

CURRENT DYNAMICS OF AGRICULTURAL INVESTMENTS IN GHANA

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INTRODUCTION

- Agriculture is the backbone of Ghana's economy, contributing 36% of GDP and 70% of employment in rural Ghana
- The country has 23, 583,900 hectares land area of which 13,628,179 (57%) is cultivable land. As at 2009, it was estimated that 7,359, 216 hectares (54%) of agricultural land was put under cultivation, implying the existence of unused land for agricultural investments (Ahwoi, 2010).
- Increased agri-investments by transnational corps.

RATIONALE

- Agri-investments have economic, social and environmental consequences that impact on the livelihood sustainability of poor smallholder farmers, especially those whose lands are taken for agri-investments but these dynamics are often less well understood. Thus, Tsikata and Yaro (2011) warn that in the context of Ghana's lack of self-sufficiency in food crop production, agri-investments could deepen food insecurity.

OBJECTIVES

- An in-depth evaluation of past and current conditions pertaining to agri-investments in Ghana with a view to understanding issues of transparency and accountability in terms of economic and environmental benefits/risks sharing among stakeholders in the land acquisition and business model processes using two case studies.

OBJECTIVES CONT'D

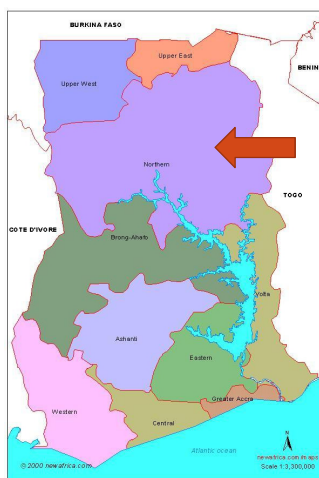
- Based on the analysis of the issues in the first objective contextualized as the strengths, weaknesses, opportunities and threats (SWOT) of broader policy framework in Ghana; formulate the needed policy instruments and options for improved livelihoods of smallholder farmers and other vulnerable segments of society as a means of promoting good governance in agri-investments.

NATIONAL CONTEXT

Agri-investment policy framework:

- Food and Agriculture Sector Development Policy II (FASDEP II)
- Medium Term Agriculture Sector Improvement Plan 2009-2015 (METASDIP).
- Both work towards a 6%p.a. value increase in agriculture consistent with objective of the Comprehensive African Agricultural Development Programme (CAADP).

MAP OF GHANA SHOWING STUDY AREA LOCATION



NATIONAL CONTEXT CONT'D

- Investment promotion is a major policy issue in attracting investors in agriculture. Accordingly, a wide range of incentives promoted by the Ghana Investment Promotion Centre for agriculture and agro-industries, include:
 - tax exemptions for cocoa farmers and producers; cattle ranching tree cropping (10years tax holiday period)
 - agro-processing, fish farming, poultry and cash crops (5 years tax holiday period).
 - Locational incentives in the form of tax rebates from 25% to 50%, investment guarantees including free transferability of capital and profits and insurance against non-commercial risks under the Ghana

NATIONAL CONTEXT CONT'D

- In addition, the Ghana Free Zones Board (GFZB) Act of 1995 provides the following incentives for investments in general in a free zone area:
 - Tax exemptions for first 10 years;
 - Income tax rate after 10 years shall be limited to a maximum of 8%;
 - Shareholders are exempt from the payment of withholding tax on dividends in free zone area investment;
 - Both domestic and foreign investors may take and hold up to a maximum of 100% shares in a free zone enterprise; and
 - Equal status for both domestic and foreign investors in free zone enterprises.

NATIONAL CONTEXT CONT'D

- Land governance framework policy:
- The objectives of the current national land policy, 1999 relating to tenure, agriculture and the environment include:
 - Promoting community participation in land matters;
 - The protection of customary rights in land by government recognition of these rights;
 - Ensuring sustainability in land use;
 - Equitable access to land and security of tenure;
 - Building institutional capacity to ensure effective land management at all levels; and
 - Promoting research into various aspects of land ownership (Government of Ghana, 1999).
- To facilitate the achievement of the objectives of the national land policy, a 15 year (2003-2018) donor supported Land Administration Project (LAP) for Ghana has been designed to implement the national land policy.

