THE IMPACT OF GLOBALISATION AND LIBERALISATION ON AGRICULTURE AND SMALL FARMERS IN DEVELOPING COUNTRIES:

THE EXPERIENCE OF GHANA

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CHAPTER 1: IMPACT OF LIBERALISATION ON RURAL PRODUCERS IN GHANA: INTRODUCTION

This study is part of a research project on the impact of globalisation and liberalization on poor rural producers in developing countries. It takes as a case study the experience of Ghana and its agricultural sector.

The effects of import liberalization on the viability of agriculture, particularly that practiced by small farmers of food crops, have become an important field of study in recent years. This is due to the increasing concerns of farmers and their organizations, civil society organizations involved in development, and policy makers in governments of the developing world.

Such concerns emerged because of the experience of many developing countries undertaking structural adjustment programmes, in which trade liberalisation as well as the withdrawal of the state from an active role in support of farmers, are prominent components of the loan conditionalities of international financial institutions. The concerns increased due to the commitments that developing countries undertook to eliminate quantitative restrictions in agricultural products and to reduce their agricultural tariffs under the Uruguay Round. The current negotiations in the WTO are expected to oblige developing countries to undertake another round of agricultural tariff cuts.

In many developing countries, the liberalisation of imports has resulted in intense competition from imports that have threatened to displace some of the products of small farmers from their own domestic market. The competition emanating from imports has not been fair, in many cases. This is because imports coming from developed countries are usually heavily subsidized, and thus their prices are artificially cheapened. On the other hand, the farmers of developing countries are usually not subsidized. Moreover, the assistance that their governments provided have, in many countries, been withdrawn or substantially reduced, due to the structural adjustment policies.

The displacement of developing countries’ farmers and their products due to trade liberalization has thus become the subject of global concerns.
This is a study of the experience of Ghana, in the context of this theme.

Chapter 2 provides a background to the changes in agricultural policy in Ghana, in particular the reforms undertaken under the structural adjustment programme. The changes in tariffs and the present situation in trade policy and the agricultural sector are also described briefly.

Chapter 3 discusses the situation in relation mainly to three food products: rice, tomato and poultry. It describes the challenge posed to farmers caused by import liberalization and the withdrawal of state assistance. The subsidization of the imported products is described, as well as the penetration of the imports, and the effects on farmers and their local communities. The evidence from the ground is augmented by reports of field studies and interviews conducted by various organizations, as well as by international and local media reports.

Chapter 4 briefly describes the programme of IFAD (International Fund for Agricultural Development) in Ghana, and its various projects. A review of two of the programmes is made, with comments on the project design and implementation, in light of the problems related to import liberalization that have been discussed in Chapter 3.

Due to time and resource limitations, the study is not meant to provide a comprehensive analysis of Ghana of the wide range of issues relating to such a complex theme. Nor can it provide more than comments on the IFAD programme and a sample of its projects in Ghana. Nevertheless, it is hoped that this paper will contribute to the on-going debate on the effects of liberalization on agriculture and small farmers in developing countries.
CHAPTER 2: BACKGROUND TO GHANA’S AGRICULTURAL SECTOR AND POLICY REFORM

1. BRIEF REVIEW OF PERIODS OF GHANA’S AGRICULTURAL POLICIES

Below is a short review of Ghana’s agricultural policy changes by period, covering the colonial era (1874-1957) and three distinct periods of policy variations, the post-colonial era (1957-66), the era of government participation and intervention (1966-81), the era of liberalisation (1981 to the present).

In the colonial period under British rule (1874-1957), Ghana developed an export-based primary producing economy. Raw materials, such as crops and minerals, were produced. Gold, diamonds, bauxite and manganese were mined for export and in the late nineteenth century cocoa production was introduced into southern Ghana. In the beginning of the twentieth century the country had been transformed into a leading world producer of cocoa and in 1947 the Cocoa Marketing Board was established which promoted production and facilitated the marketing of cocoa.

While the colonial government was more interested in developing agricultural exports, most Ghana farmers were engaged in subsistence agriculture, producing cereals, roots, tubers, plantain, fruits, and vegetables.

The strong growth in exports, mainly of cocoa, created rapid economic growth in Ghana and in the 1950s the country had one of the highest per capita incomes in sub-Saharan Africa. The focus in agriculture was on export and low priority was given to local food production.

Ghana became independent from the British in 1957, but the agricultural policies from the late colonial period prevailed. Prior to 1961 Ghana had an open economy where the private sector was the main engine of economic growth. It was heavily dependent on foreign trade, which was largely unregulated and tariff levels were generally low.

Ghana’s first President, Kwame Nkrumah (1957-66), adopted a socialist ideology. The country became a republic in 1960 and in 1964 it became a one-party, socialist state under the People’s Party (CPP). Large-scale state farms, known as State Farms, were established and an Agricultural Development Corporation (ADC) was set up to promote agricultural modernisation and development through the State Farms. The ADC’s role expanded under the Second Five-Year Development Plan (1959-64).

1 Much of this section is derived from Beatrice Jansson, Agricultural Trade and Food Security – The Case of Ghana (2004), Section 4.
Emphasis was put on import-substituting industrialisation, mechanised agriculture and direct public intervention in production. Small-scale independent farmers were organised for mechanised agriculture through cooperative efforts.

The interventionist economic policy raised the government’s expenditures and resulted in severe economic problems. The fall in cocoa prices on the world market in the late 1950s depleted the stock of foreign exchange. The government experienced a heavy budget deficit and financed this through bank borrowing. Inflation became high.

Several different regimes followed K. Nkrumah and the CPP over the next 15 years. There was a period of instability with successive changes of political leadership. However, during this period, the state intervened actively in both production and marketing of agricultural products.

The National Liberation Council (NLC), which came into power in 1966, reopened the economy and returned to a market-oriented system, and the State Farms were replaced by private capitalist development of agriculture.

However, when the Progress Party took over from the NLC, import and price controls were restored and an expansion of the money supply was used to finance the government’s budget deficits. Inflation worsened, with rates of 117 per cent by 1977 and 123 per cent in 1983.

To increase agricultural production to self-sufficient levels and the production of agricultural industrial raw materials, the programmes Operation Feed Yourself (OFY) and Operation Feed Your Industries (OFYI) were put into action in 1972. The production was assumed to increase through an expansion of available acreage for the small-scale farmers. Ghana became self-sufficient in rice between 1974 and 1975, but this corresponded with a decline in cocoa production.

The economy deteriorated due to domestic policies and external factors such as worsening terms of trade. The economic decline, falling per capita production and less availability in staple crops resulted in high and widespread food insecurity.

There was a period of instability with successive changes of political leadership. However, the state intervened actively in both production and marketing of agricultural products.

A new era of liberalisation began in 1981, under a new administration led by President Rawlings. The government announced a set of reforms negotiated with the World Bank and the IMF. The Economic Reform Programme (ERP) was launched in 1983 and was followed by several Structural Adjustment Programmes, starting in 1986. The new framework put emphasis on the free market system, with prices given a central role in the allocation of resources, and the government’s control and participation in the economy was curbed, including in agriculture.

The policy reforms during the first phase of the programme (1983-1985) was aimed at eliminating major price distortions and restoring macro-economic balances through tight fiscal and monetary policies. The key policy changes included trade
policy and exchange rate reforms, and by 1986 the country had adopted a flexible exchange rate system.

The second phase, which started in 1986, aimed at removing structural impediments in the economy and steering the economy towards sustained growth. A liberalisation programme was introduced, which included deregulation of the commodity and service markets, reduced domestic price distortion and liberalisation of imports. The period saw an increased growth rate, reduced budget deficit, devaluation of the currency and a lower inflation rate.

With the ERP, the trade policy was once again reoriented towards an outward-looking economy with emphasis on increased export and a diversified export base, with the promotion of non-traditional exports.

The trade liberalisation under the ERP began with a tariff reduction in 1983 when the tariffs were simplified to rates of 0, 25 and 30 per cent. When the import licensing system was abolished in 1986, the trade liberalisation came into full effect and resulted in a large influx of imported goods into the Ghanaian market.

Prior to the ERP and the SAPs, various government agencies had undertaken the production, import and distribution of farm inputs such as seeds, fertilizers, insecticides, fungicides, small hand tools, motorized equipment and premix fuels. The prices and inputs had been directly subsidised and tariffs on imported agricultural inputs were reduced, some to zero. As a part of the ERP and the SAPs the subsidies were removed. (The next section gives more details on the liberalisation reforms that took place).

In cooperation with the World Bank, the Ministry of Agriculture prepared a Medium Term Agricultural Development Programme (MTADP) that outlined specific policies for the agricultural sector. The MTADP, which acknowledged the private sector as the engine of growth, served as a strategy for food and agriculture development in the years 1991-2000. The agricultural sector was targeted to grow at 4% annually. The increased private participation and the freeing of trade were expected to reduce marketing costs, raise producer prices and stimulate investment, and the privatisation of input supply was assumed to improve the reliability of supply and reduce costs through competition.

However, a major problem faced by the private sector in agriculture has been access to credit facilities. Even though the government facilitated loans, the amount was has inadequate.

The new government, which was formed in 2001, continued with the privet-sector, export-led growth strategy, in which the promotion of non-traditional exports is the cornerstone. In 2001, the Ministry of Trade launched the President’s Special Initiative on Accelerated Export Development (PSI), which is intended to stimulate private enterprise, improve productivity and create jobs in agricultural production and processing. The PSI also aimed to strengthen the agro-based and export-oriented industries and support the extension of the supply base of horticultural products such as pineapples, beans, vegetables and groundnuts.
The Accelerated Agricultural Growth and Development Strategy (AAGDS) was developed in 2001 to provide a framework for the Government’s policies and development programmes in the agricultural sector. It emphasized the critical role of the agricultural sector to bring about economic growth and with this poverty reduction. The sector’s average annual growth rate is targeted to increase from 4% to 6% over a medium term (2001-2010).

The Food and Agricultural Sector Development Policy (FASDEP) was developed in 2002 by the Ministry of Food and Agriculture (MOFA) to transform Ghana into a leading agro-industrial country in Africa by the year 2010. FASDEP is geared towards efficiency in the use of resources in the agricultural sector and in the general economy, with the private sector as the main driving force. This is in line with the Ghana Poverty Reduction Strategy (GPRS), which the government started to implement in 2002 together with the World Bank and the IMF. The GPRS is a comprehensive development policy framework for growth and poverty reduction over a three-year period (2003-2005). It aims at stabilising the economy and at creating a foundation for sustainable, accelerating and job-creating agro-based industrial growth.

Even though non-traditional exports have been promoted, the composition of Ghana’s export commodities remains very much unchanged. Cocoa, timber, gold and a few other minerals remain the major export commodities, and they suffer from volatility in prices. Non-traditional exports appear to be gaining ground, but they comprise mainly primary products, with only a few semi-processed and processed commodities. The agricultural sector is still heavily dependent on irregular rain patterns and the agricultural growth targets have not been reached. The period 1984-2002 has witnessed positive real GDP growth rates, but with relatively poor performance in 1990 and 1999-2000. The trade balance has been negative since 1983.

2. THE REFORM PROCESS AND REDUCTION IN THE ROLE OF THE STATE IN GHANA’S AGRICULTURAL ACTIVITIES

The reforms of the past 20 years, which were described above, have led to a transformation in Ghana’s agricultural policy and structure.

In the 1970s, before the reforms, there were price controls and non-price control measures. Parastatal organizations were involved in distribution and marketing of inputs and some agricultural products. However, with the exception of cocoa (where the Cocoa Marketing Board had exclusive rights to export cocoa) these organizations competed with private traders.

Reforms that started in 1983 led to many measures that reduced or ended the state’s involvement in production, distribution and marketing of outputs and inputs, and the

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2 Information in this section is mainly derived from Beatrice Jansson (2004) and Abena Oduro and George Kwadzo (2003).
state’s intervention in the market through minimum prices and provision of production and/or input subsidies. The agricultural policy or strategy programmes and documents such as the medium term agricultural development programme (MTADP) for 1991-2000 and the Accelerated Agriculture Growth and Development Strategy for 1997-2007 indicate this change in strategy and policy.

**Input subsidies**

The Ghana government used to provide significant subsidies on inputs to farmers. As part of the reform, input subsidies were phased out and their sale was privatized. In 1980 the subsidy rate on fertilizer imports was 65%. By 1984, the rate had fallen to 45%; it rose to 59% in 1985; and was phased out to zero in 1990.

Fertilizers and certified seeds are the major purchased inputs used by farmers. Before 1990 the public sector had the sole responsibility for the fertilizer marketing functions but thereafter the fertilizer subsidies were completely removed and the marketing functions transferred to the private sector. The Ghana Seed Company (GSC), which had been established in 1979 with the primary mandate to produce and market improved seeds, was closed down in 1989 when the seed industry was privatised. The import controls and the subsidies for tractors were abandoned in 1983.

The prices on fertilizers increased astronomically after the removal of subsidies on agricultural inputs and consumption was reduced. The poor agricultural productivity, particularly in food crops, can partly be attributed to this. A report, ‘The Development of a New Agricultural Sector Strategy for Ghana’, recommended a reintroduction of input subsidy on fertilizer for a special period, but it also highlighted the necessity for improved post-production facilities such as storage, infrastructure and market information.

**Provision of technical services**

The provision of technical services was another form of government subsidy or assistance to farmers which was eliminated by the reforms. In 1987 state provision of tractor services was ended; in 1988 the combined harvester service stopped and in 1991 state provision of land clearing services was terminated.

**Agricultural marketing: government purchase and minimum guaranteed prices**

The reforms also involved changing the system of agricultural marketing and of guaranteed pricing of some crops.

Prior to the 1980s, agricultural pricing and marketing interventions were important policy instruments. To provide market outlets for farmers located in remote villages the government had established the Ghana Food Distribution Corporation (GFDC) in 1971. The GFDC bought agricultural products (especially maize and rice) from farms for
distribution and bought imported agricultural products as well as agricultural export products. It traded in rice, maize, beans, groundnuts and meat products.

The marketing role of the state was complemented by a system of minimum guaranteed prices which were set for maize and rice. In order to determine the Guaranteed Minimum Price (GMP) a Committee on Agricultural Commodity Prices (CACP) was set up. The GFDC implemented the price scheme. In many cases, since these prices were lower than what was offered by private traders, farmers preferred to sell to private traders. The government also set the producer prices for cocoa, cotton and palm oil.

As part of the reforms, many of the state trading enterprises were abolished, and the remaining ones now operate in competition with private sector operators.

The Grain Warehousing Company (GWC) had been established in 1975 as a subsidiary to the bank of Ghana with the objective to store and distribute cereals. In the mid-1980s it began to purchase locally produced maize and rice and became complementary to the functions of the GFDC.

With the reforms, the Guaranteed Minimum Price scheme for maize and rice was abolished in 1990. The price of cotton was based on negotiations between producers and commercial enterprises.

The buying of grains by the GFDC and GWC was also brought to an end. The monopoly of the Ghana Cotton Company in buying cotton and its monopoly in cotton ginning was broken. The Ghana Seed Company (responsible for producing and distributing seeds to farmers) was abolished. The Livestock Marketing Board was also closed.

With regards to cocoa, the monopoly of the Cocoa Board and its affiliated organizations was also removed. Initially the Board was the only domestic purchaser of cocoa, and had exclusive rights to export cocoa. Its monopoly in domestic purchase was ended but it still has the largest share of the market. It was expected that the private buying companies (licensed by the government) would pay higher prices than the government price; by the end of 2003 this had not yet happened, but the farmers receive cash payments from these traders instead of payment by cheque by the government. The government also introduced partial liberalization of the export of cocoa, with effect from 2000/1. Under this scheme, the licensed buying companies were allowed to export up to 30% of their purchases; however only companies that purchase over 10,000 metric tones of cocoa in two consecutive years were allowed to export, and others can negotiate with other companies including the Cocoa Marketing Board to export on their behalf.

Other aspects

Subsidised credit for agriculture was also ended in 1987. In 1990 the requirement that at least 25% of commercial bank loans should go to agriculture sector was removed. Also, plantations owned by the Cocoa Board and 40 livestock farms were closed or divested.
3. DEVELOPMENT OF TRADE POLICY AND THE LIBERALISATION OF IMPORTS

One of the major aspects of Ghana’s reform and liberalization measures has been in the area of trade policy.

Ghana had a system of import licensing, which enabled restrictions on imports, mainly for balance of payments purposes. In addition to import licenses, prior deposit cash requirements and credit controls were also used to influence the flow of imports into the country. The import licensing system was dismantled in 1989. Except for a limited number of items on a negative list, all items could be imported without prior approval.

The country’s applied import tariff rates were also reduced, and to relatively low levels. For example, import duty on sugar declined from 80% in 1981 to 10% in 1999.

With the abolition of the import licensing system and the reduction of tariffs, there was a large influx of imported goods into the Ghanaian market.

The tariff reduction began in 1983, with the simplification of the tariff system, whereby tariff rates were set at 0, 25 and 30 per cent.

In 1990 there were five tariff lines, i.e. 0, 10, 15, 20 and 25 percent and four sales tax lines, i.e. 0, 10, 22.5 and 35 per cent. A super sales tax of 75 to 500 percent on luxury goods was introduced that year.

In the 1991 budget, the number of import schedule rates was reduced to four with the removal of the 15% tariff schedule. A tax of 20% was applied to consumer goods, affecting most agricultural imports.

The import tariff regime was restructured in 1994 to 0, 10 and 25 per cent. Items that had tariff rate of 20% had their rates increased to 25%, and this applied to agricultural consumer goods.

Subsequently, the tariff system was again changed into a four-tier tariff structure, with rates of zero, 5%, 10% and 20%. The 20% rate applies to most agricultural consumer goods. This is the present system, as at October 2005.

4. WORLD BANK AND OTHER PERSPECTIVES OF THE REFORMS

The World Bank was and still is a major player in influencing the development of Ghana’s agriculture policies. The Bank is generally thought to be behind the agricultural and trade liberalization reforms, as part of its structural adjustment programme tied to
loans provided to Ghana. It is thus interesting to look at the Bank’s own assessment of the reforms as well as its own description of its role.

In its Ghana country assistance review (June 1995), the Bank described Ghana’s approach to agricultural development before the reforms as being “reflected by input subsidies, heavy output-taxes, administered prices, marketing by public monopolies and processing by public enterprises for rubber, palm oil, rice and other crops.” It disapprovingly commented that farm prices were too low, processing too costly, and for several years prior to 1983, cocoa growers received less than a fifth of the value of their output. It concluded that the results of these policies included a “catastrophic deterioration of infrastructure and institutions, the gradual replacement of official commerce by parallel marketing and a retreat by farmers into subsistence production. Official cocoa exports fell by more than half, while other official agricultural exports nearly disappeared. During the 1970s agricultural production grew less rapidly than population, The only exception was rice, which became a flourishing minor crop that enjoyed good prices and privileged access to highly subsidized inputs, including fertilizer and tractor services.” (World Bank 1995: p70).

Given the Bank’s disapproval of state intervention in agriculture, it devised a strategy in the early 1980s for Ghana agriculture, involving: providing incentives through price and trade policies (to result in increased real prices for important crops); providing inputs, tools and spare parts; to undertake investment and institutional restructuring for export/import substitution crops (particularly cotton, tobacco and groundnuts), to shift crop production to the private sector, implement a food security system for maize; and to reduce the number of agriculture-related public corporations and eliminate subsidies to these entities. This strategy required promotion of private sector involvement, reduction in government intervention (including fertilizer distribution), and improved cost recovery on irrigation schemes.

In the later part of the 1980s the Bank, through loan conditionalities, influenced changes in government policy, including reorganizing of the Agriculture Ministry (especially in policy and planning functions), pricing and trade policy, rationalization of production parastatals, and privatization of input supply. The domestic purchasing monopoly of the Cocoa Market Board was downsized and eventually broken through a condition in the 1992 Agricultural Sectoral Adjustment Credit project. The Bank could report that from 1983 to 1995, much of agriculture had been liberalized, with food crops and inputs now largely untaxed and unsubsidized and traded in the open markets; and many of the marketing and production parastatals having disappeared or made private. It added that at end-1993 parastatals still played a dominant role in tree-crop marketing and processing (rubber, cotton, palm oil) and the Ghana Cocoa Board still monopolized export marketing (still responsible for cocoa research, extension, seed production, and the producer price set by government).

The Bank review showed that the reforms did not lead to the expected growth in agriculture nor to the outcomes the Bank set out to achieve. As the Bank’s own Country Assistance Review 1995 concluded: “Agricultural GDP estimates by the Bank suggested growth of less than 2 percent per year since 1984, far below the rate of growth of population and well below the rates targeted in the Bank strategy papers. If agricultural growth has indeed been this poor, then a key component of the strategy has had a highly unsatisfactory outcome.” (World Bank 1995: p72). The report said that some Bank
staff privately estimate the growth rate to be about 3 per cent annually, near to the population growth rate. “But that growth rate must also be regarded as unsatisfactory.” The agricultural performance did not improve much in the late 1990s. Real GDP growth in the agriculture sector increased to about 4-5 per cent in 1996-1999 (5.2% in 1996, 4.3% in 1997, 5.1% in 1998 and 3.9% in 1999). (WTO 2001, Pt I, table I.6).

A more critical view of the performance of the Ghana agriculture sector under structural adjustment, and of the role of the World Bank, is provided by Hutchful (2002). It showed that despite the rhetoric of reform, the volume of resources going to agriculture sharply declined throughout the 1990s. One aspect of this was the substantial fall in commercial bank credit to the agriculture sector. The share of agriculture in total bank lending fell steadily from 23.8% in 1987 to an average of 14.6% in 1988-91 and to 10% in 1992-93. There was a similar sharp decline in the share of agriculture in public expenditure. As a component of budget spending on economic services, agriculture declined from 27.3% in 1990 to 10.8% in 1998.

