



**THE AGRO-PROCESSING INDUSTRY AND ITS
POTENTIAL FOR STRUCTURAL TRANSFORMATION OF
THE GHANAIAN ECONOMY**

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OUTLINE OF PRESENTATION

Introduction and Background

Development of Agro-Processing in Ghana

- Contribution of sector to Ghana's economy

Characteristics of Agro-Processing Firms in Ghana

General Constraints of the Agro-Processing Industry

Policy Environment of Agro-Processing Firms

Key Agro-Processing Subsectors

Conclusion

INTRODUCTION AND BACKGROUND

Although sectoral contribution decreased, agricultural sector plays critical role in Ghana's overall growth

Sector broadly divided into: crops, cocoa, livestock, forestry and fisheries

- Crop subsector contributed about 77.5% to the sector in 2017
- Food processing important activity

Described as the transformation of products originating from agriculture, forestry, and fisheries (FAO, 1997)

Agro-processing important for a number of reasons

- Chief reason- reduction post-harvest losses
 - In Ghana, only about 5% of food crops harvested in Ghana are processed (MoFA, 2012)
- Increase in food security
- Employment generation and rural income diversification

EVOLUTION OF AGRO-PROCESSING IN GHANA

Agro-processing activities in Ghana traced back to colonial period (Okarley and Kwaten, 2000)

- Small scale and products consumed locally

After independence in 1957, industrialization drive resulted in a number of state-owned processing factories which were directly linked to the country's agricultural products.

- Backward linkages between agriculture and industry sectors
 - Sugar factories in Komenda and Asutuare in the Western and Eastern regions
 - Pwalugu tomato factory, Bolgatanga meat processing factory and Nsawam Fruit Cannery.

Most of these state-owned processing plants currently inactive

Recent increases in agro processing among private firms

- Local and international consumption

CHARACTERISTICS OF AGRO-PROCESSING FIRMS

Agro-processing sector may be classified into 2 groups (Quartey and Darkwah, 2015)

Domestic Processing

- Female workers, little formal training
- Skills acquired through apprenticeship; family labour integral element
- Processed output of variable quality
- Examples-shea butter, gari, fish smoking, flour-making, etc

Factory Processing

- Mostly foreign-owned (e.g. Nestle and Cadbury)
- Some are public-owned (e.g. FrieslandCampina Ghana)
- Process large quantities of raw materials
- Contribute significantly to economy through export activities

CHARACTERISTICS OF AGRO-PROCESSING FIRMS, CONTD

Dominated by predominantly small firms

- 85 per cent of all agro-processing firms in Ghana are micro-enterprises (Afful-Koomson et al., 2014)

Not very well-advanced

- Relatively low degree of value-addition

Operate mainly in the informal sector

Few linkages with marketing and financial services

Simple and locally-made technologies

- Evolving to semi-mechanized and fully-mechanized methods over time

Predominantly local-to-local patterns of production

- locally-produced commodities for domestic consumption

CHARACTERISTICS OF AGRO-PROCESSING FIRMS, CONTD.

Export dominated by horticultural products (fruits and beverage), in addition to vegetables, roots and tubers and palm oil

Few policies tailored to the needs of agro-processing SMEs

CONTRIBUTION OF AGRO-PROCESSING FIRMS TO GHANAIAN ECONOMY

Limited data on the contribution of agro-processing to Ghana's economy

Within the manufacturing sector in Ghana, the agro-industry represents approx. 54.6% of total manufacturing value added (UNIDO, 2011)

The agro-processing industry grew at an average rate of 14.93 per cent from 2008 to 2013 (GEPA 2014)

