

Industries Without Smokestacks:

THE AGRO-PROCESSING INDUSTRY IN GHANA

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Outline

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- Development of Agro-processing in Ghana and its significance to the Ghanaian Economy
- Evolution of Public Policy
- Constraints to Growth and Development of Agro-processing in Ghana
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Introduction- Overview

- Agro-processing - transformation of products originating from agriculture, forestry and fisheries. (FAO,1997)
 - The most important sub-sector of the manufacturing sector, with food and beverages representing the largest component of processed commodities. Quartey and Darkwah (2015)
 - dominated by small and medium scale firms who operate in the informal sector of Ghana.
 - Commonly processed crops: maize (other grains – millet sorghum, guinea corn); nuts and oils and fish
- Two groups of agro-processing exists (Quartey and Darkwa,2015)
- Domestic processing
 - females;illiterate and have no formal training.
 - Skills acquired mostly through apprenticeship; large amount of family labour is employed.
 - Processed outputs are often of variable quality.
 - Nonetheless, these small-scale units are able to create employment opportunities and make use of local resources

- Factory Processing
 - Mostly foreign-owned (e.g. Nestle and Cadbury) or public liabilities (Cowbell and Fan Milk)
 - process large quantities of raw materials and can contribute significantly to the nation's economy through export activities.
- Agro-processing is important for a number of reasons:
 - Reduction in post-harvest losses: Post-harvest losses in maize, cassava, rice and yam amounted to about 35%, 34.06%, 6.9% and 24.4% in 2007 (MoFA, 2007)
 - Only 5% of food products harvested in Ghana are processed. (MoFA, 2012)
 - Potential to increase nutritional value ;increase food security in the country, through a reduction in the food spoilage and wastage.

- Price stability on the world market
- Increased market opportunities for exports; improvement in income securities. (rural communities who are mostly engaged in farming)
- The development of the agro-processing industry may:
 - promote employment generation
 - contribute to enterprise development,
 - Enhance diversification of rural economies, import substitution, among others.
- Opportunities to add value to agricultural commodities exists:
 - industry not well- advanced ; low degree of value addition
- Limited linkages with marketing and financial services
- Due to small sizes; under developed processes → inefficient tech → operating below capacity

- 85% are micro-enterprises, 7% are very small firms, 5% are small firm and only 3% are medium agro-processing firm.(Afful- Koomson et. al, 2014)
 - This limited scale of production implies greater bureaucratic, legal and administrative challenges
- Policy directives and initiatives less tailored to the needs of SMEs, leading to overbearing regulations, delays, among others.

Development of Agro-processing in Ghana

- Agro processing in Ghana began in the colonial period, where these activities were performed on a small scale and consumed locally. Okorley and Kwaten (2000),
- From industrialization drive:
 - Establishment of state owned processing factories; directly linked to the country's agricultural products; strategically located to use the primary agricultural products produced by the various regions.
 - Examples:
 - Sugar factories, tomato, meat processing, fruit cannery
- Administrative and Managerial challenges (after 2 decades) resulted in declines in production performances.
 - were either sold/ privatized or left to run down.

- Agro-processing industry in Ghana is described to be in its nascent stages. (except cocoa-large scale) .Sutton and Kpentey (2012).
 - The artisanal processing activities rely mainly on very simple and locally-manufactured technology
- Over the years, processing has moved from completely traditional methods of processing to semi- mechanized and then to fully mechanized methods.
- International organizations such as FAO, SNV, GTZ have partnered with MoFA to introduce and develop technologies required to make the industry more efficient.

Processing of Crops

- Grains (maize, millet, sorghum...)
- Nuts and Oils (palm nut, shea nut, ground nuts, coconut ...)
- Roots and Tubers (cassava, yam, cocoyam and sweet potato)
- Fruits and Fruit Juice Processing (pineapple, mangoes, oranges...)

