

RESPONSIBLE AGRICULTURAL INVESTMENT
CASE STUDY

Sénégalaise des Filières Alimentaires

A rice miller in Senegal





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Sénégalaise des Filières Alimentaires: A rice miller in Senegal

June 2024

Written by Hafiz Mirza and Duncan Pringle

Cover: Smallholder farmer spreading fertilizer on rice fields near Boudoum village, Senegal. The plant needs three applications of fertilizer to ensure a better yield at harvest.



Acknowledgements

This case study would not have been possible without the co-operation and support of the Executive and Senior Management of SFA, as well as staff.

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Hafiz Mirza and Duncan Pringle were responsible for the case study, including the research methodology, analysis, and finalisation. Duncan Pringle, Mohamed Coulibaly, and Abas Kinda conducted the in-country fieldwork. Mohamed and Abas also undertook some background research and provided inputs for the case study.



Project Description

The Smallholder Safety Net Upscaling Programme (SSNUP) aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs)—i.e., agribusinesses—by co-financing technical assistance projects and supporting the conducting of case studies to analyse AVCAs' performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).

AVCAs are critical players in achieving the goals of CFS-RAI and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, organisations offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

Translating the CFS-RAI Principles into practical action by agribusinesses requires guidance and tools for stakeholders—such as financial investors and the AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. Case studies are one such source of guidance. They provide examples of AVCAs that have sought to put responsible investment principles and social business conduct into effect through concrete practices and performance and outcome indicators. Such agribusinesses' journeys in doing this (including the problems they face, the solutions they find, and the perspective of farmers, communities and other stakeholders on the results) provide guidance, insight, and lessons to other AVCAs taking the same path to responsible investment.

This case study of SFA, a rice miller in Senegal, is one in a series of RAI case studies conducted by IISD for SSNUP, in cooperation with ADA. The cases chosen are drawn from several segments of the agriculture and food sectors and aim to analyse AVCAs' performance and compliance with the CFS-RAI.



Executive Summary

Agricultural value chain actors (AVCAs)—agribusinesses—are critical players in achieving the goals of the Committee on World Food Security’s Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI) and include producers, processors, and traders. AVCAs’ investment in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and contributing to local economies and communities. Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI (or RAI for short).

SFA was selected for this case study jointly with Crédit Agricole, an impact investor participating in the SSNUP programme. It is representative of an agricultural processing small and medium-sized enterprise (SME) in the rice industry. Such SMEs typically face multiple challenges and constraints: the most significant being government price setting for paddy rice and access to sufficient volume of paddy rice to ensure financial sustainability. They also must devote considerable effort to establishing and maintaining relationships and trust with farmers, communities, enterprises in other segments of the industry value chain, and other stakeholders.

SFA was registered as a private company in Senegal in 2013. It sells milled white rice locally through the Terral brand. The mission is to develop an inclusive value chain for the production, processing, and marketing of rice from the north of Senegal. This allows farmers to benefit from a stable price and access to suitable financing by playing a role in securing the income of producers through a model of contract farming and the development of an inclusive rice sector.

To serve the white rice market, SFA buys paddy rice from about 3,125 smallholder farmers located on irrigation schemes developed by the state in three production zones. SFA also buys from other farmers who have established irrigation farms at their own cost. SFA’s payments to farmers amounted to USD 4,352,000 in 2022.

SFA employs 32 permanent staff and some 60 seasonal or daily contract workers. Additionally, contractors, who transport paddy rice to the mill using 10 38-ton trucks, employ about 130 people (i.e., on average, 13 workers per truck). The general manager is directly responsible for the purchasing function and has four buying agents reporting to him. The other senior managers reporting to the general manager at the mill site are the production manager, quality and stock manager, and admin manager (responsible for human resources and finance at the mill), and, in Dakar, the sales manager and accountant.

The company’s four buying agents also function as extension officers, providing training to farmers through 36 lead farmers. Notably, during the fieldwork, a women’s cooperative recommended that they also have a lead farmer and be included in the training.

The Senegalese rice sector does not yet function with any certification programmes. SFA is considering introducing organically certified rice production, but this needs to be proven commercially with a pilot production plot that SFA is in the process of securing.



SFA’s activity in RAI was assessed through both online interviews (primarily with the company) and in-country fieldwork (with the company and many stakeholder groups such as employees, farmers, women, and youth) using dedicated instruments. Answers from the company and stakeholders were analysed to assess the AVCA’s RAI compliance across seven dimensions.¹ The dimensions are listed in the table below, with the average level of RAI compliance indicated in the right column.

Table ES1. Summary findings

Dimension	Level of compliance
Strategy and accountability on responsible agriculture	The level of RAI compliance is very low in this dimension, especially in terms of how SFA assesses and manages its impact. Nevertheless, because the company and management are sensitive to social and environmental impact and responsible business conduct, operational policies and actions are being considered.
Inclusive and transparent structure	The level of RAI compliance is high in this dimension. SFA communicates and consults closely with farmers on aspects such as producing good-quality rice, facilitating access to finance, and resolving any grievances.
Safe and responsible agriculture and food systems and operations	The level of RAI compliance is high in this dimension. SFA supports the production and processing of a food staple and contributes directly and indirectly to local employment and income generation. Many farmers interviewed mentioned that SFA provided technical support and a guaranteed market for their paddy rice and facilitated their access to credit through a tripartite partnership with Banque Agricole. Local businesses attested to SFA operations creating significant business opportunities for local food sellers and shops.
Environmentally sustainable processes and products	The level of RAI compliance is very low in this dimension, partly because the rice sector does not yet function with any certification programmes. SFA does promote good agricultural practices (which is scored in Dimension 3) but does not yet supply organic fertiliser. At present, the government provides fertiliser.

¹ These dimensions—reflected in the principal research instrument used for the AVCA interviews—were chosen to (broadly) correlate with primary business functions (strategy, finance, human resources etc.). In other words, the questions were directly intelligible for businesses. At the same time, the actual questions asked (e.g., practices referred to) were carefully mapped to specific CFS-RAI principles. For example, the strategy and accountability dimension mainly relates to issues covered in CFS-RAI Principle 10: “assess and address impacts and promote accountability.” Similarly, the dimension on responsible processes, products, and services encompasses issues under CFS-RAI Principle 1 (“contribute to food security and nutrition”) and Principle 8 (“promote safe and healthy agriculture and food systems”). Of course, there is no one-to-one correspondence between dimensions and CFS-RAI principles.



Dimension	Level of compliance
Responsible treatment of stakeholders	The organisation scores very highly in this dimension, especially in terms of respecting tenure rights and promoting responsible and fair contracting processes with its stakeholders. SFA receives considerable loyalty from farmers because of its conduct and the trust that its management team have built with farmers.
Responsible human resource development	The level of RAI compliance is middling in this dimension. SFA abides by the law in terms of a safe and equitable work environment and complies with all the legal aspects of labour relations, such as those regarding leave, maternity leave, and contribution to health and retirement insurance. However, there is no proactive approach to issues such as empowering women or youth in the workplace. Training is deemed insufficient by SFA and employees and recognised as a priority area for future action.
Financial transparency and benefit sharing	The level of RAI compliance is low in this dimension. The reasons for the low scores are simply that the company is busy trying to grow and establish itself in difficult trading conditions. In addition, as a private company, it does not publish financial results. It does not have the financial resources to support a wide range of social benefit causes.

Source: Authors.

SFA can be seen as an agribusiness that has sought to invest responsibly in its AVCA business, especially in its operations, processes, and relations with stakeholders. The research reveals a moderate level of RAI compliance that varies considerably between dimensions. It has an inclusive and transparent structure, contributes significantly to farmers, communities and local businesses, and has engendered considerable loyalty from local farmers and communities.

Nevertheless, its RAI compliance falls short in several areas, and several recommendations are made based on interviews with SFA staff and stakeholders, especially regarding strategy and accountability, environmental sustainability, financial transparency and benefit sharing. For instance, SFA could formally incorporate RAI into its strategy, building on its current approach to sustainable business conduct; it could be stricter in enforcing health and safety procedures among staff; and, when feasible, it could increase its rice prices to be more in line with other competitors (and share the benefits with stakeholders).