Hutchful, who is professor in Africana Studies, Wayne State University (USA), describes agriculture in general and food agriculture in particular as the “Achilles’ heel of adjustment.” Overall performance in agriculture in general (and food agriculture in particular) has lagged behind all other sectors, with growth averaging 2.5% during the 1990s. Food and livestock output grew consistently less than agriculture as a whole, averaging only 1.2% over the 1990-1995 period, and with large fluctuations in output. While there have been increases in tubers averaging 10%, there have been sharp declines in cereals, with production of maize and millet falling 7% and rice almost 3%.

Between 1983 to 1998, the contribution of agriculture to GNP declined from 53% to 40.6%. Another indication of the poor performance in the sector is the critical state of the agro-processing industries, which have operated, depending on the industry and factory, at anywhere from 5 to 30 per cent of capacity.

Hutchful also notes that in its publication Ghana 2000 and Beyond, the World Bank conceded that all was not well with agriculture in Ghana. According to Hutchful (2002: p77):

“The sector was said to be suffering from deteriorating terms of trade, exacerbation of rural income differentials, reduced fertilizer use, fragmentation of holdings, lack of growth in crop yields, massive encroachment on forests in the Western Region, and increasing imports of certain agricultural raw materials capable of being produced locally.

Some of these negative developments may be blamed on the nature of World Bank policy reforms, which have been piecemeal and often contradictory, with poor coordination and questionable sequencing. Abolition of subsidies reduced fertilizer consumption at the moment when the World Bank itself was advocating intensification, and reductions in consumption in turn helped to defeat the privatisation of the input sector. Price supports were also abolished, and storage construction frozen, just when the need for both became more apparent, Liberalisation of food imports, such as rice and vegetable oils (often from countries which subsidise their own agricultural exports) has had a harsh effect on local producers.
Not surprisingly, a note of defeatism has come to pervade official discussions of the future of agriculture. The AGS (Accelerated Growth Strategy) for example argued that it would be a “formidable task to raise agricultural output by 3.7% a year” -- a surprising admission, given some consensus that the technology already existed for food self sufficiency and even surplus in several areas (maize, rice and other food crops), once constraints of an institutional and infrastructural nature were removed. In the meantime, Ghana’s agriculture continued to operate at a “very low level of productivity” with current average yields at about 40% of achievable yields [according to government estimates].”

5. GHANA’S PRESENT TARIFF AND TRADE REGIME

At present there are no import quotas in Ghana. This is in line with the WTO’s Agreement on Agriculture in which quantitative restrictions are not permitted. Only a small number of items are prohibited or subject to permits mainly for health and safety grounds. According to the WTO Secretariat’s 2001 trade policy review of Ghana, the country has no legislation allowing the imposition of anti-dumping, countervailing or safeguard measures on imports. “However the government does monitor the impact of ‘unfair’ import competition on domestic industries and may take compensatory action against such products. The recent introduction of a ‘special import tax’ was partly a response to these concerns.” (WTO 2001: Pt III. Para 5).

Ghana's tariff system is based on the Harmonized System (HS). In 2001, there were approximately 5,500 tariff lines in the Ghanaian customs schedule, with the tariff schedule having four columns, giving the ECOWAS preferential rate, if applicable; the MFN rate; the value-added tax rate; and the "special import tax", recently applied on some goods.

Over the years, the government has reduced Ghana’s applied tariffs. According to the WTO’s review of Ghana of 2001, Ghana applies the MFN duty to all non-ECOWAS countries, whether or not they are WTO members. Ghana has a four-tier tariff structure, with rates of zero, 5%, 10% and 20%. The government had however placed a “special import tax” on some products. In 1999 it removed the special import tax of 17.5%, but in April 2000 it introduced another special import tax of 20% on mainly consumer goods, covering 7% of tariff lines, which effectively added a fifth tariff rate of 40%. (WTO 2001: Pt. III Para 2).

Ghana’s simple average applied MFN tariff rate was 13% in early 2000. If the special import tax is included, the rate was 14.7%. This compares with 17% at the time of the last Trade Policy Review in 1992.

The figures show a significant applied tariff reduction, reflecting the liberalization process. The Government's policy objective was to further reduce the average tariff rate gradually to less than 10%. According to the Government, tariff reforms are aimed at enhancing the external competitiveness of local industry, harmonizing tariff rates with regional levels, and removing distortions.
In 2000, the average applied MFN tariff rate for agricultural products, including fishing (HS chapters 1 to 24), was 20.2%, compared with 13.8% for industrial products (HS chapters 25 to 97).

As at 2001, Ghana's tariffs comprised four main MFN rates: zero and 5%, mainly on raw materials and capital goods; 10%, mostly on intermediary goods; and 20% on many consumer goods. The most common rates are 10% and 20% (Chart III.1). Some 13.5% of tariff lines have a zero duty.

Table 2.1

Tariff indicators, 2000

<table>
<thead>
<tr>
<th>Indicator</th>
<th>All goods</th>
<th>Agriculture</th>
<th>Manufacturing</th>
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<tr>
<td>Bound tariff lines</td>
<td>14.8</td>
<td>100</td>
<td>1.1</td>
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<tr>
<td>Duty-free tariff lines</td>
<td>13.5 (13.5)</td>
<td>6 (6)</td>
<td>15 (15)</td>
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<tr>
<td>Simple average applied MFN rate</td>
<td>14.7 (13.2)</td>
<td>20.2 (17.4)</td>
<td>13.5 (12.2)</td>
</tr>
<tr>
<td>Simple average applied MFN rate</td>
<td>14.7 (13.2)</td>
<td>20.2 (17.3)</td>
<td>13.8 (12.5)</td>
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</tbody>
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Table III.1 (cont’d)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>All goods</th>
<th>Agriculture</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range of MFN applied rates</td>
<td>0-279(0-279)</td>
<td>0-40(0-20)</td>
<td>0-40(0-20)</td>
</tr>
<tr>
<td>Applied MFN tariff standard deviation (dispersion)</td>
<td>12.1 (9.9)</td>
<td>9.9 (5.8)</td>
<td>12.2 (10.3)</td>
</tr>
<tr>
<td>Ad valorem duties (per cent of tariff lines)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Figures in brackets exclude the 20% "special import tax" applied since April 2000.

a Sectoral tariff averages vary with the definition used. The HS definition of agriculture (HS 01-24) includes fishing and forestry, and for manufacturing (HS 25-97) excludes food processing, beverages, and tobacco products. While conventional, these definitions do not correspond precisely to those for "agricultural" and other products negotiated in the Uruguay Round. The WTO Agreement on Agriculture excludes fish and fish products (HS chapter 3 and parts of chapter 16) and includes items regarded as "agricultural" from HS chapters 29, 33, 35, 38, 41, 43, 50, 51, 52 and 53 (Annex I of the Agreement). Petroleum products (HS 2709 and 2710) are also excluded from both agricultural and manufacturing sectors. The breakdown of tariffs by the International Standard Industrial Classification (ISIC) attempts to clarify the distinction between the agriculture/processed food, beverage, and tobacco sectors by including such processing as manufactured products (as distinct from the primary activities).

b Sectoral averages based on the WTO classification, which coincides with the definition of agriculture adopted in the Agreement on Agriculture.

c Sectoral averages based on the HS definition. On an ISIC basis, the average MFN tariff rate is 17.3% (16.5%) on agriculture, including fisheries, and 14.6% (13%) on manufacturing.

Source: WTO (2001). Data from WTO Secretariat, based on data provided by the Ghanaian Government.
Ghana increased its coverage of tariff bindings during the Uruguay Round from zero to 15% of tariff lines. In agriculture, all tariffs were bound, mainly at a ceiling rate of 99%, effective in 2004. Lower bound rates of 40% and 50% were set on a few agricultural products, to apply from 1995. Very few industrial tariffs – 1% of tariff lines – were bound, at ceiling rates of mainly 30% and 40%, but also at 35% and 45%. These bindings were limited primarily to agricultural inputs, such as fertilizers, as well as tools and equipment.

Ghana applies MFN tariffs on all imports, except on most goods from ECOWAS members, which are duty free mainly since 1996. This applies to a wide range of processed and unprocessed agricultural products as well as manufactured goods. To be eligible, imports must meet the ECOWAS rules of origin and have at least 60% of their raw materials sourced from within the Community or have a minimum value added of 35% of the ex-works price (excluding tax). Additional industrial products can also be imported duty free from designated Community enterprises; these firms must be at least

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*Source:* WTO Secretariat calculations, based on data provided by the Ghanaian authorities.

Chart taken from WTO (2001).
Chart 2.2
Tariff averages by HS agricultural product, 2000

<table>
<thead>
<tr>
<th>Description</th>
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<tr>
<td>Live animals</td>
<td>01</td>
</tr>
<tr>
<td>Meat and edible meat offals</td>
<td>02</td>
</tr>
<tr>
<td>Fish and crustaceans, molluscs and other aquatic invertebrates</td>
<td>03</td>
</tr>
<tr>
<td>Dairy produce, birds eggs, natural honey, edible products of animal origin</td>
<td>04</td>
</tr>
<tr>
<td>Products of animal origin, n.e.s.</td>
<td>05</td>
</tr>
<tr>
<td>Live trees, other plants; bulbs, roots and the like; cut flowers</td>
<td>06</td>
</tr>
<tr>
<td>Edible vegetables and certain roots and tubers</td>
<td>07</td>
</tr>
<tr>
<td>Edible fruit and nuts; peel of citrus fruits or melons</td>
<td>08</td>
</tr>
<tr>
<td>Coffee, tea, mate and spices</td>
<td>09</td>
</tr>
<tr>
<td>Cereals</td>
<td>10</td>
</tr>
<tr>
<td>Products of the milling industry; malt; starches; wheat gluten</td>
<td>11</td>
</tr>
<tr>
<td>Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit</td>
<td>12</td>
</tr>
<tr>
<td>Lacs; gums, resins and other vegetable saps and extracts</td>
<td>13</td>
</tr>
<tr>
<td>Vegetable plaiting materials; vegetable products n.e.s.</td>
<td>14</td>
</tr>
<tr>
<td>Animal or vegetable fats and oils and other cleavage products; prepared edible fats; etc.</td>
<td>15</td>
</tr>
<tr>
<td>Preparations of meat, or fish or of crustaceans, molluscs or other aquatic invertebrates</td>
<td>16</td>
</tr>
<tr>
<td>Sugars and sugar confectionery</td>
<td>17</td>
</tr>
<tr>
<td>Cocoa and cocoa preparations</td>
<td>18</td>
</tr>
<tr>
<td>Preparations of cereals, flour, starch or milk; pastrycooks’ products</td>
<td>19</td>
</tr>
<tr>
<td>Preparations of vegetables, fruit, nuts or other parts of plants</td>
<td>20</td>
</tr>
<tr>
<td>Miscellaneous edible preparations</td>
<td>21</td>
</tr>
<tr>
<td>Beverages, spirits and vinegar</td>
<td>22</td>
</tr>
<tr>
<td>Residues and waste from the food industries; prepared animal fodder</td>
<td>23</td>
</tr>
<tr>
<td>Tobacco and manufactured tobacco substitutes</td>
<td>24</td>
</tr>
</tbody>
</table>

25% owned by citizens of member States. Many designated firms are located in Nigeria. The share of Ghana's imports from ECOWAS members rose slightly in 1998, to almost 25%; most come from Nigeria and Côte d'Ivoire.

Ghana maintains several schemes providing tariff concessions and exemptions on certain imports. These concessions are used widely and have contributed to declining tariff revenue as a share of government taxation receipts. Available data for 1998 indicate that some 40% of imports were exempt. Because of the widespread use of exemptions, the implicit tariff rate (tariff revenue divided by value of imports) is well below the simple average rate. In 1997 and 1998, for example, the implicit rate of 7% was only about half the simple average in those years.

Agricultural-related products are included in the exemptions. For example, exemptions included West African raw foodstuffs and fish caught by Ghanaian-owned vessels; agricultural machinery, equipment, and chemicals; fishing floats and gear approved by the Commissioner.

Regarding export subsidies, according to the WTO’s 2001 report on Ghana, the country does not maintain any export subsidy programmes for the agricultural sector.

Moreover, there is presently hardly any domestic support for agriculture. Agricultural pricing and marketing arrangements, on all products except for cocoa, were removed in 1990, as noted by the WTO report.

6. THE AGRICULTURE SECTOR AT PRESENT

Agriculture is still the mainstay of Ghana’s economy. About 40% of the GDP is accounted for by agriculture and livestock, forestry, and fishing. Mining accounts for another 6% and manufacturing about 10%. But the importance of agriculture is even greater than these figures suggest. About 70% of the employment is dependent on agriculture; and some of the other jobs are also linked to agriculture, such as processing, transport and trade of agriculture products and materials.

In terms of the people engaged in agricultural production, the majority are small farmers involved in subsistence agriculture, or semi-subsistence in that some of their produce is for home consumption and some are sold on the market.

The traditional crop farming system still prevails, particularly in food production where small-scale farming predominates. The majority of the small-scale farmers are women, illiterate and aged, and they produce the largest proportion of food crops.

About 80% of agricultural production is from smallholder family-operated farms, mainly below one hectare. Larger holdings produce mainly cash crops, such as oil palm, rubber, and pineapples. Only about one third of land suitable for agriculture is currently cultivated (WTO 2001).
Thus, the agriculture sector (and especially the sub-sectors that produce food) is critical in provision of livelihoods and incomes, and developments within this sector are most important in terms of attaining the Millennium Development Goals such as elimination of poverty.

The most important cash crop in Ghana remains cocoa. The crop is vulnerable to the vagaries of the international market, especially to volatility in export prices. The state used to play a very significant role in various aspects of cocoa production and marketing. Since the early 1980s, however, there has been a very significant liberalization of cocoa.

Although cocoa continues to be marketed by the Cocoa Marketing Company, a subsidiary of COCOBOD, these arrangements are being increasingly deregulated. A medium-term cocoa strategy was adopted in April 1999 aimed at increasing growers' returns by reducing taxation levels and further enhancing COCOBOD's efficiency, as well as limiting its marketing powers, especially the export monopoly. Under these liberalized policies, cocoa production expanded during the 1990s to former levels, of around 400,000 tonnes annually, and is forecast to rise to 700,000 tonnes by 2009. (WTO 2001).

As part of the government policy to diversify exports, there has been an expansion of non-traditional exports in the past 15 years. Processed and semi-processed products, such as canned foods (mainly tuna), wood, and aluminium products, represented over three quarters of non-traditional exports in 1998. The main non-traditional agricultural exports in 1998 were yams, fish (salted, dried, smoked, and frozen), crustaceans, bananas, and various vegetables. However, apart from cocoa, Ghana exports few agricultural products in significant quantities.

Cocoa, by far the most important cash crop, accounted for 14% of agricultural GDP in 1998. The other main agricultural crops are cereals, such as maize, rice, millet, and sorghum, as well as starchy staples, such as cassava, yam, cocoyam, and plantain. Other crops include tobacco, cotton, oil palm, rubber, copra and sugar cane, and horticulture crops like pineapples, mangoes, chillies, peppers, ginger, bananas, beans and tomatoes. Together they formed 61% of agricultural GDP. Livestock accounted for around 7% of agricultural GDP, fisheries for 5%; and forestry 11%. (WTO 2001).

The agriculture sector has generally performed below potential, according to the WTO report on Ghana. Agricultural development, including food self-sufficiency, is an important component of the Government's Vision 2020. To meet these objectives, the Government adopted an "Accelerated Agricultural Growth and Development Strategy in Support of Vision 2020" for 1997 to 2007. The strategy is to achieve annual real growth of 6% in the sector – substantially above the annual average of 4% recorded between 1995 and 1999 – based substantially on exports. The strategy covers all of agriculture, including crops, livestock, fisheries, forestry, and cocoa. Such growth is to be achieved by adopting open market principles to encourage private sector investment, and greater devolution of responsibilities from central government to district assemblies.
Table 2.2

Production of principal food crops, 1994-98
(Thousand tonnes)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassava</td>
<td>6,025</td>
<td>6,611</td>
<td>7,111</td>
<td>7,000</td>
<td>7,171</td>
</tr>
<tr>
<td>Plantain</td>
<td>1,475</td>
<td>1,636</td>
<td>1,823</td>
<td>1,818</td>
<td>1,913</td>
</tr>
<tr>
<td>Cocoyam</td>
<td>1,148</td>
<td>1,383</td>
<td>1,552</td>
<td>1,147</td>
<td>1,577</td>
</tr>
<tr>
<td>Yams</td>
<td>1,700</td>
<td>2,126</td>
<td>2,275</td>
<td>2,748</td>
<td>2,703</td>
</tr>
<tr>
<td>Maize</td>
<td>939</td>
<td>1,034</td>
<td>1,008</td>
<td>996</td>
<td>1,015</td>
</tr>
<tr>
<td>Guinea corn</td>
<td>394</td>
<td>360</td>
<td>353</td>
<td>333</td>
<td>355</td>
</tr>
<tr>
<td>Millet</td>
<td>168</td>
<td>209</td>
<td>193</td>
<td>144</td>
<td>162</td>
</tr>
<tr>
<td>Rice</td>
<td>162</td>
<td>221</td>
<td>216</td>
<td>197</td>
<td>281</td>
</tr>
</tbody>
</table>


The main element of the strategy is to promote export of selected products, through improved access to overseas markets, in accordance with Ghana's comparative advantage. Products expected to perform well include cocoa, maize, yam, cassava, soybean, Asian vegetables, cashews, pineapples, and tilapia. Targeted tax incentives and trade reforms, such as facilitating regional trade arrangements, are expected to help boost the private sector. The aim is to increase Ghana's agricultural exports by an average of 15% annually, compared with annual growth of almost 9% between 1991 and 1996.

Other elements of the strategy to be administered by the Ministry of Food and Agriculture are:

--development and improved access to technology for sustainable natural resource management;
--improved access to agricultural financial services;
--improved rural infrastructure; and
--enhanced human resource and institutional capacity.

Cocoa

Cocoa remains a mainstay of the Ghanaian economy (Table IV.2). About 80% of production is exported, mainly as cocoa beans, and it is one of the country's leading exports (along with gold). Cocoa production amounts to some 14% of agricultural GDP, and is a major source of government revenue. It is grown in the forested areas of the country. Most cocoa is produced on small plots (less than three hectares). However,
about one fourth of all farmers receive over half of the total cocoa income. Ghana, once accounting for more than one third of world production, is no longer the largest cocoa producer. Ghana's cocoa production experienced a long decline from the early 1960s, falling by half, to around 200,000 tonnes annually, and has only recently returned to earlier levels. Cocoa has again faced sharp falls in world prices in recent years.

### Table 2.3
Cocoa production and consumption, 1994-99

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>290</td>
<td>403</td>
<td>320</td>
<td>390</td>
<td>397</td>
</tr>
<tr>
<td>Consumption:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic a</td>
<td>30</td>
<td>58</td>
<td>60</td>
<td>60</td>
<td>34</td>
</tr>
<tr>
<td>- Export</td>
<td>260</td>
<td>345</td>
<td>260</td>
<td>330</td>
<td>363</td>
</tr>
</tbody>
</table>

*a Includes sales to processing industries; most of the processed products are then exported.

*Source:* WTO (2001). Data is from COCOBOD.

### Cereals

Regarding cereals, the main cereal grown in Ghana is maize, which is used primarily for human consumption. Small amounts of rice, millet, and sorghum are also grown. Cereal production, amounting to 1.8 million tonnes in 1998, is consumed domestically. Grains have been identified for promotion under the Government's agricultural strategy. Ghana produces no wheat; it imports its requirements, mainly from the United States, to make flour or for use in livestock and poultry feed. Between 1995 and 1999, Ghana produced an average of 230,000 tonnes of paddy rice annually. About two thirds of imported rice is from the United States.

### Coffee, cotton, and nuts

Ghana grows Robusta coffee, which continues to be an important export, amounting to US$8.3 million in 1998. Ghana also exports sheanuts; in 1998, these amounted to US$7.9 million.

Both cotton and cashew nuts are listed in the Government's agricultural strategy as crops in which Ghana has a comparative advantage. Cotton production declined substantially during the 1980s, and Ghana currently produces about three quarters of its lint cotton requirements. In 1998, cotton exports amounted to US$8.5 million. The Ghana Cotton Development Board was reorganized into the Ghana Cotton Company under the Agricultural Reform Programme, which commenced in 1986. Because of its low grade, Ghanaian cotton is blended with imported higher quality cotton to spin yarns, which are used in the local textiles industry. It is planned to raise Ghana's annual cotton production to 100,000 tonnes.
Sugar cane, tobacco, oil palm, and rubber

Sugar cane production has contracted to under 100,000 tonnes annually following the closure of the country's two sugar mills. Ghana also produces mainly flue-cured tobacco leaf for export and domestic processing. Current production is around 3,000 tonnes annually. The Leaf Development Company was privatized in the early 1990s.

Oil palm is processed in Ghana both for domestic and export markets. Production is mainly by smallholders. The Government has privatized state-owned plantations and mills, including divestiture of the Ghana Oil Palm Development Corporation in 1994. The rubber industry is being revitalized, mainly for export, based on the development of new plantations.

