

Voluntary Report – Voluntary - Public Distribution

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Report Name: Ghana Plans Establishing Grains Development Authority by the end of 2022

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Report Highlights:

The Government of Ghana (GOG) is pursuing the creation of a Grains Development Authority (GDA) to, among other objectives, further the development and regulation of the market for domestically produced grains and legumes. Convinced that Ghana is making substantial gains in the grains sub-sector, the Ag. Minister assured that the creation of this Authority would be a major boost to the export market and help put in place price control measures.

General Information

The Government of Ghana (GOG) is pursuing the creation of a Grains Development Authority (GDA) to, among other objectives, further the development and regulation of the market for domestically produced grains and legumes. Convinced that Ghana is making substantial gains in the grains sub-sector, the Ag. Minister assured that the creation of this Authority would be a major boost to the export market and help put in place price control measures. According to the Minister of Food and Agriculture, the GDA, expected to be publicly funded at inception, will contribute significantly to complement the achievements being realized under the government's flagship agricultural program – Planting for Food and Jobs (PFJ), introduced in 2017.

This proposed public institution is expected to be the panacea for the various identified bottlenecks associated with domestic grain and legume production, marketing, and trade. These bottlenecks include annual food price fluctuations in the country, an ineffective and inefficient buffer stock system, the uncontrolled activities of foreign traders (grain aggregators from neighboring countries), and the unregulated export of grain and soybean.

From all indications, a primary reason for the proposed creation of this institution is to regulate Ghana's export of grains (primarily corn) and legumes (primarily soybean). This was revealed by the Minister of Food and Agriculture in a nationally televised interview in August 2022. The Minister stated during the interview that the Grains Development Authority Bill had received the Cabinet's approval and was already before Parliament pending consideration by the Food, Agriculture and Cocoa Affairs committee for approval to become an Act of Parliament by the last quarter of this year (2022). The ministry will then have the legal backing to create the proposed GDA to revamp the buffer stock system and regulate grains and legumes trade by issuing licenses (export permits). "The GDA when established will be responsible for limiting and curbing the phenomenon of traders from neighboring countries coming into the country to buy large quantities of corn from Ghana," the Minister of Food and Agriculture averred.

Concerns have been raised by the GOG and Ghanaian poultry farmers regarding the significant informal trading activity between these foreign aggregators of grain from Ghana's neighboring countries and the domestic grain producers who are beneficiaries of the GOG's input subsidy program under the PFJ. It is the expectation of the poultry farmers and the GOG especially, that the input subsidy will translate to reduced production cost, and ultimately affordable grain prices. However, some beneficiaries of the input subsidy program choose to sell their commodities to the foreign aggregators who usually offer higher prices than the prevailing domestic market prices in the harvesting season. It is believed that some of the foreign aggregators later supply the purchased commodities to Ghanaian buyers at exorbitant prices during the lean season.

Believed to be functionally modelled after the Ghana Cocoa Board (COCOBOD), the GDA will replace two existing government-owned and controlled institutions, namely the Grains and Legumes Development Board (GLDB) and the National Food Buffer Stock Company Limited (NAFCO). In effect, the GDA will take over the operations of these two institutions when eventually established.

The COCOBOD

The Ghana Cocoa Board (COCOBOD) is a Ghanaian government-controlled institution that fixes the buying price for cocoa in Ghana. Farmers are protected from price volatility on the world market through the price-fixing.

The functions of COCOBOD focus on production, research, extension, internal and external marketing, and quality control. The functions are classified into two main sectors: pre-harvest and post-harvest, which are performed by specialized divisions of the Board.

The pre-harvest sector functions, performed by the Cocoa Research Institute of Ghana (CRIG), the Seed Production Division (SPD), and the Cocoa Health and Extension Division (CHED), deal with fundamental issues of cocoa production at the farm gate level. The post-harvest sector functions are undertaken by the Quality Control Company Limited (QCCL) and the Cocoa Marketing Company (Ghana) Limited (CMC).

The post-harvest activities start with quality control measures of QCCL, which farmers must observe to facilitate the acceptance of their produce at the buying centers by the CMC-licensed buying companies engaged in internal marketing of cocoa. Efficient marketing of cocoa is of prime concern to COCOBOD. Purchasing, transportation, storage, and marketing of cocoa, both internally and externally are coordinated by COCOBOD through the CMC.

The GLDB

The Grains and Legumes Development Board (GLDB) was set up in the 1970s with the mission to produce and distribute good quality foundation seeds of cereals, legumes, and vegetables as well as vegetatively propagated planting materials of cassava, plantain, yam, and citrus seedlings. In addition, the board is to make available processing and storage facilities to registered seed growers and other farmers, a responsibility that has been abandoned per the assessment of the current Ag. Minister, necessitating the proposed takeover by the GDA.

The NAFCO

The National Food Buffer Stock Company Limited (NAFCO) was incorporated under the Companies Code of Ghana, 1963, Act 179, on 11th March 2010, and is wholly owned by the GOG. Among other functions, NAFCO purchases freshly harvested corn, paddy rice and soybeans from farmers, and then preserves, sells, and distributes these foodstuffs to state institutions. It is also in charge of the government's Emergency Food Program.

The vision of NAFCO is "to become an effective tool for maintaining price stability in the domestic market in support of government economic policy," and the mission is "to ensure the security of farmers and insulate them against losses resulting from anticipated increases in the production of cereals and legumes (mainly maize, rice, and soya bean) in order to stabilize prices on the local market as well as earn foreign exchange in support of government and private sector efforts, through sound commercial practices within the parameters of socially, legally and ethically acceptable norms of trade." Since its establishment, however, NAFCO has not been able to optimally execute its mandate, citing inadequate funding as its major challenge.

Ghana's current warehouse/silos capacity is less than 120,000 tons; comprising 35,000 tons of old structures and 80,000 tons of new structures procured by the current government. Virtually no stocks are held by NAFCO as Licensed Buying Companies are engaged to source and distribute the grains mainly to Senior High Schools using the less than 40 existing warehouses. However, current estimates by the University of Ghana's (UG) Institute of Statistical, Social and Economic Research (ISSER) indicates that Ghana requires at least 800,000 tons of grain buffer at any given time if the cost of maintaining

these stocks is 10 percent of the grain value. This means that even at full capacity, the current national grain buffer would be less than 15 percent of the recommended minimum level, an indication that like the GLDB, the NAFCO has not been successful.

This, again, according to the Minister of Food and Agriculture, justifies the takeover by the proposed GDA, with functionality across seed/planting material production by the GLDB, and produce marketing by the NAFCO. Like the COCOBOD, the GDA is expected to be attractive enough to be able to raise syndicate loans towards its buffer stock operations of grain and soy purchasing and sales. It would also have the legal backing to regulate the prices of these commodities.

Policy Impact

The establishment of the GDA is mainly targeted at ensuring food price equilibration on the domestic market, especially regarding corn and soybean, by addressing annual food distribution challenges through establishing and providing an improved buffer stock system. When eventually created, expectations are that exports of corn and rice to the neighboring countries, and soybeans mainly to China, India, Singapore, and Turkey, will be much impacted, but no significant impacts on U.S. trade interests are anticipated. This is because a key reason for establishing the GDA is to ensure that the GOG reaps the full benefits of the crops benefiting from the input subsidy scheme under the PFJ. Recognizing their obligations under the ECOWAS Protocol on Free Movement of people and goods, as well as obligations under AfCFTA and WTO, the GOG has refrained from outright import bans. Nevertheless, the use of non-transparent trade restriction measures such as issuance of import permits is observed in some instances.

End of Report.

Attachments:

No Attachments.