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Abbreviations and Acronyms

AVCA	agricultural value chain actor
CFS-RAI	Committee for Food Security Principles for Responsible Investment in Agriculture and Food Systems
CIRIZ	Comité Interprofessionnel du Riz
FU	Farmer Union
GM	general manager
ha	hectare
HR	human resources
kg	kilogram
RAI	responsible agricultural investment
SFA	Sénégalaise des Filières Alimentaires
SAED	Société d'Aménagement et d'Exploitation des terres du Delta et des vallées du Fleuve Sénégal et de la Falémé
SME	small and medium-sized enterprise
SRV	Senegal River Valley
SSNUP	Smallholder Safety Net Upscaling Programme
USD	United States Dollar
XOF	West African CFA Franc (CFA – Communauté Financière Africaine/African Financial Community)



Introduction to the RAI Case Studies and Methodology

The Smallholder Safety Net Upscaling Programme (SSNUP) includes many impact investors, such as AgDevCo, Alterfin, Bamboo, Grameen Crédit Agricole Foundation, Incofin, Oikocredit, ReponsAbility, SIDI, and Symbiotics. The SSNUP aims to strengthen smallholder householders' safety nets sustainably. This will be achieved by fostering the adoption of more responsible and sustainable practices among agricultural value chain actors (AVCAs) by co-financing technical assistance projects and supporting the conducting of the RAI case studies to analyse their performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).²

AVCAs are critical players in achieving the goals of CFS-RAI, and include producers (of crops), processors, and traders. For the SSNUP case studies, they also include service providers, for instance, offering technical services to growers or support to vulnerable groups, such as women and youth. AVCAs' investment in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and potentially contributing to local economies and communities (e.g., through employment and income generation). Investing responsibly can be enhanced by AVCAs aligning policies, planned operations, and practices with the CFS-RAI.

This case study is part of a series of cases on AVCAs, drawn from various segments of the agriculture and food sectors, aimed at analysing their performance and compliance with the CFS-RAI. Translating the CFS-RAI Principles into action requires practical guides and tools for stakeholders—such as financial investors and AVCAs in which they invest—who wish to incorporate them into policies, regulations, and business practices. One aim of the case studies is to help provide or improve these tools, such as the RAI Tool for Agribusiness (Box 1).

The methodology for the case study process comprised four phases:

Phase I. Pre-fieldwork information collection

This involved online meetings with relevant members of the management team to collect

- background information on the AVCA. This comprised general characteristics, such as location of operations, value chain segment/activities, scale of operations, ownership, operational structure etc.
- information on the AVCAs key management and operational priorities and practices, especially those related to CFS-RAI. A set of outcome indicators were also collected.

² RAI refers to the [Principles for Responsible Investment in Agriculture and Food Systems](#) (CFS-RAI), which were endorsed by the Committee on World Food Security (CFS) in 2014. It is a comprehensive framework on what constitutes a “responsible investment” in agribusiness.



Guided self-assessment, utilising the RAI Tool for Agribusiness (Box 1), was applied to collect this information during a series of interviews.

Phase II. Fieldwork

The research team visited the AVCA, including selected operations and the local community, for 5–6 days. This involved further clarifying key relevant management and operational practices and priorities, as well as assessing the AVCA’s performance vis-à-vis stated practices/measures (primarily those related to CFS-RAI and sustainability). Interviews with other stakeholders, e.g., farmers, local business owners, financiers, informal traders etc. were also conducted to cross-check information gained from the AVCA and assess the wider impact of the AVCA’s activity using dedicated semi-structured questionnaires developed to collect information from the various stakeholders.

Phase III. Data analysis

The research team analysed the data and information gained from the interviews and fieldwork, compiled the principal findings, drafted the report, and discussed the findings with the AVCA and the investor.

Phase IV

An initial case study was drafted to test with the company. After discussion with the company, including clarifications and other feedback, a more “advanced” version (this one) was drafted for publication.

Box 1. The RAI Tool for Agribusiness

Gathering information for the case studies was conducted using the RAI Tool. As specified by the CFS, the RAI principles remain generic and high level, making it difficult for AVCAs to translate them into their daily management and operations.

The objective of the RAI Tool is to provide a set of specific and measurable indicators that assess whether an agribusiness’s management of its operations, practices, and procedures are compliant or consistent with the CFS-RAI Principles. The RAI Tool integrates RAI principles into the management and operational structure of AVCAs (decision making, actions, procedures, and processes). This makes RAI principles easier for AVCAs to understand and apply and may ultimately ease the mainstreaming of RAI key performance indicators into business management and performance systems.

The tool is composed of four main parts:

- **ID card and scoping:** These two parts are completed with information on the agribusiness’ profile and characteristics. This facilitates a filtering process so that businesses are only required to respond to relevant questions on their practices and outcome measures.
- **Practices:** This part comprises a detailed set of indicators, overall grouped by seven “dimensions” that broadly reflect business functions. Answers may be Yes/ No/Partially/Not Applicable, which need to be explained or validated. To make



the tool (and data collected) helpful for analysis, decision making, and progress, detailed information on the concrete practices implemented by the AVCA is requested.

- **Outcomes:** This part comprises a limited set of outputs and outcomes indicators on topics such as governance, employment, suppliers, and a company's environmental and climate-impact footprint.

In addition, the tool also provides dashboards showing how agribusinesses score in terms of their practices and outcomes in graphical form.

The aim of this approach is to create a reference tool that can be used by AVCA, financial investors, and others to assess agribusinesses' compliance with RAI; and thereby foster more responsible and sustainable practices in the agricultural and food sectors. The latest version of the tool is available online (<https://www.iisd.org/publications/guide/responsible-agricultural-investment-tool-agribusiness>).

Since 2021, the tool has been developed by the International Institute for Sustainable Development (IISD) in collaboration with the Comité d'échange, de réflexion et d'information sur les systèmes d'épargne-crédit (Cerise+SPTF). IISD is an independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Cerise+SPTF is a pioneer in social performance management, developing many well-known social audit tools to help financial service providers, social businesses, and impact investors achieve their social mission. IISD is leading the case study research, analysis, and drafting of outputs. The non-governmental organisation Appui au Développement Autonome (ADA) coordinates SSNUP, including technical assistance projects and knowledge management activities, such as these case studies.

Source: IISD.



1.0 Background and Context

In this case study, Sénégalaise des Filières Alimentaires (SFA) was chosen jointly with one of the investors participating in the SSNUP. It is representative of an agricultural processing small and medium-sized enterprise (SME) in the rice industry. Such SMEs typically face multiple challenges and constraints: the most significant being government price setting for paddies and access to sufficient volume of paddy rice to ensure financial sustainability. They also have to devote considerable effort to establishing and maintaining relationships and trust with farmers, communities, enterprises in other segments of the industry value chain, and other stakeholders. This section provides important background on the industry and business environment in which the AVCA in this case study operates.

The Rice Sector in Senegal

Rice has become a major staple across West Africa, where local production covers only around 60% of demand, and imports cost the region USD 3.7 billion in 2021, as per the Economic Community of West African States and the United Nations Conference on Trade and Development data (Dione & Toto, 2022). For food security reasons, producing rice locally has been major policy imperative since the 2007/08 global food price crisis (Colen et al., 2013; Dione & Toto, 2022) and the example of India's recent (September 2022) ban on exports of broken rice (and imposition of a 20% duty on exports of various other grades) has again emphasised this priority (Dione & Toto, 2022); Senegal is particularly vulnerable, as it imports between 45% of its rice by value and 67% by volume from India (Dione & Toto, 2022; Organisation of Economic Complexity, 2020;).

Since the 2007/08 global food price crisis, Senegal has significantly increased local production, to about 1.3 million tonnes, which more than tripled between 2011 and 2021. Consumption has nearly doubled, to 1.9 million tonnes over the same period due to population growth and preference for rice as a grain.

Senegal does export rice, and the Organisation of Economic Complexity (2020) reports the total value of exports to Mali at USD 24.7 million (USD 19.8 million), Guinea-Bissau (USD 3.77 million), Pakistan (USD 408,000), Vietnam (USD 206,000), and India (USD 176,000). Import value totalled USD 437 million, mainly from India (USD 197 million), Thailand (USD 49.1 million), Brazil (USD 40.5 million), Pakistan (USD 32.8 million), and China (USD 27.3 million). Other sources (Selina Wamucii, 2022) report higher export values, for example, USD 101 million for 2019.

General rice prices, as reported by Selina Wamucii (2022), were:

- Export prices per tonne: 2016 – USD 330.96; 2017 – USD 373.33; 2018 – USD 394.81; 2019 – USD 390.44.
- Import prices, 2019: USD 0.38/kg (USD 330.80/tonne).
- Approximate wholesale price, 2022: USD 0.39/kg (USD 390.44/tonne) equivalent to roughly XOF 212.19/kg.