7. CONCLUSIONS

This Part of the report has traced the evolution of Ghana’s agriculture policy, and the country’s trade policy especially as it affects agriculture. There was significant presence and role of the state in agricultural production, marketing, pricing, provision of services and subsidization of farmers in the 1970s, but these policies were mainly eliminated in the reforms of the 1980s and 1990s. The dismantlement of most of the state marketing enterprises (with a notable exception in the cocoa sector, where the role of the state institutions was also reduced) eliminated almost all the domestic subsidies and support that the government had provided to the farmers.

While this withdrawal of the role of government was most welcomed by the World Bank and the WTO Secretariat, which had blamed this government intervention as significantly contributing to the agriculture sector’s poor performance, many other analysts consider the liberalization measures to have had some serious adverse effects.

Despite the reforms, there has not been much improvement in agricultural sectors’ performance, and this was acknowledged by the World Bank itself. The ending of the import licensing system and the progressive reduction of tariffs also meant that Ghana farmers became more exposed to competition from cheap imports. In so far as some of the imported products were and are subsidized by the governments in the producer countries, this meant that the Ghana farmers were not able to operate on a level playing field, especially since the subsidies and assistance they had once been provided with were no longer available after the implementation of the reforms. This was to have serious adverse consequences, in the case of tomato, poultry and rice, as we shall see in a later parts of this paper.

Ghana’s bound tariffs for agriculture remain rather high, at 99 per cent for most agricultural products, as at March 2006. This compares with applied tariffs of around 20% for many of Ghana’s agricultural products, and less than 20% for some products. This means that Ghana is able to raise its agricultural tariffs from the applied to the bound rates, in compliance with its rights in the WTO. This flexibility can be made use of especially when import surges adversely affect or threaten to affect local farmers. However, as later parts of the paper show, the government has been constrained from
making use of this flexibility because of pressure from the international financial institutions.

The liberalization of imports has contributed to an increase in imports that is not matched by an equivalent increase in exports, thus leading to high trade deficits. For instance, the trade balance was in deficit of US $253 million in 1995, with imports of $1,684 million exceeding exports of 1,431 million. The deficit rose to $1,231 million in 1997 and $828 million in 1999. By 1999, imports had increased to $2,924 million while exports had risen by less to $2,096 million. The seriousness of the trade deficit can be seen when exports and imports are expressed as percentages of GDP. In 1995, imports were 26% of GDP and exports 22%, giving rise to a trade deficit of 4% of GDP. In 1997, the deficit had risen to 18% of GDP (imports having shot up to 44% of GDP while exports were only 26%). In 1999 the deficit moderated to 11% of GDP, but it was still very high.

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3 Data in this paragraph is from WTO (2001) Part I.
CHAPTER 3: EFFECTS OF TRADE LIBERALISATION ON SOME AGRICULTURAL SECTORS IN GHANA

1. INTRODUCTION

This Chapter examines import liberalization and its effects on the agricultural sector in Ghana. Three main products are focused on: rice, tomato and poultry. In addition, a brief section discusses maize and soy.

On the three products, this Chapter looks at their importance and traces the decline of local production and the share of local products in national consumption. It was found that the swift reduction of applied tariffs resulted in a very significant increase in imports of the three products. The imports had also been heavily subsidized by the governments of the countries producing them. Also, the removal of government subsidies and support had adversely affected the competitiveness of the small farmers, and contributed to the unequal market situation wherein the local Ghanaian farmers that received little state support have to compete with farmers and companies in developed countries that are heavily subsidized.

The account of each of the sub-sectors includes the findings of researchers and agencies, as well as media reports and reports of international organizations that conducted field visits.

2. RICE

Decline of local rice sector

Rice cultivation was a thriving activity in Ghana in the mid-1970s. Rice farmers were able to supply all of the country’s consumer needs. In particular, the Northern Ghana region had many districts in which rice was an economically successful activity. The government’s ‘grow-to-live’ programme at that time was paying significant subsidies both to small-scale farmers and to commercial-scale producers.

There is significant potential for growth of the rice sector in Ghana, especially since consumer demand for rice has grown, due partly to population growth and an increasing preference for rice, especially among the urban population.

However, rice production has not kept pace with the demand, and has in fact declined. In 2002, rice production in Ghana was 187,000 tonnes (milled rice equivalent) while net imports were 330,000 tonnes (milled rice equivalent); thus imports were 64% of domestic supply (Oxfam 2005: p12). The country produced just slightly more than a third of its domestic consumption.
A major cause of this was the liberalization of rice imports as part of the government’s agricultural liberalization policy that started in 1983, under the influence of loan conditionality of the World Bank and the IMF. Under the 1983 deal between the Ghana government and the World Bank and IMF, Ghana agreed to make major economic reforms -- including cutting farm subsidies, privatising food distribution, and opening up the country’s markets to imports. The government stopped subsidies for fertiliser used in rice production and privatised state-owned farm machinery, such as combine harvesters and tractors. Other support for the rice industry suffered too, as the government reduced its budget for agricultural extension work. (Christian Aid, 2002). The import tariff for rice was reduced.

The rice industry in northern Ghana crumbled with astonishing speed. (Christian Aid, 2002). Between 1978 and 1980, rice output in the Northern Region averaged 56,000 metric tonnes of paddy per year, 61 per cent of Ghana’s total rice production. But by 1983 this had fallen dramatically and rice production in the whole of Ghana was reduced to 27,000 metric tones. This was partly due to a severe drought which, in the early 1980s, crippled agriculture in the north. But the years at the end of the 1970s, 1977 in particular, were also years of low rainfall, and rice production nevertheless remained stable.

The import liberalization policy has led especially to the displacement of local production. Imports increased, and the imported rice diverted consumers away from local rice, with their preference shifting from the more nutritious local brown grains to the imported milled white rice. The competition from imports also reduced the commercial incentive that investors might have had to upgrade the country’s mills and improve the quality of local rice. (Oxfam 2005: p28).

**Subsidisation of US rice imported into Ghana**

A significant part of the imported rice is from the United States. In 2003, the US exported 111,000 tonnes of rice to Ghana. This is equivalent to about one third of the Ghana rice imports in 2002. In the US, rice production has increased to levels far above domestic requirements, as a result of which the government has a strategy to help the industry to export. US rice exports have grown by 60% in the past 20 years, reaching 3.8 million tones in 2003. However, US rice production is inefficient and the sector receives massive subsidies. In 2003, it cost US farmers US$1.8 billion to produce 9 million tones of rice but they received only $1.5 billion from rice millers for it (or $140 per tonne in farm revenue compared to $191 per tonne production cost).

This situation was possible only because the government gave $1.3 billion subsidies for rice in 2003. A study by the US Department of Agriculture found that 57% of US rice farms would not have covered their costs if they had not received subsidies. US rice farmers are eligible for a range of subsidies. Most of the subsidies are paid to big rice farmers in states such as Arkansas. According to Oxfam, one company alone, Ricelands of Arkansas, was the recipient of US federal government agricultural subsidies totaling $490 million between 1995 and 2003.

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4 Data and information on US rice production and subsidies are taken from Oxfam (2005), “Kicking Down the Door” (Oxfam briefing paper 72).
The high subsidies enable US farms and companies to export rice at prices below their production costs. Between 2000 and 2003, the average cost of production and milling of US white rice was $415 per tonne, but it was exported for just $274 per tonne, a price 34% below its costs. This “dumping” at below production cost enables US rice exports to take over markets in developing countries, even though US rice production is inefficient.

In Ghana, US rice exporters also make use of big marketing campaigns to get to local consumers. USA Rice (the biggest US rice lobby group) makes use of an “integrated marketing campaign”, which in May to July 2004 advertised US rice through five local radio stations, three major TV channels and two national newspapers, as well as give-away car stickers and cooking aprons.

According to Corpwatch (2005), “all over the capital city (of Accra), large billboards are advertising American long-grained rice, which, thanks to huge subsidies from the US government, has displaced local Ghanaian rice from the shelves.”

Ghana farmers, millers and traders are unable to match this kind of campaign. A farmer interviewed by Oxfam, Asakture Abene, who has a half-hectare plot in northern Ghana, sells her produce to traders who come to her village and offers a low price. According to her: “If the US is subsidizing its rice farmers, then that means I am suffering for nothing because my rice is not being bought. I have to grow rice because I am here. I have no choice but to be in this farming, it is my food and drink, my livelihood.” (Oxfam 2005: p36-38).

Field interviews with affected farmers

The damaging effect of rice import liberalization was evident from field interviews carried out in recent years by researchers and international agencies. One such field study was conducted by Christian Aid in 2002 and reported in its report “Listen to Africa”. In the district of East Gonja in Ghana’s Northern Region, Chief Alhaji Ibrahima Harruna was interviewed in his “palace”, in actual fact a mud-walled construction, slightly larger than the other houses of the village. He expressed deep concern about the economic situation of the area, as the people were moving economically backwards rather than forwards. ‘When there were rice farms here, everyone had something to do,’ he said. ‘But after 1982, they collapsed within two years. Now we have a massive expanse of land (the Katanga Valley), which floods every year but is not being used. Many of our young people have stopped going to school because their parents cannot afford it. They have nothing to do and some are moving away to the cities.’

In the village of Katanga, several miles from the Chief’s palace, a young man, Lucas Sukpe, aged 21, was interviewed. He completed Junior Secondary School in 2000, but passed in only two of the five subjects he studied. ‘I am helping my mum and dad on the farm, but there’s not much to do,” he said. Young people are leaving the rural areas such as East Gonja, migrating to Accra.
At the end of the 1970s, the economy of East Gonja, and many other districts in northern Ghana, was supported by rice. The government’s ‘grow-to-live’ programme was paying significant subsidies both to small-scale farmers and to commercial-scale producers. At this time, the Katanga Valley was full of rice.

Said Cecilia Sukpe, the mother of Lucas: ‘My husband and I earned around 1,000 cedis per day in the rice fields. We would help spread the fertiliser and pull out the weeds in between the rice beds. It was not much but it allowed us to buy the food we couldn’t grow ourselves. But then the industry collapsed and that source of income disappeared.’

Wutan Nkpe was a child when the rice industry was booming. ‘Some of the money my parents earned on the farm helped pay for my schooling,’ he said. ‘At the weekend, I also used to earn extra money for the family by helping pull weeds out of the rice fields.’

Interviews were also carried out with the World Bank and with Ghana NGOs. At the World Bank’s office in Accra, Peter Harrold, the Country Director, said about the Bank’s past policies: ‘It was certainly the case that liberalisation in Ghana was very swift. The policies of adjustment underestimated how long it would take for market forces to take shape.’

In stronger language, Charles Abugre from the Ghana NGO, Integrated Social Development Centre (ISODEC) commented: ‘The decision to cut state subsidies and privatise marketing infrastructure almost overnight was virtually genocidal. People lost vital sources of supplementary income and their trading links with the rest of the country were cut.’

The London-based Guardian newspaper on 11 April 2005 highlighted the plight of Ghana rice farmers resulting from Western subsidies. According to its report from Accra:

Rachia Salifu finds the rice-growing season the most difficult time of year. During the day she works the fields with her baby on her back in temperatures that can reach 43C. In the evening there is not enough food for her five children so she listens to them cry with hunger, unable to help.

Ms Salifu farms rice on one acre in the dusty village of Nyarigu near the northern border of Ghana and her story is typical of local rice farmers. Over the past three decades, Ghana's rice industry has collapsed. Farmers struggle to make a living and unemployed villagers flock to the cities.

In the early 1980s conditions attached to loans given to Ghana by the IMF and the World Bank resulted in the country liberalising its markets and cheap imported rice flooding the market. The IMF and World Bank now admit that such conditions do not help the world's poor but reversing the damage of such policies is difficult.

Between them, the US, Japan and the EU subsidised their rice production by $16bn (£8.48bn) in 2002, the latest year for which full data are available. The US policy is particularly harmful for the rice-growers of Ghana. In 2003, the US paid $1.3bn in rice

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subsidises to its farmers and sold the crop for $1.7bn, effectively footing the bill for 72% of the crop.

Most of these subsidies go to big Arkansas rice farms. One company alone, Ricelands of Arkansas, was the recipient of US agricultural subsidies totalling $490m between 1995 and 2003.

In Accra's bustling market the effect of US imported rice is easy to see. Huge billboard ads for Chicago Star Rice stare down on hawkers.

Bags of imported rice reach to the ceiling of Charles Yeboah's long, narrow shop. He does not stock Ghanaian rice. "I can't sell it. The quality of the imported rice is so much better that even though it costs more, people buy it," he says.

He also says that Ghanaian rice is only available for six months of the year. The poor quality of Ghanaian rice is no secret. Lack of government subsidies mean the farmers cannot afford to invest in any machinery to help with harvesting the rice. "We do not have a combine harvester. It is all done by hand," Ms Salifu said.

Neither does the village have a mill. Sometimes the farmers lay the rice out on the road and let the cars run over the crop to separate the husk from the grain. Or they beat the crop in the fields with heavy sticks. Either way, the crop ends up broken and with stones in it.

Many people come to Accra looking for work as the dwindling rice crop has resulted in high unemployment in the north. In the middle of a windy roundabout, a stone's throw from the market, a group of women and children have made the hard concrete their home. Fusheina Alhassan says the women try to sleep in the nearby railway station.

"But if it rains we cannot sleep. Often the men come and steal our clothes and money while we sleep. Sometimes they rape us," she says.

Up in Nyarigu, Ms Salifu says government subsidies would help the farmers to pay for plots, chemicals and water which would allow them to grow more rice for their families and to sell on the market, thus enabling the women to come back to jobs in the north.

But Mats Karlsson, the World Bank's country director in Ghana, says the government is better off spending its limited resources on improving Ghana's infrastructure. "If we could reduce the cost of transport, we would increase the earnings of farmers by much more than any internal policy could achieve," he said.

"Let us be clear. The biggest problem facing farmers in the developing world are the subsidies the west provides to its own farmers. These are deeply unfair," he added.

**Influence of IMF on government policy**

A major impediment to trade reforms that can assist Ghana’s farmers is the continuing influence or pressure that the international financial institutions exert. As a response to the rising imports of rice, in the 2003 national budget, the Ghana parliament approved to raise the import tariff for rice from 20 to 25 per cent. A study by Oxfam revealed that
the IMF had applied pressure or at least influence on the government, resulting in a reversal of its decision to raise the tariff.

The IMF staff in Ghana (in an email communication) argued that the measures “amounted to protectionism and were not justified on the grounds of harmful practices by Ghana’s trading partners.” Regarding the prospects for rice producers, the IMF staff said that “the IMF does not undertake such sectoral analysis. The main concern is the overall macroeconomic outlook, which, however, does inform policies on consumption and production – hence the IMF’s interest in pursuing an open trade policy for Ghana.” Farmers’ groups, labour unions and NGOs in the country are deeply concerned that the IMF’s advice overruled an act of parliament and called on the government to raise the tariffs as agreed. (Oxfam 2005: p28).

Because Ghana’s bound tariff for agricultural products is 99%, the country can increase its 20% tariff in rice to 25% or even much higher levels, and still be in compliance with its WTO obligations. The use of this flexibility is especially useful when a country faces import surges that adversely affect the domestic producers. However, the IMF and World Bank have persuaded or pressured governments not to make use of their right to this flexibility. As a result, the rice sector has continued to be in the doldrums.

**News reports on effects of decline of rice sector on local communities**

Reports from local Ghana newspapers have shown the changes that came about as a result of the decline of the rice sector as a result of this import liberalization.

A feature article “*The Sad Days of Rice Farming in the North*” distributed by the GNA on 18 June 2004, reported the following:

Tamale, the capital of the Northern Region and one time "Rice City", now cannot boast of a single supermarket where one can confidently go and buy locally produced rice. What a pity! All its markets, streets and supermarkets are flooded with all kinds of imported rice from America, China, Brazil, Vietnam and Thailand.

People are now asking what has happened to the rice industry? But the answers are not far-fetched. The 1975 National Best Farmer attributed the dwindling rice production in Northern Ghana to the political instability in the country and the attitude of past governments to abandon good policies of their predecessors. If not, the valleys, the rice farmers and the labour force are still available, but what is lacking is the political will to mobilize resources, equipment and machinery for the farmers at affordable prices to go into rice production.

There was a time farmers in the three Northern Regions were driving Mercedes Benz cars to their farms, paying their medical bills and schools fees of their families, building new houses and marrying new wives to add value to their social lives and status. Indeed, Northerners were not poor and there was nothing like Kayayei business among the youth. Young girls could raise money to buy their needs from proceeds from their rice farms. The situation is different today; all that we eat now is imported rice.

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Mr Basuglo Dougah, alias No.1, the 1975 National Best Farmer, praised the "Operation Feed Yourself Programme" of former Head of State like General I.K. Acheampong which turned the agricultural fortunes of the country into reality).

He said: "I was the "Father Christmas" of my people, I single-handedly shouldered the cost of funeral rites, marital, education and health needs of my village through finances I obtained from the sales of rice". He said he used to have six Massey-Ferguson tractors, four ford tractors, five combined harvesters, a Land Rover, Peugeot Caravan and a Peugeot saloon car and a Mack articulator. He lamented however that all these property had now become museum monuments.

Mr Dougah said he used to engage about 100 farm hands on his 2,000-acre rice farm and produced between 13,000 and 14,000 bags of paddy rice every year, which he sold to the Bolgatanga Rice Mills. A bag of paddy rice was sold for 50 cedis 50 pesewas at that time.

He said the number of bags of paddy rice that he used to produce were more than what the rice farmers in the three Northern Regions now produce together.

But he says he is now a poor man. He owns a phoenix blue bird bicycle that he had been riding over the past ten years. He had also gone back to carpentry, a profession he abandoned and went into rice farming in the 1970s.

His five wives and 25 children had all abandoned him; he is now living a single life. He said what pained him most was that those he had helped when he was rich were now insulting him anytime they saw him. But "I am not daunted, because whenever I recounted the past success in life and the present failure, I get consoled that I have one time contributed my quota to the growth of the national economy". In fact he was the darling man of the Late General Acheampong.

He said: "My brother, the only consolation I have is that I am not the only one who is in this situation, we are many in the system. I am hoping one day the government will allocate me a tractor and I will bounce back to life".

Alhaji Abubakar Von Salifu, Northern Regional Chairman of the Rice Growers and Marketing Association, confirming the rice boom in Northern Ghana in the 1970s, said since the 1960s, the bulk of Ghana's rice had always been produced in the Northern Sector of the country.

He said rice production figures by West African Rice Development Agency (WARDA) in 1970 showed that 75 per cent of the rice produced in Ghana came from the Northern Sector with the Northern Region alone accounting for over 60 per cent.

He said the figures implied that the performance of rice production in the Northern Region translated into the national performance. In other words, poor performance in rice production in the Northern Region, affected the National figures.

Promoting rice production in Northern Ghana and the Northern Region in particular therefore would, no doubt, help the country to achieve its main agricultural policy objective of ensuring food self-sufficiency and food security.

Talking about the past state of the rice industry in Northern Region, Alhaji Von Salifu, who is also a chief, said in 1976, the country declared 99.2 per cent self-sufficiency in rice production. This was as a result of the launching of the "Operation Feed Yourself" (OFY)
Programme in 1973 by General Acheampong's government, which focused on rice production, milling and marketing as a major agricultural policy. He quoted the "Daily Graphic" story of 1974 to confirm the success of the "Green Revolution", which read, "No more does one come across a peasant rice farmer. Rice production has reached a stage where if not effectively controlled will get out of hand".

Alhaji Von Salifu attributed the boost in rice production in the Northern Region in the 1970s to the favourable government policy, which provided the enabling environment for the development and growth of the industry.

Other factors were the vigorous research activities leading to the identification of rice varieties suitable for the ecological and agro-climatic conditions in the region, rapid development of an infrastructure support such as machinery and equipment, rice milling enterprises and institutional arrangement for seed multiplication, as well as adequate and regular supply of good quality seeds of recommended varieties.

Alhaji Von Salifu said the provision of agricultural machinery and equipment, tractors, combined harvesters, spraying machines and other inputs such as fertilizers and agro-chemicals all at subsidized prices helped enhance rice production.

Favourable agricultural loan schemes instituted by financial institutions, which were at low interest rates of between 10 and 19 per cent and the establishment of the Agricultural Development Bank, whose objective was to finance agriculture in the country, were among the good policies that the government adopted to boost rice production in the country, he said.

Alhaji Von Salifu also mentioned the establishment of engineering centres to service farm machinery and equipment, good management and conservation practices for farm machinery and equipment, the availability of technical expertise for the farmers, effective research, extension services to the farmers, farmers linkages, as well as the availability of stable markets and attractive producer prices for rice and the establishment of rice mills were also among the factors that helped boost rice production in the Northern Region.

Commenting on the state of the rice industry from 1980-2000, Alhaji Von Salifu said the industry in the Northern Region started to dwindle as a result of some reverse factors that helped the booming of the industry in the 1970s.

He said the virtual collapse of institutional arrangements for the cultivation, maintenance and seed multiplication contributed to the decline in rice production.

"For instance", he said, "since 1989, the Savannah Agricultural Research Institute (SARI), which is responsible for cultivation development and maintenance, breeding of new rice varieties, has not been able to develop and maintain new varieties due to financial constraints and inadequate scientific officers"

He said infrastructural support such as machinery and equipment, adequate input such as fertilizers, agro-chemicals, the break down of engineering service centres for farm machinery and equipment and the removal of subsidies on farm inputs had led to the abandonment of large-scale rice production.