APPROACH AND METHODS

- Heuristic framework for investigating agri-investment policy issues
- Research Instruments
- Choice of location and case studies
- Sample size and selection criteria
- Secondary literature
- Data limitations

RESULTS/FINDINGS- CASE STUDY ONE: ITFC LTD

- Integrated Tamale Fruit Company has its head office at Gushie, 45 kilometres north of Tamale on the Bolgatanga trunk road in the Northern Region. Incorporated in 1999, the main activities of ITFC are the cultivation of organic grafted mango, the nursing of seedlings and the promotion of indigenous species of trees.
- The largest shareholder of ITFC, with 50 percent of shares, is Wienco Ghana Limited, a leading Ghanaian-Dutch fertilizer and agrochemicals manufacturer. The next largest shareholder, with 30 percent shareholding, is Comma, a Dutch company. The remaining shareholders are Tamale Investments (a collection of local Tamale-area investors) at 5 percent, African Tiger Mutual Fund (a Ghanaian investment company) at 5 percent and Alhaji (the Nanton chief) at 10 percent. This means that about 70 percent of the shareholders are Ghanaian-Dutch

Entrance to the ITFC office at Gushie



ITFC KEY ACTIVITIES

- Nucleus Farm
- Nursery
- Outgrower scheme
- Pack House
- Social Responsibility Activities

Example of ITFC Social Resp. Act.



Example of ITFC Social Resp. Act



INCLUSIVENESS OF ITFC BUSINESS MODEL

- If the manner in which a business entity is structured in wealth creation takes into account the needs of communities and provides room for partnerships and benefits and risk sharing that are equitable, its degree of inclusiveness will be high or low depending on how much control over ownership, voice, risk and reward is exercised by a single entity.
- A summary of the ITFC model of inclusiveness is as follows:

OWNERSHIP

- ITFC is a partnership between local and foreign companies. ITFC nucleus farm documents could not be traced at the Regional Lands Commission upon request. However, the nucleus farm is in the hands of the company. Given that the outgrowers operate on their own lands under customary tenure, control of such lands is in the hands of the outgrowers. In the case of production, responsibility falls on ITFC on the nucleus farm and is a shared one in the outgrower farms where technical expertise is delivered by the Company, leaving labour and routine farm management in the hands of the farmers.

VOICE

- The presence of Organic Mango Outgrowers Association (OMOA) has given voice to the outgrowers through the contractual relationship with management of ITFC. However, outgrowers still had concerns over promises like provision of electricity not met as yet. It is also unclear what procedures are available in seeking redress an outgrower.

RISK

- The risks in agricultural investments in the Northern Region have much to do with the vagaries of the weather, resulting in poor production. To maintain production, irrigation is therefore key. ITFC in this regard have made provision and this comes with additional cost. Thus, both the company and the outgrowers bear the risks associated with the lack of sustainable water supply, with complaints from OMOA about high water charges. However, the risk of loss of market share after an outgrower has repaid his loan and thus able to divert produce and sell to other competitors on the market is unique to ITFC. Given that prices are determined by the company also implies that outgrowers stand to suffer the risk of lower prices paid to them and ITFC making huge profits from high prices on the international export market. The high level of illiteracy of most of the outgrowers, makes this potential risk very much a real

REWARD

- The cash flow pattern of the outgrower scheme of ITFC provides huge financial rewards to the small holder farmers, especially when compared with annual incomes of other small holder farmers outside the scheme (US\$2,000 as against US\$300). But this reward is due in full in 14 years which is long-term. The lack of access to the financial records of the company prevented the use of any figure for verification of reward to company. This is however expected to be considerably greater per annum. The company is however also investing a lot on the outgrower scheme to be able to reap the rewards that accrue. Thus win-win situations arise and business model worth replicating. Most of the OMOA members interviewed indicated that they periodically receive training on how to improve their farming practices as well as their health.

CASE STUDY TWO: SOLAR HARVEST LTD

- Solar Harvest Ltd, originally BioFuel Africa Ltd. (Ghana) is a private company with Norwegian origin and was incorporated in Ghana in 2007. However, in 2009 the Ghana operation was acquired by two of the original founders: Arne Helvig and Steinar Kolnes. The Company has acquired large tracts of land in many communities in the Northern Region for the cultivation of jatropha: 4,844.20 acres of land at Kpachaa, 13,156.0 acres at Jimile and 8,803.10 acres at Kpalikpari all in the Yendi District of the Northern Region.

OWNERSHIP

- Solar Harvest Ltd has leased the land for 25 years renewable for another 25 year period. The lease agreement (see Appendix 1) for a lease term of 25 years from the 9th of June 2008 is consistent with the restriction placed on ownership of land by foreigners in the Constitution of the Republic of Ghana that an interest in or right over any land in Ghana shall not be created to vest in a person who is not a citizen of Ghana leasehold for a term not more than 50 years at any one time. The Company currently owns the land on a leasehold basis. However, recent plans include expansion and modernization of irrigation facilities on land belonging to indigenous farmers under an MoU

VOICE

- Major decisions concerning who can participate and how, lie in the hands of the management of Solar Harvest Ltd. The chain of command appears to be top-down. The company has being in production only from 2008 when the land was acquired. But the Director informed the researcher that due to the recent financial meltdown, labour has been reduced from 400 employees to less than 40 employees and food crops were being cultivated due to severe lack funding for jatropha production. This is characteristic of casual labour and attendant weak voice.