While rice is the main source of calories for the Senegalese, locally produced rice has to overcome a reputation for poor quality with reported high incidence of stones and husks in the rice for sale into discerning market segments such as restaurants; “Senegalese cook Amy Gueye always tries to use imported rice at her family-run restaurant in Dakar [because] customers prefer this taste to home-grown varieties.” (Dione & Toto, 2022). For the average consumer, purchasing decisions are based on price, with a preference for broken white rice. The daily recommendation for a balanced Western diet is 100 g of rice at a cost of roughly USD 0.08. Together with other foodstuffs, the daily cost would be USD 7.02 and monthly USD 217.61 (Numbeo, 2022). For an Asian-type diet, the rice intake would be 250 g per day at USD 0.21 and a total monthly of USD 158.25.

In terms of market segments, Colen et al. (2013, p. 397) report:

In Dakar, consumers are accustomed to imported, aromatic broken rice. In semi-urban centres located in the [Senegal River Valley] SRV rice-producing region, such as Saint-Louis and Podor, consumers are familiar with local rice and most of them prefer it to imported rice. In these semi-urban centres, the preference for broken rice is much less pronounced than in Dakar, but still higher than in rural areas. In rural areas, whole grain rice is much more appreciated and only 10 percent of rural rice consumption is imported. Rural consumers often purchase ungraded rice, and do the sorting into broken, intermediate, and whole grains at home.

Rice Farming in Senegal

Paddy rice³ is produced commercially under flood irrigation in the SRV in northern Senegal. In southern Senegal, production is predominantly rainfed and more subsistence orientated. Estimated production from the commercial north is around 400,000 to 500,000 tonnes, but the potential is far greater as only some 50,000 ha out of a potential 150,000 ha is under rice production (A. Koffi, personal communication, November 27, 2022). The balance of the 1.3 million tonnes reported is under subsistence production and/or supplied into the more informal rural market. Farmers using irrigation can produce twice per annum. The first season is from February to July (note that rains normally start in August but can occur earlier, placing pressure on finalising harvest activities), and the second is from August to December. In total, with double cropping, a farmer should achieve between 9–12 tonnes/ha per annum.

The local rice sector has benefited from international assistance. For example, the Japan International Co-operation Agency, which has been present in the country for over 10 years, is currently focused on techniques to reduce production costs and improve quality through the production of rice with a higher percentage of unbroken kernels and less grit. This reportedly requires higher-quality seeds and high-performance machines (Dione, Toto, 2022).

Irrigation schemes established in the SRV have resulted in the land being registered in the name of the Farmers Union (FU) sections. In terms of the Section Association constitutions,

³ Paddy rice (sometimes called “rough” rice) is the term used for rice that is obtained by threshing after harvest, but still contains the husk surrounding the rice grain. Through the milling process, the husk is removed, and the paddy rice is converted into milled rice. Source: Colen, L., M. Demont, and J. Swinnen (2013).



land is allocated to members of the section, with an area assigned to a women's cooperative representative of all women in the village. If farmers don't meet their financial commitments to pay water fees, they can lose the right to use until fully paid up.

Irrigation sections consolidate farmer input requirements and arrange production credit with Banque Agricole, with the assistance of the Société d'Aménagement et d'Exploitation des terres du Delta et des vallées du Fleuve Sénégal et de la Falémé (SAED) and SFA. SFA deducts from farmer deliveries and pays over to the bank. The harvest and land preparation costs of contractors are paid for either in cash or kind (bags of paddy rice).

The Role of Government in the Rice Sector

Before 1994, the government was directly involved in the rice sector. As part of its Structural Adjustment Programme, Senegal started to liberalise its rice sector, and the state disengaged from processing and marketing activities and price setting. (Colen et al., 2013).

Price determination for farmers is now facilitated through a platform representing rice value chain actors, Comité Interprofessionnel du Riz (CIRIZ), of which the parastatal agency SAED is a member. CIRIZ facilitates a meeting of farmer representatives, miller representatives, SAED, and importers prior to the start of the season, during which the price level for paddy rice is determined (Numbeo, 2022). In 2022, the government consulted with actors within CIRIZ and proclaimed an additional "subsidy" of XOF 30/kg on the announced 2022 price of XOF 130/kg, thus increasing the price millers had to pay to XOF 160/kg (FEWS NET, 2022). The challenge for millers is that they must pay this additional price and then claim back the value of the additional XOF 30/kg from the government. In the case of SFA, at the time of writing, the amount outstanding from government was only around USD 640 (a rather small amount but with a correspondingly high administrative cost as SFA has had to employ three student interns to gather the supportive evidence to substantiate the claim that is now required, whereas previously bank records of transactions were adequate).

Established in 1965, SAED was the development agency for the SRV irrigation schemes and the management and commercialisation of SRV rice prior to 1994. After reform, it was established as an independent agency responsible for technical assistance and maintenance of irrigation infrastructure (Colen, L., M. Demont, and J. Swinnen, 2013). Respondents in interviews indicated they receive better technical assistance from SFA than the SAED extension staff.

SAED reports that the SRV has potentially 240,000 ha to be placed under irrigation, of which 121,000 ha has been developed to date and 90,000 ha prepared for rice production. SAED has developed 49% of the 121,000 ha and the balance is being developed by other development agencies and private actors. Some 9,000 ha has been abandoned for various reasons, with acknowledgement that some might be due to build-up of salinity. Roughly 16,000 ha is under precarious production and in need of rehabilitation. The government provides (i) input subsidies; (ii) certified seeds; and (iii) financing of production and post-harvest machinery. The financing of machinery is inadequate: the need last year was for 60 combine harvesters, but funds were available for only 10 (A. Thiam, personal communication, November 29, 2022).



2.0 Profile of the Company

General Information

SFA was registered as a private company in Senegal in 2013. It sells milled white rice locally through the Terral brand. Interviews with SFA senior executives confirmed that Belgium's Durabilis is the majority shareholder, along with Grameen Crédit Agricole Foundation, which has been an SFA development partner since 2013 and provided an equity investment of EUR 137,000 in 2019.

Interviews with SFA senior executives confirmed that to serve the white rice market (selling mainly to 30 wholesale and retail outlets), SFA buys paddy rice from about 3,125 smallholder farmers (1,700 regular suppliers and the balance a mix of farmers, contractors, and aggregators) in the SRV.

The mission is to develop an inclusive value chain for the production, processing, and marketing of rice in the north of Senegal. This allows producers to benefit from a stable price and access to suitable financing by playing a role in securing the income of producers through a model of contract farming and the development of an inclusive rice sector.

The 3,125 farmers are mostly represented by 43 FUs, with smallholder farmers located on irrigation schemes developed by the state in three production zones. SFA also buys from private farmers who have established irrigation farms at their own cost, referred to by SFA as their "4th zone." SFA's payments to farmers amounted to USD 4,352,000 in 2022.

The company's four buying agents also function as extension officers, working with the presidents of the FUs and providing training to farmers through 36 lead farmers. Notably, during the fieldwork, a women's cooperative recommended that they also have a lead farmer and be included in the training.

Data collected from SFA on processed and milled paddy rice sales from 2018 to 2021 are shown in Table 1, with SFA achieving about a 65% recovery rate on paddy rice processed. In 2020, production was adversely affected by early rains coupled with equipment failures in the mill. In 2022 to date (of the fieldwork), some 14,000 tonnes was purchased in the first campaign, but early rains and flooding had negatively impacted supply. The local perspective was that such flooding had not been seen for 20 years. Farmers did not have adequate harvesting equipment capacity to remove the crop in time. It was expected that 16,000 tonnes would be achieved in 2022. Ideally, 20,000 tonnes is required.

Table 1. Production and sales history – SFA 2018–2021

Category	2018 (mt)	2019 (mt)	2020 (mt)	2021 (mt)
Paddy rice	11,500	17,700	17,000	17,750
Milled white rice sales	8,000	10,000	10,200	11,306

Source: Author diagram, based on data collected from SFA.