Alhaji Von Salifu said the rapid rise in prices of inputs had rendered the rice industry less cost-effective and made it more difficult for farmers to repay their loans.
He noted that unfavourable agricultural loan schemes with exorbitant interest rates of between 36 and 46 per cent were discouraging farmers from going into rice production. Financial institutions, he said, were shying away from investing in the industry because of the risk. He said the unrestricted trade liberalisation that had promoted the influx of imported rice into the country resulting in a reduced demand for locally produced rice, had contributed to the collapse of the rice mills.

Alhaji Von Salifu said even though more human resources had been injected into the agricultural sector, morale had dwindled due to poor remuneration and inadequate supply of logistics, adding that dissemination of extension packages such as technical expertise and innovations to farmers were irregular and inadequate.

Alhaji Von Salifu suggested that for the rice industry to be revamped various stakeholders in seed production should be made to play their proper roles by providing them with the needed logistics and making quality seed available to farmers to enhance rice production. He said essential inputs such as machinery and equipment, spare parts, fertilizers, agro chemicals agricultural credit among others should be made available and affordable on liberal credit terms to farmers. There should also be regular training of rice farmers and agricultural extension officers on rice production techniques.

Efforts should be made to reduce rice importation, create ready market channels and promote consumption of locally produced rice, he added. Alhaji Von Salifu said the government should also set up processing and marketing facilities at the local and national levels and encourage both local and national rice brokers to invest in the rice business.

Inventory credit and grain banking should be extended to rice as it is being done to maize while efforts should be made to hasten the opening of machinery service centres to assist farm machinery owners.

For instance, most tractors and combined harvesters that were brought into the country in the 1970s for the rice revolution were now broken down mainly due to lack of spare parts.

Alhaji Von Salifu called on the government to provide large-scale irrigation systems and feeder roads to rice producing areas to facilitate the cultivation of the crop and its transportation from the farm to the marketing centres.

Another local media article, published in Public Agenda, entitled “Plate of Imported Rice Sends 100 Children Out of School” describes the feelings of local citizens on the displacement of local farmers and on the role of the IMF in influencing government policies. The following is an extract of the article:

The scene was quite moving. Old men and women, some with babies on their backs, students and other rights activists wrenched through the scorching sun of Monday 11 April in Accra to send the right signals to the IMF and World Bank that poor countries are tired of being reduced to punching bags.

This peaceful procession, comprising rice and poultry farmers from various parts of the country formed part of activities marking this year's Global Week of Action.

"Our eyes are red, save our farms, save our livelihoods", was the song that greeted the officials of the World Bank, who braced out of their offices to receive the petition.

John Akparigu, a rice farmer from the Upper East Region told the Deputy Speaker of Parliament, Freddie Blay who received the petition that every plate of imported rice sends 100 children out of the class to the streets because, many rice farmers, as other farmers have been compelled to abandon their farms due to the killing effects of trade liberalization.

On behalf of Ghanaian farmers he appealed to parliament to be sensitive to issues of national interest, such as the imposition of import tariffs on foreign rice and poultry, but which had to be withdrawn because of incessant pressure from the International Monetary Fund.

In other words Ghanaian farmers were telling the World Bank, the IMF and rich countries that 'free market' and 'trade liberalization' are the biggest challenges confronting a poor country like Ghana, where 70 percent of the population is into farming.

The so-called rich countries preach freedom of everything, except trade. The result is that poor farmers cannot compete with farmers of the European Union and the United States of America, whose governments pay huge subsidies to their farmers.

Ghana in the 1970s was self-sufficient in rice production. But the pressure from the IMF, World Bank, WTO, transnational corporations and governments of the rich countries has turned Ghana into a net importer of rice, thanks to the removal of subsidies on agriculture. At the heart of the decline in agriculture in Ghana, as in other African countries is the dismantling of government marketing boards and the exposure of local farmers to cheap imports. Another trick has been to maintain high tariffs on processed food from poor countries and in doing that stifling the development of new 'value added' industries in developing countries.

In Ghana for instance, the importation of 24,077 tonnes of tomato paste from Europe in 2003 has worsened the plight of tomato farmers. The closure of the Wenchi and Pwalgu Tomato factories is a vivid example of the harmful effects of trade liberalization.

Consider the plight of Agatha Yumbia. She has a small chicken farm in a small village in southern Ghana. She started her business with a loan from her local church, when her husband died, but competition from cheap imported poultry has all, but killed her business. She traveled all the way from her village to participate in the Global Week of Action. The message on her placard was clear : Protect National Sovereignty and Support Poultry Farmers". She is right.

In 2002 alone, more than 27,000 tonnes of chicken was imported into the country, mostly from European countries. Yumbia has managed to keep some of her local customers, but in the face of cheap imports, she is beginning to contemplate the future of her business. According to her, a local fowl now costs 70,000 cedis, against 20,000 cedis for a kilo of imported fowl.

The same goes for local rice farmers. Like poultry farmers, they find it difficult to compete against foreign rice, which Ghana imports to the tune of 314,626 tonnes or more every year. In an attempt to ease the pain of Ghanaian farmers, the government in the 2003 budget made provision for an increase in the tariffs on rice and poultry. But the tariffs were never implemented because within days of parliament passing Act 641, the IMF put pressure on the government to withdraw it. Government obeyed its master and that was it. Government on March 18 used its strength in parliament to repeal the Act 641, when it was clear that it would lose a case brought against it by poultry farmers in Accra.
It was clear that if Ghana went ahead to implement the new tariffs, it would have stepped on the powerful toes of the free-trade promoting IMF and World Bank. Here in lies the dilemma facing a country that had so much promise at independence, but has been reduced to an ideological punching bag.

The legitimate question is who elected the IMF and World Bank to determine the destiny of Ghana? In 2002, IMF suspended financial assistance to Ghana because of a dispute over an increase in teachers’ pay. The World Bank and other donors followed suit. Ghana however, has no influence over the voting pattern in IMF. As a poor country, Ghana has only 0.18 per cent of the vote. Meanwhile the United States, whose interest the IMF is promoting has almost a third of the votes.

The IMF currently 'ranks' countries according to their compliance with liberalization policies. This ranking influences their access to virtually all forms of credit. With the recent deregulation of petroleum pricing, Ghana has chalked another feat in liberalization and will most likely get more credit, but is it for good or for worse?

No doubt, debt has become a major tool for controlling poor countries like Ghana. As Ghana became indebted in the 80s and 90s, all the IMF/World Bank did was to give more loans and conditionalities - liberalising the economy, opening up the domestic market, devaluation of the currency and more cuts in government spending.

These cuts in government spending obviously affected education, health, nutrition and welfare. Poor countries have over the years been compelled to overlook food production and produced cash crops that were in high demand in the west. These were meant to earn more foreign exchange to service debts. The result is what the country is faced with. One year of abundance of food and another of scarcity. And worse of all the loss of livelihoods for many farmers, as the country took to importing food. Knowing that poor countries depend on proceeds from primary commodities, the champions of free trade manipulate the prices to the disadvantage of poor countries.

Then they come in another form talking about poverty alleviation and safety nets. Although the IMF and World Bank speak about safety nets, their policies of cutting government spending tends to hurt the very poor they claim to be working for. And that is why we have more children of school going age on the streets selling dog chains and PK chewing gum.

Free market doctrine according to Robert Mcchesney comes into two varieties. "The first is the official doctrine imposed on the defenceless”. The second is what he called really existing free market doctrine, "market discipline is good for you, but not for me, except for temporary advantage.”

3. TOMATO

Tomato cultivation and the tomato processing industry

Tomato cultivation has been a significant economic activity in Ghana. This is especially in the Upper East region in Ghana, which is also the poorest region. Since the early

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8 This section draws on Actionaid’s report, Trade Traps (2005).
1960s, tomato farming has been taking place on a commercial basis, and in the early years the farmers were assisted in various ways by the government. The assistance included the establishment of dams and irrigation projects that facilitated water supply to farming, including for the tomato sub-sector; and the establishment of tomato processing plants, that generated demand for the surplus tomato of the farmers, and thus helped to make tomato cultivation economically more attractive.

The irrigation projects in the region included the Tono project managed by ICOUR (Irrigation Company of the Upper East Region), a government parastatal institution established to promote the production of food and cash crops by small-scale farmers. The Tono Dam, built between 1975 and 1985, is one of the largest agricultural dams in West Africa, covering a total catchment area of 3,600 hectares and providing a developed area of 2,400 hectares for growing irrigated crops. There are nine villages living and farming within the project area and each village has a population of 3-5,000 people. The dam, which allows for year-round farming, has greatly aided in the development of the region.

Tomatoes have long been the most lucrative crop in the Upper East region and it is more profitable than rice, maize, groundnuts, yam, pepper and dairy. Close to 90% of the two million people living in the area cultivate them.

The country had moved into tomato processing as early as 1968, with the establishment of three tomato canneries producing tomato paste and puree, in Pwalugu and Wenchi districts and at Nsawam near Accra. These canneries operated on partial contract farming arrangements, providing either equipment to farmers or guaranteeing market access for pre-agreed quantities produced by smallholders. Not all farmers were engaged with the factories, but their presence helped reduce the bargaining power of ‘Accra women’ – fresh tomato traders who bought supplies from farmers not contracted to the canneries, for sale throughout the country.

The irrigation projects were conceived of as tools for achieving national food security and improving rural incomes. Towards this end, in the 1960s and 1970s, the Ghanaian government intervened heavily in agriculture, providing substantial subsidies, including machinery and equipment, or in the case of the tomato industry, three processing factories initiated by the state.

During the 1980s and 1990s, as part of policy conditions from the IMF and the World Bank, the Ghanaian government embarked on a major privatisation, deregulation and liberalisation programme, selling the tomato canning factories and relaxing trade restrictions on tomato imports. This led to the collapse of the Pwalugu and Nsawam tomato canning factories, and enabled the heavily subsidised EU tomato industry to penetrate the Ghanaian economy. Table 3.1 shows the increase in tomato imports.

Increasing imports of EU tomato paste have impacted negatively on the livelihoods of Ghanaian tomato farmers, traders and industry employees, some of whom have been displaced from their livelihoods, retrenched or subjected to uncompetitive pricing practices by middlemen who have now gained control of the fresh tomato market in Ghana.
EU tomato subsidies enabling exports to enter Ghana and Africa

The provision of large subsidies by the EU for production and export of tomato is the main reason why tomatoes, including in processed form, have been able to enter the markets of Ghana and other African countries and to compete successfully against local farmers and producers.

The EU is the single biggest producer of fresh tomatoes in the world with Italy, Spain, Greece, Portugal and France its leading producers. Tomato-based products from European countries have made inroads into African markets, with about 20% of EU exports of tinned tomato paste and puree going to West Africa.

According to the Actionaid report⁹, EU policies guarantee European tomato producers a minimum price and subsidise tomato processors and exporters. Currently, processed tomato products in the EU receive approximately Euro 300 million per year in direct subsidies and several million more indirectly (see Table 3.2). This constitutes unfair competition to Ghanaian tomato producers who receive no support from their government. In fact, since the liberalisation and market deregulation of the last decade, prices of agricultural inputs in Ghana have continued to rise. In 2003, for example, the price of a hoe, the most basic tool used by Ghanaian farmers, rose by 30.8% whilst the prices of cutlasses and machetes rose by 15.1% and 14.3% respectively. Price increases for fertilisers and chemicals ranged from 2.5% to 32.2%.

There is concern that should there be further liberalisation of the tomato industry in Ghana (for example, through the Economic Partnership Agreement with the EU), there would be a more intensive flood of subsidised EU imports of tomato-based products. That would in turn threaten the livelihoods of 3 million Ghanaian farmers and traders and hinder Ghanaian industrialization through agro-processing, as the collapse of the Pwalugu and Nsawam canning factories demonstrate.

The need to revive the tomato processing industry

The Ghana tomato industry faces a number of problems. Although the Ghanaian tomato industry has internal inefficiencies (poor roads, a lack of equipment, credit, storage and refrigeration facilities), and the entry of EU exporters into the Ghanaian market poses a serious challenge, the tomato industry in Ghana remains viable and worth protecting in the interest of the country’s long-term development.

Table 3.3 shows that, despite increasing imports of EU tomato paste and the collapse of Pwalugu and Nsawam factories, the production of local fresh tomatoes remains substantial. Indeed, the total land area used for tomato production grew by about 30% from 28,400 hectares in 1996 to 37,000 hectares in 2000.

Imported tomato paste from the EU presents a major challenge to the Ghanaian tomato industry. The Pwalugu, Wenchi and Nsawam tomato canning factories were an integral part of the government’s early efforts at industrialisation. The government invested

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⁹ Actionaid, Trade Traps (2005).
heavily in the tomato industry because it envisaged that it would play a multi-functional role in the economy: laying the groundwork for future industrialisation by creating and supporting agro-based industries, developing rural infrastructure, enhancing food security and improving rural livelihoods. Despite its flaws, the Ghanaian tomato industry has gone a long way in trying to meet some of these objectives, and with some reforms and some protection from subsidised EU products, it has the capacity to fulfill its intended objectives.

Table 3.1: Tomato paste imported into Ghana: 1990-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (tonnes)</th>
<th>Value (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1991</td>
<td>3,600</td>
<td>5.3</td>
</tr>
<tr>
<td>1992</td>
<td>4,700</td>
<td>5.9</td>
</tr>
<tr>
<td>1993</td>
<td>3,900</td>
<td>4.7</td>
</tr>
<tr>
<td>1994</td>
<td>3,200</td>
<td>4.1</td>
</tr>
<tr>
<td>1995</td>
<td>5,300</td>
<td>8.0</td>
</tr>
<tr>
<td>1997</td>
<td>1,765</td>
<td>1.9</td>
</tr>
<tr>
<td>1998</td>
<td>3,208</td>
<td>3.0</td>
</tr>
<tr>
<td>1999</td>
<td>10,264</td>
<td>11.1</td>
</tr>
<tr>
<td>2000</td>
<td>13,051</td>
<td>11.0</td>
</tr>
<tr>
<td>2001</td>
<td>16,152</td>
<td>11.4</td>
</tr>
<tr>
<td>2002</td>
<td>24,077</td>
<td>17.5</td>
</tr>
</tbody>
</table>

Source: Actionaid, Trade Traps (2005), with data from FAOSTAT
Table 3.2: EU subsidies related to tomato: 2004 Appropriations

<table>
<thead>
<tr>
<th>Type of subsidy</th>
<th>Appropriations 2004 (euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export refunds on fruit and vegetables</td>
<td>41,000,000</td>
</tr>
<tr>
<td>Compensation for withdrawals and buying-in</td>
<td>82,000,000</td>
</tr>
<tr>
<td>Operational funds for producer organisations</td>
<td>543,000,000</td>
</tr>
<tr>
<td>Production aid for processed tomato products</td>
<td>298,000,000</td>
</tr>
</tbody>
</table>


Table 3.3: Tomato production in Ghana, 1990-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Tomato production (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>86,400</td>
</tr>
<tr>
<td>1991</td>
<td>91,700</td>
</tr>
<tr>
<td>1992</td>
<td>100,200</td>
</tr>
<tr>
<td>1993</td>
<td>107,000</td>
</tr>
<tr>
<td>1994</td>
<td>181,500</td>
</tr>
<tr>
<td>1995</td>
<td>213,000</td>
</tr>
<tr>
<td>1996</td>
<td>182,000</td>
</tr>
<tr>
<td>1997</td>
<td>219,800</td>
</tr>
<tr>
<td>1998</td>
<td>216,200</td>
</tr>
<tr>
<td>1999</td>
<td>215,000</td>
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<tr>
<td>2000</td>
<td>200,000</td>
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<tr>
<td>2001</td>
<td>200,000</td>
</tr>
<tr>
<td>2002</td>
<td>200,000</td>
</tr>
<tr>
<td>2003</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Source: ActionAid International, Trade Traps (2005: p16). Data from FAOSTAT.
The cost of losing the industry to EU imports cannot simply be viewed in relation to potentially cheaper imported tomato paste, but must be considered as part of Ghana’s dynamic, long-term development interests. Moreover, estimates of annual fresh tomato production in Ghana underestimate the losses incurred by producers as a result of poor infrastructure and storage facilities and marketing problems. These problems underscore the utility of local tomato processing: since the collapse of the two canning factories, it is estimated that nearly half of all tomatoes produced in Ghana annually go to waste due to storage, transport and marketing problems.

A strong case for Ghana to build or rebuild its capacity for processing tomato has been made by, among others, Christian Aid. A local processing industry is important as it can provide a stronger market for local tomatoes. When there is a glut, or during the harvesting season when the supply is higher than the immediate demand, the surplus tomato supply can be canned or made into concentrate to save it from perishing. With local processing capacity, a higher demand is possible for the produce of Ghana’s poor tomato farmers.

By providing an outlet for surplus tomatoes at peak times of the year, the local tomato-processing industry absorbs production gluts, mitigates post-harvest losses and sustains producer prices for fresh tomatoes.

Without adequate processing, the livelihoods of these farmers are adversely affected, as there will be a limit to the demand for their fresh tomato crop, since whatever cannot be sold in the immediate season would not be purchased for processing, thus imposing a limit to the amount that can be marketed by the farmers.

In 2003, 27,000 tonnes of prepared EU tomatoes entered Ghana at a cost of 25 million euros. These imported tomatoes were heavily subsidized. According to research commissioned by Christian Aid, in 2004, EU tomato processors received 319.3 million euros in production aid. These imports took the market share of locally processed tomatoes and affected the business and possible expansion of the domestic tomato-processing industry.

The absence of ready and secure markets discourages farmers from producing at full capacity, resulting in very low average tomato yields. This in turn precludes the build up of a strong and sustainable supply base of fresh tomatoes, which is necessary for the development of a local processing industry. Results from a recent questionnaire show farmers pointing to the lack of local processing plants and storage facilities as main obstacles for selling their produce at remunerative prices throughout the year. According to data from the Ministry of Food and Agriculture in Ghana, the average tomato yield in rain-fed conditions in 2003 was only 7.3 metric tones per hectare, 50% below the achievable yield of 15 metric tones.

Because the local processing industry is nearly non-existent, tomato paste from the EU is dominating the domestic market. 90 percent of tomato paste presently consumed in Ghana is imported from the EU.

10 Christian Aid (2005). For Richer or poorer.
Following the closure of two other processing plants, there is only one large-scale processing plant currently operational in the town of Wenchi, which is utilizing only 10% of its production capacity. Research from the Ghana NGO, ISODEC shows that due to the competition from EU produce, the plant is struggling to keep production costs low and it is thus unable to pay contracted farmers high enough prices to secure sufficient and uninterrupted supply of raw materials.

Another problem faced by local farmers and processors is that the consumer tastes in Ghana is shifting in favour of imported tomato paste, filled with additives. This is also affecting the potential market for local produce. A recent survey by ISODEC shows that imported brands of tomato paste, such as Salsa and Gino, are preferred because of their strong red colour and sweet taste, which is due to the high content of additives and carbohydrates. Local tomato paste is fresh and free of additives but perceived as sour.

In an attempt to face the challenge of imported tomato paste, the Ghanaian Ministry of Food and Agriculture is attempting to build up the capacity for domestic tomato processing. According to information from an interview with a senior agriculture officer at the Agricultural Engineering Service Department, the Ministry distributed 60 master processing machines to tomato-growing areas, each with the capacity to process 200 kg of tomatoes per hour. Together with the FAO, the Ministry is also setting up a processing promotion centre for technical support and a tomato processing factory in Techiman. Production is expected to start in June 2005 with a production capacity of 2 tonnes per hour. It would be the second largest processor after the plant in Wenchi.

The Ministry has identified two policy measures it will need to introduce to help the infant tomato-processing industry take off – tariff protection and production support. Donors are happy to allow production support, but the government recognises that introducing tariff protection will require great ‘diplomacy’ on its part. This refers to difficulties faced by the government to have the international financial institutions agree to such a measure.

A protected industry can improve its efficiency and competitiveness only if the supply of fresh tomatoes is increased. Giving farmers support in the form of fertilisers and affordable credit can boost yields. In addition, investment can repair ageing irrigation systems, such as those in the north of the country that were built using British aid money in the 1970s, and ensure a consistent year-round supply of tomatoes.

4. POULTRY

The poultry industry in Ghana

Ghana’s poultry industry started growing in the late 1950s, reached its prime in the late 1980s and then declined steeply in the 1990s. The rise and fall of the sector can be traced to the changing policies towards agriculture in general and the sector in particular.
Factors leading to the growth of the industry have been recounted in Nkansala (2004). In the 1960s, there was significant government intervention (including disease control) to boost the poultry sector. The output of poultry grew from one million birds in the late sixties to ten million by the late seventies. This rapid growth of poultry also spurred the rapid demand for local raw material and feed supply, and the government also intervened to support the production of local feed/raw material such as maize, fish meal and soybean meal, as well as the importation of feed mill ingredients to meet supply gaps.

The increased need for feed and research led to the utilisation of otherwise waste by-products from agricultural processing activities, such as vegetable oil meal, fish meal, oyster shells, rice bran and wheat bran. Besides these measures targeted at the poultry sector, it also benefited from government measures to mobilize credit for agriculture at interest rates below the commercial rates.

Under these supportive policies, the poultry sector developed well. However, in the early 1990s, the industry experienced the effects of the Structural Adjustment Programmes, whose policies included removal of government support for drug costs, the discontinuation of government importation and support for feedmill ingredients and the reduction of preference in credit rates for agriculture lowering of the preferential credit rates for agriculture. These raised production costs dramatically, resulting in the closure of many operations.

A major factor causing the decline of the local industry was the competition it faced from cheap imports. The government, under a pact with the IMF and World Bank reduced the tariff rate for poultry. The liberalization of imports led to a rapid rise in imports of poultry. Between 1993 and 2003 there was a 144 per cent rise in the already high level of poultry meat imports. Much of the imports came from Europe and were heavily subsidized.

