2005.

¹⁶⁸ Stakeholder interviews

¹⁶⁹ Please note that the sales volumes included in the graph are from 2003, hence they are outdated.

Types of actors involved in distribution and sales

There are four main types of actors involved in distribution and sales:

- Raw milk producers that sell directly to consumers at the local market or to neighbours, often in terms of bartering (Fulanis)
- Small to medium scale producers that are engaged either in direct consumer sales or sales to local dairies that use raw milk as part of their business.
- Small and medium scale dairies (on the bases of local milk and milk powder) that sell and manage to reach urban markets and even supermarkets.
- Large scale international players that sell milk powder, both pure and reconstituted, as well as a variety of dairy products.

Some of these are considered to be a part of the so-called informal distribution/sales channel.

When considering the Fulani farmers as actors in distribution and sales, there are several elements that need to be taken into consideration. First of all, women are the ones responsible for all milk processing and marketing, and for deciding on the quantity of milk to be sold or consumed by the family. Marketing is seen as both an economic and social activity as it involves the women selling directly to the community, often having a door-to-door approach, to the local dairies and to the local market. The range of products generally consists of fresh or fermented milk, butter, ghee, fermented milk mixed with millet and sometimes small quantities of cheese. The women use the money they earn to buy everyday necessities and sometimes to buy small ruminants. The revenue the women generate from their dairy products contributes substantially to their household income¹⁷⁰. The raw milk and its by-products are often transported on foot or on bicycles, thus limiting the product's shelf-life. Often, the fermented milk is not be able to reach cities like Dakar and will get spoiled on the way, thus hampering both volumes and profits.

In some instances, female intermediates are also involved in the process. These refer to “milk collectors” who collect milk from the producers and sell it directly to the market, or re-sell it to “mobile saleswomen”¹⁷¹, who then transport it to more attractive markets.

It is crucial to emphasise that according to several studies and our observations, if the production of milk reaches commercial levels and becomes a commodity, the responsibility over milk might be taken away from women and transferred to the men¹⁷². This increases their vulnerability as it limits their control over the income of milk as well as their right to work.

The Fulanis, through the support of NGOs and related small projects contributing to raw milk production, have access to a few cooling trucks that transport the milk from the Milk Collecting Centres (MCCs) directly to the big cities. A lot of these projects are targeting women, in order to also address the issues related to gender.

The small to medium scale producers that are engaged either in direct consumer sales or sales to local dairies that use raw milk as part of their business still represent a relatively small section. The

¹⁷⁰ Kristjanson, P., et al., *Livestock and Women's Livelihoods: A Review of the Recent Evidence*, 2010.

¹⁷¹ Kristjanson, P., et al., *Livestock and Women's Livelihoods: A Review of the Recent Evidence*, 2010.

¹⁷² Kristjanson, P., et al., *Livestock and Women's Livelihoods: A Review of the Recent Evidence*, 2010.

producers are again usually Fulanis, but also people from outside that ethnic group that see the potential of the dairy sector.

The aforementioned type of producer generally refers to farmers that are involved in extensive systems and in addition to cattle breeding in a settled manner, are diversifying their agricultural activities. These producers tend to have higher income and are able to cope better with some of the existing barriers, especially fodder and infrastructure.

There are several formal distribution channels and sales outlets currently active in Senegal. An emerging sales option is the supermarkets in the bigger cities. Since 2005, this segment has largely developed, in order to meet both the steady levels of growth in income and urbanisation and now it even includes expanding chains such as CityDia, which targets the middle class and the high-end shops of Casino. During our assessment, we conducted several market visits which showed a large variety of dairy products available with a relatively wide price margin. It should be noted that some of the stores are directly targeting the high-end consumer class, such as the supermarket chain Casino.

According to our observations, the products of the multinational dairy companies can be found even at local smaller open markets in smaller towns. Imported dairy products are supplied to the Senegalese market either through the retail channel, which imports mainly value added dairy products, or through the industrial channel importing milk powder. The retail channel is operated by agro-food companies, food retailers such as supermarkets and wholesalers (DAMAG, Chaîne de Distribution Alimentaire), as well as cooperatives¹⁷³.

Small and medium scale dairies that sell and manage to reach urban markets and even supermarkets are a key for the dairy market and its development. Having adapted to the market situation and benefiting from it, they combine local sourcing with the use of imported milk powder in order to achieve sustainable businesses and higher profit. Often buying milk powder in bulk and using it for reconstitution in combination with fresh milk, these producers have a rather diverse product portfolio and are able to have higher market coverage.

An example for the success of this method on a larger scale and one of the more prominent operators is the aforementioned Senegalese owned company Laiterie du Berger. Established as a sustainable business, it is based on both local sourcing and milk powder reconstitution. In 2008, Emmanuel Marchant, Deputy Manager at Danone Communities, explained that Bagoré has developed a business that is viable, and within which Danone may contribute in the areas of distribution and marketing, to improve it with more than 650,000 litres of milk collected in 2010¹⁷⁴. During our interview with the owner of the company, it was revealed that they have had to restructure their business from pure local sourcing to a mix of local sourcing and imported milk powder, as due to the various constraints in the sector, profit could not be made, nor sustainable supply ensured.