Operational Structure

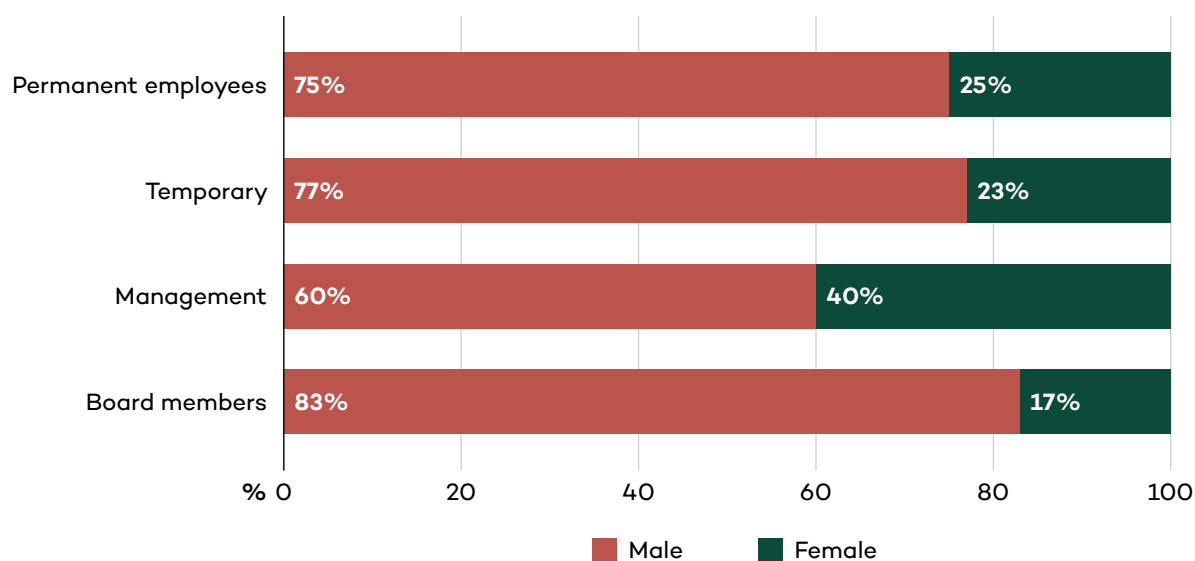
The company has a mill in the village of Ndioungue Mberes, near the paddy rice source, and a sales and finance function at an office in Dakar.

Purchasing operations are conducted in all three zones of the SRV irrigation schemes.

Structurally, the company is led by a general manager (GM) reporting to a board representing the shareholders. The GM is directly responsible for the purchasing function and the four buying agents report to him. The other senior managers reporting to the GM at the mill site are the production manager, quality and stock manager, and admin manager (responsible for human resources [HR] and finance at the mill), and in Dakar, the sales manager and accountant.

SFA employs 32 permanent staff and some 60 seasonal or daily contract workers (see Figure 3). Additionally, contractors, who transport paddy rice to the mill using 10 38-ton trucks, employ about 130 people (i.e., on average, 13 workers per truck).

Figure 1. Summary of board and staff composition



Source: Author diagram, based on data collected from SFA.

Certification

The Senegalese rice sector does not yet function with any certification programmes. SFA is considering introducing organically certified rice production, but this needs to be proven commercially with a pilot production plot that SFA is in the process of securing.



Challenges

The main challenges confronting the industry and SFA, as shared by management, include:

- equipment breakdowns in the mill. In 2022, there was a cumulative downtime of over 1 month.
- weather fluctuations (early or unseasonal rain) when rice is ready for harvest, significantly reduce the yield and quality. Farmers do not have adequate equipment to remove the rice in time.
- ensuring sufficient paddy volumes to achieve profitability.
- farmers not fertilising adequately, which results in rice being of a lighter weight.
- not being able to keep up with market demand for Terral rice.



3.0 Assessment of SFA's Compliance With CFS-RAI and Impact on Local Stakeholders

The RAI Tool assesses the operational practices of an AVCA across seven business functions or dimensions, namely:

1. Strategy and accountability on responsible agriculture
2. Inclusive and transparent structure
3. Safe and responsible agriculture and food systems and operations
4. Environmentally sustainable processes and products
5. Responsible treatment of stakeholders
6. Responsible human resource development
7. Financial transparency and benefit sharing

These dimensions are further divided by clusters of business practices. For example, Dimension 4, pertaining to the environment, is subdivided into “identifying and managing risk,” and “implementing and promoting environmentally sustainable practices.” The specific practices or indicators under each dimension (and further subcategories) are the ultimate unit of analysis.

Although practices are expressed in the language of business, the RAI Tool maps each onto a particular CFS-RAI Principle (or sub-principle), so scoring AVCA responses permits an assessment of the degree to which it complies with relevant RAI principles⁴ at each level of categorisation (from practice to dimension). There is no one-to-one correspondence between dimensions and principles, e.g., they may reflect aspects of more than one CFS-RAI Principle because dimensions cover a wide, but related, set of practices. The principles with which each dimension overlaps are indicated during the analysis below.

Of course, any assessment of AVCA RAI compliance, including the scoring, reflects companies' perceptions of their operations, processes and practices. However, during the testing of the tool, they were not asked to validate their responses in a concrete way⁵ (e.g., by providing documentary proof of a claimed practice or a performance measure) while completing the tool. Nevertheless, companies did often provide copies of specific policies, e.g., their human resources policy. Even during this testing phase, whilst the assessment/scoring is

⁴ Moreover, in order to not reinvent the wheel, each practice is also mapped to other principles and guidelines, such as the UN's Sustainable Development Goals and Association of Southeast Asian Nations-RAI, including concrete indicators already tested by other organisations. Indeed, the wording of many practices/indicators is taken from existing, tried, and tested ones from other organisations and systems. (For details, see the [RAI Tool](#).)

⁵ After the piloting phase, when the tool is fully operational and in use by/with AVCA, agribusinesses that participate in an assessment should be asked to validate their responses concretely. This will enable structured guidance on specific areas of policy, procedure, and guidance.



indicative, it is nevertheless a valuable management tool to assess performance and set goals for improvement (Box 2).

The AVCA's Compliance by Dimension

Reflecting responses in the RAI Tool, especially on its practices, SFA's overall RAI compliance is relatively low, though there is a high degree of variance between dimensions (see below). For instance, SFA's score is high on “inclusive and transparent structure,” “responsible processes, products and services,” and “responsible treatment of stakeholders.” SFA is weak in its level of compliance in terms of a “formalised strategy and level of accountability,” “environmentally sustainable processes, products, and services,” and in financial transparency and benefit sharing. The last dimension is, however, constrained by a tight financial operating environment. Areas for consideration for improvement include the need for more formalised assessment and measurement of impacts, more formalised systems of identification and management of environmental risks, and the implementation and promotion of sustainable practices.

Box 2. Use of ordinal scores in this case study

While cardinal (numeric) scores for RAI compliance by business dimension (and subcategories) were generated from piloting the RAI Tool with LIMBUA and used in an internal assessment and recommendations for the company's decision-makers, it was decided to adopt cardinal scoring for this case study.

The use of ordinal scoring, i.e., indication of positioning such as “very low score,” “low score,” “high score,” and “very high score” (both overall and for a particular business dimension or practice) in this case study was chosen for two principal reasons:

First, the RAI Tool is still being piloted, including the way in which the scores are generated. While the cardinal results obtained are sufficient for understanding a company's level and pattern of RAI compliance—including where the main gaps are, key issues that should be prioritised etc.—numeric scoring in the case study at this stage may indicate false precision. Moreover, because the tool is intended for use by various types of agribusinesses (e.g., firms in different value chain segments), it may also be necessary to consider and implement company-type-appropriate scoring. At a later point, after the tool has been more thoroughly used and tested, it will be safer (and it is intended) to provide numeric scores or categories of compliance based on scores.

Secondly, the CFS-RAI Principles were only introduced in 2014. While several companies (and investors) have moved toward reflecting these principles in their operations and practices, this process is still ongoing, especially because the CFS-RAI is “high level,” and appropriate metrics and indicators are still in the process of being developed (and implemented). Pilot testing of the RAI Tool has, for the most part, been with companies that aim for responsible investment and social business conduct, but specific practices and metrics—even between roughly similar companies—can differ markedly. While broad ordinal comparisons are not unreasonable, further work is required to refine cardinal scoring so that comparisons are made on a robust basis.



This pattern of compliance is to be expected for an entity that is undertaking this assessment for the first time. Importantly, it is still in the process of deepening its strategy toward responsible and sustainable investment and operations. Moreover, an assessment across the broad range of issues that CFS-RAI speaks to has opened new vistas on likely compliance gaps, actions required, and potential solutions. The remainder of this section examines the details of these scores by dimension, and what this means in terms of the SFA's current and future CFS-RAI compliance.

Dimension 1: Strategy and accountability on responsible agriculture

SFA's compliance with this dimension (and hence Principle 10) needs to be improved considerably, but less in one of two subcategories and more in the other. The former subcategory, "the organisation has a strategy on responsible business conduct and systems in place to implement it," has a relatively low degree of compliance, but compliance levels are far lower for the latter subcategory, "the organisation assesses and manages its impacts."

The reasons for this low level of compliance on assessing and managing impacts are that no regular assessments of impact are undertaken on matters of; (i) contribution to food security and nutrition, (ii) livelihoods of key stakeholders, (iii) human and labour rights, and (iv) tenure and cultural heritage.