### Subsidies for EU poultry exports

The subsidies provided for exports of EU-produced chickens are massive. The subsidies include export refunds for poultry meat, and domestic subsidies for the feed (cereals and protein feed) for poultry that constitute over half the cost of production of the poultry.

According to estimates made by Berthelot, in 2002, 15 EU countries produced 9.010 million tones of poultry meat, and 1.147 million tonnes were exported, at a value of Euro 928 million, or an average of Euro 809 per tonne. There was Euro 90.5 million in refunds on poultry meat exports. The direct payment to farmers for cereals that were fed to the exported poultry was Euro 139.4 million. The value of protein feed in poultry meat exports was Euro 61.6 million. Thus the total domestic subsidy in poultry feed was Euro 201 million. This coupled with the export refund added up to a total of Euro 291.5 million of subsidies for exported poultry meat. Thus, the value of exported poultry was

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11 Jacques Berthelot (2006), Feed subsidies to EU and US exported poultry and pig meats.
Euro 928 million while total subsidies obtained by producers was another Euro 291.5 million. Per tonne the export value was Euro 809 while total subsidy was Euro 254.

Though this provides a picture of the high extent of subsidy, allowing the price to be lower than what it would have been if there had not been any subsidy, the degree of dumping is even higher. As pointed out, much of the poultry meat exported to Africa comprises parts of the poultry that are not in demand in Europe and that would thus have had little value in the home markets. European producers and traders can thus afford to sell these poultry parts even more cheaply abroad.

**Importation of poultry from Europe**

West Africa has become an important and growing market for EU exports of poultry meat (fresh, chilled or frozen) and edible offal. The region received 8% of total EU chicken exports in 2002, almost 8 times higher than in 1996. Ghana imports over 30% of the total EU frozen chicken exports to West Africa. The eight-fold increase in imports by West Africa was largely the result of tariff reduction under structural adjustment programmes and the West African Economic and Monetary Union (WAEMU) common External tariff.

The liberalised import regime led to the influx of “cheap” frozen poultry primarily from the EU and the US -- mainly chicken legs, necks, wings and other such parts that have no market in Europe anyway. According to Christian Aid, in 2001 over 11,000 tonnes of chicken were imported into Ghana with over two-thirds of this coming from Europe. In 2002 the level of imports more than doubled to 23,100 tonnes.

The growth in imports is set to increase further. The chicken parts sold to Africa (including Ghana) are parts that are not wanted by consumers in Europe, and are thus byproducts of the chicken supplied for local consumption in Europe. Since EU consumption of chicken is expected to rise by 9% per year, the availability of chicken parts for exports will also rise by 9%.

There are approximately 400,000 chicken farmers in Ghana and the result of these imports is that only those operations with considerable improving production efficiencies have continued to operate.

Beyond the CAP subsidies, that give the EU an unfair competitive advantage, EU poultry farmers have benefited from a reform of the cereal sector, which has substantially reduced the cost of animal feed.

According to Hermelin (2004), “Deep frozen chicken parts have no value within the EU, as there is no demand; and there is no market for these products. Pet food is the only alternative market. If traders sell the product in Africa, it is because the price offered by African countries is higher than the price offered by pet food producers. So price dumping exists compared to prices for entire chicken…” As SOS Faim (2004) stated, the price dumping argument could also be invoked in relation to subsidized cereals, which are used as basic chicken feed, which account for up to 50% of production costs.
Even in the face of this influx, Ghana’s industry has over the second half of the 1990s accounted for as much as 50% of the total supply, even when import duty on imported poultry products has remained low at 20%.

The chicken industry in Holland and its export to Ghana

The organization, Corpwatch\textsuperscript{12}, recently conducted research into the chicken industry in Holland and its export to Ghana.

Poultry is a huge business in Holland -- for every person in the country, there are roughly five chickens. Although Holland is one of the smallest countries on the European continent, it is also one of the most densely populated nations in the world with about 500 people per square kilometer. This adds up to a total of 16 million people and 80 million chickens in the country. The answer to the statistical puzzle is the fact that the chickens are almost entirely raised by giant agri-businesses and then exported to the rest of Europe and the world.

Almost a third of European poultry exports come from the Holland, according to statistics published by the Dutch Agricultural Economics Research Institute (LEI) and Eurostat.

What may seem surprising is that, like Ghana, the number of farms and farmers in the Netherlands are also declining rapidly. Over the last half century the number of farms declined from over 315,000 in 1950 to a quarter that number in 2005, employing just over three percent of the Dutch population.

Nutreco, one of the world's largest agri-business companies, headquartered in the tiny town of Boxmeer, with global sales of almost 3.85 billion Euro, is the biggest producer of chickens in the country. Pingo, the company poultry division, employs just over 1,000 people.

These companies squeeze thousands of chickens into tiny production facilities, which is the cause of rapid spread of diseases. The avian flu outbreak in 2003 forced Nutreco alone to slaughter 30 million birds.

Another poultry producer is Gecombineerde Pluimvee Slachterijen (GPS), based in Nunspeet. Today the bulk of the 150,000 chickens that GPS slaughters every day is exported to other European nations, while the cheaper cuts are exported to Africa.

Intimately involved in the poultry export from Holland to Ghana are trading companies. One such company is Socar, which exports more poultry than any other company in Holland. This Dutch company in Lelystad also owns the Eemshaven terminal. One of its officials said that the company every week ships 10 to 20 containers of poultry, beef and pork, each weighing 28 tons, and 80 percent of the meat is chicken.

\textsuperscript{12} Corpwatch (2005). “Playing Chicken: Ghana vs. the IMF”, Report by Linus Atarah, June 14th, 2005. This section draws substantially on this study.
Socar is just one of several traders that buy whole chickens and parts from Dutch poultry producers to ship to West Africa. They started direct shipments to Ghana a decade ago, simplifying the export chain for producers like GPS, based in Nunspeet. Today the bulk of the 150,000 chickens that GPS slaughters every day is exported to other European nations, while the cheaper cuts are exported to Africa.

The ships laden with frozen chicken sail regularly from the Dutch port of Eemshaven to Ghana and Nigeria. Packed into the giant containers on board are blue boxes with frozen chicken gizzards from Zevenhuizen in south Holland, orange boxes with chicken legs from Nunspeet in central Holland and yellow boxes full of chicken wings from Epe in northeastern Holland.

"European customers prefer the fillet to the chicken legs because of the bones," said Patrick Lordet, a French salesman working at the Rotterdam-based Kühne + Heitz, another large chicken exporter to Ghana. "I prefer the chicken legs myself but the fillet has a higher sales price." Unlike Socar, Kühne + Heitz raise their own chicken at five locations around the country.

According to the Corpwatch report, large chicken factories are beginning to be set up in Ghana. Darko farms has set up a joint venture with Tyson Foods from the United States. According to company, it produces five million day-old-chicks, 30 million table eggs, 780,000 chicken units, and 30,000 tons of animal feed, making it Ghana's largest fresh poultry producer.

**Effects of imports on local industry**

The liberalization of chicken imports has led to a very significant rise in imports, which has had adverse effects on the local chicken industry. There are approximately 400,000 chicken farmers in Ghana, and the effects thus have an important effect on the economy as a whole and especially on livelihood opportunities.

The increasing penetration of imports has rapidly eroded the share of the local industry in the total supply of chicken. Indeed, from a situation where Ghana had near self-sufficiency in chicken just over a decade ago, imports now form an overwhelming share of the local supply.

According to Corpwatch (2005), in 1992 domestic poultry farmers supplied 95 percent of the Ghanaian market, but by 2001 their market share had shrunk to just 11 percent. The imported chicken is available (wholesale) at a price that is only slightly more than half of the wholesale price of local chicken.

A separate study by Christian Aid\(^\text{13}\) also found the price of imported chicken much cheaper. Locally grown broilers were being sold at 28,000 cedis (£1.60) per kilo, whereas poultry imported from the EU was priced at only 16,000 cedis (92p) per kilo, less than the local cost of production.

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\(^{13}\) Christian Aid (May 2005). For richer or poorer.
Signs that the chicken industry is collapsing include a report that Afarwa Farm in Tema was having to slaughter 10,000 day-old chicks a week (due to the glut) and Pomadze Poultry Enterprise Ltd, one of the leading local hatcheries, having collapsed. In the remaining 11 hatcheries, an average of only 38% of the total production capacity is currently being utilized. Faced with inadequate government support and difficulties in accessing loans, small-scale farmers are grappling with very high production costs, especially for feed (some ingredients of which are imported). (Christian Aid 2005). Feed forms 70-80% of the total cost of production; thus, local producers are unable to increase their price competitiveness unless they have access to cheaper fodder or if feed inputs are provided by the government.

The impact of liberalised trade between EU and Ghana on the poultry industry has been examined by Nkansah (2004) as part of a joint NGO study assessing the potential effects of the EU-ACP economic partnership agreements.\(^\text{14}\)

The study concludes that reciprocal free trade with the EU would result in the further prying open of the domestic market, resulting in a further increase in the influx of “cheap” subsidized frozen chicken, which in the process will destroy completely the viable and promising domestic poultry production, the allied feed mill industry, the poultry processing plants and the promising multiplier effects on the maize and agro-processing production activities and other feed mill ingredients production.

According to Nkansah, it is ominous that for 2004 the EU has proposed a 16% increase for export refunds to EU poultry farmers, further increasing their ability to dump poultry on the Ghanaian market. The study quotes Mr Adjei Henaku, the Executive Secretary of the Ghana Poultry Farmers Association as saying: “It is extremely difficult to figure out how the dumping of cheap poultry parts -- like legs, wings, necks -- that have no markets in the EU anyway, could be permitted in the name of free trade that is supposed to promote competitiveness.”

The study concludes that the EU could through its dumping of poultry or livestock products in the West African region undermine the possibilities for strengthening intra-regional trade. There would also be revenue losses from the dismantling of tariff barriers; in contrast, there would be revenue gains to Government when justifiable protection from imported poultry products is imposed.

Ghana is only one of the African countries affected by the dumping of imported chicken. The European Union, the source of most of the imported chicken, provides 43 billion euros to its farmers annually. Ghana imports almost one third of the EU frozen chicken that goes to Africa. Cameroon, Togo, Senegal and South Africa are among the other nations receiving imported frozen chickens and chicken parts. As much as 87 percent of the poultry in Cameroon, comes from Belgium and Spain. In the case of Senegal, the Netherlands and Belgium combined account for 60 percent. In Senegal, according to reports by the Agence France Presse (AFP), 40 percent of the nation’s poultry farmers have gone out of business because they are unable to compete with EU imports.\(^\text{15}\)

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Effect on consumers

The decline of local chicken and the rise of imported chicken meat have taken place despite problems arising from the imported products relating to food safety and consumer dissatisfaction. According to Christian Aid (2005), recent surveys show that local consumers in Ghana are dissatisfied with the quality of the imported meat, which they regard as tasteless and fatty. In some cases, this meat is even reported to be unfit for human consumption.

Up to 85% of the exported poultry meat from the EU that was tested was found highly infected with salmonella and other dangerous microbes, according to a report, *Importation massive et incontrolee des poulets congeles en Afrique: le cas du Cameroun*, which was jointly published in 2004 by Service d'Appui aux Initiatives Locales de Development and the Citizens Association for the Defense of Collective.

However, most Ghanaians eat imported meat because it is significantly cheaper than locally produced and processed chicken.

Locally grown broilers are sold at 28,000 cedis (£1.60) per kilo, whereas poultry imported from the EU costs only 16,000 cedis (92p) per kilo, less than the local cost of production.

The Corpwatch paper also reports sub-standard quality in chicken imported into Ghana, posing health hazards to Ghanaian consumers. This is especially since the poorly-resourced Ghanaian health service does not have the capacity to detect and prevent an outbreak of salmonella which might accompany imported chicken.

In Cameroon, which has been importing frozen poultry for a number of years, two local associations have studied the quality of product. The Service of Assistance to Local and Developing Initiatives (SAILD) and the Association for the Defense of Common Interests (ACDIC) came together in 2004 in the city of Yaounde with ten participating countries to study a grouping of 200 chicken samples. It was found that 15 percent was infested with salmonellae.

In a report called "Farming Dynamics," the Belgian NGO SOS Faim reported on the impacts of the transit of the poultry, which tends to thaw out between freezing several times from the EU to Africa.

The constraints faced by Ghana in having an independent tariff policy

The current bound rate for poultry in Ghana is 99%, while the applied rate is 20 per cent. Since applied tariff in Ghana is much lower than the bound tariff rate, one obvious policy measure that the government can take to protect the domestic poultry industry is to raise the applied rate. This is allowed under the GATT and WTO rules.

However, Ghana has had difficulties in making use of this policy measure as a result of policy conditions attached to IMF loans. Indeed, the government decided to raise the applied rate, but faced opposition from the IMF and had to revert to the original applied rate.
In the 2003 budget, Ghana’s Minister of Finance included an increase in the tariff on poultry meat from 20 to 45 per cent. However, under threats from the IMF to withhold future loan disbursements, the new 45 per cent tariff was not applied in practice, although it remained in the statute books.\(^{16}\)

The National Poultry Farmers’ Association estimates that tariffs would need to be in the region of 80 per cent, four times their current level, to allow local producers and processors to compete fairly with EU imports. This 80% tariff rate is well within the rates under Ghana’s present WTO obligation. According to the Ministry of Food and Agriculture, increased government revenue from higher import taxes could be used to subsidise chicken farmers and support the overall development of the poultry industry (Christian Aid 2005).

Corpwatch (2005) provides more details on Ghana’s so far failed attempt to raise its applied tariff on poultry meat. In 2003, the Ghanaian Parliament passed a law allowing an additional 20 percent tariff to be imposed on imported chicken, bringing the overall tariffs to 40 per cent. Two months after the law was passed, the Customs and Excise Preventive Services (CEPS), the body responsible for implementing the tariffs, issued an order reversing the decision.

The Ghanaian government did not apply the new tariff of 40% because it had reached an agreement with the IMF to suspend the higher tariffs on poultry during the government’s Article 4 consultations, an annual dialogue the IMF has with member countries. The IMF made it clear that it was opposed to the higher tariffs on the grounds that it will hurt Ghana's poverty reduction program. Alphecca Muttardy, the IMF's representative in Ghana claimed that Ghana could only increase the tariffs under a special dispensation provided to successful businesses only. Speaking to Olivia McDonald from the Christian Aid in Ghana, Muttardy said, "We pointed it out to government that this [raising of tariffs] was not a good idea, they reflected on it and we agreed."

Even if the government were to raise the applied import tariff of poultry meat to 40%, as originally intended, it might not be enough to solve the problem. Christian Aid’s April 2004 report, "For Richer or Poorer", estimated that tariffs would need to be 80 percent, four times their current level, to allow local producers and processors to compete fairly with EU imports because European producers have enjoyed decades of subsidies, support and protection from their government.

The National Association of Poultry Farmers, a body representing small and medium-sized local poultry farmers, brought a court case against the CEPS, in order to force the application of the law (that that the tariffs be raised). On 11 March 2005, they won a court victory. The judge ruled that the Ghana CEPS must increase the tariffs as agreed in 2003. She also called the finance minister and attorney general to appear before the court at a later date to explain why the government did not implement an act of parliament. (Christian Aid 2005a).

\(^{16}\) This is described in Christian Aid (2003) \textit{Struggling to be heard}, and Christian Aid (2004) \textit{Taking Liberties}. 

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However, a week after the court judgment, Parliament repealed the law (Act 641) that had compelled the CEPS to increase the tariffs. The poultry farmers’ lawyers claimed that this was an attempt by the government to avoid having to comply with the high court ruling.

According to Dominic Ayine, the director of the Center for Public Interest Law (CEPIL) and a lawyer representing the poultry farmers. "The actions of the government show clearly the desperation with which they seek to please the World Bank and the IMF. The opposition of the Bank and the IMF to increased tariffs is based on pure ideological reasons and it has little or no connection at all to the welfare of Ghanaian poultry farmers or the consuming public.”

Ayine argued that the action of the Ghanaian government, under pressure from the IMF, has greatly undermined the tenets of good governance and the rule of law, which are said to be promoted by world financial institutions all over the world. "Overriding a judgment obtained through normal judicial processes does nothing but undercut the confidence with which citizens perceive the judicial process," he said.17 He added: “Cut-throat competition is not countenanced anywhere in the world, not even in the so-called industrialized market economies. These countries have spurned a spider's web of elaborate anti-competition laws to counteract the effects of anti-competitive market behavior.”

According to Kenneth Quartey, President of the Poultry Farmers Association and the owner of Sydal Farms18: "You don't build your local industries by opening the floodgates for cheap imported goods to come and compete with locally produced goods that, through no fault of the producers, are bound to be more expensive." Quartey said he has 15,000 broilers in his cold store which he is unable to sell. "It is through no fault of ours that our production costs are high. Just look at electricity and water tariffs, as well as the price of petrol and diesel. So, in plain terms, our government is telling us to fold up." In fact, most members of the once thriving 400,000 member National Association of Poultry Farmers have folded up.

In April 2005, many civil society organizations in Ghana issued a joint statement to the government, demanding that it re-instate the duties imposed under Act 541 in support of rice and poultry farmers, and that it live up to its obligation to protect the sovereignty of Ghana over policy making from the interference of outside institutions like the World Bank and IMF.19 Among the organizations were the Ghana National Association of Poultry Farmers, the General Agricultural Workers Union, the Centre for Public Interest Law, Grassroots Africa, Christian Council of Ghana, ISODEC, Third World Network Africa, Actionaid, Christian Aid and Oxfam.

**Future Prospects for Ghana’s poultry industry**

There is significant potential for the development of the poultry meat industry as well as other food (such as tomato processing) in Ghana. This has been brought out in a number

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17 This quote is in the paper by Corpwatch (2005).
18 Ibid.
of studies, including *Ghana Trade Policy Project – Assessment of the Competitiveness of Local Agriculture and Industrial Production* published by DFID (UK) and the government of Ghana in March 2002. Only 23% of the country’s agricultural produce is processed inside Ghana, so there is great scope for expansion in processing.

Nkansala (2004) presents a review of studies demonstrating the potential for reviving and developing the poultry industry in Ghana, with positive effects for income, employment, GDP growth, and foreign exchange savings for the country. According to this review, the poultry sub-sector clearly has strong implications for food security and rural income generation, especially for women who form the majority of the poor in the rural areas. The poultry industry is particularly relevant for redistributing income between the rural and urban areas and stemming the tide of rural–urban migration as it is an activity present in eight out of the ten administrative regions, and given its vital linkages with agricultural and allied industries in the rural areas.

One of the effects of the unfair competition from highly subsidised poultry imports is the apparent wasteful under-utilisation of poultry facilities in the country. According to a study of the Ghana Poultry Farmers’ Association, utilization of hatcheries stands at 25%, feed mills at 42% and processing plants at 25%. This gross capacity under-utilisation is the result of the high growth of between 10 to 20% per annum in the period 1960 - 1980, followed by reduced output following the rise in cheap imports. The two decades of growth saw the installation of production facilities together with a supportive policy environment.

The production growth potential is also underscored by the fact that Ghana is a low poultry consuming country, and thus has scope for significant increase in consumption. According to the Watt Poultry 1999 Statistical Yearbook, Ghana had a per capita consumption of 1.6kg of chicken meat as against the 5.6kg for Africa on average. It also has a low ranking in terms of consumption of animal protein overall.

Increasing poultry product intake is globally the immediate choice for meeting shortfalls in animal protein because of its short production cycle of some five weeks and its suitability for intensive production.

The benefits of local poultry production for chicken meat (and not just production for eggs) through a broiler revitalization programme is advocated by Nkansah (2004). He points out that this is consistent with the conclusions of a DFID study which makes clear arguments that the poultry sub-sector (like the rice, livestock and fisheries sub-sectors) could meet its their potential to become competitive within 5 to10 years, given appropriate trade policies and complementary supportive measures.

The DFID study includes projections that show the benefits that can be derived from expanded poultry projections. As summarized in Nkansah (2004), the study makes the assumption that the level of consumption of chicken meat per person per year increases to 2.34 kg in five years’ time when national population is estimated to be 24.5 million. The broiler demand would then be 57,477,268 kilograms. A broiler revitalisation

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programme would result in local broiler demand of 43,812,793 kg, which could constitute 76% of total demand.

Such a modest increase in consumption (to a level still less than half of Africa’s average) could, together with other policy measures such as tariffs at levels consistent with WTO obligations, result in expanded broiler production and various multiplier effects. It would result in higher level of feed milling activity; increased demand for feed ingredients; increased field crop demand; expanded hatchery activity for the production of day old chicks; and savings on scarce foreign exchange.

According to the study’s estimates, during the same period (i.e. five years ahead) the market value for day-old chicks would be US$31.9 million, which could contribute to rural employment and income as well as the increased utilisation of otherwise under-utilised capital of hatcheries. The corresponding broiler feed requirement would be 195,802 tonnes with a market value of US$56.7 million. This would be made up of 117,481 tonnes of maize, 58,741 tonnes of vegetable proteins, 29,370 tonnes of wheat bran and 11,748 tonnes of fish meal. This would have positive spin-off effects for producers of the feed mill.

Maize is one of the most widely grown crops in Ghana, and it is also the most important ingredient in poultry feed. The estimated feed mill-cropped field relationship is that every 20,000 tons of feed provides a market for 13,000 maize farmers, according to the Ghana National Association of Poultry Farmers. At 1996 stock levels, the poultry industry’s consumption of 25% of the nation’s maize created employment directly for 85,000 maize farmers. Taking into consideration the average dependency rate of three for the maize farmer the poultry sub-sector generated income for 250,000 people. With women accounting for about 70% of food producers in the country, they would directly benefit from increases in poultry production.