Public Policy

- During the colonial era:
 - Agric. Policies have favoured the production of raw materials and primary products. Eg. (Raw materials – cocoa & oil palm; produced for export to feed industries in Europe; manufactured products imported for consumption- colonial era
 - The policy focus in this era was one of export orientation with the aim of promoting cash crops such as cocoa and oil palm. (Guggisberg's 10 yr plan)
- After independence: (earliest attempts to promote agro-processing)
 - Dominated by the import –substitution strategy
 - continued emphasis was placed on primary agricultural production in an attempt to provide the requisite raw materials for the manufacturing sector
 - 7 yr plan embraced a socialist approach- emphasis on industrialization; agro-processing

Public Policy : 1966- 1980s

- Between 1966 and the early 1980s:
 - alternating socialist and capitalist policies on agricultural promotion led to many local agro-processing factories to be privatized or shut down
 - push for the liberalization of the economy through the elimination of import licensing and quantitative controls, and also for greater emphasis on private sector-led growth.
 - Promotion of Small-scale farming through the establishment of single-commodity; the Agricultural Development Bank was established to extend credit facilities to these small-scale farmers
- by the early 1980s, the agricultural sector began to decline
 - The ERP (1983 to 1986) had conflicting implications for the agricultural sector.
 - Market liberalization policy led to the devaluation of the country's currency, which encouraged agricultural production and exports.
 - Removal of guaranteed prices on agricultural products and subsidies on agricultural increased costs of production in the sector.
 - Agricultural enterprises collapsed due to their inability to compete on the international market.