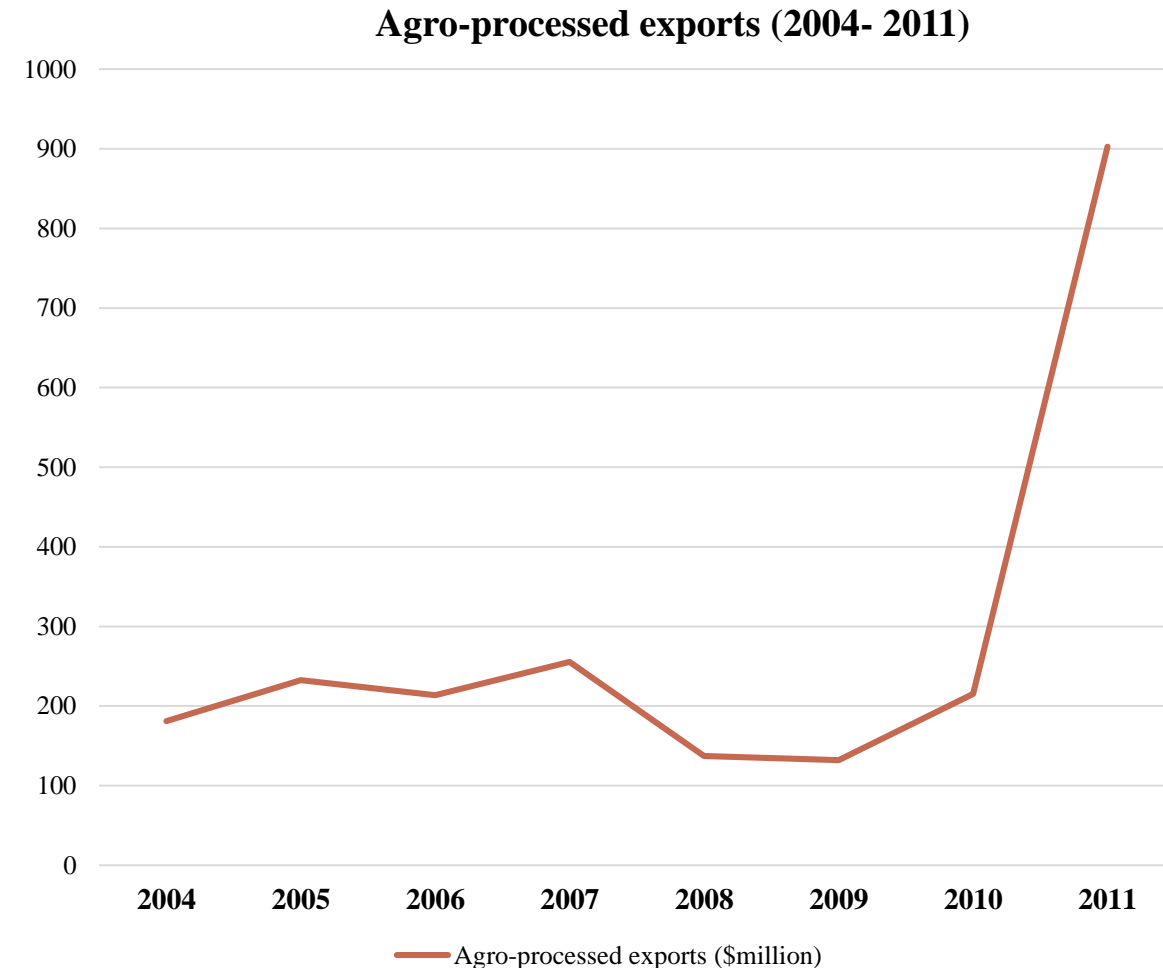
Research studies also show contributions in terms of employment and income

- Important source of employment for rural people; particularly for women (Amapadu-Ameyaw and Omari, 2015)
- In a survey of 272 small- and medium-scale agro-processing enterprises in Ghana, Brong Ahafo, Western, and Northern regions employ the majority of the labour force in the industry (Afful-Koomson et al. 2014)

CONTRIBUTION OF AGRO-PROCESSING FIRMS TO GHANAIAN ECONOMY, CONTD.

Export

- Processed and semi-processed agricultural products accounted for about 86.31% of the country's non-traditional exports in 2014
- Export earnings from agro-processing increased from US\$181.1 million in 2004 to about US\$902.5 million in 2011
 - Growth of 398% for that period (Oduro and Offei, 2014)
- Contributed US\$2.16 billion in export earnings in 2014 compared to the US\$2.11 billion in 2013 (GEPA 2014)



GENERAL CONSTRAINTS

Access to raw materials

- Ghana produces a little over 30 per cent of the raw materials needed by agro-based industries (RoG 2007).

Lack of facilitating services e.g. good transportation systems, adequate storage facilities, efficient packaging systems, etc

Lack of enabling institutions e.g. credit facilities, food safety and standards boards, access to technical knowledge, etc

Low interest from youth in farming, agro-processing and agribusiness in general

- Influence of the mining sector

GENERAL CONSTRAINTS

Local demand for processed products

- Low income
- Tastes for foreign products

Lack of appropriate technology

- labour intensive and time-consuming features of the indigenous technology often hinder the opportunity to scale up operations
- High cost of equipment and local technology
- Apparent disconnect between local product development and uptake by local agro-processing firms

POTENTIAL FOR AGRO-PROCESSING SECTOR

Over two-thirds of the total land is fertile and requires little fertilizer to produce farm commodities

- well-endowed network of water bodies which may be sourced for irrigation purposes.