According to sources, the milk collection involves five vehicles loaded with hundreds of numbered plastic containers. Outside town the vehicles veer on to tracks through the scrubland, driving around 200km (125 miles) between settlements to exchange empty containers for ones filled with milk^{175,176}.

¹⁷³ FAO, Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006.

¹⁷⁴ Danone Communities. La Laiterie du Berger: <http://www.danonecommunities.com/en/project/la-laiterie-du-berger?mode=mesures>

¹⁷⁵ Danone Communities. La Laiterie du Berger: <http://www.danonecommunities.com/en/project/la-laiterie-du-berger?mode=mesures>

¹⁷⁶ FAO: Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

The milk is then transported to the factory and used in a large variety of products that have a substantial market reach and high consumer coverage.

However, this strategy of including local sourcing has not proven that successful for Nestlé. Between 1992 and 2003, the food giant operated a processing business in Senegal that included local sourcing, but it shut due to high collection costs and competition from cheap powdered milk imports. A Food and Agriculture Organization's (FAO) report said¹⁷⁷. The strong seasonality, prices and poor infrastructure proved to be a major obstacle for the profitability of Nestlé's investment. The collected fresh milk never constituted more than 1% of the factory's milk input and in 2002 they decided to withdraw from milk collecting in the pastoral area¹⁷⁸.

In that sense it is important to review both the capacity of those involved and the existing barriers.

Capacity of actors

The Senegalese population predominantly consumes milk powder or fermented milk. Only middle to high-income urban dwellers or the producers themselves consume fresh milk frequently. Consumer purchasing power is a determining factor of dairy consumption, especially outside of urbanised areas. Low income levels are a major obstacle to the access to and diversification of dairy product consumption. For instance, according to relevant research, in the region of Saint-Louis the majority of milk products are unaffordable for regular consumption for the great majority of consumers, the exceptions being milk powder and fermented milk¹⁷⁹. The results of a consumer survey conducted by a PhD student show a different picture regarding the bigger cities in the west, including Dakar. The survey shows that preferences there lay predominantly in terms of health and safety, quality and storage properties, with an overall support for domestically produced goods, if they satisfy the aforementioned criteria¹⁸⁰.

However, the value chain from smallholder production in rural areas to shops in larger cities is weak at best¹⁸¹. Distribution and sales are often done on regional level, reaching only the neighbourhood and/or the very local market. For instance, from the fertile areas in the Casamance, fermented milk is unable to reach Dakar due to the previously described difficulties. The very few existing cold trucks, the poor infrastructure and the limited capacity of the milk collecting centres are factors that pre-determine both the distribution and sales opportunities.

For raw milk producers that sell directly to consumers at the local market or to neighbours, often in terms of bartering, and the small to medium scale producers that are engaged either in direct consumer sales or sales to local dairies that use raw milk as part of their business, there are two levels of capacity.

On the one hand, both distribution and sales are very limited. Often done through door-to-door sales, sales at the local market and neighbourhood canteens, located in suburbs rather than in the centre of the cities, are made by foot or on bicycles, usually within the same day in order to avoid product spoil-

¹⁷⁷ Felix, B., Africa Business – Senegal dairy firm bets the farm on cattle that roam, 2015.

¹⁷⁸ Felix, B., Africa Business – Senegal dairy firm bets the farm on cattle that roam, 2015.

¹⁷⁹ FAO, Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006. (Corniaux, 2003).

¹⁸⁰ Consumption of Dairy products in Senegal: eating habits and selection criteria, The Free University of Brussels.

¹⁸¹ Dieye PN., C Ly & Sane F.C.N, Etude des service d'élevage dans la filière laitière au Sénégal, 2005.

ing. Across Senegal's interior, particularly in the agro-pastoral zone, the distance between the producer and market poses serious problems for the sale of milk. During the interviews at the ADENA headquarters, the capacity and outreach of the local producers was discussed.

The sales of milk at the local market primarily consist of four products – fresh milk, yoghurt, fermented milk and butter. Right now, fresh milk is sold directly to the local dairy, where it can be transformed into traditional cheese and yoghurt, which is sold at the market. In accordance with tradition, the fresh milk would not be generally sold, but consumed within the household, offered to the guests, or left for the calves. When we are talking about products that reach the market, to a higher extent, the main products are yoghurt, fermented milk and butter. Profit margins for milk are high but isolated producers can face problems of market access. Depending on the mode of transportation, transport costs vary between €0.02 in Kolda, where plastic cans and bicycles are used and nearly €0.23 for transport in cooling trucks¹⁸². On the intensive farms near Dakar and Thies, 65% of daily revenues from milk sales are spent on fodder¹⁸³.

A lot of the time the sales of the aforementioned are in terms of bartering, with two main pricing schemes depending on the season¹⁸⁴:

- During the dry season, one spoon of milk or butter would be exchanged for one spoon of cereal.
- During the rainy season, two spoons of milk would equal one spoon of cereal. In the case of butter, three spoons of the products would earn one spoon of cereal. If the bartering system is not used, according to our interviewees, five litres of yoghurt would cost the customer CFA250 and CFA200-2000. The devaluation of dairy during the rainy season becomes clear here.

These estimations and approach to sales are an indication of the existing limitations of availability and seasonality, which predetermines the market opportunities and levels of sales.

