

# Ghana's sustained agricultural growth: Putting underused resources to work

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## Key messages

1. With agricultural growth averaging more than 5% a year during the past 25 years, Ghana is ranked among the top five performers in the world. This has contributed to major reductions in poverty and malnutrition, and Ghana will achieve MDG 1 before 2015.
2. Economic reforms since 1983 have played a major role in creating the conditions for private investment, driving growth in the cocoa sector in particular. Political leadership has been key to this, supported by a working partnership between government and donors.
3. Having raised food production per capita by more than 80% since the early 1980s, Ghana is largely self-sufficient in staples, owing in part to large increases in cassava and yam production as well as improved varieties.

## Summary

At independence, Ghana seemed to have a bright future. Rich in land, timber and gold, it was also the world's leading cocoa producer. The country had one of the best education systems in Africa and, well before independence in 1957, was largely self-governing. The promise vanished as the economy declined, and then all but collapsed in the 1970s amid turbulent politics. Annual cocoa production, once at more than 500,000 tonnes, was down to less than 170,000 tonnes by 1983.

At that point, however, the country's fortunes turned around, in the overall economy in general and in the agriculture sector in particular. Over the past 25 years, Ghana has ranked among the top five performers in the world in terms of agricultural growth. Cocoa has recovered, surpassing its previous production levels. Staple food output has risen much faster than the population has grown: by 2005/07, production per person was more than 80% higher than it was in 1981/83. And growth in higher-value vegetables and fruit for domestic and export markets has been encouraging.

Overall sustained economic and agricultural growth has been accompanied by rapid poverty reduction. Growth has created a vibrant market for local farmers, and higher incomes have reduced poverty and greatly improved the demand side of food security.

The share of the population living in poverty fell from 52% in 1991/92 to 28.5% in 2004/06, with rural poverty falling from 64% to 40% over the same period. Child malnutrition has almost halved since the end of the 1980s. Ghana should soon become the first country in Africa to achieve the first Millennium Development Goal (MDG 1) of halving its poverty and hunger.

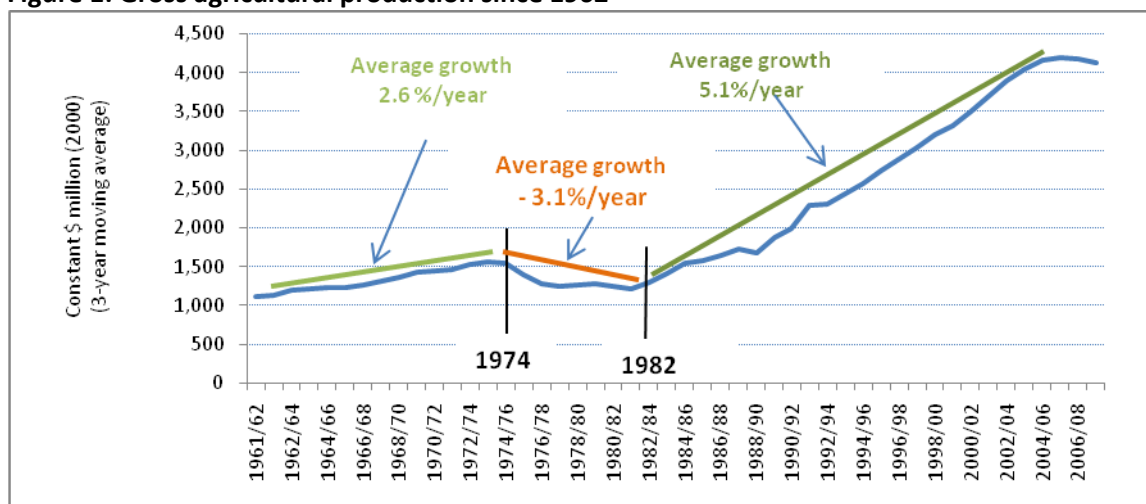
Ghana was able to turn its agriculture sector around primarily because of the country's economic reforms, which began in 1983. The government's determination and sustained effort, combined with consistent support from the donor community, have been remarkable and have ensured that the reforms have been deep and sustainable. Better technology for cassava and other food crops has helped as well.