The import substitution value of a revitalised broiler programme would amount to US$28.4-$43.8 million, assuming a per kilo value of chicken meat to between US$0.65-$1.00. The positive effect would be on generation of local income as well as saving on foreign exchange.

For the Ghana National Association of Poultry Farmers, any package of policy responses to make the poultry industry realise its competitive advantage should include measures to neutralise the effects of producer and export subsidies on poultry products imported into the country. This approach is supported by Ghana’s Poverty Reduction Strategy, which states that: “The current heavy reliance on imported frozen meat, dairy products and live cattle and sheep is a reflection of the lack of concerted efforts aimed at increasing productivity in the livestock sub-sector”. The Strategy goes on to call for the “implementation of a tariff and tax structure that expedites trade, minimizes tax avoidance and penalizes “dumping”.21

The potential benefits cited above relate only to broiler production. It can be expected that increased layer production will add on to the benefits.

5. CHEAP IMPORTS OF MAIZE AND SOYA

Although the problems faced by farmers in the rice, tomato and poultry sub-sectors have been best documented, import liberalization has also resulted in displacement of local maize and soya. This is described in a report by Christian Aid (2003).

In the case of maize, the imports come primarily from the US where farmers are highly subsidized. The imported yellow maize is not consumed directly but is sold to livestock farmers and feed processors. Consequently, the demand for and therefore the price of locally produced maize are reduced. Imported maize can be up to a third cheaper than local maize. (Christian Aid, Nov. 2003).

Local maize processors claimed that they were doubly affected. In addition to suffering from the effects of cheap subsidized imports, the export of maize to neighbouring countries pushed up the price of locally produced Ghanaian maize. Immediately after the maize is harvested, it tends to be exported, in particular to Mali, Burkina Faso and Niger, accelerating the price rise as stocks run out. This shortens the time in which it is economic for local processors to buy local maize.

In the case of soya, farmers hoping to sell soya to local processors for turning into animal feed also found they were being undercut by cheap imports. Ghanaian farmers had no problems selling soya in 2001, and in many cases made considerable profit. However, by 2002, imports had increased and local farmers found themselves without a market. At the time of the research, the 2003 harvest was starting while around a third of the 2002 harvest remained unsold. This resulted in many of the local farmers unable to repay their loans. Local soya processors also found themselves without a market, as imported soya tends to be ready-processed. (Christian Aid, 2003).

6. CHALLENGES TO THE SURVIVAL AND GROWTH OF GHANA’S FOOD, POULTRY AND FOOD PROCESSING SECTORS

The tremendous potential for growth of the agricultural sector in Ghana is being curbed by the inflow of cheap and subsidized imports, in the case of poultry meat, processed tomato and rice. In order that this potential can be realized, there has to be a change in trade policy with regard to imports that threaten the survival and growth of the local agricultural producers and the agricultural-processing industry.

The obvious policy option is to raise the tariffs of products to the required level that can protect the local products. In 2006, the applied rates for most agricultural products were 20% or thereabouts, while the bound rate was 99%. There is thus a lot of scope for applied rates to increase. This requires the government to be able to negotiate with the international financial institutions to allow it to make use of the flexibility available within WTO rules to increase the applied tariffs to levels that go up to the bound rates.
Besides this, there are at least two other factors on the horizon to take account of. Firstly, the present WTO negotiations on agriculture are expected to result in new obligations for tariff reductions, which may be quite substantial. This will affect future bound tariff rates. The present bound tariffs may thus be affected. Even so, Ghana can invoke the fact that some of the products involved can be designated “special products”, in which case there need not be an obligation to reduce the bound rates, or else the rates of reduction of the bound tariffs can be less than the norm. The eventual obligations will of course depend on the final outcome of the negotiations.

Secondly, negotiations are taking place on an Economic Partnership Agreement between the EU and African countries. Ghana will be affected by the EU-ECOWAS partnership agreement. There is a strong possibility that Ghana will be obliged to significantly reduce its tariffs with regard to products coming from the EU, and even a possibility that the tariffs may be zero or very low. If that happens, then Ghana will be locked into a situation of zero or low tariffs for EU products, and this would of course be damaging for the future of local products and producers that compete with the EU products and producers.

According to Christian Aid:22

Tariff elimination under EPAs not only risks destroying much of Africa’s existing agricultural and agro-processing industry, and the livelihoods of millions of workers and producers with it, but will also damage the prospects for future industrial development. If tariff elimination on ‘substantially all’ EU imports goes ahead, African entrepreneurs will be unlikely to develop value-added industries requiring advanced technologies – such as certain types of food processing – that will face competition from similar EU exports in their national or regional markets. Even as things stand, most existing private enterprises in Africa cannot compete with the capital and know-how of their European counterparts to produce goods for which there is an existing or even potential future demand in their own or regional markets. Companies in Africa face a range of obstacles such as small market outlets, lack of information, technical skills, absence of suppliers and poor support institutions.

African entrepreneurs that wish to add value to locally grown agricultural products and sell them to consumers and companies nationally or regionally will need conditions under which they can produce competitively and reach these markets. They will therefore require massive investment in Africa’s trading infrastructure.

They will also need protection from imports, especially products that are sold below the cost of local production as a result of the public subsidies they receive. Many European agro-processors will still be receiving such subsidies in 20 years’ time. Even though these subsidies will not be linked to the level of output, and are therefore not considered to bedistorting prices, direct payments to farmers still allow them to sell at lower prices than they would be able to otherwise.

22 Christian Aid (2005), For richer or poorer.
This can be seen in the impact which the rolling out of the new CAP instruments in new EU members states is having on production. The latest European Commission ‘Prospects for EU Agricultural Markets’ survey shows the following estimated expansion of production in EU member states between 2002 and 2011: 12.8% for wheat, 12% soft wheat, 6.1% maize, 15.4% pig meat production and 37.2% poultry meat production.

Christian Aid argues that if the rolling out of EU CAP programmes to new member states were genuinely non-distorting, then such dramatic increases in production would not take place.

This competition will increase if African governments agree to eliminate their tariffs on EU exports. The marketing advantages that European brands such as Nestlé already enjoy in African markets, combined with cheaper prices, will prevent African countries developing industries in the future that add value to locally or regionally grown cereals.

The effect of an EPA on the Ghana economy would be great since the EU is by far Ghana’s most important trading partner, accounting for about half of exports from and a third of imports into Ghana. In April 2003 Ghana’s then Minister of Trade and industry, Dr Kofi Konadu Apraku, informed an ECOWAS meeting that studies on the competitiveness of industry and agriculture showed that, in the event of free trade with the EU, only 25% of Ghanaian industries could survive without import tariff support.

Nkansala (2004) points out that with the expansion of EU cereals production since the mid 1990s, there has been considerable expansion of cereal-based food products, which are now exported to Ghana and other ACP countries, and which are undermining their prospects of agro-industrial processing activities and reducing their possibility for diversifying away from primary commodity production. Any further expansion of EU imports in the crop sub-sectors is likely to lead to further unemployment and lower incomes.

As part of this, the competitiveness of the Ghana livestock industry will also be considerably lost, with the increased influx of artificially cheap meat (Nkansala 2004). This will have serious implications for poverty, as the three northern-most administrative regions of Ghana have the largest livestock production levels as well as the highest incidence of poverty, with 69 to 88 per cent of their population living below the poverty line. Meanwhile, the meat cannery activity processing livestock in heart of this poverty-stricken region has collapsed. The non-operation of this cannery factory has affected employment, as well as depriving Ghana’s northern neighbour, Burkina Faso, of part of its market for livestock, and affecting the supply of leather to the shoe factory located in Kumasi, Ghana’s second city.

According to Nkansala (2004), the case of the Ghana poultry industry demonstrates clearly that a trade arrangement that allows an influx of artificially cheap products from Europe can only undermine any effort to realise food security, poverty alleviation and

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23 Ghana Homepage, “Only 25% Of Industries Can Survive – Apraku,”
sustainable development and remove elements that could bolster much needed regional integration. It can impact negatively on productive sectors and take away livelihoods particularly of the more vulnerable sections of the population, as well as lead to loss of revenue and its attendant fiscal and budgetary constraints and pressures.

A significant addition to studies warning about the potentially harmful effects of the EPA outcome for Ghana agriculture is a sustainability impact assessment of the EPAs commissioned by the European Commission and coordinated by Price Waterhouse Coopers. One of the studies focuses on the impact on countries in the West African region. Among its findings are that the production of several crops as well as the poultry industry (and the components for poultry feed) will be adversely affected if there are increased imports from the EU resulting from the EPA. The relevant findings are as follows:

**Wheat and Meslin.** Increasing imports of EU wheat and meslin could have negative impacts on traditional cereals and on food security (displacement of local production) in West Africa. Wheat benefits from support in the EU, and local production in Western Africa has difficulty competing. If tariffs are lowered, the imports from EU could increase and further displace local production. Where this discourages the cultivation of traditional cereals (such as millet) and an over-reliance on imports, there could be issues associated with deteriorating food security, modification of nutrition equilibrium and loss of employment in traditional production. On the other hand, cheap imports of EU wheat contribute to the overall availability of food products, such as bread.

The **poultry industry** in Western Africa is a viable industry which provides an important source of employment in urban areas. Poultry is exported from the EU to Western Africa. Poultry is an important West African agro-industry providing urban population with an affordable source of protein. In the EU, poultry is a commodity that benefits from high levels of producer support, which often makes it cheaper to import than to raise domestically in Western Africa. If tariffs in ACP countries are lowered, EU exports of poultry could expand further, which could threaten the domestic poultry industry in Western Africa, which has implications for employment, for production for the domestic and regional market and for food security. This sector is also linked closely to the **maize** sector in light of the importance of maize in poultry feed.

It may be argued that even if some sectors suffer losses resulting from import liberalization with the EU, the EPA will also increase the opportunities for Ghana and other ACP countries to the EU market. However, as some have pointed out, the threats of increased imports into Ghana are real, while the promise of increased exports are more of a mirage.

Firstly, the preferential margins for ACP products in the EU are eroding and will erode further with the completion of the current round of negotiations in the WTO.

Secondly, many products face trade and non-trade barriers in the EU which Ghana already find difficulties in overcoming. These include sanitary and phytosanitary standards and technical restrictions on a number of agricultural and value-added food products, *ad valorem* tariffs, special duties, quota and seasonal restrictions. Cases of these are provided by Nkansala (2004):

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• **Sanitary and phytosanitary standards:** Tough EU rules on food safety and other regulatory measures have constituted barriers to further expansion to some of non-traditional exports in Ghana. David Yawson, a Business Development Specialist with the Federation of Ghanian Exporters, had spoken of the strain that Ghanaian exporters have had to go through to meet minimum standards with regard to the Maximum Residue Levels (MRLs) of agrochemicals in fresh fruits going to the European Markets. According to the Government, the EU rejects all products using pesticides that are not registered in the EU, or of which it does not have relevant data. Fish smokers from Lake Volta region have also complained about the ever evolving and unpredictable nature of SPS standards. In 2001 women fish smokers began building new smoking facilities so that their products would comply with EU hygiene and quality rules and allow for export. But even before the facilities were finished the EU changed its standards making it more difficult for the women fish smokers to meet the standards, and the project had to be abandoned, resulting in an income decline for the fish smoking community. EU requirements for the size and shape of bananas have also hit banana exporters from the Volta River Estate.

• **The EU Chocolate Directive:** The EU’s chocolate directive adopted in 2000 allowed chocolate producers to replace cocoa butter with cheaper vegetable fats in chocolates. This constitutes another technical barrier to the export of cocoa as it led to considerable decrease in demand for cocoa. Analysts have calculated that major cocoa producing countries could lose 20% of their revenue on cocoa through this regulation.

• **Rules of Origin:** Ghana’s tuna exports rose from 23,160 tonnes in 1995 to 52,454 tonnes in 1999, with France and UK accounting for 74% of these exports. Ghana’s tuna industry is particularly competitive in EU markets because of the trade preferences it receives. However, recently Ghana has encountered problems with the EU’s application of the Rules of Origin on its canned tuna exports. The EU has accused Ghana of violating an aspect of the Rules of Origin relating to the requirement that 50% of fishing vessels used for tuna production should be owned by an EU or ACP country. As a result EU market access for Ghanaian tuna has been restricted. The issue is being contested by the Ghanaian government.

• **EU Banana Regime:** Ghana has suffered other difficulties exporting bananas to the EU market following the institution of the EU common banana-importing regime in 1993. Ghana’s access was limited by dint of its categorisation as a non-traditional ACP banana producer. After 2000 following various reviews of the EU banana regime, Ghana still faces market access constraints through a limited quota.

Thirdly, even with the trade preferences in place, many countries were unable to make use of the opportunity because of supply side constraints as well as the non-tariff barriers.

Finally, even in the best of other circumstances, it will take time for Ghana to build the productive and marketing capacity to be able to competitively export to the EU and other
developed countries. In the case of agricultural products, there is the special disadvantage that in products where the EU countries also produce, these are highly subsidized and in some cases also highly protected by tariffs, and it would be impossible to export these products to the EU as long as the protection through subsidy or tariff continues.

7. CONCLUSION

Excessive import liberalization has adversely affected several sub-sectors in Ghana’s agricultural sector. This section has summarised the problems faced by the rice, tomato and poultry sub-sectors. In these three areas, Ghanaian small farmers or commercial farms were producing as viable units. However the withdrawal of state assistance and more seriously the lowering of tariffs led to the weakening of the local producers and to competition from imports that were cheaper than the local produce.

The conduct of Ghanaian trade policy is interesting and important to study. The applied tariff rates were reduced to levels far below the bound rates, under the influence of the international financial institutions as part of loan conditionality. Even in 2006, the bound rate for most agricultural products is 99%, whilst the applied rate for these products is about 20%. At this tariff level, imported rice, tomato and poultry have increasingly penetrated the local market, and displaced the locally produced products.

Three major interesting points can be observed. Firstly, the IMF and World Bank seem to have great influence over government trade policy. Even though the adverse effects of imports on farmers are increasingly evident, these institutions have not wavered in their policy insistence that the applied tariffs remain at their low levels, even though it is within the rights of the country under WTO rules for it to raise the tariffs up to the bound rate to protect the local farms. The government has attempted to raise the applied rate, in the case of poultry, from 20 to 40 per cent. However it had to change this policy under the insistence of the IMF.

Secondly, the imports of the three products coming from European countries or the USA were and are significantly subsidized. The subsidies have enabled the farms and companies in these developed countries to export at prices that are artificially low, and in some cases at levels that are below the cost of production. The charge by developing countries in the WTO that subsidies in the developed countries give an unfair market advantage to these rich countries’ producers and traders is well borne out in the case of Ghana.

Thirdly, the already great difficulty of the local farmers to compete with subsidized imports was heightened by the withdrawal of many types of subsidies and assistance that the government had previously provided, and the closure of several state agencies and enterprises that implemented the assistance activities. This is in contrast with the subsidies and government assistance provided to farms and companies in the countries that export to Ghana.
The above three points show that Ghana is a victim of unfair market conditions: it faces competition from subsidized products from rich countries, it is legally able to protect itself from such unfair competition by raising its tariffs, but it is disallowed from doing so by powerful international financial institutions on which the country depends on loans.

Unless this situation changes, it would be difficult for Ghana to stop the continuing decline of important sub-sectors of its agriculture, let alone develop and expand these sub-sectors.

Moreover, there are two additional challenges. The current agriculture negotiations in the WTO is likely to lead to a situation in which Ghana will have to reduce its bound tariff rates on agricultural products, whilst at the same time the farm subsidies in the USA and European countries will continue, and probably at applied levels that do not have to be reduced significantly or at all.

Further, the negotiations between the EU and ACP countries in the Economic Partnership Agreements may lead to an outcome in which Ghana will have to reduce its tariffs, possibly to zero, for European products, including in agriculture.

These two possible future developments will further “lock in” Ghana’s agricultural tariffs which in the case of many products may not allow the local producers to become viable, and many more among them may be displaced, to add to the many thousands that have already been displaced in the past decade and more.
CHAPTER 4. COMMENTS ON IFAD’s PROGRAMME IN GHANA

1. INTRODUCTION

This Chapter contains a brief review of some of IFAD’s projects in Ghana, in the light of the theme of this study, which is to examine the effects of trade liberalization on Ghana’s agricultural sector.

The Chapter gives a summary of the policy framework of IFAD’s work in Ghana and a brief description of the three on-going projects in Ghana. It then examines two of the completed projects: the Root and Tuber Project and the Upper East Region project. In doing so, it focuses on the extent to which the projects had taken account of the implications of trade policy, the structural adjustment programmes and the interaction between the local communities and the market.

Due to the limited scope of the study, this is by no means meant to be a comprehensive review of the IFAD programme in Ghana. This Chapter should be seen as providing some comments on a few of the projects, within the context of the theme of the study.

2. THE POLICY FRAMEWORK OF IFAD’S WORK IN GHANA

IFAD’s activities and projects in Ghana are planned and conducted in the context of broad policy frameworks involving IFAD as a whole, the Western and Central Africa region (within which Ghana is located), and the IFAD policy towards Ghana.25 The policy frameworks of the Ghana government and specific Ministries (especially the Agriculture Ministry) also interact with the frameworks that IFAD use.

The overriding theme of IFAD’s philosophy and objective is to assist the poor farmers to raise their incomes, and to help empower them (including through the creation and strengthening of their own organizations) to achieve this goal. Thus poverty reduction is a common theme that runs across the many policy frameworks.

The present overall strategy of IFAD is contained in the Strategic Framework for IFAD 2002-2006: Enabling the Rural Poor to Overcome their Poverty. The main strategy is to develop and strengthen the organizations of the poor so that they can represent their rights and interests in issues they consider critical; to increase access to knowledge so that the poor can grasp opportunities and overcome obstacles; expanding the influence of the poor over public policy and institutions; and enhancing their bargaining power in the marketplace.

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25 The policy frameworks in this section are mainly taken from IFAD 2003, The republic of Ghana: Country development strategy development process: Identification report.
There are also three strategic objectives in the Framework. On human and social assets, the aim is to strengthen the capacity of the rural poor and their organizations. On productive assets and technology, the aim is to improve equitable access to productive natural resources, such as land and water. On financial assets and markets, the aim is to increase the access of the poor to financial services and markets.

The IFAD regional strategy for Western and Central Africa has four main objectives: strengthening the capacity of the rural poor and improving the pro-poor focus of rural development policies and institutions; raising agricultural productivity and increasing access of the poor to financial services; and reducing vulnerability to major threats to rural livelihoods.

The IFAD activities in Ghana are also guided by policy documents that are specifically related to Ghana. These include an IFAD strategy for Ghana and operations which was drawn up in 1988. In 1996, a Country Portfolio Evaluation (CPE) was conducted, and its outcome contained a three-prong strategy to increase food production and income of the rural poor: (i) enhancing regional food security and arrest environmental degradation through assisting the country’s northern regions; (ii) to assist smallholders in the Transitional Zone; (iii) supporting off-farm income generating projects.

The Country Strategy was suspended when a Country Strategic Opportunities Paper (July 1998) was produced. It relied heavily on the earlier strategy and the 1996 CPE. It proposed further emphasis be placed on assistance to the Northern, Upper East and Upper West regions, with a focus on food security, environment, water and credit.

Besides these IFAD documents, there are also policy papers that are jointly signed on to by IFAD and other donor agencies. These include the Ghana Poverty Reduction Strategy (GPRS). The goal is to achieve sustainable and equitable growth, accelerate poverty reduction and protect the vulnerable and excluded within a decentralized democratic environment. Key objectives are set in the medium term (2003-05) with the view of progressing towards Millennium Development Goals by 2015. The GPRS has five pillars – macroeconomic stability, increased production and employment; human resource development, special programmes for the vulnerable and excluded, and good governance.

Another document is the Ghana Poverty Reduction Strategy 2003-2005: An agenda for growth and prosperity (Accra, February 2003). It sets out the medium term policies, aims and action proposals for the GPRS. Its activities include irrigation development, storage facilities, marketing, agricultural extension services, crop development, livestock development, appropriate technology, strengthening farmer-based organizations and micro-finance.

It is interesting to note that the documents hardly point out the challenges faced by small farmers with regard to competition from various imported products, and by the trade policy of the government which has such an influence over imports. For example, in the Country Strategy Development process, there is a section on “Considerations and issues for the future arising from current IFAD-financed projects.” There is a list of 9 issues, including greater attention to small scale irrigation, greater definitions of food insecurity, appropriate technology and affordable credit. However, there is no mention on the effects of import liberalization on the farmers, despite the evidence that in the case of
some important products (tomato, rice and chicken), cheap imports are damaging the livelihoods of the farmers.

3. IFAD'S APPROVED PROJECTS IN GHANA

IFAD has been involved in 14 projects in Ghana, of which 11 have been closed and 3 are on-going. In addition, another project, Phase II of the Root and Tuber Improvement Programme, is expected to be approved at the end of 2005.

The 14 projects involved a total project cost of US$351.29 million (to be met by IFAD, other donors and the Ghana government); and of this, the loan amount from IFAD was SDR 101.61 million.

The 3 on-going projects are: Rural enterprises project Phase II; Northern region poverty reduction programme; and Rural financial services project.