On the other hand, with the support of NGOs and small governmental programmes, some of the women involved in the dairy sector are now increasing their capacity, both in terms of production through improved equipment and education, and improvements of the cold chains. A few mini-dairies also source their milk through this channel, profiting from the low prices for milk during the rainy season. These second-degree resellers often accumulate a large quantity of milk, which they can then supply to mobile saleswomen who transport it to more attractive markets after having transformed it into fermented milk. Mini-dairies run by women source their milk through contract farmers. These small processors or pasteurisers generally operate with the support of NGOs or development agencies¹⁸⁵. This is specifically true for the members of the DINFEL¹⁸⁶ organisation.

¹⁸² FAO, Knips, V., *Developing Countries and the Global Dairy Sector Part II: Country Case Studies*, 2006.

¹⁸³ FAO, Knips, V., *Developing Countries and the Global Dairy Sector Part II: Country Case Studies*, 2006.

¹⁸⁴ Meeting with Women's Association, ADENA headquarters.

¹⁸⁵ Graham, A. et al., *CSO Monitoring 2009-2010 "Advancing African Agriculture" (AAA): The Impact of European's Policies and Practices on African Agriculture and Food Security*.

¹⁸⁶ Senegalese Management Association of Women in Livestock.

According to reports, there are approximately 25,000 women trained to be able to process and market their milk throughout the country. With the support of farm state services, this network of women, increased from five to 50 dairies, has gradually structured and modernised¹⁸⁷.

The Head of Office of Milk to the Ministry of Livestock acknowledges the improvement and the transition from door-to-door sales of fermented milk, to production of sour milk, yoghurt and artisan cheeses in compliance with hygiene standards, and mastering the cold chain, trafficking to final commercialisation¹⁸⁸. This might lead to an improvement in living standards, health and the right to work.

However, a point has been raised regarding the effects of "commercialisation" of milk and the following erosion of women's traditional control over milk products, thereby decreasing their power within the household. According to a study on the case, with greater integration of the Fulani in commercial markets, men have been taking over the milking of animals from women, with large consequences for the women and their households. This change in the division of labour, with men taking over the milking role, reduced women's access to milk and thus to dairy income, thereby diminishing their ability to control the welfare of their matrifocal household units under polygamous relationships¹⁸⁹. This is an interesting point to review in the long run, especially since women are a specifically vulnerable group. If an increase in that vulnerability occurs, it could have severe negative impacts on their human rights and position in society.

Unfortunately, due to infrastructure constraints, we did not manage to observe the section of small and medium scale dairies (on the basis of local milk and milk powder) that are involved in direct sales and manage to reach urban markets and even supermarkets. However during our meetings and through desk research, we acquired information for one of the key players in the Senegalese market that uses a mixture of milk powder and local sourcing, Laiterie du Berger. The company markets pasteurised milk, yoghurt, fresh cream and sour milk under the brand name Dolima, which means "Give me more" in Wolof, Senegal's national language. It does not publish results but the CEO says sales have climbed from CFA250m francs (€391,105¹⁹⁰) in 2007 to CFA2.2bn CFA francs (€3.47m¹⁹¹) in 2013¹⁹². It is now the number two dairy producer in Senegal behind Sapolait, which uses imported powdered milk, but success has not come easy. According to the head of collection, two or three of the cold trucks are able to collect an average of 1,500 litres of milk per day from Fulani herders living on isolated farms. For these groups, placed in a relatively dry environment, delivering the milk and ensuring a stable collection is a challenge.

In areas where pasture is lacking, or during extensive dry season, pastoralists are forced to leave the region, depriving the local plant sources. As a result of this struggle, in 2010, after the Laiterie du Berger had been in operation for four years, 40% of the respondent farmers no longer migrated their dairy cows, and a further 37% no longer migrated at all. According to a review of the company's impact in the region, its arrival enabled these farmers to find a buyer for their production at a period – the rainy season – when it had no commercial value¹⁹³. However, due to the still limited capacity of producers,

¹⁸⁷ Alternatives Economiques, L'agroécologie, la nouvelle <revolution verte>, 2013: <http://www.cfsi.asso.fr/sites/www.cfsi.asso.fr/files/327bis-bdef.pdf>

¹⁸⁸ Alternatives Economiques, L'agroécologie, la nouvelle <revolution verte>, 2013: <http://www.cfsi.asso.fr/sites/www.cfsi.asso.fr/files/327bis-bdef.pdf>

¹⁸⁹ Kristjanson, P., et al., Livestock and Women's Livelihoods: A Review of the Recent Evidence, 2010.

¹⁹⁰ Equal to \$431,466.

¹⁹¹ Equal to \$3.83 million.

¹⁹² Parisse, M., Developing local dairy production: The Laiterie du Berger, Senegal, 2012.

¹⁹³ Parisse, M., Developing local dairy production: The Laiterie du Berger, Senegal, 2012.

and problems with availability of veterinary services, fodder, etc., the company has had to introduce mixing in order to be profitable and thus continue its way to receiving its current status as a sustainable business. This is a decision that a lot of small and medium scale dairies have had to make and now they have the potential to both ensure their adequate standard of living and right to work, as well to be involved in the development of the sector, through increase in local sourcing in the future.

Finally, key players in the market are international companies, involved in imports of dairy products, especially milk powder. These have higher capacities in terms of volumes, availabilities, affordable prices, marketing and health and safety considerations. The limited infrastructure is one of the key constraints for these businesses as well, as it makes reaching rural markets difficult. However, their overall favourable market position has raised concerns regarding unfair competition and linkage to the underdevelopment of the sector in Senegal. These are to be discussed below.