Because of the partial or low incorporation of CFS-RAI issues into its overall strategy, bearing in mind that it is a small company and that the CFS-RAI Principles have only recently been adopted (and dissemination begun), it is not surprising that the organisation does not systematically assess and manage its impact. Nevertheless, because the company and management are sensitive to relevant issues (whether under the CFS-RAI banner or not), local and operational policies and actions are being considered.

Dimension 2: Inclusive and transparent structure

Dimension 2 mostly relates to the issues covered by the CFS-RAI Principle 9: "incorporate inclusive and transparent governance structures, processes, and grievance mechanisms."

In contrast to the first dimension, the AVCA scores very highly on inclusive and transparent structure and practices. This is especially high for two out of three subcategories: "the organisation communicates in a transparent way" (e.g., it communicates in languages and channels pertinent to local farmers and other stakeholders) and "the organisation receives and resolves stakeholders' grievances." A high score for the latter may mean that farmers can raise grievances directly with the company at any time, and the GM plays a significant role in addressing them.

With respect to the second standard, "the organisation consults its stakeholders to inform decision making," SFA management uses two main opportunities for consultation with farmers: prior to a rice purchase campaign (of which there are two per annum) and at the conclusion of the campaigns to assess what went right and wrong to address any issues in the next campaign. These consultations focus mainly on aspects such as producing good-quality



rice, facilitating access to finance, and resolving any grievances. However, the SFA score is low because it does not have specific separate consultation plans for women and youth as distinct target groups (included in the plan). There was an AgDevCo project⁶ aimed at women funded by the Mastercard Foundation (2019–2021), but such an ongoing effort is too costly for the company. In terms of making consultations accessible, the company has a challenge in getting all farmers to attend the meetings—they are not interested unless they receive some form of remuneration for attendance. This is the reason why the use of lead farmers to communicate would be useful regarding extension and other messaging.

Dimension 3: Safe and responsible agriculture and food systems and operations

Dimension 3 mostly relates to the issues encompassed under CFS-RAI Principle 1, “contribute to food security and nutrition” and Principle 8, “promote safe and healthy agriculture and food systems.”

The company scores relatively highly on responsible processes, products, and services. Of the dimension’s two standards, the score is much higher for “the organisation contributes to food security and nutrition” than “the organisation promotes safe and healthy agriculture and food.”

The reason for the difference is that as a business that supports the production and processing of a food staple, the business scores highly in the first standard. The lower score for promoting agriculture and food systems is due to the fact that only three questions are relevant to a food-based company (the others relate to livestock). Of these three, the two related to having a food safety management system and a traceability system were rated as partially in place.

Contribution to Food Security and Nutrition

SFA does contribute somewhat to food security and nutrition, both directly (through employment, farmer purchases) and indirectly through the creation of business opportunities for food sellers.

Additionally, during the COVID-19 pandemic, the company provided free food within their means to some of the poor.

Direct Contribution Through Employment and Income Generation

The employment and incomes created (or sustained) by the company and its operations contribute to food security and nutrition for farmer families and employees. As a result of its operations, the company has created employment (92 permanent and temporary staff) and opportunities for about 3,125 farmers, plus at least 140 opportunities for transport contractors (which translates to about 100 extra employees).

Not all of these farmers supply solely to the company: they retain rice for home consumption and to make payments in kind to contractors. Thus, the impact on availability of a food crop is expanded.

⁶ SFA is also an investee of AgDevCo.



Indirect Impacts

SFA operations have created business opportunities for local food sellers, shops, and collectors of paddy rice by-products (e.g., husks). A food seller in Diougue Beres reported she had been “called by my husband to come back to the village as new opportunities were emerging with SFA’s arrival.” She had left the village and had settled in The Gambia, where she owned a small restaurant. She came back and started selling food to SFA millworkers in a small wooden shack a 10-minute walk from the mill. She said, “I am really happy to come back to my village and be able to do an activity that can help me support my family. I am married and a mother to six, of whom some are schooled, so I can support my husband in taking care of our kids and contribute to the household expenses.” She would like to get some support to improve her business and be able to provide better services to her clients, 98% of whom are SFA mill workers and drivers of trucks that transport paddy rice from the fields or white rice to Dakar. SFA could potentially integrate her into an on-site restaurant that can improve her business and, at the same time, secure safe food available for the staff.

Shopkeepers in the zones made similar comments. In Diawar, a village located in a production zone, two shopkeepers confirmed the positive impacts of SFA’s arrival as a multiplying factor beyond the direct impact of increased rice production in the zone, as the income from production stimulates other business activity. A seller of different food products confirmed that life in the village is 100% dependent on rice production and reported that “there would be no economic activity here if we had no rice production.” He sees increases in his sales during the campaign periods as people come from different places to look for seasonal jobs on rice farms, and the village is very busy during those periods.

According to another shopkeeper, “Agriculture has enabled the transformation of the village in terms of construction of infrastructure, in terms of the development of trade, and so on.” He added that SFA had also made some contribution to improving the situation as farmers now recover their money very quickly after selling to SFA, and they benefit from their technical support as well. He confirmed a direct linkage between farmers’ improved business conditions and the relationship with SFA: “Thanks to SFA support to farmers, the farmers’ situation has improved, and we are benefiting from that. I believe this is what allowed us to expand my business, and I am now employing two additional permanent people for over a year now.” And personally, “Everything is going well now. My turnover has changed. Before, I had rented the premises of my business. But since then, I have been able to pay for a house, build my home, and find two more premises to expand my business, which includes mechanical contracting services.”

Improved Living Standards (Poverty Alleviation)

In the commune (municipality) where the mill is located, local council members recognize the opportunities brought by the installation of SFA’s operations in their area and, according to a council member, “Upon their request for land to build their mill, we entered into negotiation with them to make sure the project generated positive outcomes for the village. We demanded that priority be given to our youth for jobs and that SFA contribute to improving our social services: schools, dispensaries, etc. We signed an agreement that included all these aspects.” This position mostly seemed to do with the leadership’s vision and appreciation of the development opportunity.



According to this local leader, the arrival of SFA brought positive changes in the area. Almost all the seasonal workers are from the village, and the by-products or residues of paddy rice⁷ are exploited by women who can make some income from them. SFA also supported some social issues, including during the COVID-19 pandemic, assisting vulnerable persons in the village.

Farmers also confirmed that their conditions have improved since they started selling to SFA. Many farmers interviewed are satisfied with SFA as a partner because it has provided technical support and a guaranteed market for their paddy rice and facilitates their access to credit through a tripartite partnership with Banque Agricole (see next section).

The president of the farmers' union additionally recommended more support to improve farmers' knowledge; for example, country visits to exchange with other farmers to improve their knowledge.

Support for Farmers, Agricultural Activities and Food Systems

Farmers see SFA as a major partner. They have improved their production methods with close support from SFA extension agents and the lead farmers they trained to monitor farms and ensure that recommendations are followed, i.e., when (and how often) to use fertilizers, as well as the quantity. With the contract they have with SFA, farmers receive credit from the bank and can have SFA collect the equivalent in paddy rice and pay the bank directly, which is a win-win deal for the three parties, the bank securing its refunds, SFA getting more paddy rice, and the farmers having options to get inputs on time without disbursing any money.

The president of one farmer's union in Mboundom confirmed: "SFA is our main partner. Our situation has improved a lot since they started to intervene in our zone. They train us to keep good-quality rice, pay in due time when they buy, and guarantee our credit before the bank." According to the president of another FU,

Before, we had no support or very little support. But now, we are accompanied from the start of the campaign to the end by SFA. The presence of SFA helps us a lot. Even the empty bags, SFA pays for us, something we used to buy ourselves. It also helps us with the bank to pay the loans. They often rent our store for the paddy in transit to the mill, and the payment is always on time, whereas the partner before used to do the same but with long delays in payments or no payment in some cases. ... There are nine village sections in our area, five of which deal with SFA, and now the rest would like to join based on the success of the partnership with SFA. It's a credible partner.

The one women's cooperative in Mboundom offered the same opinion: "SFA is way better than the partner we used to work with. One important thing is that they pay the workers to load the trucks when they buy rice, whereas we used to bear that cost with our former partner. Now we save a lot."

⁷ This is either gleaned seed and/or sale of the rice straw as animal feed. A further option is to convert the residue into compost.



Access to Technical Information

Farmers benefit from SFA's technical assistance during the production phase. This role is mainly played by the extension agents (who also act as buying agents), one for each zone. The buying agents rely on the lead farmers to follow and monitor the application of the taught techniques. The training is organised at the beginning of every campaign, mostly targeted at ensuring good rice quality, guaranteeing the raw material for SFA, and reducing the unsold quantity for farmers. Farmers value this training and find it very useful. For them, this should be the role of the state agencies like SAED, but SFA is doing a better job in their view.