Numerous opportunities to add value to agricultural commodities

- export of processed horticultural products (i.e. fruit and beverages), for instance, has become increasingly significant in the Ghanaian economy
- the country's diverse agro-ecological zones, there is a diversity of commodities that may be easily processed
 - Coast (fishery and forestry)
 - Forest zone (export crops)
 - North (cereals, root crops and legumes)
 - Southern savannah (root crops)

POTENTIAL FOR AGRO-PROCESSING SECTOR, CONTD.

Government has demonstrated significant interest in agribusiness and a commitment to support increased investment in this area

Recent launch of Small and Medium Enterprises Association of Ghana (SMEsAG) to advocate for favorable policies for SMEs

- Majority of agro-processing firms fall within 'small and micro-' enterprises

Large unemployed youth population that may provide the much-needed labour supply for the agricultural sector.

POLICY ENVIRONMENT OF AGRO-PROCESSING FIRMS: SELECTED EXAMPLES

Colonial era: Raw materials produced to supply industries in Europe

Post-colonial era: Industrialization drive and backward linkages with industry

1970s: ‘Operation Feed Yourself’ and ‘Operation Feed Your Industries’

1991-2000: Varied programmes and projects e.g. ADP, ASIP, etc

2001: Presidents Special Initiatives (PSI) e.g. cassava processing into starch

2002-2009: Ghana Poverty Reduction Strategies I & II

2010-2013: Ghana Shared Growth and Development Agenda I

2011- 2015: Medium-Term Agricultural Sector Investment Plan (METASIP)

Other relevant policies and programmes:

- Ghana Trade Policy
- Export Development Agriculture and Investment Fund (EDAIF) (2000)
- The Fertilizer programme (2008)
- Village Infrastructure project, etc

POLICY ENVIRONMENT OF AGRO-PROCESSING FIRMS CONTD.

Various agricultural policies over time have included sections that focus on the development of the agro-processing industry in Ghana

Ghana may benefit from an integrated and strategic national plan that takes into account specific characteristics and challenges faced by small and medium scale firms in the informal sector of the country

- Particularly those who are largely engaged in agro-processing activities.
- Tackle weak backward linkages between agriculture and industry sectors (e.g. access to credit, raw materials and other inputs)
- Also facilitate better forward linkages (e.g. market- local and external, employment, etc)

HIGHLIGHTS OF KEY AGRO-PROCESSING SUBSECTORS

These include:

- Nuts and oils
- Grains
- Roots and tubers
- Fruits and Fruit juices

Large amounts of agricultural products harvested at farms do not undergo any processing

- distributed and consumed directly, either locally or internationally.

Some undergo some degree of processing before final sale and consumption

Value chains vary for different products

HIGHLIGHTS OF KEY AGRO-PROCESSING SUBSECTORS: TECHNOLOGY ADOPTION

Processing evolved from use of traditional methods to semi-mechanized and then to fully-mechanized methods

New technologies reduced processing times

- Hydraulic and mechanical presses for oils
- Locally-made grinders for grains
- Motorized graters, sieving machines, etc for roots and tubers
- Juice extraction machines and juice processing manuals for fruits and fruit juices

Problem of affordability

- Solution has been to form cooperatives

CONCLUSION

Services sector unlikely to sustain growth and long-term development due to a recognized lack of competitiveness in this sector

- First, average levels of education more suited to production in light manufacturing sectors
- Second, current access to basic infrastructure more conducive to activities of the agricultural and agro-processing sector.
- Third, experience gathered by the labour force agro-processing industries may propel establishment and growth of heavy manufacturing industries; ultimately spur overall economic growth and development.

Current situation more resembling of a structural *shift*, and not necessarily a *transformation* (i.e. increase of new and more productive activities and a shift away from older, less productive, traditional activities).

- dominance of the informal activities in the services sector
- prevalence of low-productivity activities
- reduced significance and performance of the manufacturing sector

CONCLUSION, CONTD.

Focus on agro processing is important

- rapidly expanding urban sector
- sector's potential to bring about a critical structural transformation of the economy

Useful steps to be taken:

- Policy environment for SMEs (particularly agro processing) improved
- Technological innovations (appropriate and affordable)
- Improvements in backward (e.g. credit and raw materials) and forward (markets, employment) linkages
- Provision of necessary infrastructure and amenities (roads, electricity, storage, quality control, etc)
- National campaigns to attract youth into the industry



THANK YOU FOR YOUR ATTENTION