Overall, the local dairy sector faces a string of limitations in terms of distribution and sales, with their effects depending on the scale of production:

- Lack of a sustainable and efficient cold chain is one of the determining factors
- Lack of stable affordable electricity
- According to the PhD student, the biggest constraint comes from the lack of refrigerated facilities in the small stores and kiosks, hence storage is limited and shelf-life of the fresh products is short
- Seasonality and instability in supply
- High transportation costs
- Competition in terms of final price and availability
- Limited market reach, often localised

A sustainable, comprehensive and long-term approach from the government and related stakeholders will be necessary in order to overcome these limitations and effectively support the sector.

Arla's activities in relation to distribution and sales

Arla has been present in the Senegalese market through a very limited amount of distributor sales. Now, Arla Senegal S.A., the joint venture company between Arla and Attieh Group will handle packaging, marketing, sales and distribution of Arla products in Senegal, and is expected to be operational in early 2016. The company will be based in Dakar, which provides the company with the opportunity to reach a large number of consumers and key markets not only in the area, but around the country.

The product available initially will be milk powder that will target both the consumer market through variations in packaged volumes, including small sachets, thus providing product and brand variety at affordable prices, as well as the industrial dairy processing companies through supply of bulk packs. An expansion of the portfolio with high-end brands such as Lurpak[®] and Castello[®] is an option in the long run, depending on market conditions and consumers.

Distribution will be entirely by the partner Attieh Group through their distribution company Agroline, which is a leading distribution and packaging company with an established wide network of distributors and supermarkets in Senegal. Hence, there will be a variety of sales outlets for the products. The key one will be the chain CityDia, which targets medium class consumers. In addition to that, it is expected that the products will be available at the kiosks at local markets as well as canteens and specialised shops. Sales for dairy processing companies will be implemented directly, thus ensuring product availability for a key section of the Senegalese dairy market.

In terms of the marketing strategy for Arla's products, the commitments expressed in the Code of Conduct will be respected, including but not limited to clear labelling with ingredients and nutritional value, to help consumers make well informed decisions. Recommendations on use of pre-boiled water in mixing the products, in order to avoid negative impact on health are included on all packaging.

During the activation process, general advice on health and product information will be provided, as well as dry samples. The communication during 2016 will be focused on good food habits, as per the global guidance.

All marketing and sales are also to be in accordance with the national regulations and in bona fide.

Potential impact of Arla's activities on human rights

The main question to be assessed in terms of human rights is whether Arla's increasing distribution and sales of milk powder have a potential adverse impact on local farmers' and their dependants' livelihood? Does milk powder compete on unfair terms with locally produced fresh milk or local dairy products? We consider these to be the focus of the assessment as the possible future expansion to high-end products targeting consumers with high purchasing power and expatriates, would not be in direct competition with locally produced products.

The competitive advantage of milk powder has raised concerns among stakeholders in Senegal. We met with, among others, Billital Maroobe who are arguing that the lack of government investment in the dairy sector and adequate support policies have resulted in lower competitiveness of the local farmers. They believe that government does not have the incentive to invest in the sector since there are sufficient cheaper products available at the market to satisfy the present milk deficit. This argument is supported by researchers and NGOs, who argue that the 70% market share of powdered milk means that local producers are kept at a lower level. According to a study by the FAO, segmentation of urban and rural markets appears to be an important issue in assessing impact; it may be high in localised commercial markets, but much less in rural areas. This fact raises issues concerning the competitiveness of domestic producers in supplying growing urban markets, and in particular for further processed products¹⁹⁴.

¹⁹⁴ FAO Commodity and Trade Policy Working paper No. 11, The impact of import Surges: Country case studies for Senegal and Tanzania; 2005.

In the literature, import surges are often associated with unfair trade practices, notably export subsidies. However, interviews with various stakeholders and the analysis of the available data presented in the FAO Commodity and Trade Policy Working paper, show that this was not the case. Due to high transport costs and lack of the facility to transport fresh milk, domestic milk markets are most probably segmented, thus minimising the effect of competition with imported milk powder¹⁹⁵.

Others argue that small farmers' milk production activities are not market driven. Milk is a side product of cattle breeding, and it is only what is not consumed domestically that reaches the market. The sector is in need for entrepreneurial farmers to develop it to a more competitive level¹⁹⁶. An example is the small to medium scale producers who have adapted to the market and are currently using a mix between imported milk powder and local sourcing. This, however, is not to state that there is no future for the traditional dairy production.

The way to break the patterns seems to be either governmental or industry investments in development market opportunities, training and equipment provision and the establishment of efficient cold systems for locally produced milk to reach the markets and or the dairy industries.

Taking all these statements into consideration and the results of this assessment, it has to be stated that the relationship between Arla's activities and the local sales and distribution in Senegal is complex. Although at this stage it would not put the company in direct competition with local raw milk producers due to the scale and capacity of production, it may be linked to stagnation of their sales to the small local enterprises that use imported milk for conditioning and mix it with locally sourced products. These will not have the incentive to increase the quantities of milk that they source locally.