The lead farmers continue to provide information and sensitisation to other farmers to maintain the skills transferred. "There was some resistance, mainly from old farmers who would not like to change their habits; but with the patience and long-term support, we were able to bring changes in the mindsets." (lead farmer in Déby-Tiguette). This lead farmer compared the situation before and after the arrival of SFA as follows: "In the past, we used to produce by ourselves and sell. But with SFA, we got support, which generated positive impacts for us. For example, due to the low quality, we used to sell a bag at XOF 7,000 or XOF 8,000. Now, as the result of training and the good faith of SFA, we can sell up to XOF 12,000. Because of these improvements, new sections would like to join the partnership with SFA."

The women's cooperative interviewed requested the same training provided to lead farmers. They believe this will improve their production as it did for the other sections of the union in the zone: "We would like to benefit from training from SFA on rice quality, usually done with specialists from AfricaRice, a specialised rice research organisation ... and other types of training that could help us diversify activities in do other types of business, e.g., processing of local products like soap making, vinegar, parboiled rice etc." Women also proposed to help SFA to have more paddy in their zones: "SFA could also leave some money with us to buy for them. At harvest time, there are many millers who come and buy directly from farmers. As SFA has no partnership with all farmers, we could be at the forefront and providing first-hand support to SFA and act as their buying agents here." This is a proposition that SFA could consider. The training requested by the group would strengthen their capacity to lead in informing other farmers on how to ensure good-quality rice production and their ability to check its conformity with SFA quality criteria.

Provision of Services to Strengthen the Value Chain

System of Traceability of Products

SFA supports farmers in ensuring the traceability of the product from farm to clean rice. When paddy is harvested, each bag is tagged with the name of the producer and the union of origin. This makes it easier for SFA and the union to document how much was produced by each farmer and deal with the corresponding financial implications, e.g., refund of loans to the bank, amount to be paid to the farmer, etc. It is important to note here that the unions have functioning bodies, including a secretariat that holds the record of all administrative and commercial activities under the oversight of the president. They play a key role in the management of the irrigation scheme, including water fee collection and maintenance of the scheme. This has been so since the state pulled out of production and key segments of the rice value chain in the 1980s.



To further enhance compliance with food safety standards, SFA is exploring the option of introducing a barcoding system on bagged products that will facilitate traceability from farm to consumer. The reported constraint with implementation is the cost associated with such a system.

Access to Inputs and Equipment

SFA assists farmers with access to inputs through a financing mechanism in place for that purpose. This mechanism includes five main parties: the banks, farmers, suppliers, and SAED, with SFA providing the mechanism for the repayment of finance to banks. At the beginning of each season, farmers prepare their needs assessment through their unions and submit it to SAED, which plays a counselling and general oversight role. Based on this assessment validated by SAED, the bank pays suppliers for the required quantity of inputs and issues vouchers to farmers to receive them. After the harvest, SFA collects the paddy equivalent of the amount owed to the bank and repays the bank directly to settle the debt. The same information is shared with the unions, who record this in their administration. There are situations where SFA prefinances season requirements by settling any farmer residual debt from the previous season if they really need it, as banks will not refinance if there is an outstanding debt.

The issue of equipment shortages is well-known in the zones. SFA is aware of farmers not having adequate harvesting capacity to remove rice in a timely way, especially in the first campaign, when there is a high risk of rain. Indeed, one of the main issues that farmers face is the lack of a sufficient number of combine harvesters. This situation is so serious that last year the government requested support from harvesters from neighbouring Mauritania to quickly remove the rice. The crop was at high risk of damage because rains could have arrived before farmers were able to harvest—their current capacity is limited, even with the assistance of private service providers that rent out machines.

To contribute to increasing this capacity, which is also a business opportunity, SFA is planning on purchasing some combine harvesters and operating them as a service provider. The machines will be rented under the same conditions currently observed in the area, i.e., two bags of paddy rice for each hectare harvested. The insufficiency of machines was raised in all interviews conducted. The SAED also mentioned it, seeing it as a very critical issue. From their perspective, it is difficult for the government to cover all needs expressed, and there is room for private actors to invest more to meet demand.

Dimension 4: Environmentally sustainable processes and products

Dimension 4 mostly relates to issues covered under CFS-RAI Principle 6, “conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks.”

SFA scores very low in both subcategories of this dimension, “the organization identifies and manages its environmental risks,” and “the organization implements or promotes sustainable practices.” SFA does promote good agricultural practices, which is scored in Dimension 3, but don’t yet supply organic fertiliser (they intend to start with organic but are only planning trials). At present the government provides fertiliser.



The areas that SFA could consider addressing immediately are risk assessments, no matter how rudimentary initially. Given the startup nature of the business and the many issues management grapples with daily to make sure that the business grows and generates a profit, the company says that there simply has not been the time for assessments so far. The proposed assessments could cover the vulnerability of farmers and SFA to climate change impacts, pollution, and greenhouse gas emissions. This would be followed up with a plan for—and implementation of—sustainable practices.

Potential Negative Environmental Aspects.

Farmers are insensitive to environmental concerns. Chemical packaging is disposed of on the surface, admittedly some distance away from fields and villages, and no attempt is made to have a more secure disposal system.

There is a complete lack of any village household waste disposal system. Villagers simply walk a short distance from the village and empty their rubbish, which is scattered all around. This is a common sight in the St. Louis area. Those interviewed saw it as a local government responsibility, but it would not take much to excavate a few suitable pits to throw rubbish into and even arrange for it to be burnt.

Another point to note is that there are salt pans in the area, indicative of a risk of rising salinity if irrigation is not carefully managed. The risk was confirmed with SAED, which indicated there are about 16,000 ha of abandoned areas, some of which could be due to salinity. As an illustration, the Mboundoum women's cooperative interviewed observed that they are unable to irrigate 2 ha due to high salinity.

Dimension 5: Responsible treatment of stakeholders

Because there are many types of stakeholders, Dimension 5 correlates with issues covered under several CFS-RAI Principles, especially 5 (“respect tenure of land, fisheries and forests, and access to water”), 7 (“respect cultural heritage and traditional knowledge, and support diversity and innovation”) and 2 (“contribute to sustainable and inclusive economic development and the eradication of poverty”).

In contrast to Dimension 4, SFA scores very highly on two subcategories of this dimension: “the organization respects legitimate tenure rights on land, fisheries, forests and water,” and “the organization promotes responsible and fair contracting practices with its stakeholders.” The company had no score on the standard of respecting cultural heritage (essentially Principle 7), due to the questions in the tool not being applicable to the context of the operations of the business.

Tenure Rights System in the SRV

SFA has no direct influence on tenure rights in the SRV. Land allocation follows the Senegalese land laws, which vest the communes (i.e., the municipality) with the mandate to allocate land. In the SRV, farmers access land through their unions, and there is no individual allocation. As part of the government plan to support family farming, the mechanism in place functions as follows: first, farmers assess their needs in terms of the



surface necessary to sustain a family. This is calculated based on 0.4 ha for one person, and the total surface is calculated by multiplying this by the total family members. A family of five would have, for example, 2 ha. Second, the unions submit the needed surface area to the commune (municipal council), which takes an allocation decision (called deliberation) to grant an indefinite use right. The existing scheme was implemented in the 1980s and 1990s, and all the lands were allocated at those times. Farmers (actually, the families) are still using the same surface. This raises land scarcity issues because the population has grown since the allocation period.

Third, once the land is allocated and registered in the name of the union, it is up to the latter to do the final distribution among its members, e.g., the families represented by the head of household, based on the assessed need of each family. The only reason for losing one's land is the failure to pay debts and water utility fees. The loss of use rights is not final since a farmer can still get the land back after paying the debts. For many of the interviewed farmers, including presidents of unions, this is the only leverage for unions to ensure farmers pay their debts and ensure unions keep their credibility before all the parties.

SFA may indirectly influence land issues because farmers often request assistance when they face difficulties in paying their debts. SFA offers support based on its own judgement, but this is not a formal part of its partnership with farmers and other stakeholders.

Impact of Responsible and Fair Contracting

SFA receives considerable loyalty from farmers because of its conduct and the trust that its GM, managers, and buying agents have built with farmers, centred on being open to issues and concerns—as well as addressing these in innovative ways. Farmers' loyalty is rewarded in a number of ways, including being supplied with inputs or technical advice, and can be regarded as a company strength.

Dimension 6: Responsible human resource development

Dimension 6 covers issues encompassed under CFS-RAI Principles 3, “foster gender equality and women's empowerment,” and 4 “engage and empower youth,” as well as other HR-related issues.

