

The Horticulture Industry in Ghana

Background

The horticulture sub-sector is a very important.

It plays a vital role in income generation, foreign exchange earnings, employment and food security

It has the potential for the needed diversification of the exports base, modernization of agriculture, acceleration in economic growth and poverty reduction.

•
The sub-sector is made up of two segments,
export oriented and domestic oriented.

- The focus is primarily on the production and marketing of fruits and vegetables with very little activity on ornamentals and an emerging value addition industry (Juice, dry and minimally processed).

- By and large, the country is self sufficient in the production of most of its fruits and vegetables for domestic use (citrus, papaya, pineapples, pepper, garden eggs, okra, kontomire, gboma etc) although availability is characterized by seasonality of cycles of glut and scarcity.
- There is a shortfall in the production of two major vegetables, tomato and onion necessitating supplemental imports.

.

- It is estimated that over 83,000MT of onions valued at US\$44 million is imported annually from Niger and Burkina Faso to complement the estimated 49,000MT domestic production. Whilst 75,000MT of tomato is also imported annually from Burkina Faso to supplement the local production of about 300,000MT.
- There is also an emerging trend of importation of carrots and sweet peppers from the Netherlands as well as apples and grapes from South Africa.

- Ghana's horticulture exports sub-sector is relatively young. Over the last three decades the sub-sector has shown great promise.
- Ghana's exports consist mainly of tropical fruits such as pineapples, papaya, mangoes, bananas and Asian vegetables including chilli pepper, baby aubergine, gourds, marrow etc. The minimally processed or ready to eat pre-pack segment is assuming great importance.

- Ghana's horticulture exports sub-sector is relatively young.
- Systematic exports of horticultural produce only started in mid eighties when small quantities of air-freighted pineapples were sent to Europe. The industry grew rapidly and within a decade, Ghana established itself among the top six exporters of horticultural produce to Europe from Sub-Saharan Africa

- Ghana's exports consist mainly of tropical fruits such as pineapples, papaya, mangoes, bananas and Asian vegetables including chilli pepper, baby aubergine, gourds, marrow etc. The minimally processed or ready to eat pre-pack segment is assuming great importance, annual exports exceed US\$30 million. Two companies generate these exports.
- Horticultural exports account for between 24-40% of total non-traditional agricultural exports, or 3-4% of the total non-traditional exports. Between 2002 and 2012 horticultural exports have contributed over US\$600 million cumulatively to the economy.

.

- Because of the intensive nature of production, the sector employs large number of people especially women.
- This performance is very low compared to other African countries like Kenya which earns over US\$600 million annually and South Africa \$1.2 billion

CHALLENGES

- the horticulture sub-sector has been tagged as an under-achiever that is yet to fulfil its full potential. Studies have revealed that if Ghana should reach its medium term potential it should have exported over 340,000MT of fresh fruits and vegetables worth over US 300 million per year and generate over 20,000 direct jobs and several thousands indirect jobs by 2015.

.

- Whereas most of the produce Ghana exports have had sustained growth, the country's exports have either stagnated or declined. In 2011 EU imported 1.4 Million MT of dried and fresh pineapple worth US\$1.3 billion, Ghana exported 45,000 MT valued at US\$17 million. EU imported banana worth over US\$4 billion, Ghana's exports was US\$15 million, EU mango imports are over US\$250 million annually, Ghana's highest exports is US\$2 million. The EU market for melons is over US\$ 600 million annually Ghana's exports is zero.

-
- Over the years Ghana has relied heavily on comparative advantages to drive its exports. The use of low costs advantage as a competitive tool became a strategic choice.
- There was inadequate export infrastructure, poor innovation by both the public and the private sector in the industry. This led to the weak positioning of the Ghanaian produce in the European market.

-

•

- Additionally, the changing dynamics of the European food trade with the emerging dominance by the supermarkets as well as new market requirements meant that, for the industry to survive, there was a need for a fundamental shift in the marketing strategy. This implied that the challenges that confront the industry needed to be addressed to enable the industry to take advantage of an improved environment to innovate and adapt to ensure sustainable success.

WHAT HAS SO FAR BEEN DONE

The Government with the support of development partners initiated a number of short to medium term projects to address some of the challenges.

Some of these projects include the Horticulture Exports Industry Initiative (HEII) and the Export Marketing and Quality Awareness Project (EMQAP). These two projects were implemented by the Ministry of Food and Agriculture (MOFA) and funded by the World Bank and the African Development Bank (AfDB) respectively. The Government also used part of the US \$547 million from the Millennium Challenge Account (MCA) to support the horticulture sector. Meanwhile other projects funded by the USAID and GIZ entered the sector.

- Major infrastructural projects were provided by MIDA, HEI and EMQAP. A modern fruit terminal fully refrigerated with an annual throughput of 300,000MT was constructed at the Port of Tema by HEI, 3 modern field packhouses were built by MIDA and one(1) was built by EMQAP at strategic production locations in country. MIDA and EMQAP provided 900 km and 2000 km feeder roads respectively to improve access in production areas. The private sector by themselves also invested in packhouses with some equipment support from MIDA.

WHY HAS INDUSTRY STILL UNDERPERFORMED

- Though there has been a lot of improvement in the infrastructure stock, yet a lot still remains to be done. There are still gaps to be filled in terms of infrastructure such as roads, irrigation facilities and packhouses. Productivity gap is still high e.g yield of pineapple in Ghana averages 62.5MT/Ha whereas in Costa Rica its averages 85MT/Ha. The acquisition of land is still problematic which among others has been a disincentive for large companies locating in Ghana. There has generally been the absence of strong lead firms to provide leadership.