Furthermore, through consultations with potentially affected and related stakeholders in Senegal, concerns are raised that Arla's business model, based on sales and distribution of imported milk powder, is an part of the systemic factors that contribute to a continuous underdevelopment of the sector and to disinvestment, and thereby indirectly and potentially impacting negatively on the people who are involved and dependent on economic and nutritional income from raw milk production. On the other hand it must be considered that bulk retailers that rely on imported milk powder, as well as the medium scale producers that use reconstituted milk powder, would have a hard time to ensure their human rights to work, and adequate standard of living if the market conditions become too unfavourable for imports.

Furthermore, access to cheap nutritious food especially among the poorest is crucial to ensure poor people's rights. The poorest people – at the base of the pyramid – often suffer from “poverty traps” meaning that even if they have a small amount of money they are unable to buy products and services to acquire an adequate standard of living as some products and services are only sold in large portions or require a payment plan. Catering to this segment through sales of small packages of nutritious milk powder in the informal sector may have a positive impact on Senegalese society. Arla will have high market coverage and provide milk powder at reasonable prices that are affordable for the poorest segment of the population, without seasonal limitations. However, we acknowledge that any positive human rights impacts will not offset any negative impacts related to Arla's activities in Senegal.

¹⁹⁵ FAO Commodity and Trade Policy Working paper No. 11, The impact of import Surges: Country case studies for Senegal and Tanzania; 2005.

¹⁹⁶ Discussions with researchers and NGOs.

Respecting the complexity of the issue and taking into consideration the different voices in this debate, Arla has identified linkages to the following potential human rights impacts that might occur in the long run if the conditions of the local market do not improve:

Right to work and just and favourable conditions of work; right to adequate standard of living; right to health.

- Arla's sales and distribution of industrialised, European milk powder of high quality standards might potentially have an impact on local dairy products based on locally produced raw milk. Consumers prefer fresh milk but prefer European products due to higher food safety¹⁹⁷. Therefore Arla's increasing sale of milk powder into the Senegalese market might have a potential negative impact on local dairy farmers' ability to sell their dairy products based on raw milk for as long as local products are considered less safe by the local consumers, thus potentially contributing to stagnation or decline in the income derived from sales of locally produced dairy products.
- Arla's sales and distribution of high quality and easy-to-store milk powder might potentially be a hindrance to a commercial and business oriented development of local dairy, since traders, small entrepreneurs and industries will lose incentives to build their business on locally sourced raw milk.

¹⁹⁷ Interview with the Free University of Brussels, Senegal, August 2015.

Conclusion

Arla has announced two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to fulfil its growth ambition in Sub-Saharan Africa. The abolition of the European Union milk quota in April 2015, together with the development of world milk market conditions, pushes further to this strategy.

As part of Arla's commitment to the UN Guiding Principles on Business and Human Rights, the company has the responsibility to respect human rights, which requires due diligence including assessing and addressing our actual and potential adverse human rights impacts. The purpose of Arla's first human rights assessments is therefore to identify whether Arla's activities potentially cause, contribute or are linked to a deterioration of working opportunities, working conditions and adequate living standards for local farmers who depend on raw milk production, processing, distribution, marketing and sales of dairy products.

The methodological framework is developed by the Danish Institute for Human Rights. It builds on a mix of methods involving field study, desk research and systematic stakeholder consultations. We acknowledge that there are limitations to the results of the assessment due to scope, the number of consulted stakeholders, the availability of data and the time-span of the research. Our findings show that the aim of including stakeholder consultation processes on location in Senegal has added significant value to the validity of the assessment. Together with field studies in the local communities of the Fulani dairy farmers potentially affected by Arla's business, and their active involvement in the generation of data, this method has provided the assessment with essential data and understanding of the conditions "on the ground", which could not have been obtained through desk research alone.

The assessment has been conducted by Arla's internal Corporate Social Responsibility team. Due to the risk of potential bias involved, the assessment has been sent for consultation to ActionAid Denmark, Care Denmark and the Danish Institute for Human Rights as well as to internal experts in Arla. It appears that this consultation process has been of utmost importance to the quality of the assessment and will be further integrated into future human rights assessments.

Together with the human rights assessment in Senegal, this assessment is the first of its kind in Arla. As Arla continues to enter new markets, we are obliged to conduct human rights due diligence as an integrated part of our business development process. This approach of assessing and developing action plans to manage our human rights impact has paid a significant contribution to build Arla's in-house competences on human rights. Furthermore, we find that the methodological framework is applicable to other markets where it is deemed necessary for Arla to conduct in-depth human rights assessments related to the market effects of milk powder import.

Based on an extensive review of studies, it appears that both current thorough statistical information, as well as up-to-date studies on the dairy sector in Senegal is limited. Considering the widespread concern regarding the negative impact of imported milk powder, it is of crucial importance that more research based in-depth country-level studies, estimating the actual impact of milk powder import on the segmented and underdeveloped markets, need to be conducted.

During the course of this assessment, it was found that the Fulani pastoralist farmers and the women in particular, are amongst the most vulnerable groups within the Senegalese society. Moreover, they are particularly susceptible to challenges in the dairy sector and are its most vulnerable actors. Depending on nomadic or semi-nomadic pastoralist movements to provide fodder and access to water for their cattle, they are faced with various constraints that influence their basic human rights. Their right to land is often undermined due to increasing urbanisation and lands being designated for agricultural use.