SFA's compliance score on this dimension is “middling”: higher on one subcategory, “the organization creates a safe and equitable work environment,” and lower on the other two, “the human resource development system is designed to attract and maintain a qualified and motivated workforce” and “the organization's human resource development system supports its strategy on responsible agriculture.”

Safe and Equitable Work Environment

SFA abides by the law on the aspects related to this element, but there is no proactive approach to, for example, empowering women or youth in the workplace.

Child Labour

The company abides by the law in not employing anyone under the age of 16.



SFA advises that at the farm level, child labour is generally restricted to family members who work together on their lands, with children fulfilling light duties as a means of learning about farming.

Gender Equality and Women's Empowerment

The company does not discriminate on employment between men, women, youth, or the elderly; the only criterion is their ability to do the job required. However, no policies are in place to promote the employment of any of the above categories of staff.

Men dominate the numbers for both permanent and casual (temporary) staff, with only 8 out of 32 permanent staff being female. Similarly, only 10 out of 60 daily workers (casual or temporary) are women. These women are employed about once a week to remove rice from the husk that was not removed during machine processing. For daily workers, it is argued that the higher cohort of men is a consequence of the heavy physical work required.

There are indications that women perform better than men in sales.

Conditions of Employment at the Company

Employees are either employed on a permanent contract basis or as daily paid workers.

Social Benefits

The company complies with all the legal aspects of labour relations, such as those regarding leave, maternity leave, and contribution to health and retirement insurance.

Job Satisfaction

An employee representative mentioned that employee issues were generally satisfactory but proposed recommendations to improve conditions. Employees greatly appreciate the good relationship with management and are aware of its dedication to improving the company's position in the rice sector. Employees are patient with the company since they are aware of the real issues, but several matters cannot wait.

The working conditions, e.g., hygiene, wearing masks, protection equipment, safety measures, welding station, etc., need to be improved immediately. This is a rice processing mill in the middle of a dusty environment: "We spend 8 hours working in the mill with no masks. Some employees are already complaining about this lack of safety," said the employee representative. Also, staff maintain their salaries need to improve; the representative reported that some have been on the same salary for years, even after moving to an upper position. He then concluded that "other millers pay better for the same positions. I know that as we have trained some daily workers here who ended up leaving for a stable and better-paid permanent position in those mills." For him, the salary is neither sufficient nor satisfactory: "Personally, my salary can just sustain me for two weeks, and I have to find ways to take care of my family the other 2 weeks in a month."

Workers are not seeing any improvements in their conditions, even though they can see progress in production due to their dedication. This should be addressed by SFA.



The level of job satisfaction could improve if SFA brings some changes to the working conditions and salary levels etc. There is also a need to invest in the machines being used. The dysfunctional state of the machines results in breaks. Some employees stated, “There is no mechanism in place to keep daily workers that spend a long time with us. We train them and they become qualified employees for our competitors.” The performance bonus paid increases staff motivation and satisfaction and SFA should continue to provide it if production objectives are attained. Another employee noted “The provision of a bonus is a motivation, but the company seems to want to reduce it. The employees raised the issue with the labour inspector, who concluded that this can’t be reduced without reasonable ground.”

According to the employee representative, the company should avoid labour disputes with employees. The staff representative indicated there was one labour contract case that they tried to settle, but it ended up at the labour inspection tribunal, and the employee won the case. However, the company has still not enforced the decision.

Human Resource Development

Training is done in-house, and, to date, there has been no professional development training undertaken. It has been recognised as a priority issue and the 2022 planning was to implement a programme in 2023.

The employee representative informed that no training has been provided to them since they started working for SFA.

Dimension 7: Financial transparency and benefit sharing

Dimension 7 primarily relates to CFS-RAI Principles 2, “contribute to sustainable and inclusive development and the eradication of poverty” and 10, “assess and address impacts and promote accountability.”

The company’s average compliance is low on one standard, “the organization has a transparent financial structure,” and very low on the other, “The organisation uses profits responsibly.” The reasons for the low scores are simply that the company is busy trying to grow and establish itself in difficult trading conditions. In addition, as a private company, it does not publish financial results. As such it hasn’t the financial resources to support a wide range of social benefit causes.

Benefit sharing covers a range of issues, from contributing to the empowerment of women and youth or supporting communities’ access to local services to contributing to the regeneration of the natural ecosystem. Some relevant actions have been taken within the limited financial means of the company, given that it is not making any sustainable profit above costs. The type of action SFA typically makes is usually in response to the social needs of individuals who make requests. This includes assistance with food for emergency needs and during COVID-19 when a large quantity of rice was provided as food relief.

Given the company’s *raison d’être* of “living planet” and its vision of being a social business derived from its main shareholder, Durabilis, the company makes an impact in this area through its product pricing policy (a question not asked in the tool). At the time of the



fieldwork, interviews with SFA managers revealed that Terral rice was selling at USD 330/tonne, compared to its competition (Vital's Rixel brand), which has a higher price of USD 350/tonne. Nevertheless, demand for Terral rice far outstrips supply, given its perceived high quality and the real opportunity this presents for the company to set a price equal to or above that of Rixel; the company chooses to keep prices low, at a level considered more affordable for lower-income farmers.



4.0 Recommendations to Company, Investors, and Other Stakeholders

SFA can be seen as an agribusiness that has sought to invest responsibly in its AVCA business, especially in its operations, processes, and relations with stakeholders. The findings in Section 3 reveal a moderate level of RAI compliance that varies between dimensions. RAI compliance is not perfect, and several recommendations can be made based on interviews with SFA staff and stakeholders.

Senior management and the board should undertake a formal review of the CFS-RAI Principles, together with the results of the RAI Tool, to take a position on how the company might respond to these guidelines, considering the findings in Section 3, to further improve its responsible and sustainable business conduct. IISD would be pleased to participate in this review.

This review would lead to an action plan, with priorities built on the findings presented in this report, the review itself, and the relevant operating conditions of the company. Some suggestions, recommendations, or issues for consideration during the formal review are mentioned below.

Recommendations to SFA Related to Challenges Faced by the Company and Farmers

SFA could promote a farmer mechanisation capacity-building programme supported by government and development agencies to create additional harvesting capacity for smallholders to reduce risks of rain-related losses in the first campaign (July/August). Elements of a programme to realise such an objective could include the following:

- Instead of SAED buying equipment, the company could establish a subsidy scheme to facilitate private sector (farmers, farmer unions, rice millers) investment in equipment, with additional financing from agricultural banks and equipment suppliers.
- SFA could develop its own mechanisation contracting service in partnership with farmers and/or as a stand-alone business.
- The company could encourage youth to invest in equipment to offer contracting services, supported by an app similar to the “Hello Tractor”⁸ app used in Nigeria and Kenya. While this may be ambitious, such services are offered in similar circumstances elsewhere. This is thus not beyond the realm of possibility with the right programmatic support.

SFA may want to play a more significant role in ensuring farmers get access to fertiliser since this is a major determinant of the husks’ weight or body of rice.

(See also recommendations for the investor and others below.)

⁸ <https://hellotractor.com>



Recommendations to SFA Related to CFS-RAI Compliance

IISD conducted its interviews and fieldwork to assess the degree to which the company's business practices, procedures and actions (and impact) comply with the CFS-RAI Principles. Of course, these practices were not created with the CFS-RAI specifically in mind (although in discussion with staff, it was clear that responsible business conduct and sustainability were and are considered).

A review of SFA's practices with respect to the CFS-RAI, conducted systematically under each business dimension or function, offers the company an opportunity to update how it operates, ensure RAI compliance to the degree feasible, and, more generally, conform to contemporary perspectives on responsible business conduct and investment. In addition to improving business efficiency and competitiveness and enhancing the company's role as a "good corporate citizen," an overhaul of how the company operates and its compliance with RAI and related principles and guidelines projects a positive image for investors and other stakeholders.

IISD's research and findings (Section 3) provide a basis for connecting the main issues identified vis-à-vis specific RAI principles to prospective refinement, overhaul, and additions to company practices. Table 2 provides recommendations and supporting actions grouped by business dimension.

Recommendations to Investors, the Government, and Others

Durabilis and other investors may wish to consider supporting SFA to

- invest in improved equipment to address the challenges of milling equipment downtime
- given the high market demand for Terral rice, create additional milling capacity, either by developing additional capacity or by contracting other millers that have spare capacity on a toll basis
- once greater production volumes are achieved, invest in a full traceability system from farm to consumer to further enhance the Terral brand.

Investors could consider supporting the creation of a farmer-owned investment vehicle to become shareholders in the milling operation and promote commitment to supply to SFA.

In general, early startups face many establishment challenges and often do not have the time to develop a suite of operational policies and procedures from scratch. Investors should have access to and/or develop operational policy and procedure templates covering HR, grievance redress mechanisms, food safety, occupational health, and safety etc., to assist investee companies to fast-track the development and implementation of standard policies and procedures. These could be developed, in part, from the findings of the IISD case studies.