## What has been achieved?

After 1983, agriculture grew at an average annual rate of 5.1% (Figure 1), one of the five fastest growth rates anywhere in the world. The sector grew on most fronts. The most striking trajectory, especially since 2000, has been in cocoa, where production now exceeds levels seen before the 1970s recession. Staple crop production has also increased – cassava, yam, cocoyam and sweet potato in particular. With rising yields and a more than doubled harvested area since 1983, cassava production has grown by over 7.2% a year during the past 25 years.

Although involving fewer farmers, non-traditional exports have also taken off, with pineapple the most prominent of these. Higher-value produce for the domestic market has risen rapidly as well: tomatoes are a prime example. Expansion of cultivated area has been important too, although productivity per hectare has increased more quickly than the size of land under cultivation.

Figure 1: Gross agricultural production since 1962<sup>1</sup>

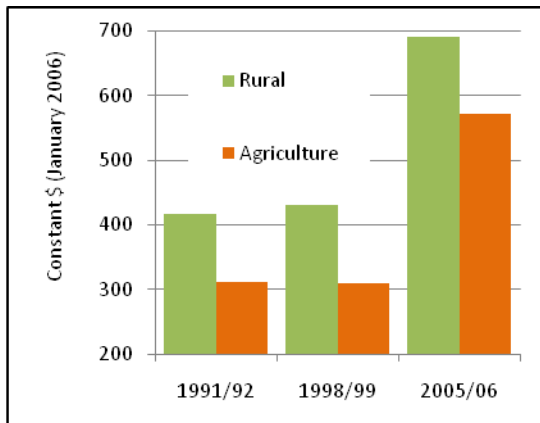


Poverty, most of it rural, has declined commensurately. Farm incomes, albeit lower than the national average, have been rising, especially in the 2000s (Figure 2a). Cocoa farmers exemplify the link between agricultural growth and poverty reduction: poverty among cocoa farmers has fallen faster than both the national and the rural rates (Figure 2b).

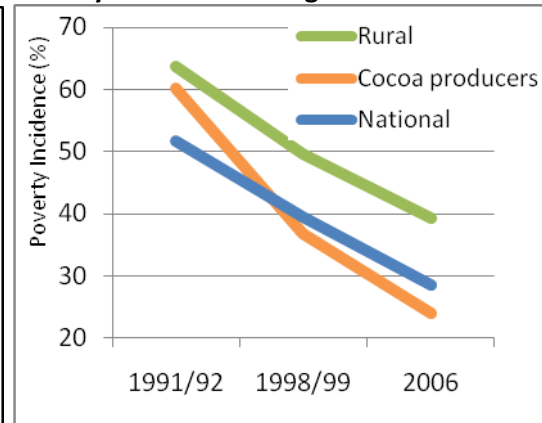
<sup>1</sup> FAOSTAT dataset: <http://faostat.fao.org/>.