In addition to that, the Fulani people in Senegal in their strive to preserve their pastoralist way of life, often suffer from lack of access to water, health services and adequate standard of living. Committed to cattle breeding and, hence involved in the production of milk, they are entirely dependent on the sector for their working conditions and income. Again, this is particularly relevant for the women, who are responsible for the milk production, distribution, sales and the income from the products. In order to secure the aforementioned, there is a list of prerequisites that need to be in place, including ability to improve milk yield and storage, sustainable cold chain, efficient infrastructure and access to market. These, however, are currently extremely underdeveloped, thus putting pressure on the Fulani's capabilities.

The assessment has indicated that all of these structural barriers prevent the Fulani from increasing their potential within the sector. Currently involved mainly in the informal channel, or traditional trade, they are a secondary player in the existing rather segmented market for dairy products. In addition to their existing vulnerabilities, their disadvantage in terms of competition with medium to big national and international actors, especially when considering cheaper imported products such as milk powder, amplifies their existing vulnerability.

The assessment has shown that governmental programmes aiming at developing the dairy sector have mainly been directed at stimulating the production part of the value chain rather than investing in distribution and sales. Lack of investment in infrastructure to support Fulani pastoralism means that the Fulani dairy farmers have not experienced a sufficient increase in income from raw milk production and processing, since market access is still far too limited. The need for investment in the value chain is vast and even small-scale investments in sales and distribution have the potential to improve livelihoods.

The current tariff rate on milk powder in Senegal is relatively low in order to secure affordable, safe and nutritious products for the population and closing the gap between increasing demand and local supply. In the coming years, it could be expected that the government would initiate further measures to regulate import and stimulate the local dairy sector. However, it can be concluded that such measures are only applicable if they are consolidated by support policies and measures to develop local production and collection.

As with other European dairy cooperatives and businesses, Arla has benefited from the European Union's dairy sector reforms over the years, which have provided Arla with favourable framework conditions to develop its dairy business. Together with stiff competition amongst European dairy companies, Arla has achieved a global competitive advantage. The relative weakness of the Senegalese dairy sector means that it is still rather poorly placed to meet rising consumer demands and to compete against imported milk powder from Arla in regards to price, quality, volume and regularity, as well as sales and distribution channels. As a result, there is still a huge gap between increasing domestic demand for dairy products and local supply in Senegal even though Senegal has experienced a steady growth in domestic milk production since the beginning of 2000.

The challenges which the Senegalese dairy sector is facing are to a large extent linked to inadequate governmental policies and regulations with consequences for the human rights impact on those involved.

It can be concluded that widespread concerns regarding Arla's business model based primarily on import of dairy products and the potential adverse impact on the domestic dairy sector, were raised internationally and expressed also by stakeholders in Senegal. A number of potential Human Rights impacts have been identified:

1. The linkage to structural underdevelopment of local dairy and to a possible lessened incentive for the government to increase investments might have a potential negative impact on the right to work and an adequate living for small-scale dairy farmers and their dependants.
2. The risk for reducing the business incentive for commercial producers to source locally might impact the right to adequate living because it may affect the local producers' ability to improve their raw milk production and thereby income from selling raw milk.
3. The risk of outcompeting locally produced fresh milk might have a potential negative impact on the right to adequate living because it could potentially lead to stagnation or decline in household income for local dairy farmers and their dependants.
4. The risk of negatively impacting on the right to adequate living standards and the right to health among Fulani female dairy producers and household members, especially children, if any mitigation measure leads to milk becoming a commodity and therefore might change the property rights of women over the milk. A vast proportion of household income is derived from dairy and spent on the well-being of children. If the property rights change to men there is a potential risk that the income will no longer be distributed within the household for the benefit of the nutrition and education of children.

This assessment indicates that Arla's future business activities in Senegal are not likely to directly cause or contribute to negative human rights impacts on the local dairy farmers or their dependants. This is because Arla will not be directly involved in the raw milk value chain through its business activities and because of the high degree of market segmentation in the Senegalese dairy sector.

The assessment has revealed that import of dairy products from Europe is only part of the challenges facing the dairy sector development in Senegal. This is not to neglect a potential adverse impact on Arla's future sale of imported milk powder, it is more to stress that import of dairy products is linked to the underdevelopment of the local dairy sector in Senegal in a broader perspective. One aspect is that the government incentive to invest in the sector might be lessened due to the easy availability of imported products, lower prices and the urgent need to meet local demands that might substitute sourcing of locally produced raw milk.

Arla's business model based on repackaging, sale and distribution of imported milk powder will, therefore, be an integral part of the complex systemic factors that contribute to a continuous underdevelopment of the sector. The easy availability of imported milk powder might amplify difficulties, and thereby is potentially linked to the adverse human rights impacts on the dairy farmers involved in, and dependent on, income and nutrition from raw milk production and sales. In the case of Senegal, the scale of adverse impact on small-scale pastoralist farmers and their dependants might be lessened, though, due to the segmented market characteristics and due to the local dairy sector's ability to adjust to a steadily increase in milk powder imports over the years.

Furthermore, Arla might be linked to the lack of direct investment in the development dairy sector. The availability, quality, heat resistance, regularity and attractive price of imported milk powder might incentivise processors to use imported powdered milk instead of sourcing locally raw milk in the production of secondary dairy products, which thereby harms local dairy farmers and their dependants' right to adequate living and work.