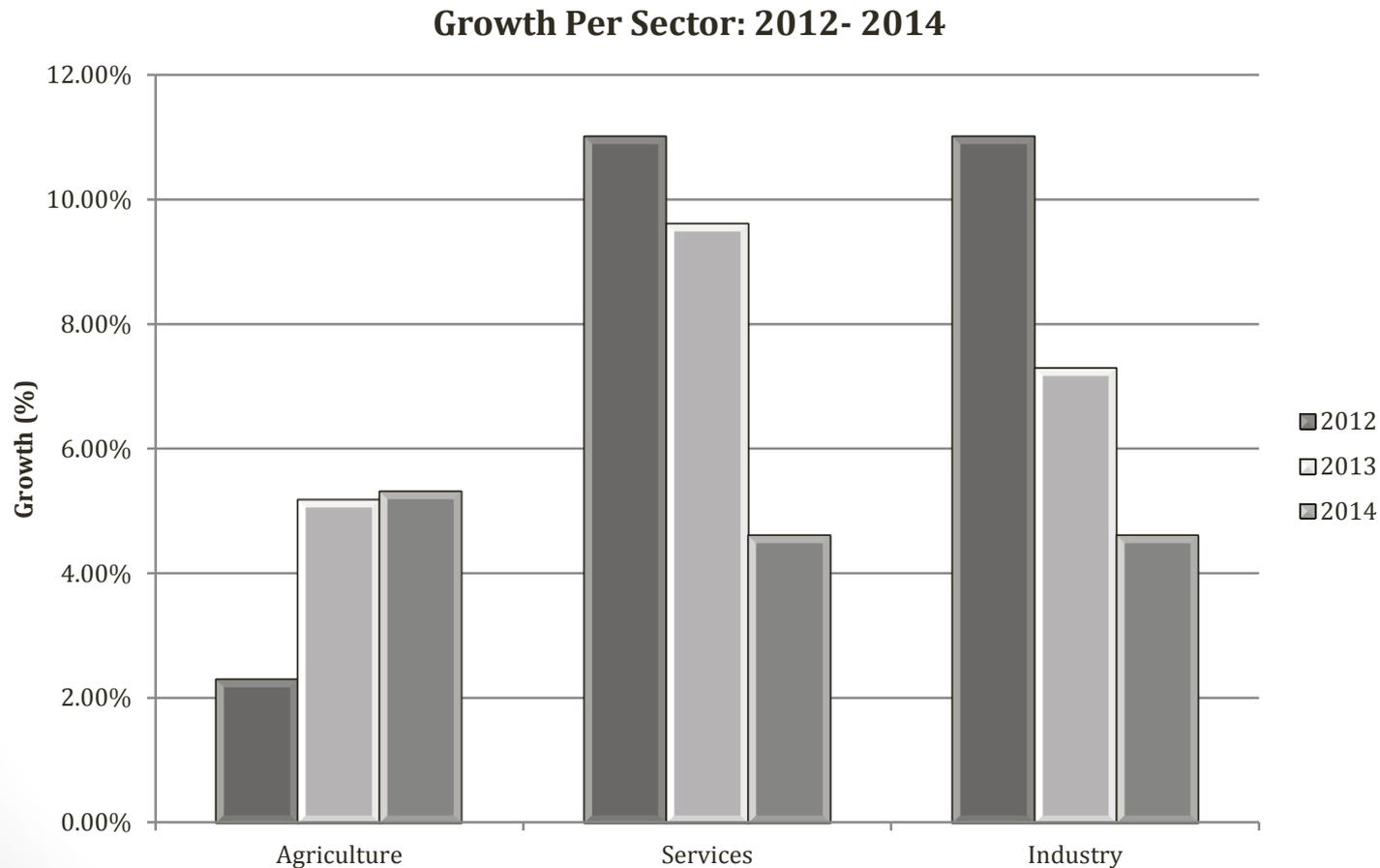
Policy :1991-2000

- Between 1991 and 2000:
 - Medium Term Agricultural Development Programme (MTADP)- recovery and growth of agric industry;focused not just on production and trade, but also on the processing of agricultural commodities.
- Other programmes and projects were undertaken to boost agricultural production and agro-processing
 - Agricultural Diversification Project (ADP) (1991-99),
 - National Agricultural Research Project (NARP) (1991-99)
 - National Agricultural Extension Project (NAEP) (1992-2000),
Agricultural Sector Adjustment Credit (ASAC) (1992-99),
 - National Livestock Services Project (NLSP) (1993-99),
 - Agricultural Sector Investment Project (ASIP) (1994-2000)
 - Fisheries Capacity Building Project (FCBP) (1995 to present)
 - Commodity specific programmes such as the 2001 Presidents Special Initiatives (PSIs) also encouraged agro-processing, such as the PSI on cassava and its processing into starch.

Policy: From 2002- Present

- The Food and Agriculture Sector Development Policy (FASDEP I) of 2002 and FASDEP II aimed to promote agro-based industrial activities
 - FASDEP II : a long term policy focusing on value-chain addition
- The World Bank/IMF sponsored Growth and Poverty Reduction Strategies;
 - GPRS I (2003-05) and GPRS II (2006-09) were significant to agricultural production and agro-processing in the country.
 - GPRS I –focused more on agric. modernisation
 - GPRS II - focused more on agro-based/agro-processing industrialisation
- Ghana Shared Growth and Development Agenda I (GSGDA), 2010-2013 outlined that agro-processing is to expected to lead the growth and structural transformation of the economy.
- Medium-Term Agricultural Sector Investment Plan (METASIP: 2011-2015) ---- several strategies to create incentives for agro-processing industries to adopt food grade processing technologies; increase rural industrial processing of cassava, oil palm, shea nuts, cashew nuts, soybeans and groundnut .
- The Ghana Trade Policy (GTP) also aims at turning Ghana into a major agro-industrial economy through the diversification of production in order to take advantage of export market opportunities

Agro-Processing a pathway for Sustained Growth?



- Although services sector is the largest contributor of GDP, agric. has maintained its rising growth trend.
- Ghana may have a strong competitive advantage within the agric sector:
 - over two-thirds of the total land in Ghana are fertile and require little fertilizer to produce farm commodities
 - diverse ecological zones
 - Well endowed network of water bodies to support irrigation
- the government has demonstrated significant interest in agribusiness and a commitment to support increased investment in this area.
 - incentives exist in Ghana to promote the agro-processing industries such as tax-exemptions for the first ten years of operations
 - location-based incentives;
 - tariff incentives for agro-processing businesses- zero rated for agro inputs, plant and machinery
 - exemptions of import duties on imported plant, machinery and equipment to be used in agro-processing industries, among others.

- Reasons for low levels of agro-processing :
 - lack of agro-processing facilities and modern equipment, which often results in significant agricultural yields going to waste
 - shortages and high cost of equipment and spares
 - limited access to information from extension service
 - limited access to appropriate packaging material for processed products
 - lack of marketing skills; unreliable supply of raw materials; failure to meet food processing regulations pertaining to food safety and hygiene practices which need to be adhered to in the industry.
- Other reasons:
 - irregular supply of energy, low youth interest in farming, agro-processing and agribusiness

Conclusion

- In the case of Ghana, services is unlikely to sustain growth due to a recognized lack of competitiveness.
 - high quality education required to foster innovation and increase productivity in the services sector is lacking.
 - Average levels of education (low skilled labour) sufficient to spur production in light manufacturing sectors such as agro-processing
- services sectors thrive on well-developed infrastructure and technology (eg. good transportation and communication systems, storage facilities, financial systems, among others)
- In Ghana, current access to only basic infrastructure (e.g. electricity, road networks from farming communities to urban and peri-urban markets, irrigation facilities) is conducive to activities of the agricultural and agro-processing sector.
- Experiences from such blue coloured jobs in the light manufacturing processing industries may propel the establishment and growth of heavy manufacturing industries which will ultimately spur overall economic growth and development

THANK YOU!