**Figure 2: Agricultural incomes and impact on poverty<sup>2</sup>**

**Annual income of rural households**

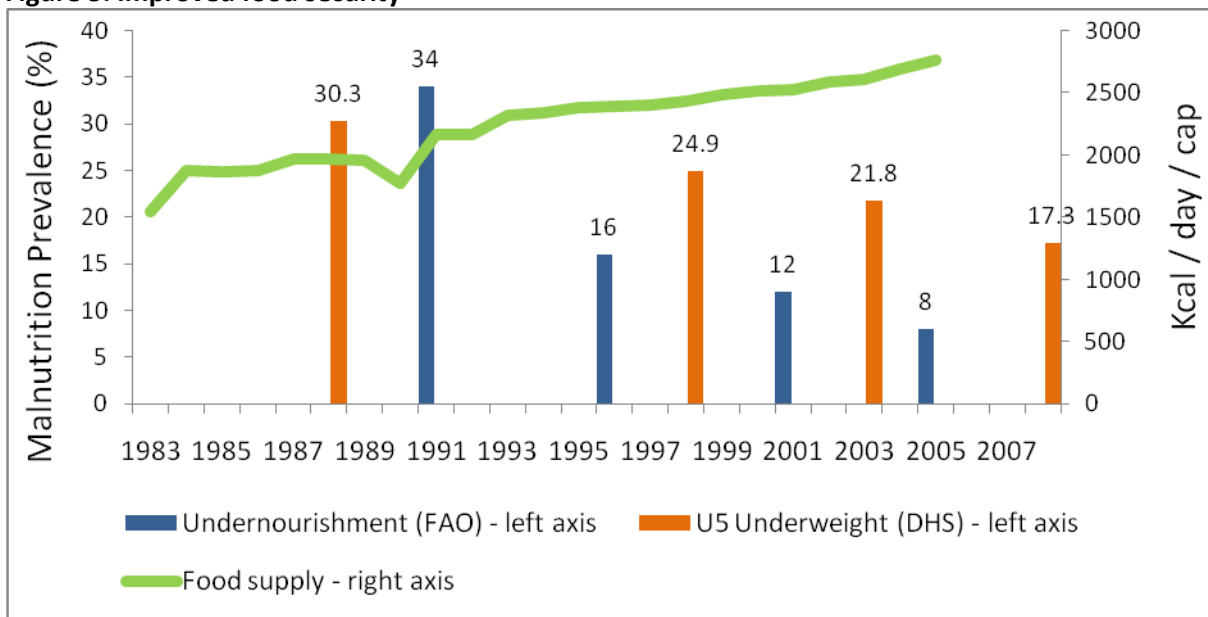


**Poverty incidence among cocoa farmers**



Food supply has grown faster than the population has, making Ghana largely self-sufficient in terms of staples. At the same time, the real price of food has fallen. More accessible food meant that undernourishment went down to 8% by 2003, from 34% in 1991 (Figure 3). Child malnutrition has also declined, with the proportion of infants underweight falling from 30% in 1988 to 17% in 2008.

**Figure 3: Improved food security<sup>3</sup>**



## What has driven change?

### A better investment climate: economic reforms and infrastructure

The single most important driver of change has been the economic reforms undertaken since 1983, implemented by a government determined to break with the past and supported by donors.

<sup>2</sup> Ghana Living Standards Survey (GLSS) data, in Coulombe, H. and Wodon, Q. (2007) 'Poverty, Livelihoods, and Access to Basic Services in Ghana: An Overview.' Background Paper for Ghana Country Economic Memorandum. Washington, DC: World Bank.

<sup>3</sup> FAOSTAT dataset: <http://faostat.fao.org/> (food supply and undernourishment); Demographic and Health Survey (DHS) (underweight).

Agriculture was hard hit by the economic distortions of the late 1970s and early 1980s. Cocoa producers in particular were implicitly taxed more than 80% by a combination of an overvalued cedi and an inefficient state marketing system.