It can be concluded that there are increasing expectations from government, human rights organisations, farmers' organisations, the UN and experts for business engagement in the development of the dairy sector in Senegal. This assessment has provided Arla with an increasing understanding of the complex dynamics between international dairy business and local dairy sector development in Senegal, which will inform our future business activities. In order to mitigate the potentially negative impact and to ensure a sustainable market presence and strong position in the long run, Arla will address a number of actions to strengthen the local dairy value chain in Senegal.

Finally, Arla wants to stress that this assessment provides an analysis of potential adverse impact of Arla's planned business activities in Senegal related to a specific time period. We recognise that our obligation to carry out human rights due diligence is an ongoing process directly proportional to the scope of the business, and any arising changes over time, and it will be an inherent part of our future business operations in Senegal. The stakeholders identified during this assessment will be consulted on a regularly basis to contribute to Arla's monitoring of its future human rights impact.

Follow up and mitigation

In line with the UN Guiding Principles on Business and Human Rights, potential negative impact should be addressed. The scale and complexity of the means through which Arla meets our responsibility may vary according to size, sector, operational context and structure. The ambition of Arla Senegal S.A. is to reach 630 tonnes by the end of 2015 and 2,500 tonnes by 2017, i.e. a market share of 8% in the milk powder market, thereby becoming a top five player. With increasing business activities in Senegal, we recognise that our responsibility grows accordingly.

Through this assessment, it has become clear to us that we need to look at our role and responsibility in a broader perspective. Arla is not only seeking to mitigate potential negative human rights impacts in its narrow understanding. We want to further contribute positively to the sustainable development of the dairy sector in Senegal.

We believe fundamentally that international trade can be a driver for sustainable development of the Senegalese dairy sector. In whatever mitigation measures we initiate, our role as a multinational cooperative dairy business is to link our efforts to the Senegalese government programmes on dairy value chains and to use our business expertise to create shared benefits for local farmers, as well as for Arla's business in the long run. This should be through intelligent measures and a balanced approach, which does not cause other adverse impacts on human rights, such as the right to health, the right to adequate living standards, including the right to adequate food and its fair distribution, the right to work, the right to adequate housing and avoidance of any discriminatory adverse impact on women as the main producers of raw milk.

In order to define appropriate mitigation measures, it is therefore of utmost importance to understand more about the complexity of systemic barriers and challenges which the local dairy sector is facing today and Arla's role as a multinational dairy importer herein.

A review of the studies, together with our own observations and structured interviews with stakeholders¹⁹⁸, reveals that the traditional Fulani dairy production in Senegal suffers from a number of constraints which need to be addressed in order to create a positive impact. We want to be part of the solution rather than linked to a continuous structural underdevelopment of the local dairy sector. Therefore it is necessary to have a thorough understanding of embedded strengths and weaknesses.

In order to take into account the concerns of the potentially affected and related stakeholders, we systematically consulted and asked for their advice on how Arla, as a cooperative business, can be a driver for development of the local dairy value chain in Senegal. In the village of Namarel located in the northern part of Senegal, we conducted a focus group meeting with more than 20 female dairy producers and women's organisations to listen to their suggestions for which measures can develop their business. In addition, a number of visits were paid to business initiatives including mini-dairies and semi-settled dairy farmers as well as interview with the CEO of Laiterie du Berger. The results can be summed up as follows:

¹⁹⁸ See list of stakeholder interviewed during field study, August 2015.

1. Project affected/related stakeholders:

- Build capacity of local farmers through transfer of technology, breeds, management and business models from Arla to farmers in Senegal (farmer to farmer programme)
- Support business driven cooperatives
- Source locally to stimulate local dairy production
- Build the market for dairy products (marketing of dairy products to raise awareness of the nutrition and health benefits of dairy products)
- Investment in more local collection centres with better equipment for processing – especially in the northern parts where people are more scattered
- Improved access to water and fodder

2. Duty bearers/responsible parties:

- Support the government dairy sector programme through public-private partnership (Ministry of Agriculture and Rural Equipment and Arla)
- Invest in the local dairy value chain to stimulate innovative dairy business models in Senegal (private business as a driver for change, source locally, develop local milk-to-dairy supply chains to tap into industrial supply chains)
- Build capacity of local farmers through technology and knowledge transfer from Arla to farmers in Senegal (farmer to farmer programme)

3. Non-project affected stakeholders:

- Build capacity of local farmers through transfer of technology, breeds, management and business models from Arla to farmers in Senegal (farmer to farmer programme)
- Invest in the local dairy value chain to stimulate innovative dairy business models in Senegal (private business as a driver for change, source locally, develop local milk-to-dairy supply chains to tap into industrial supply chains)
- Stimulate diversity and capacity building through employment of young people and women in dairy value chains (competence development from being employed in an international dairy business)
- Build the market for dairy products (marketing of dairy products to raise awareness of the nutrition and health benefits of dairy products, school programmes, training of women)
- Engage in private-public and NGO partnerships to build innovative business models
- Increase our leverage to engage in multi-stakeholder dialogues locally and internationally to inform framework conditions for a balanced growth in the Senegalese dairy market (Code of Conduct for Responsible Corporate Trade and Investment in Africa Dairy Sector Development)

- Assist in building the market for fresh milk
- Support retailers with cooling facilities for fresh milk
- Build commercial business models based on mixed sourcing