•

- There are adequate sources to provide short term financing. However there is lack of appropriate and innovative financial instrument to fund long-term productive ventures such as horticulture.
- The Ghanaian industry has not been able to convert the comparative advantage through innovation, management and efficient logistics to competitive edge. Perhaps this has been so because of the enormous financial burden the industry led largely by the pineapple segment had been under. Since the bust of the business in 2005, where an estimated US\$12 million was lost by enterprises it had been difficult for those businesses to finance new equipment, technology and the like.

•

The support from Government, represented by its many agencies as well as donors have been uncoordinated and hardly holistic. Much of the support to the industry has been through donor-funded programmes and projects. Donors generally want to make maximum impact over a short period of time. They are impatient for results and simply jump ship at the least encounter of challenge by discontinuing support or simply moving to a different agenda. Meanwhile the support needed by a dynamic industry such as horticulture exports in order to make the necessary impact is long term, requiring flexibility and even handholding for extended periods if need be.

WAY FORWARD

- There is no doubt that this sub-sector still has enormous potential which when unleashed will have significant impact on the economy by way of inclusive growth, foreign exchange earnings, poverty reduction, sustainable employment for the youth and women.
- Most of the building blocks for the take off of the industry is in place. There is therefore the need for a strategic as well as a tactical approach to realize the full potential

STRATEGIC APPROACH

- There is a need for government not only to continue the support it has started for the industry but to deepen the support. It should also engage the development partners to provide support or sustain the support. In this regard further investment in roads, aggregation centres, irrigation facilities, research facilities should be maintained. The government should continue providing the enabling environment that will incentivize the private sector to invest.

•

- Especially attracting lead firms to invest and provide leadership and also provide marketing avenues for small holders.
- The need for a coordinated approach should be taken seriously. We can draw on the lessons from other countries. The grapes export industry of North Eastern Brazil is a good example, where land reform coupled with investment by government in irrigation scheme, roads, public research led by EMBRAPA, extension delivery, encouragement of farmer cooperative and the incentivizing of lead firm to locate in that region led to a thriving grapes exports business.

Financing of the Productive sectors:

- the development of appropriate financial products to fund productive areas such as horticulture. The establishment of agric insurance scheme as a way of reducing risk should be vigorously pursued. Meeting of great minds in the country and lessons from abroad is necessary.
- **Land Acquisition.** The tenure system has been over flogged. Issue of land banks should be further explored

Marketing

- There are 2 distinct markets, the international and domestic. With the international market, the problem has been mainly market access for the small holders who incidentally form the majority of our growers. For these small holders there are substantial barriers for market entry and the maintenance of market presence. Regulatory as well as private market requirements are a challenge for smallholders to meet. Secondly the sourcing strategy of the supermarkets, which demand consistency in supplies and quality, are difficult for smallholders to meet

•

- The domestic market lacks the appropriate infrastructure for the handling of fresh produce. Additionally the channel is undeveloped. Yet it represents an untapped 'goldmine'. A study by EMQAP revealed that the estimated fresh fruits and vegetable demand in Accra alone is about US\$400 million per year and growing. The various hotels, the emerging supermarkets are marketing channels waiting to be fully developed. The demand from the oil rigs in Western region. Promotion of the consumption of fresh fruits and vegetables can spur demand

.

- Currently our fresh fruits and vegetable consumption is just about 100g/day way less than the 400g/day recommended by WHO. The increased consumption of fresh fruits and vegetable will result in increase incomes for the value chain operators. Immense health benefit to consumers and therefore society in terms of reduced health bills, increased productivity due to reduced sick off days etc, at the same time farmers will be making money on the produce.

•

- Another untapped but significant market is the regional markets. The problem has however been the harassment traders of fresh produce encounter on the roads. This has discouraged most exporters from venturing into regional markets. Need to ensure the enforcement of ECOWAS rules on free movement of goods and people. Estimates indicate that the Lagos market for vegetables alone is worth US\$550 million. Shoprite has planned rolling out 700 shops in Nigeria in the next few years, they will require produce to fill those shelves, Ghana can be a source of supply if we prepare ourselves well. According to UNDP report Nigeria's juice industry is based on imported concentrates worth US\$2 billion annually.

•

- Candidates for the sub-regional market include pineapples, mangoes, citrus, banana, watermelon, coconuts. Already Ghana's coconuts are the preferred choice for Nigeria, however there is not enough. Nigeria, Cote D'Ivoire, Togo and Burkina Faso import Ghanaian oranges.

Value Addition

- Ghana imported over 54,000MT of juice valued at US\$24.8 million in 2012 constituting 70% of our consumption. Ghana also imports about 66,000MT of tomato paste annually, the second largest importer in the world after Germany. There are a large number of small processors of fruits in the country and a few large processors in addition to two ready to eat fruit processors as well as a couple of dried fruit producers who are mainly set up for exports.

- Almost all of them are producing below capacity because of inadequate supply of raw materials. This is as a result of seasonality of some produce. However price offered by processors has also been a disincentive for farmers. Processors are unable to in most cases match the price of exporters. Raising local production could save the country a lot of foreign exchange and also provide market avenues for local farmers, which in turn can greatly benefit the rural economy.

.

- Almost all of them are producing below capacity because of inadequate supply of raw materials. This is as a result of seasonality of some produce. However price offered by processors has also been a disincentive for farmers. Processors are unable to in most cases match the price of exporters. Raising local production could save the country a lot of foreign exchange and also provide market avenues for local farmers, which in turn can greatly benefit the rural economy.