The 11 completed projects are the Upper East region land conservation and smallholder rehabilitation project, and its follow up project (phase II); Root and tuber improvement programme; Village infrastructure programme; Upper West agricultural development project; Rural enterprises project; Smallholder credit, input supply and marketing project (two projects); Smallholder, rehabilitation and development programme (2 projects); and Volta Region agricultural development project.

A description of the 3 on-going projects is as follows.  

Rural Enterprises Project - Phase II

The project’s aim is to improve the incomes and living conditions of the rural poor, especially the vulnerable groups, by creating (self-) employment and generating additional incomes. More particularly, it seeks to increase the productivity, product quality and output of rural non-agricultural micro and small enterprises (MSEs) and, indirectly, stimulate agricultural productivity. The project will deliver good-quality, easily accessible and sustainable services to rural MSEs to: (i) stimulate the establishment and expansion of self-employment and microenterprises; (ii) strengthen the production techniques and management practices of existing MSEs; (iii) enhance the quality, design and packaging of the goods and services produced by rural enterprises; (iv) improve marketing; (v) introduce environmentally friendly techniques; (vi) increase access to working capital and investment funds; and (vii) empower trade associations and client organizations, thus increasing their participation in decision-making and policy dialogue at local and national levels.

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26 This summarises the descriptions in IFAD, Approved projects for Ghana (www.ifad.org/operations/projects/regions/PA/des/gh.htm).
Table 4.1: Approved FAD Projects in Ghana

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Total Project Cost (USD Million)</th>
<th>Loan Amount (SDR Million)</th>
<th>Loan Number</th>
<th>Project Type</th>
<th>Status</th>
<th>Approval Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Enterprises Project - Phase II</td>
<td>29.27</td>
<td>8.50</td>
<td>I-588-GH</td>
<td>Research/Extension/Training</td>
<td>Ongoing</td>
<td>05-09-02</td>
</tr>
<tr>
<td>Northern Region Poverty Reduction Programme</td>
<td>69.58</td>
<td>9.75</td>
<td>I-571-GH</td>
<td>Rural Development</td>
<td>Ongoing</td>
<td>06-12-01</td>
</tr>
<tr>
<td>Rural Financial Services Project</td>
<td>22.96</td>
<td>8.20</td>
<td>I-532-GH</td>
<td>Credit and Financial Services</td>
<td>Ongoing</td>
<td>03-05-00</td>
</tr>
<tr>
<td>Root and Tuber Improvement Programme</td>
<td>10.11</td>
<td>6.55</td>
<td>I-461-GH</td>
<td>Agricultural Development</td>
<td>Closed</td>
<td>04-12-97</td>
</tr>
<tr>
<td>Village Infrastructure Programme</td>
<td>60.00</td>
<td>6.95</td>
<td>I-429-GH</td>
<td>Rural Development</td>
<td>Closed</td>
<td>04-12-96</td>
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<tr>
<td>Upper West Agricultural Development Project</td>
<td>11.32</td>
<td>6.75</td>
<td>I-388-GH</td>
<td>Agricultural Development</td>
<td>Closed</td>
<td>14-09-95</td>
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<td>Rural Enterprises Project</td>
<td>9.30</td>
<td>5.06</td>
<td>S-38-GH</td>
<td>Rural Development</td>
<td>Closed</td>
<td>02-12-93</td>
</tr>
<tr>
<td>Upper-East Region Land Conservation and Smallholder Rehabilitation Project</td>
<td>15.04</td>
<td>9.20</td>
<td>S-26-GH</td>
<td>Agricultural Development</td>
<td>Closed</td>
<td>01-10-90</td>
</tr>
<tr>
<td>Smallholder Credit, Input Supply and Marketing Project</td>
<td>21.16</td>
<td>3.92</td>
<td>S-19-GH</td>
<td>Credit and Financial Services</td>
<td>Closed</td>
<td>05-12-89</td>
</tr>
<tr>
<td>Smallholder Credit, Input Supply and Marketing Project</td>
<td>21.16</td>
<td>9.10</td>
<td>I-247-GH</td>
<td>Credit and Financial Services</td>
<td>Closed</td>
<td>05-12-89</td>
</tr>
<tr>
<td>Smallholder Rehabilitation and Development Programme</td>
<td>14.34</td>
<td>4.14</td>
<td>S-2-GH</td>
<td>Programme Loan</td>
<td>Closed</td>
<td>03-12-86</td>
</tr>
<tr>
<td>Smallholder Rehabilitation and Development Programme</td>
<td>14.34</td>
<td>5.64</td>
<td>I-198-GH</td>
<td>Programme Loan</td>
<td>Closed</td>
<td>03-12-86</td>
</tr>
<tr>
<td>Volta Region Agricultural Development Project</td>
<td>48.82</td>
<td>9.55</td>
<td>I-34-GH</td>
<td>Agricultural Development</td>
<td>Closed</td>
<td>06-05-80</td>
</tr>
</tbody>
</table>

**14 projects for a total of:** 351.29 101.61

1/ SDR=Special Drawing Rights

Source: IFAD, Approved projects for Ghana: IFAD in Ghana
The beneficiaries are to be rural families living in poverty, with special attention to the most vulnerable households. Project clients are to mainly be the entrepreneurial poor including rural unemployed poor interested in self-employment but lacking skills, technologies and initial capital; those with some basic skills who need skills upgrading, entrepreneurship-development training and initial capital to set up their businesses; and existing self-employed and owners of micro-and small enterprises (MSEs) who would like skills or technology upgrading to improve and/or expand their businesses, especially to create more jobs. The project will focus in particular on socially disadvantaged women, unemployed and underemployed youth, and young people already apprenticed to a trade but lacking the capital and/or acumen to start a business.

The beneficiaries will participate in the identification of training needs and business opportunities through the local institutions and trade associations supported by the project.

The project’s delivery mechanisms are to be mainstreamed within the existing local government bodies. The project will empower local trade associations to represent the MSE sector through advocacy and policy consultations at local and national levels, and to improve the conditions under which the sector is currently producing. Trade associations will be actively involved in the identification of MSE support needs and the mobilization of clients for the support services provided through business advisory centers. Their role will particularly relate to project activities aimed at improving traditional apprenticeship training, marketing MSE goods and services, and collaborating with local government. Strong emphasis will be placed on cost-sharing by clients.

**Northern Region Poverty Reduction Programme**

The programme constitutes a partnership between the Government of Ghana and its development partners to address rural poverty by targeting the poorer communities and most vulnerable groups and empowering them to participate effectively in development activities. Activity-based interventions requested by the poor, especially women and other vulnerable groups, will be supported through a flexible community development fund. The programme will also focus on building up the capacity of local government and non-governmental organizations (NGOs) to respond to community priorities.

The beneficiaries will be empowered to make a critical analysis of the constraints they face, identify possible opportunities and needs, and demand and receive support for self-management. To that end, they will participate through five main types of activities: community awareness; empowerment and capacity building; sustainable agricultural development; rural micro-enterprise and financial support services; and village-level community infrastructure. The programme will also contribute to making a significant improvement in the bargaining capacity of the poor vis-à-vis other stakeholders from the public or private sectors.

The beneficiaries are the poor and vulnerable poor rural communities of the Northern Region of Ghana, where poverty is widespread. The typical beneficiaries who constitute 70% of the rural population are subsistence farming households that cultivate no more than 2 hectares (ha) and have no alternative sources of income; divorced women and
woman-headed households whose main activities relate to agriculture; and the elderly and disabled who have no means of support.

**Rural Financial Services Project**

The objectives of this six-year IFAD-initiated project are to: (i) assist government efforts to deepen and broaden rural financial intermediation, in support of its strategy for accelerated rural development and poverty reduction; and (ii) encourage the development of an appropriate policy and institutional framework for increasing access of rural poor communities to financial resources.

Attainment of these objectives will enhance the productivity of farming systems, promote rural enterprise development and empower local groups and associations providing savings and credit services in rural areas.

To achieve the objectives, the project will:

(i) support the development, training and empowerment of informal financial institutions and rural groups to deepen outreach and expand services to a large number of rural clients;

(ii) strengthen the overall capacity of rural banks for effective intermediation through technology enhancements, human resource development, and the development and testing of innovative instruments best suited to the changing financial needs of rural dwellers;

(iii) support the development of an apex institution, which will enable rural banks to address generic technical and institutional constraints on their full potential and impact on rural economic development;

(iv) strengthen intramural bank linkages for more efficient information transmission, knowledge sharing and cost-effective provision of services; and

(v) enhance the Bank of Ghana’s supervision of rural banks.

While the project will be national in scope, interventions will be concentrated in rural areas, which account for more than 70% of national poverty. Because women in rural Ghana are more active in the formation and operation of informal financial groups, support to them will be significant and broad-based (women constitute over half the rural population, head more than 40% of rural households and produce about 70% of all food). Innovative operational features of informal microfinance services will be proposed that remove gender-specific barriers to women’s access to financial resources. Interventions will also result in significant indirect benefits in the areas of institution- and capacity-building. Approximately 39% of the rural population are expected to benefit from the project.

Two of the completed projects, which are interesting from the perspective of this study, are as follows.
Root and Tuber Improvement Project

The main objective of this six-year programme (which was approved in December 1997) was to enhance household food security and the income of resource-poor smallholder households by providing them with the means to boost their land and labour productivity through crop-production systems based on roots and tubers. Specific objectives are to: increase the availability of new but proven technologies; strengthen and improve the delivery mechanisms for providing know-how on appropriate new technologies for root and tuber crops; promote awareness of the relevance of existing technologies and improve husbandry skills; increase farmers' involvement in the identification of areas where further research is needed and develop appropriate technologies with their collaboration; assist local people in developing small-scale enterprises based on root and tuber crops; and strengthen community and district-level institutions in organizing farmers into groups and associations.

Programme components were:
- multiplication and distribution of improved planting materials;
- integrated pest management, including biological control;
- on-farm adaptive research; and
- community support and mobilization.

The programme’s focus was on resource-poor smallholders whose average income is below the poverty line. About 400,000 farm households were expected to directly benefit from the provision of improved planting materials.

Upper-East Region Land Conservation and Smallholder Rehabilitation Project Phase II

This five-year project (approved in April 1999) was the second phase to an earlier project. It was designed to extend the benefits of dam rehabilitation and strengthen the capacity of Water Users’ Associations (WUAs), improve access of women to land and build on existing credit experience to improve household food security. As part of its objectives for this second phase, the project sought to:

- resolve technical issues relating to irrigated agriculture and crop production;
- address financial aspects of smallholder operations (rural savings and credit groups);
- re-emphasize the importance of empowering smallholders through group activities;
- reinforce beneficiary participation and promotion of grass-roots organizations, particularly those that promote the interests of women;
- continue improvement of the most solicited rural infrastructure; and
- ensure an institutional framework conducive to post-project sustainability.

To better meet women's credit needs, the project was to provide mobile banking facilities to participating banks and savings/credit groups. Gender sensitization, negotiating-skills enhancement and group development were major training components for both banks and beneficiaries. About 34,400 family members, about 50% of the target group, were
expected to benefit directly from project activities. The beneficiaries were to be rural people, including smallholders, near-landless farmers, women, in general, and specifically women heads of households. Women were targeted specifically, with a view to improving their economic status, by providing them with working capital for small-scale processing and trade activities. All of the population in the selected area were expected to benefit from access to drinking water supplies, latrines, feeder roads and crop-storage facilities.

4. GENERAL COMMENTS ON THE PROJECTS

A review of documents on some of the projects show that the IFAD projects in Ghana have been designed with the aim of assisting poorer farmers and communities to increase their output and revenue, and of reducing poverty. To achieve these goals, a combination of interventions were devised, which form the activities of the projects. These are mainly in the areas of building the communities’ ability to empower themselves to voice their rights and interests; providing them with financial, and land resources; provision of technical assistance, including know-how and agricultural inputs such as improved seed varieties; the establishment of rural enterprises and financial institutions; and assisting government authorities to formulate policies and to build the capacity to provide institutional support to the farmers. Some of the projects also recognise the need for improving post-production activities, such as marketing.

The above aims and the selection of target groups are highly commendable, and the activities centre on building the communities’ capacities for production and expanding their resource rights and base.

However the design of the projects did not adequately take account of the larger policy environment, particularly regarding the effects of liberalization of trade (and the overall agricultural policy framework) on the communities, and on the realization of the goals set out for the projects. In the project appraisal and the evaluation reports, inadequate attention is paid to how the increased market access of agricultural products into the Ghana market may affect the situation of the farmers and the industries or sectors they operate in. There is also inadequate account taken of government policy reforms, especially the structural adjustment programmes which are influenced by the international financial institutions.

The relative lack of attention to trade policy and marketing concerns may be due to the fact that many of the poor farmers are mainly subsistence operators, and consume a large share of their produce. Thus, changes in market conditions may not have such a significant impact on purely or largely self-sufficient farmers. Moreover, the liberalization measures have taken place rather recently, and thus the effects that these may have on farming communities may not have been an important factor to consider in the first generation of projects.

However, this factor of the larger policy environment has become increasingly important in the past 15 years. Farmers increasingly need to sell their products, especially if higher productivity generated by the projects lead to surpluses. The ability to market the
products, even in the domestic markets and especially the urban areas, depends not only on marketing and transportation facilities but also on whether the products are competitive with the same products that are being imported. As the degree of liberalization increased in Ghana, many imported products became cheaper, and made the local farmers’ produce less competitive.

Also, the importation of a product that may not be produced locally can have an indirect effect on the local farmers, as a cheaper imported product may displace the demand for another product that is locally produced (for instance, cheap imported wheat may affect the demand for locally produced cassava), due to the shift in consumer taste and demand.

In some of the IFAD project documents, the lack of attention paid to post-production issues has been mentioned as a weakness and an area for increased attention in future projects. Such issues include post-harvest storage, marketing, and pricing. To these should be added the issues arising from the larger national and international economic framework, particularly trade liberalization, and its effects or potential effects on increased export opportunities as well as the effects on the competitiveness and viability of local producers.

A review of two of the IFAD projects, in the context of these comments, follows.

5. COMMENTS ON THE UPPER EAST REGION LAND CONSERVATION AND SMALLHOLDER REHABILITATION PROJECT (SECOND PHASE)

Background, Aims and Appraisal Reports

This project was approved in April 1999 and its duration was five years. Details of the project are provided in the Appraisal Report\textsuperscript{27}, in two volumes, which were published in December 1998. In the report, stress is placed on rehabilitation of dams, which can increase water supply for expanded crop production. This is especially due to the increased production and incomes resulting from irrigation made possible by dam rehabilitation in the project’s Phase One. Water Users’ Associations (WUAs) would be formed in the communities to manage the water related activities. The supply of credit to the farmers would also play a key part in the project.

Another important part of the project is agricultural development, including farmer training, technology generation, marketing and processing and livestock development. The report, in a section on livestock, mentions that poultry (mainly the guinea fowl) is important in the economy of poor households in the region. An important part of the project is to help farmers increase the output of poultry, including through improvements in healthy care and housing for the poultry. (Appraisal Report [AR] page 13).

On crop production, the report includes tomato as one of the crops covered by the project. The project was anticipated to result in annual increases in output by 285 tons of

maize, 260 tons of sorghum, 315 tons of groundnut, 1370 tons of onion and 1325 tons of tomato. In a section on marketing, the report states: “In general, no major problem is foreseen in disposing of the incremental quantities of these commodities produced as they can be absorbed by the market. However occasional gluts could occur in the case of tomatoes (which have a very short shelf life). However if the tomato paste factory in Tamale is successfully divested to a private investor who restarts production, even the problem of these occasional gluts would be eased considerably….In the meanwhile the measures proposed under the project would help farmers avoid and/or cope with gluts in tomatoes and other commodities.” (AR page 26).

Detailed studies in the Appraisal Report’s Volume II provide more information. In relation to tomato, the project would include the training of farmers in integrated pest management. The detailed components of the IPM trials for tomato are given in the report. (AR Vol. II, Annex I: page 4). The report points to a 1996 study which states that addressing the surpluses of tomatoes is the most worrisome marketing concern in the region due to the recurrent occurrence of low price and physical losses. This is due to two main problems: (a) substantial production concentrated in the irrigated schemes of Tono and Vea and from large river-pumpers which come to maturity over a short period; and (b) the oligopolistic market created by tomato buyers from Accra and Kumasi, precluding buyers from other towns entering the area. Recommendations to form strong producers associations have had no or little effect and small producers are the most affected by sudden price falls and lack of alternative market outlets. The report suggests some ways to address the marketing problems, including a market information intelligence system, promotion of links between farmer groups (which could aggregate their produce for marketing purposes) and regular buyers, diversification to other crops, simple post-harvest processing (eg sun-drying of tomatoes) and pilot testing of storage. (Annex VII: Appendix 7).

It is interesting to note that although there is recognition of the marketing problems and many suggestions to address these, that the supply of cheap imported tomato paste, and the tariff reductions that resulted in these, were not mentioned in the report. The report also did not anticipate the deepening of this problem, which would affect the demand for the farmers’ tomato in the years ahead.

In relation to poultry rearing, Volume II also provides detailed information on the project plans. The report notes that poultry rearing is practiced by all households in the region. The poultry is consumed by the households as well as sold, and is an important source of nutrition as well as cash and income generation. An advantage mentioned in the report is that a “ready market exists for guinea fowls and their eggs through the year, locally and in southern Ghana.” It mentions problems associated with poultry rearing, such as high mortality rate of young chicks and poor management practices. However it does not mention competition from cheap imports. (Annex I: pg 5-6).

The rearing of guinea fowl is seen as a priority area given the impact of the birds on poor household economy (Annex VIII: Page 17).

Again, it is interesting to note that the potential problem of competition from cheap poultry imports resulting from the government’s import liberalization policy was not mentioned in the main appraisal report or the annexes containing detailed studies.
Much of the reports correctly focus on the agronomic and socioeconomic conditions of the project area. The focus on poor households, on resource and environmental factors, and on building the factors that lead to greater empowerment of the local communities, especially women, is also commendable. However, there is lack of attention paid to the aspect of trade policy and the impact of liberalization and globalization on the prospects of the project’s activities.

This is also a characteristic of the formal project application document presented to the IFAD Executive Board at its April 1999 meeting. The project rationale emphasizes the objectives of improving household food security through promoting irrigated agriculture and raising the productivity and long-term sustainability of food production, as well as credit provision and empowering smallholders through group activities. The potential impact of trade policy on the demand of farmers’ output is not mentioned.

**Interview with IFAD’s Country Portfolio Manager for Ghana**

Although the problems faced by farmers from competition with cheap imports did not feature in project appraisal and application reports, the IFAD staff managing and dealing with the project are well aware of the problems, and indicated the need for the project implementation, or future projects in the region, to take account of these problems. The IFAD officials are also acutely aware that the absence of a tomato processing plant, after the closure of the plant in Pwalugu, had adversely affected the demand for the tomato produce of the farmers, which in turn affected their incentive to produce, as well as limiting their revenue.

For the purposes of this study, an interview was conducted with IFAD’s Country Portfolio Manager for Ghana, Mr. Mohamed Manssouri, in the IFAD headquarters in Rome, in November 2003.

According to him, a key success with IFAD’s support has been the building of small irrigation schemes with small dams that have assisted rural farmers to cultivate rice and off-season vegetables such as tomatoes and onions.

However, one marketing constraint that has affected tomato farmers is the competition from cheap subsidized Italian tomato products from the EU. A tomato processing plant in the IFAD supported project had to be abandoned as it was not profitable. The plant faced competition from cheap Italian tomato concentrate.

[The general problem of competition from cheap and subsidized European tomato, raised by Mr. Manssouri, is discussed in some detail in Chapter 3.]

A report in the Italian newspaper La Repubblica in Nov. 2003 was made available by IFAD officials. According to the report, local Ghanaian tomatoes are no longer popular as they are displaced by imported Italian canned tomatoes. The report stated that in 1968, a tomato cannery was built in Pwalugu with state support in Ghana’s Upper East District. It employed 60 permanent staff and 100 temporary workers. It was located in a

fertile tomato growth area to provide incentives for subsistence farmers to produce more fruits to support the local agro-industry.

The newspaper report also stated that in 1989, the Pwalugu cannery and many others like it were closed due to the on-going structural adjustment programme introduced by the World Bank and IMF. The reason for the closure was a divestiture policy that was to make the Ghanaian economy more efficient. The closure of the plant caused the local farmers to lose a steady source of their tomato produce. The farmers now sell their produce on the roadside, at low prices, due to the glut and the marketing problems.

In interview at the IFAD office in Rome, another IFAD official also stated that local onion production in Ghana is facing competition from import surges of onions from Europe. Onions which are viewed as being of insufficiently good quality for the European markets are exported cheaply to African countries such as Ghana and Senegal. Tomato production can also be developed in Africa, but its growth is constrained by the cheap imports from Europe, especially Italy. There is also a potential in African countries to develop milk and dairy products up the value chain. However, it is very difficult to compete with imported powdered milk.

**Interview with Project Director**

For the purposes of this study, a visit was paid to the project region in May 2005. An interview was conducted with Mr Roy Ayarigah, Director at the Land Consolidation and Rehabilitation Project in the Upper East Region of Ghana. The interview was conducted in Tamale village, about two hours from Bolgatanga, the town in which the IFAD office is located.

According to Mr. Ayarigah, the project comprises small scale irrigation in support of rural farming. A number of dams have been built to serve a number of catchment areas. Each dam is managed by an association of water users, basically the farmers.

In addition to access to water, farmers are supported with inputs, production technology, and credit.

The main crops grown by the farmers are rice and sorghum, in the main season; with tomatoes, onions and pepper in the low-rain season. (Onions, tomatoes, and pepper are high-yielding crops).