In addition, consultations were held with FrieslandCampina WAMCO in Nigeria, Laiterie du Berger, GAIN Nordic, the Danish Industrial Fund for Developing Countries (IFU), business partners and researchers to learn from their experiences on building inclusive business models in West African dairy value chains¹⁹⁹. Round table meeting with West African dairy stakeholders under The Milky Way to Development initiative also contributed to an increased understanding:

- Business investments in local dairy production only pay off in a very long-term perspective.
- Be aware that changing traditional locally produced milk into a commodity may have a negative impact on household income.
- Increased productivity in the local value chain is a prerequisite for local sourcing – otherwise business might “steal” from local value chain.
- Cross-sectorial partnership is the way to go forward: NGOs have a role in community involvement; government has a role to play to ensure framework conditions and businesses have a role to play as business developers.
- Business model based entirely on local sourcing is not economically sustainable since local production is too weak, seasonal and costly.
- Commercialised dairy producers are dependent on milk powder to grow their business and create jobs.

Next step

We consider our commitment to The Milky Way to Development declaration as a framework for future local actions with clear reference to Arla's human rights commitments. Together with Arla's Policy on Human Rights, Arla's Code of Conduct, Arla's Health Strategy and Arla's business strategy for Sub-Saharan Africa, these documents together define Arla's business goals and guide business decisions.

Through this Human Rights Assessment, Arla has identified four scenarios for engagement in Senegal:

1. Arla will identify how the needs for capacity building of stakeholders involved in dairy value chains activities can be addressed. We want to explore the possibility of establishing a **Farmer to Farmer training programme** which builds on Arla's expertise as a cooperative. The programme could include organisational, business and entrepreneurial skills related to farming, processing, marketing and establishing cooperatives. It should support governmental sector programmes and could include partnership with government, ISRA, Billital Maroobe and others involved in organisation, management and business development of dairy farmers with a commercial ambition.

¹⁹⁹ See also evaluation of FrieslandCampina, 2012.

2. Arla will explore ways on how to contribute to **stimulate the market for domestic dairy products**. This should be in cooperation with local cooperatives and government initiatives in order to stimulate the local value chain and thereby increase the incentive for improved local production. Potential partners could include Billital Maroobe, DINTEL, Adena, ISRA, Attieh Group and smaller entrepreneurial dairy businesses as well as government bodies to ensure adequate framework conditions.
3. Arla will identify possible engagement in multi-stakeholder dialogues locally and internationally to **inform framework conditions** for a sustainable growth of the Senegalese dairy market. This is to support the Senegalese government and to provide expertise on dairy sector development to ensure a balanced approach which takes into account food security, access to affordable nutrition, business incentives and political measures to adequately support the dairy sector to grow. The Ministry of Livestock has established the national body Le Conseil National des Maisons des Éleveurs du Sénégal (CNMDE), which Arla could seek to support. As a member of The Eastern and Southern Africa Dairy Association, ESADA, this organisation could function as a platform for engagement if its scope were enlarged.
4. Arla recognises the need to further increase understanding of the complex relationship between local dairy sector development and the potential adverse impact on imports of milk powder. Furthermore, it is necessary to **explore methods and models** through which potential adverse impacts can be mitigated. Arla has entered into cooperation with Copenhagen Business School to evaluate inclusive business models in West African dairy value chains and to identify the potential role of NGOs, government and business.

A **concrete next step** is, therefore, to engage stakeholders in a round table workshop in Senegal to identify viable platforms for local actions proportional to Arla's size in the market and the scale of the potentially adverse human rights impacts identified. The round table workshop is planned to be conducted within a suitable timeframe after Arla's business model has begun the first stage of its implementation in its first stage. We estimate it to be in the fourth quarter of 2016.

This approach to dialogue and partnership is in line with Arla's engagement in The Milky Way to Development. The Milky Way to Development aims at creating space for dialogue, learning and co-creation with clear output objectives in order to find innovative solutions to address potential negative impact and to build a sustainable development of the local dairy sector with space for both local producers and international dairy companies. Arla's aim is to consolidate and validate the five scenarios listed above through an informed dialogue process with The Milky Way to Development as a placeholder.

Appendix

List of interviewed stakeholders

Project affected stakeholders
ADENA – women’s organisation
Association pour le Développement Intégré de Dahra (ADID)
Centre de Refroidissement Laitier, Communauté rurale de Dealé
Local farmers in the village of Namarel
Réseau Billital Maroobe
Settled farmer
Small women’s project

Duty bearers/responsible parties
Bureau d’analyses macro-économiques
La Laiterie du Berger
Agroline
Diagonal
Arla Foods amba

Non-project affected stakeholders
Food and Agriculture Organization of the United Nations (FAO)
ActionAid Denmark
Care Denmark
CIRAD, Agricultural Research for Development
The Free University of Brussels

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[Africa#page=%28from%29/%28until%29/11-08-2015/%28sortby%29/date/%28search%29/cross/%28nodeid%29/5474/%28commodities%29/7801/%28regions%29/7773](http://agritrade.cta.int/en/Regions/ACP/West-Africa#page=%28from%29/%28until%29/11-08-2015/%28sortby%29/date/%28search%29/cross/%28nodeid%29/5474/%28commodities%29/7801/%28regions%29/7773)

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