RISK

- Solar Harvest stands to bear market risk alone as a company when harvesting begins. Some community members in areas where the company operates attributed the presence of an increased number of dangerous reptiles such as snakes to the jatropha cultivated close to their residential places, and is a clear risk to the people in these communities. A typical statement was that: *“there are now snakes everywhere and our lives and that of our children are at risk”*. Community workers whose lands were taken from them by chiefs and given to the Company now face alternative livelihood challenges.

REWARD

- The reward to the community members is limited as in the two small dams and a broken down corn mill. Employment opportunities and promises are not kept by the company as is evidenced by the many lay offs of the casual labour supplied by the community. On the other hand, the company's expectation of rewards from jatropa production has suffered due to financial constraints and food crop production is incorporated into the operations as a risk reduction measure. At least, the bulk of rental sum for the first lease period of 25 years was taken the chiefs of the communities as Appendix 1 shows in the case of Jimile: "...in pursuance of the Company's interest in the production of jatropa, the Company acquired a large tract of land at Jimile in the Yendi District in the Northern Region of the Republic of Ghana from TIJO NAA alias Iddrisu Ibrahim, the Chief of Jimile with the approval of Kampakuya-Na Yakubu Abudulai Andani the Regent of Dagbon. The actual people in the community who lost their land use rights get little if at all as compensation.

ONE OF THE TWO SMALL DAMS



THE CORN MILL



CONCLUSIONS

- The preliminary conclusion of the study is that there is an emerging phenomenon of transnational land acquisitions for agricultural investments in the Ghana. However, both the legal and institutional frameworks within which these take place are weak and deals are reached for the benefit of a minority few, especially chiefs who control the land allocation process in their areas of jurisdiction. This has negative implications for the livelihoods of most smallholder farmers who happen to be the poorest of the poor in society. It is however possible for land acquisitions used for agricultural investments to improve upon the livelihoods of the people of local communities and this has to do with the nature of the inclusiveness of the business model adopted

CONCLUSIONS CONT'D

- Within the context of the data limitations faced, it is fair to conclude that the business model of ITFC Ltd appears more inclusive than that of Solar Harvest Ltd. Overall, however, more could be done by both companies and government alike to ensure that agricultural investments in Ghana conform to the principles of responsible agricultural investments. In this regard, the following recommendations are made.

RECOMMENDATIONS

- 1. The Lands Commission in consultation with traditional authorities should as a matter of urgency draft rules and regulations for large scale land acquisitions for agricultural and other investments. These rules should emphasize equity in land allocations by chiefs and reward for those whose lands are taken away from them for agricultural investments. For example, alternative livelihood strategies for these people need to be enshrined as enforceable conditions for investors to comply with and sanctions visited on them if they do not;
- 2. The Civil Coalition on Land (CICOL), the District Assemblies, Customary Land Secretariats and the Lands Commission should undergo capacity development under the current Land Administration Project to enable these institutions undertake periodic public education and sensitization of communities on their land rights and how these can be protected;

RECOMMENDATIONS CONT'D

- 3. The Ghana Investment Promotion Centre (GIPC) and the Environmental Protection Agency (EPA) need collaborate more on imposing standards and conditions for compliance by investors that will take into account the societal needs of the communities where investments are situated and these must be monitored and implemented. For this to take place, building the capacities of these institutions should also be undertaken;
- 4. The constitutional provision that government should not interfere with the chieftaincy institution must be reviewed to enable some level of interference especially where the land rights of communities are usurped by a chief for personal gains;

RECOMENDATIONS CONT'D

- 5. Greater NGO involvement in exposing impropriety on the part of chiefs and other public officials who engage in questionable land deals could assist in providing enhanced transparency, probity and accountability and those who fall fowl of the standards should be visited with appropriate sanctions in the law courts;
- 6. The Lands Commission should publicize the land transactions of transnational and other investors involving large scale land acquisitions for the public to evaluate how transparent and accountable and equitable these transactions are to both present and future generations;

RECOMMENDATIONS CONT'D

- 7. Given the agricultural potential of the Northern Region and the endemic poverty in the area, Government policy on agricultural investments should incorporate special subsidies for the people of the area and /or treat the entire area similar to that of a Free Zone to attract more investors into the area for agricultural investments. In this regard, the declaration of the Northern Region by the Ministry of Food and Agriculture (MoFA) and Alliance for a Green Revolution in Africa (AGRA) as a breadbasket for special action to stimulate agricultural development is a step in the right direction;
- 8. Further research is needed to enhance understanding of the dynamics of agricultural investments business models as a means of identifying best practice and replicating, while diagnosing and finding solutions to the problems of less successful models or discouraging their practice

THANK YOU