The government (and others) should consider acting on several issues highlighted by this case study, including the following.



1. The build-up of salinity could become a major risk if incorrect irrigation practices continue. As such, the education of farmers, combined with the correct field levelling and drainage systems, should be a priority of government and farmer unions.
2. The fact that reportedly 9,000 ha of land in the SRV is abandoned, and 16,000 ha is not in intensive production suggests that there is an opportunity for the government, millers, and farmer unions to develop a support and land rehabilitation programme. This could result in an additional 100,000– 130,000 tonnes of additional paddy production. This could pre-empt investment in the expansion of existing irrigation schemes.
3. There is a total lack of refuse removal systems in farmer villages, with household rubbish and waste dumped and scattered over a wide area. Local government and/or SAED extension staff should prioritise developing and implementing an education programme. This should be done together with local government to demonstrate to village leadership how to create safe dump sites and for local authorities to implement a waste removal and recycling system.
4. Chemical companies are responsible for establishing a return system for used chemical containers, as this is an environmental impact externality from the supply and use of their product. This could be as simple as showing farmers how to dig safe waste pits and at least burn the packaging. A returns system of the containers for the distributor company to dispose of would be a better option. In this regard, the government should consider regulations for the agricultural chemical industry on the safe use and disposal of used agrichemical containers.
5. SAED, in partnership with SFA, could consider trials on methods of organic production of rice to assess if this could be a commercial proposition.

**Table 2.** Improving compliance with RAI principles: Recommendations to SFA

Business dimension or function (related RAI principles)	Main issues identified	Recommendations to SFA
<p>1. Strategy & accountability (CFS-RAI Principle 10)</p>	<p>SFA has invested responsibly in its business and aims to ensure sustainable business conduct at all levels.</p> <p>However, both because it is a small company and the CFS-RAI Principles are relatively recent, it is not surprising that the organisation does not systematically assess and manage its impact. Nevertheless, because the company is keen to invest responsibly (whether under the CFS-RAI banner or more generally) relevant policies and actions need to be considered.</p> <p>To do this, more rigorous strategy building and formalisation of processes, including RAI-related, are essential to mid- and long-term business competitiveness and success.</p>	<p>In terms of strategy and accountability, SFA could:</p> <ul style="list-style-type: none"> • formally incorporate RAI into its strategy, building on its current approach to sustainable business conduct • identify capacity constraints and resources required to accomplish a more RAI-focussed strategy • consider developing systems to gather data informing them of their operational impacts on stakeholders. This is especially important because SFA is weak in its formal strategy and level of accountability vis-à-vis RAI. Areas for consideration for improvement include <ul style="list-style-type: none"> • the need for more formalised assessment and measurement of impacts • more formalised systems of identification and management of environmental risks • the implementation and promotion of sustainable practices. <p>(Potentially the above could involve a formal review with IISD, or another partner, to help kickstart this process.)</p>
<p>2. Inclusive and transparent structure (Principle 9)</p>	<p>SFA has a relatively inclusive and transparent structure; however, its score is lowered because it does not have specific consultation plans for women and youth. There was an AgDevCo project aimed at women funded by the Mastercard Foundation (2019–2021) but such an ongoing effort is too costly for the company.</p> <p>Consultations with farmers can also be a challenge because they expect to be paid to attend meetings.</p>	<p>In terms of expanding impact on women SFA could consider</p> <ul style="list-style-type: none"> • having lead women farmers within women’s groups as trainers, given that some women felt they were not getting as much opportunity for training as men • engaging women as individuals or as a women’s group to act as “buying agents” for SFA to expand its reach.



Business dimension or function (related RAI principles)	Main issues identified	Recommendations to SFA
<p>3. Safe and responsible agriculture and food systems (Principles 1 and 8)</p>	<p>SFA performs well in contributing to food security and nutrition, both directly (higher local incomes of employees and purchases from farmers) and indirectly through linkages (e.g., business opportunities for food sellers).</p> <p>However, it could do more in supporting local food systems.</p>	<p>A farmer mechanisation capacity-building programme supported by government and development agencies could be promoted by SFA to create additional harvesting capacity of smallholders to reduce risks of rain-related losses in the first annual campaign (July/August). Elements of a programme to realise such an objective could include</p> <ul style="list-style-type: none"> • establishing a subsidy scheme to facilitate the private sector (farmers, farmer unions, rice millers) to invest in equipment with additional financing from agricultural banks and equipment suppliers, instead of SAED buying equipment; • SFA developing its own mechanisation contracting service in partnership with farmers and/or as a stand-alone business; • encouraging youth to invest in equipment to offer contracting services, supported by an app such as the “Hello Tractor” app used in Nigeria and Kenya. <p>SFA may want to play a more significant role in ensuring farmers get access to fertiliser since this is a major determinant of the quality of the rice.</p> <p>Finally, SFA could pay more heed to relatively vulnerable groups (in distinction to its current practices), such as women. For instance, women farmers have offered help SFA buy more paddy rice, stating</p> <p>“SFA could also leave some money with us to buy for them. At the harvest time, there are many millers that come and buy directly from farmers. As SFA has no partnership with all farmers, we could be at the forefront and providing the first-hand support to SFA and act as their buying agents here.”</p> <p>This is a proposition that could be considered by SFA. Women farmers are also requesting more training from SFA.</p>



Business dimension or function (related RAI principles)	Main issues identified	Recommendations to SFA
4. Environmentally sustainable processes and products (Principle 6)	SFA has not been proactive in assessing environmental risks and responding to them, whether related to its own operations or the wider environment.	<p>A principal recommendation to SFA is to immediately commence risk assessments—no matter how basic—and take action.</p> <p>For instance, while the company provides safety gear to mill workers, the latter use their own clothing (out of preference). However, given the dusty operational conditions in the mill, SFA management should be stricter in enforcing health and safety procedures. Training staff in safety is essential, and safety procedures should be displayed prominently in the mill and warehouse.</p> <ul style="list-style-type: none"> • Risk assessment and action could also be considered for other immediate or urgent issues, e.g., • farmers not disposing of chemical packaging safely • rising salinity in farmland because irrigation is not being managed effectively.
5. Responsible treatment of stakeholders (Principles 2 and 7)	SFA performs responsibly in its treatment of stakeholders. It is responsible in its conduct with communities, contracting farmers and addressing grievances and concerns. However, grievances are as dependent on management's relationships with farmers as on corporate policies and procedures.	<p>Currently the company has an open-door policy for stakeholders to address grievances directly with the GM.</p> <ul style="list-style-type: none"> • While this appears to be working well and building the trust and loyalty of farmers toward SFA, in time, with business growth, this will become too onerous for the GM alone, and formalised procedures and policies should be considered. • This should be coupled with training more junior management to deal with most issues.



Business dimension or function (related RAI principles)	Main issues identified	Recommendations to SFA
6. Responsible human resources development (Principles 3 and 4)	<p>The company's compliance with responsible human resource development is "middling" and could be improved. Key issues include</p> <ul style="list-style-type: none"> • rewarding employees' patience in SFA's growth phase in terms of working conditions and remuneration • lack of professional training of staff • lack of a policy toward empowering women and youth in the workplace. 	<ul style="list-style-type: none"> • Given the importance of a workforce that is committed, productive, and loyal to the company, with staff reporting some had not received pay increases for over 6 years, SFA could consider paying more attention to a financial rewards system for staff, linked to company financial performance. This would have to be within the financial means of the company, considering the fact that currently (and in the recent past) the company is only marginally profitable. • Some level of staff professional development training support could be considered, including training on what responsible agricultural investment means in practical terms. • Consideration might be given toward a policy on specific support for vulnerable groups such as women and youth.
7. Financial transparency and benefit sharing (Principles 2 and 10)	<p>While the company presently scores low in this dimension, partly because it is growing under difficult trading conditions, significantly, it chooses to keep prices of its rice low to ensure affordability for the lower-income local population.</p> <p>This is notwithstanding demand for Terral (the company's brand name for its rice), far outstripping SFA's ability to supply. Terral has a perceived high quality; SFA could potentially raise its price so that it is equal to or above that of its main competitor.</p>	<p>SFA could consider an increase in rice prices to be more aligned with that of Rixel. However, it is well noted that this has not been done due to the business philosophy of the shareholder to contribute to food security and well-being across the whole value chain.</p>

Note: The RAI Principles may be reflected in more than one business dimension, e.g., CFS-RAI Principle 10, "Assess and address impacts and promote accountability," primarily relates to both Dimensions 1 and 7.



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