Supplementary activities supported by the project include shea-butter extraction, ground-nut oil extraction, and rice processing – seen as activities in relation to which the poor can easily acquire the necessary skills and be supported to overcome poverty.

Some of the main problems that the project has faced are the failure of the users to re-pay their loans, as well as inability of the farmers to re-capitalise their farms, leading to low input usage.

Apart from a few who "refuse" to repay their loans, most farmers are unable to repay their loans due to losses they suffer on their crops. The main cause for this is the major
problem of marketing. Almost all the farmers complain of lack of markets for their products.

For instance, in 2004 when the production of the tomato crop was quite high, the farmers faced a big problem with marketing. Only about 5% of the producers managed to sell their produce. These were the early sellers (selling around January) who managed to sell their products at good prices. Of the rest, only about 40 percent managed to break even. About 50% of the farmers suffered losses. Some could not recover even up 10% of their investment, with the crops ending up rotting.

This negative situation contrasts with the experience of substantial increases of production when marketing opportunities arise. For example, in one year when the opportunity opened for the export of maize to Angola, production of that crop in the area increased phenomenally.

Among the factors that cause the poor marketing opportunities is the absence of a processing facility within the area. The once active tomato processing plant in the area had closed due to the structural adjustment programme. When the processing factory was operating, it could absorb the produce of the farmers, as the factory produced tomato paste which could be sold throughout the year. As a result of this closure, the farmers lost the security of sales, and they were forced to find an immediate market for their fresh produce, as the shelf life of fresh tomatoes is short.

At the same time, less than 5% of the produce is marketed locally (that is, within the area of production) because of low local absorption capacity, and therefore the farmers have to rely on the Ghanaian market as a whole. The challenge of transportation over long-distances affect the marketing, especially of crops marketed as fresh produce.

There is also competition in the Ghanaian market with products from neighbouring countries, like Burkina Faso. The farmers also face competition from the cheap imported European tomato, especially tomato concentrate from Italy. This has reduced the demand for the fresh tomato produced by the farmers.

The effects of import liberalization on the region and the project

The effects of import liberalization and of the lack of a tomato-processing industry in the region have evidently had effects on the implementation and success of the IFAD project. One of the major planks of the project is to help the farmers in the region to develop and expand their production of tomato and poultry. Although the earlier project documents did not foresee any major problem in disposing of additional output, it became evident later on that the inability of farmers to market their surpluses had become a major impediment to the farmers having an incentive or having a viable situation for increasing their production. This applies both to tomato and poultry.

As pointed out in the chapter on the effects of liberalization on selected sub-sectors, the Upper East region is the location of most of the tomato farming in Ghana and in the 1960s the government provided many types of assistance, including establishing dams and irrigation facilities and the establishment of tomato processing plants, that generated demand for the surplus tomato of the farmers.
Tomatoes have long been the most lucrative crop in the Upper East region and is cultivated by most farmers. The tomato processing and canny plant in Pwalugu in this region was set up in 1968, one of three plants established by the state in the country. The plant played a valuable role in providing a ready market for the farmers, which was important especially in seasons when there was a good supply.

The policy conditions of the IMF and the World Bank, which influenced the Ghanaian government to undertake privatisation, deregulation and liberalization in the 1980s and 1990s, led to the selling the tomato canning factories and relaxing trade restrictions on tomato imports. The closure of the Pwalugu tomato canning factory, as we have seen, had a disastrous effect on the tomato sub-sector, as the farmers were now unable to dispose of their surplus product. This acted as a curb on the expansion of production. Meanwhile the liberalization of imports adversely affected even the present level of production as the share of imports in national consumption rose significantly.

The fact that the tomatoes imported from the European countries are artificially cheap because of heavy subsidies adds to the unfairness of the situation where the small farmers are concerned. Processed tomato products in the EU receive approximately Euro 300 million per year in direct subsidies and several million more indirectly. The subsidy constitutes unfair competition to Ghanaian tomato producers who receive no support from their government.

Field trips to the North East Region have been taken by researchers for aid agencies, who conducted interviews with the affected tomato farmers. Below are excerpts from reports of some of the case studies of affected farmers.

**The case of farmer Samwel Abora**

One of the farmers is named Samwel Abora. He resigned from his job at the University of Ghana at Legon, Accra in 1981 to concentrate on tomato farming in Talisi District near the Pwalugu tomato canning factory. He started growing tomatoes on a part-time basis in 1978, and found he could earn 30,000 Ghanaian cedis a year from tomato farming, much more than his 5,000 Ghanaian university income, so he left the university for full time tomato farming.

Samwel made a successful living, educating his four daughters and three sons on the income derived from tomato farming, even managing to buy a tractor. He achieved national honours twice, winning the Best Tomato Farmer award in the Upper East Region in 1994, and Best Overall Farmer, Upper East Region in 1999.

However, competition from EU products had adverse effects on Samwell’s tomato income. Like many of his fellow farmers at Pwalugu, he can no longer rely on tomato farming to make ends meet. He has to plant a whole range of crops, including maize, but this intercropping only provides food for seven months of the year.

Samwel, like many farmers in the Upper East Region, now finds it difficult to pay school fees and to access basic health services. Whilst liberalisation has undermined their
livelihoods, structural adjustment policies have led to the introduction of school fees in primary schools and ‘cost-sharing’ or user fees in government hospitals and health clinics.

The Case of farmer Charles Ayaala and others in Pwalugu and at the closed cannery

Researchers\(^{30}\) on a field trip to the North East region found tomato sellers standing by the roadside in the village of Pwalugu in Ghana’s Upper East District. Charles Ayaala was one of the farmers who was on the roadside, tending to several boxes of tomatoes. He told researchers he was waiting for buyers to come from Accra or Kumasi. According to him: “The cannery (that used to operate in Pwalugu) used to make things easier for us. We hope it will be bought and made to work again because at the moment, selling our tomatoes is a game of chance. It’s heartbreaking to stand here and watch the fruit go rotten.”

Another of the farmers was Asugre Akasoa, who had even more boxes to sell than Ayaala. According to her: “I worked in the cannery but was laid off when it closed. There’s a lot of unemployment here. Now I buy and sell tomatoes. The best grades are bought by people from Accra but the rest often go to waste.’

The researchers paid a visit to the Pwalugu Tomato Cannery, which was visible from where Ayaala and Akasoa were selling their tomatoes. The plant was built in 1968. It now stands silent, apart from the sound made by the wind as it blows fallen mango leaves along the corrugated-iron-covered walkway between the main factory and the office. George Jato, once the Commercial Manager but now kept on as a caretaker, turned a key in the padlock on the rusty factory doors and pulled them back to reveal cobweb-covered stainless steel cylinders.

According to Mr. Jato: ‘We could process up to 100 tonnes of tomatoes per day when these machines were running.” In 1989, in spite of an appeal by workers to keep the plant operating, it was closed, due to the country’s structural adjustment programme. It was offered for privatization, but had not been re-opened. The cannery employed 60 permanent staff and 100 temporary workers when it was operating at full capacity. It also contracted thousands of farmers in the surrounding valley to grow tomatoes. ‘All the fields around the factory were full of vines,’ said Jato. ‘We were producing tomato paste, juice, whole tinned tomatoes and when tomatoes were not fruiting we processed vegetables.’ Jato claims the factory was profitable. ‘It’s places like this that build up the economy,’ he says, ‘but at the moment, so much of the tomato paste that people buy is from Italy. I’ve written letters to the government but I get no reply. I’ve worked here for 34 years but I have no voice in the matter.’

Some Reflections

From the studies and interviews undertaken by various agencies, it is clear that the re-establishment of tomato processing and cannery facilities is of the highest priority, if the

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\(^{30}\) This account is taken from a report by Christian Aid.
goal of the IFAD project (to increase farmers’ output and income from tomato) is to be
realized.

It is estimated that since the closure of the two canning factories -- in Pwalugu and in
Nsawam which is in the Eastern region -- nearly half of all tomatoes produced in Ghana
annually go to waste due to storage, transport and marketing problems.

A local processing industry can provide a stronger market for local tomatoes. When
there is a glut, or during the harvesting season when the supply is higher than the
immediate demand, the surplus tomato supply can be canned or made into concentrate to
save it from perishing. With local processing capacity, a higher demand is possible for
the produce of Ghana’s poor tomato farmers. Without adequate processing, the
livelihoods of these farmers are adversely affected, as there will be a limit to the demand
for their fresh tomato crop, since whatever cannot be sold in the fresh tomatoes is
increased.

Another problem facing the farmers in the region is the influx of cheap subsidized
imports. Besides tomato, the region’s farming communities also rear poultry, an activity
that has been recognized by the IFAD project documents as important to the households.
As Chapter 3 has described in some detail, the domestic poultry sector has lost a lot of its
share of the domestic market to cheap imports, especially from Europe. In 1992
domestic poultry farmers supplied 95 percent of the Ghanaian market, but by 2001 their
market share had shrunk to just 11 percent. The imported chicken is available
(wholesale) at a price that is only about half of the wholesale price of local chicken.
The unfair competition from subsidized imported poultry has limited the output of local
communities and damaged their otherwise good prospects of increasing sales to the
national market. This of course adversely affects the attainment of the objectives of the
IFAD Upper East Region project.

Thus, another policy measure required is to protect the competitiveness of the local
farmers through an increase in the applied tariff, presently 20% in the case of tomato.
The present bound rate is 99%. The rules of the WTO enable Ghana to raise its tariffs up
to the level of the bound rate. However, in order to do so, the government has to deal
with the IMF and World Bank, which apparently insist that the present low tariffs be
maintained. Retaining such low tariff levels when the imported tomatoes and poultry are
artificially cheapened by high subsidies by European governments must be considered
both unfair and unacceptable.

6. COMMENTS ON THE ROOT AND TUBER IMPROVEMENT
PROGRAMME

A brief description of this project (RTIP) has been given in the earlier section above.
The project was approved in 1997, it started in 1999 and had a duration of five years,
closing in December 2004.
The main goal\textsuperscript{31} was to enhance food security and improve poor farmers’ incomes by facilitating access to improved technologies for root and tuber crops, which are extremely important in rural Ghana for subsistence and as an income source. Cassava, sweet potato and cocoyam (taro) are the staple foods of urban dwellers, particularly the poor ones. The project’s four objectives were to develop a sustainable system for multiplying and distributing improved planting materials for roots and tubers; develop integrated pest management; promote new cropping, storage and processing technologies; and ensuring access to new technologies for poor farmers.

In the 1997 project document\textsuperscript{32}, the economic justification given was that the use of improved planting materials, improved biological control and improved animal husbandry practices are the main factors which will increase yields of roots and tubers and lead to increased annual production of food crops (cassava, yam, cocoyam and sweet potato). The main crop focused on was cassava. “No marketing problems are envisaged as increased food production will in the first place improve food security at household level. Surplus production will find easy access to local traditional markets and in the collection centers already installed by private companies.” (IFAD 1997: pg9). The programme was expected to benefit 700,000 households.

It should be noted that the project documents underplayed the problems that may arise from inadequate marketing facilities. Also, there was no mention of the effects that overall national policy, especially trade and import liberalization policy, may have on the project outcome.

An interim evaluation of the project was conducted in May-November 2003 and published in 2004.\textsuperscript{33}

The report stated that the overall objective of RTIP was to enhance food security and improve incomes of resource-poor farmers. The evaluation found the rationale very relevant for rural poverty reduction at the time RTIP was designed. It stressed however that “the original omission of post-production and marketing activities from the original programme was a major flaw in its design. The component subsequently added to cover this area was inadequate, as was the priority afforded. This has been the most important factor that has kept RTIP from reaching its overall objectives so far,” (IFAD 2004: p2).

The summary report said the planting materials multiplication system was efficient for distributing four improved cassava varieties in 50 districts between 1999 and 2002, with at least 105,000 farmers accessing them. For sweet potatoes, two improved varieties were provided to 14,500 farmers. There was no significant achievement with regard to yam and cocoyam. Under the post production and marketing component, RTIP collected information related to storage, processing and utilization of roots and tubers but stopped short of fully exploiting that information. A study of marketing issues was undertaken. However the project did not secure the staff and technical expertise to give this component its due importance.

\textsuperscript{31} IFAD, IFAD in Ghana.
\textsuperscript{32} IFAD, 1997. Report and recommendation of the President to the Executive Board on a proposed loan to Ghana for the Root and Tuber Improvement Programme (Board meeting 3-4 December 1997).
The evaluation found significant output increases but disappointing results in income growth. Household income was found to have increased for 14,500 sweet potato farmers as they enjoyed both increased output and ready market, and for 2000 farmers who were secondary multipliers. However the results were much poorer for cassava, the main crop in the project. Ordinary cassava farmers achieved yield increases of up to 40%. The food security of households improved. However, increased yields did not translate into increased incomes. The reasons were local inflation of 65% from January 2001 to May 2003, increased production costs associated with the RTIP-introduced practices and varieties, relatively lower prices for RTIP varieties and a decline in cassava prices generally, which was probably due to the increased output from the project.

The evaluation report made several proposals for future activities. Among them was that past assumptions about crop sector development and its impact on the rural poor should be carefully re-examined in the design and implementation of future investments. Future investments should emphasise activities related to post-harvest, marketing and development of new market opportunities. Among the post harvest and marketing activities that should be considered for support are appraisal of technical viability of existing processing equipment; training and advisory services on processing techniques; improved storage methods; training on hygiene, health and environmental issues; dissemination by radio of price information; promotion of linkages between producers, processors and traders on outputs and equipment; and elaboration of various financial models and arrangements.

More details on the uncertain link between output and farmers’ income for cassava was provided by the Main Report of the Evaluation. As yields and output levels increased, farmers should have been able to reach higher levels as they were in a position to sell a higher proportion of that total output. However this was offset by the decline in prices since 2001, especially since the RTIP varieties fetched lower prices. To achieve higher yields with the new varieties, farmers also had to incur increased production costs. High inflation of 65% has to be taken into account. Thus, the evaluation team considered that “real income increases, if any, will have been below the 15% target.” (IFAD 2004: Main Report, pg21).

In an appendix, the report gives further data. Farmers selling improved cassava varieties could in many cases do so only with a discount of up to to 30% compared to ordinary varieties. Also, using 2001 as reference year, prices of fresh casasava in mid 2003 had declined by 23% in nominal terms and 45% in real terms. An increase in the real income of ordinary farmers may not exceed 10%. (IFAD 2004: Appendix pg49).

With regard to impact on food security, on one hand the improved cassava varieties with maturation periods of less than a year have the advantage of yielding faster returns. On the other hand, the improved varieties can be stored for a relatively short period in the ground without deteriorating or rotting. This means they are less suitable as a food security crop that can be harvested at any time when supply from other crops is scarce. It should be noted too that some of the improved varieties are not suitable for direct local consumption as they require processing, which limits their value as a food crop. In addition, the limited storability in the field reduces the flexibility in terms of being able to spread the sales throughout the year in order to avoid possible gluts in the market. The flooding of local markets at certain times may be due to a uniform harvesting pattern. (IFAD 2004: pg69).
The report also reaches the surprising conclusion that increased cassava production may actually have a negative impact on the food situation of a household in qualitative terms in cases in which cassava replaces food crops that are nutritionally more valuable (a number of farmers reduced the area cultivated with maize, vegetables or other crops as a result of expanding cassava cultivation). (IFAD 2004: pg70).

The yield and overall output increases of cassava substantially improved the food security situation at the national level, and the lower prices increased household food security for non-farming households.

But the food security situation of cassava farmers was more ambiguous. It improved to the extent that household income increases were realized. But due to the characteristics of some improved varieties, the availability of farm-produced food may have even decreased in many cases. This clearly shows that to improve household foods security, “it would have been more appropriate to select varieties with regard to suitability for local consumption, nutritional value, and storability both in the ground and after harvesting. If the potential of the existing high-yielding varieties to improve household income is to be fully exploited, it will be crucial to identify opportunities for expanding the market for cassava.” (IFAD 2004: pg70-71).

An interesting conclusion in the main report is as follows: “The final assumption that increased output would lead to increased food security and increased incomes proved wrong on several accounts. In order for increased output resulting from adoption of new varieties to lead to increased food security the output would first of all have had to be suitable for consumption, as was not always the case. Secondly, it would have had to have been available for consumption when needed, as was also not always the case. Alternatively, the increased output would have had to be transformed into income to allow the purchase of more or better quality food than had been available to the producer prior to the adoption or change in practices. RTIP farmers were unable to transform increased output into increased income to purchase food or meet other basic needs as many found themselves simultaneously facing increasing production costs, weak demand and decreasing output process for their products.” (IFAD 2004: Main Report, pg35-36).

Despite these problems, the evaluation report in its overall assessment found a number of positive outcomes, such as stimulating an increasing interest in root and tuber crops in Ghana and even in West Africa. It fostered the networking of scientists and promoters in efforts to elaborate cultivation packages and new varieties. It released new varieties and a system of multiplication and distribution, and increased the knowledge of at least 100,000 farmers in 76 districts about root and tuber cultivation and integrated pest management methods.

**Phase II of the Project**

According to another IFAD document34, a Phase II of the RTIP has been planned, with the programme tentatively scheduled to start in December 2005 or the first quarter of 2006, and for the duration of the project to be 8 years.

This new project will aim at maximum economic impact throughout the root-and-tuber commodity chains. It will focus its activities mainly upstream (farmers, small-scale processors) so as to enhance market power and revenues of the rural poor in the chain. The overall goal is to enhance incomes and food security of Ghana’s rural poor. Its specific objective is to build competitive root-and-tuber commodity chains supported by services easily accessible to the rural poor.

The project components are root and tuber crop production, aimed at increased productivity; empowerment; upgrading artisanal commodity chains for roots and tubers; analysis and testing of technology; demonstrating best practices for processing of cassava; establishing a commodity chain investment fund to co-finance micro-projects; investigation of new uses and markets for root and tuber crops and development of supply chains.

It is evident from the objectives and the planned activities that this Phase II project is trying to avoid the problems encountered in the original project, and aims to focus significantly on the post-production phase, with emphasis on “building value added chains”, seeking new uses of the crops, and on processing and marketing. This is commendable, as the evaluation of the original project made clear that much of the inadequacies lay in the lack of a post-production plan and activity. Phase II seems to focus equally on improving output and productivity, and in building the marketing networks to enable the increasing surplus arising from higher productivity to find markets in the urban markets, including through finding new uses, especially for cassava.

As the 2004 evaluation report made clear, there is a trade off between higher output and declining prices. This dilemma will increase if Phase II succeeds in attaining higher productivity and overall output. There is thus an even greater need to expand the markets and demand for cassava in order to avoid a bigger glut and price declines that will affect the farmers’ incomes.

Interview with IFAD’s Country Portfolio Manager for Ghana

For the purposes of this study, an interview was conducted with IFAD’s Country Portfolio Manager for Ghana, Mr. Mohamed Manssouri, in the IFAD headquarters in Rome, in November 2003. The interview gave an insight into some of the problems faced in the project, and the rationale for the increased emphasis on marketing in the proposed Phase II.

According to Mr. Manssouri, the implementation of the Root and Tuber project had given rise to a strong issue on marketing. The project demonstrated that it was possible to improve production and generate food security, with output of cassava increasing about 40 percent in 4 to 5 years. But the prices declined as there was limited opportunity to export to the international market as the processing and marketing aspects of the project were weak. The project had been designed as a production project, but it was later realized that the processing and marketing issues had also to be tackled. This would be done in the Second Phase of the project.
Mr. Manssouri said that the consumers in Ghana and Africa are increasingly undergoing a change in taste towards imported food products. The changing habits are due to the cheapness of the imports, changing cultural ways and the marketing methods used to promote the imported foods. For example, there is increasing shift in preference to the consumption of bread, which is made with imported wheat. Children too want to eat wheat-based products, as they are influenced by advertising. As a result, there is a big problem in Africa, in that the urban markets are facing import surges of rice, wheat and milk and these are increasingly being preferred by urban consumers to the traditional crops that are being cultivated by rural producers such as sorghum, millet and cassava.

The traditional crops do not get research support, including from the global institutions. One area that requires greater attention is to ensure greater linkages between the commodities produced by the rural farmers and the sale of these products in the urban markets.

Consequently, in IFAD’s programme to improve roots and tubers, more focus is being given to the aspects of processing and marketing in the coming years. For instance, there are opportunities to use cassava flour to make bread together with wheat. In addition, IFAD is also having research projects on millet and sorghum, including the seeking of market opportunities in the urban areas for these crops. One example is the use of millet flour in making bread and cookies. There is also a potential to export cassava to the international market for use as animal feed and as starch. This has not been studied in detail yet.

Mr. Manssouri added that there was the same difficulty in marketing crops like cassava in several African countries. The disconnect to markets is more serious in Africa than in Asia. For example, Thailand is a big exporter of cassava (used as animal feed) to Europe. In the case of cassava, there is little interest in research on this crop in Africa. This is dangerous, because if there is the spread of a disease, it can destroy a large part of the crop.

He also gave an example of Nigeria, in which IFAD also has a cassava project. There is a similar problem there as in the Ghana project, in there being surplus production, resulting in a decline in price. The price decline is due to there being a higher increase in production as compared to consumption. Ideally, Ghana and Nigeria should set up a factory to process cassava. The farmers can then supply the factory with their cassava produce. More analysis has to be done on this.

For African countries to succeed in exporting, they have to face several major issues: that of efficiency (how to become more competitive), the high cost of transportation, and the issue of processing the crops. It is important for African countries to conquer their own domestic markets for cassava, to get a larger market share of staple foods, both in local and regional markets.
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