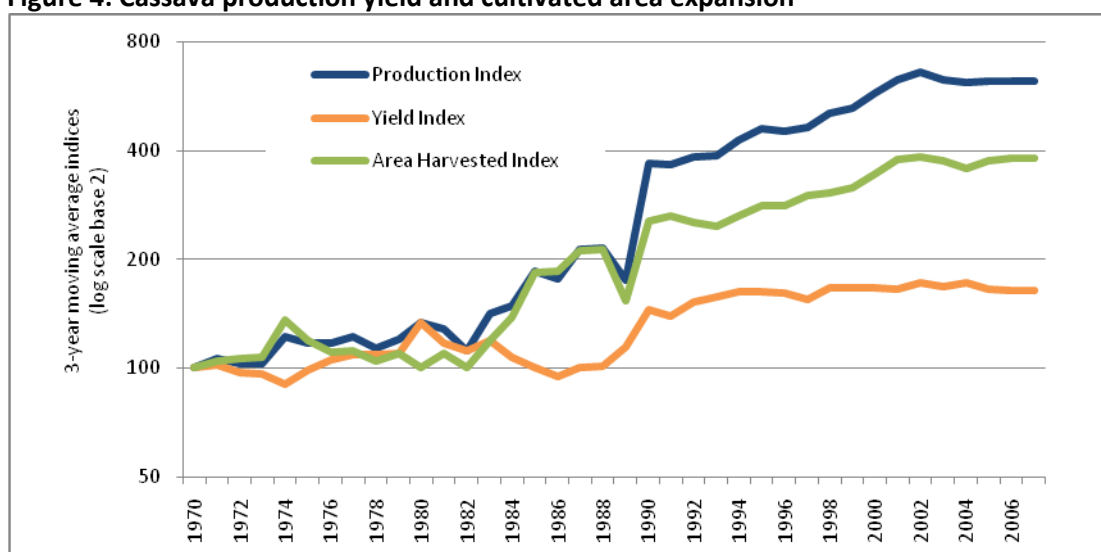
For farmers, the reforms brought about massive devaluation of the cedi, plus reform of the cocoa marketing board (COCOBOD): bloated staffing was cut back, input distribution was privatised and competition was introduced to internal marketing. As a result, and despite a decline in international cocoa prices in the 1980s, producers' prices progressively increased, benefiting thousands of smallholders. The cocoa boom also stimulated growth in the rest of the rural economy.

A stable economy, market liberalisation and improved infrastructure have restored incentives to agriculture, which has both benefited small farmers and encouraged some large-scale investment in cash crops such as pineapples and palm oil.

### Agricultural research

The rapid growth of roots and tubers owes both to a rise in yields – from around 8 tonnes/ha in the early 1980s to 12 tonnes/ha in the mid-2000s – and to an increasing area under cultivation – more than tripling since 1980 (Figure 4). These have stemmed in large part from the widespread adoption of varieties of cassava that are resistant to disease and that yield well with low inputs, thanks to regional research and extension coordinated by the International Institute of Tropical Agriculture (IITA).

Figure 4: Cassava production yield and cultivated area expansion<sup>4</sup>



### Urbanisation and economic growth

Economic growth has helped boost domestic demand. As incomes grow, demand for certain foods grows even faster, such as chicken, fish and roots and plantains in rural areas. Economic recovery has also stimulated production of vegetables for the domestic market, no more so than for tomatoes, production of which increased by more than six times between 1985 and 1997.

### Lessons learnt

- Improvements in the investment climate have been important for agricultural growth. This was made possible by deep reforms to economic management, implemented by sustained leadership

<sup>4</sup> FAOSTAT dataset: <http://faostat.fao.org/>.

and subsequently accompanied by political reform. Donors acted in concert with the government, supporting the reforms and making public spending on goods and services possible – including on roads, ports and agricultural research and extension – which improved the functioning of the economy.

- Restoring market incentives, above all for cocoa, has played a major role in stimulating agriculture growth. Much has resulted from private initiatives and investment, largely by small farmers, although there has also been some larger-scale investment in non-traditional horticultural exports.
- Investments in agricultural research and extension – and in ‘unfashionable’ crops such as cassava – have paid off. Varietal selection was conducted largely in Nigeria, demonstrating the merits of regional collaboration.
- Overall, the story of the past 20 years in Ghana’s agriculture sector has been one of incremental yet sustained change rather than dramatic development. Success has been built on the basis of progressively putting underused land and rural labour to work.
- A future challenge will be to raise efficiency, by: overcoming some of the market failures in access to credit and inputs; using more irrigation; increasing farmers’ skills; and ensuring access to better techniques.
- Another key challenge lies in making farming environmentally sustainable, by conserving resources of soil, forest and biodiversity.
- Regionally, most of the growth has taken place in the south of the country: a bigger effort needs to be made to develop the lagging northern regions.

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