

Voluntary Report – Voluntary - Public Distribution

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Report Name: Bank of Ghana Announces Policy Restricting Poultry and Rice Imports

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Report Highlights:

The Bank of Ghana restricted access to foreign exchange for a select list of imported products, including rice, poultry, vegetable oils, and pasta, among other items, to implement a directive from the President of Ghana. The President of Ghana addressed the nation on October 31, 2022, regarding his government's approach to handling the economic crisis the country is experiencing in 2022. In the speech he announced a six-month restriction on some imported items that Ghana also can and does produce locally. U.S. poultry meat and products were the leading U.S. agricultural export to Ghana in CY 2021, hitting a record level of \$92.6 million. Through September 2022, U.S. poultry meat exports are down by 31%.

Bank of Ghana Announces Policy Restricting Poultry and Rice Imports

Access to Foreign Exchange for Select Imports Removed

As of November 17, 2022, the Bank of Ghana (BoG) has withdrawn foreign exchange support to customers for the importation of certain goods it is now classifying as “non-critical” or “non-essential,” following a national address by President Akufo-Addo on Sunday October 30th, 2022, where he outlined steps to be taken to revitalize the Ghanaian economy. Ghana’s cedi has lost over half of its value in 2022, foreign exchange reserves are rapidly depleting as inflation is over 37% in Ghana, and Ghana’s ability to service its loans and pay government obligations is under severe pressure. It is anticipated this restriction will remain in place until May 2023.

Goods affected by the BoG’s action include rice, poultry, vegetable oils, toothpicks, pasta, fruit juice, bottled water and ceramic tiles. The BoG sent an electronic message to the country’s commercial banks that stated, “in accordance with the President’s directive issued at his recent address to the nation on the Ghanaian economy, on Sunday, October 30, 2022, the Bank of Ghana will no longer provide FX support for the imports of rice, poultry, vegetable oil, toothpicks, pasta, fruit juice, bottled water, ceramic tiles and other non-critical goods.” “Please be advised and act accordingly,” it concluded.

The BoG expects this action to reduce the high demand for U.S. dollar and other major trading currencies and consequently slowdown the rapid depreciation of the cedi, which has decreased in value by more than 40% in 2022. The central bank defends its action as being part of efforts by the government to shore up the country’s foreign exchange reserves while encouraging domestic production and consumption of import substitutes, adding that importers of the listed items are not outrightly being stopped from importing but the BoG will not be funding their importation.

What Caused This

In his thirty-minute address to the nation, the President noted that the recent turbulence on the financial markets was caused by low inflows of foreign exchange and was made worse by the activities of speculators and the Black Market. The President noted that more stringent measures needed taking to discourage importation of goods that Ghana already produces locally. Some of his relevant comments from the speech follow -

“...To this end, we will review the standards required for imports into the country, prioritize the imports, as well as review the management of our foreign exchange reserves, in relation to imports of products such as rice, poultry, vegetable oil, tooth picks, pasta, fruit juice, bottled water and ceramic tiles, and others which, with intensified government support and that of the banking sector, can be manufactured and produced in sufficient quantities in Ghana. The Government will, in May 2023, that is six (6) months from now, review the situation. We must, as a matter of urgent national security, reduce our dependence on imported goods, and enhance our self-reliance, as demanded by our overarching goal of creating a Ghana Beyond Aid....”

“...Much as we believe in free trade, we must work to ensure that the majority of goods in our shops and marketplaces are those we produce and grow here in Ghana. That is why we have to

support our farmers and domestic industries, including those created under the IDIF initiative, to help reduce our dependence on imports, and allow us the opportunity to export more and more of our products, and guarantee a stable currency that will present a high level of predictability for citizens and the business community,” he argued. “Exports, not imports, must be our mantra! Accra, after all, hosts the headquarters of the Secretariat of the African Continental Free Trade Area.”

Expected Policy Impact

Key industry players like the Food and Beverage Association of Ghana (FABAG) and the Importers and Exporters Association of Ghana (IEAG) that have been affected by this policy direction have resolved to adopt “a wait and see” approach towards this GOG policy initiative. Members of these associations foresee a difficult food security situation in the first quarter of 2023 should this policy of not funding imports of poultry and rice persist as planned until May 2023. FABAG and IEAG remain confident that the resounding public outcry about further price increases will cause the GOG to retract the policy.

This move, seen by many in government as a policy that will help reduce the country’s exposure to imports, ignores the looming consequence in terms of food security, especially as the populace are already grappling with recent sharp increases in the prices of food resulting mainly from high inflation and depreciation of the Ghanaian cedi against the major trading currencies. The need to ensure food security, especially during the lean season (April-August), should put pressure upon the government to reverse this policy, as Ghana is still far away from self-sufficiency in poultry meat and rice productions.

U.S. rice exports reached \$3.9 million and U.S. poultry meat and product exports hit a record high of \$92.6 million in CY2021. In CY2021, the poultry meat market share of the United States was 20 percent, coming in second to the Netherlands’ market share of 22 percent. Poland, Belgium, and Brazil complete the top five suppliers list with market shares of 19, 10, and 9 percent respectively. Given relative prices during CY2022 and the cedi’s depreciation, U.S. rice exports to Ghana have been dormant while poultry exports were down approximately 31 percent as of September 2022. The Christmas holiday season is an important selling season for both products in Ghana, and this year’s season will be a meager one.

End of report.

Attachments:

No Attachments.