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HRI Food Service Sector

Ghana's Food Service Sector

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Report Highlights:

The Ghanaian market continues to offer many opportunities for U.S. exporters of food products and ingredients and is a key access point for entry into the larger West Africa region market. The food service sector was valued at \$1 billion (Industry Estimate) with imports accounting for about 10 percent. Ghana's food service sector consists of hotels and resorts, restaurants and institutional contracts. The sector is expected to continue to grow, as convenience fast food restaurants and hotels continue to expand. The largest and fastest growing sub-sector is fast food restaurants. U.S. products with the best prospects include poultry, sauces, seasonings, potato chips, pastry mixes, seafood and beverages (alcoholic & non-alcoholic).

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SECTION I. MARKET SUMMARY

Ghana's food service sector consists of hotels, restaurants and institutional contracts (HRI). The HRI sector has been expanding over the past few years and represents a growing market for imported food ingredients. The restaurant/fast food sub-sector is the largest and fastest growing and has witnessed phenomenal growth in the last few years, averaging 20 percent per annum. New, upscale restaurants are frequently being opened that serve continental or ethnic (Chinese, Indian, Ghanaian, etc.) cuisine. New fast food outlets are also being established in major urban centers such as Accra and Kumasi. According to industry sources, the value of the Ghana food service market in 2007 was estimated at about \$1 billion and the sector is expected to continue to grow at 20 percent annually.

Following are the major drivers of this rapid growth:

- Ghana has stable economic growth and a stable political climate, and a rapidly increasing private sector.
- Ghana has an expanding market of more than 22 million people and the youth population has a preference for western style meals.
- Ghana is an increasing business destination for travelers from UK, the U.S., the Netherlands, France, Germany, Ivory Coast and Nigeria.
- Ghana's demographics are changing with increased urbanization and more women working outside the home.
- There is a growing preference of young professionals to meet business contacts at restaurants.
- The expatriate community in Ghana is increasing and the tourism sector is also expanding.

Ghana is positioned to be one of the leading tourist markets in Africa. In the past few years the tourist industry has demonstrated impressive growth with an average of one million visitors annually. However, the tourism industry has battled with limited supply of hotel accommodations, although this problem is being addressed. Hotels meeting international standards are few but rapidly increasing. New major international luxury hotels are being built or renovated and are mostly concentrated in Accra. These include 1) Hilton, 2) Marriot, 3) Sheraton, 4) Mövenpick Hotel and Resort, and 5) Ambassador Hotel. In addition U.S.-based New Dawn Resorts (Holder Hospitality Group) is expected to build an international resort complex on a 60-acre stretch of coastline in Accra, including at least four hotels, restaurants, a casino, playgrounds, and other facilities. A Holiday Inn was also newly opened in June this year and a Golden Tulip hotel was built in Kumasi.

Ghana offers investors relatively low cost labor with an improving infrastructure environment (energy, water, roads), increasing the growth and profitability of the HRI sector. This growth is expected to be maintained as more hotels, restaurants and fast food establishments continue to be built.

This expanding sector offers excellent opportunities for U.S. exports of food products such as potato chips, poultry, sauces, seasonings, pastry mixes, seafood, tomato ketchup, ice cream, mayonnaise, fruit juices and drinks, canned food, and wine. According to the industry, there are no suppliers specifically for the HRI sector and the industry depends on the supermarkets and open market distributors who generally supply mixed products. As such the supply of food products and food ingredients to the HRI sector is inconsistent, with preferred food products often not being readily available. Also buyers for the sector often have to go to several different suppliers to obtain all food ingredients required (such as dairy, beverages, condiments, spices, etc).

Advantages and Challenges for US Exporters

Advantages	Challenges
Ghana's population of more than 22 million is growing at about 3 percent per annum.	The average per capita income in Ghana is low at an estimated \$300.
Increasing rural to urban migration is raising demand for consumer ready foods.	The monthly minimum wage in Ghana is \$45.
The Ghanaian market is relatively open with low tariff rates banded at zero, five, ten and twenty percent.	U.S. consumer ready foods are not readily available in Ghana due to high freight costs.
Ghanaian consumers associate U.S. food products with being of high quality.	Competition is strong from traditional suppliers in EU, Asia and South Africa.
The HRI sector is expanding and is demanding more consumer ready products and ingredients.	Some U.S. exporters lack sufficient information regarding the Ghanaian market.
Ghanaian consumption patterns have changed towards Western foods as result of urbanization, women working outside the home and shifting lifestyles of the large youth population.	U.S. consumer ready foods have shorter shelf life labeling and longer transit times, reducing the shelf life of U.S. products in Ghana.
U.S. products entering Ghana can be re-exported to neighboring West African countries (a market of 250 million).	Some U.S. firms view Ghana as too small a market for entry.
Insufficient domestic production and processing means import demand in Ghana for consumer ready food products.	The infrastructure for processing, storage and distribution of consumer ready foods and other perishable products is limited in Ghana.

SECTION II: ROAD MAP FOR MARKET ENTRY

Market Entry Strategy

Ghana's food service sector offers a growing market opportunity for U.S. exporters of food products and ingredients. U.S. exporters can approach the Ghanaian HRI food market through established importers, distributors, agents or representatives. The first point of contact for entry into the Ghanaian market is typically the importer/distributor.

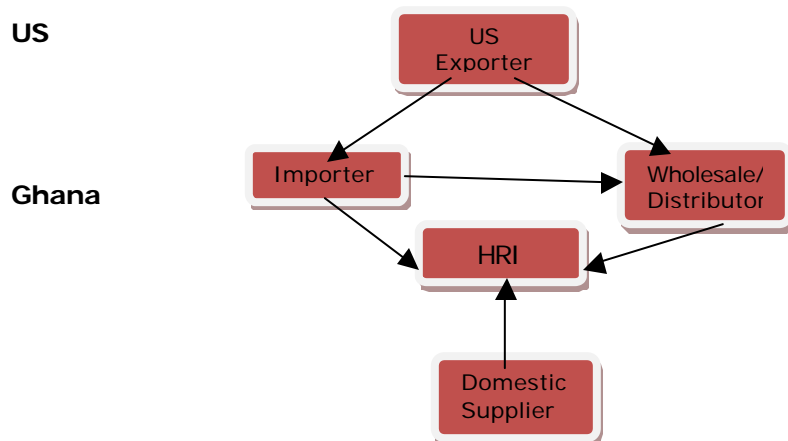
The U.S. exporters can follow one or a combination of these strategies to enter the Ghanaian market:

- Directly contact selected importer/distributors or a local agent, who would usually register the products with the Foods and Drugs Board. (Product samples could be sent when necessary).
- Target distributors and wholesalers that stock a wide range of items, as the food service sector is looking to 'one-stop-shop' distributors who can offer a wide range of dry and frozen products.

- Identify and sell through consolidators based in the United States who are already serving the West African region. Such consolidators usually already have a good understanding of local market practices.
- Exhibit at trade shows such as the National Restaurant Association (NRA) show in Chicago, which Ghanaian importers often attend and where follow-up contacts/face-to-face meetings can be held.
- Offer flexible shipping volumes and small-sized packaging indicating readable manufacture and expiry dates.
- Build brand awareness through advertising and promotion.
- Contact the Agricultural Attache/Agricultural Specialist at the USDA/FAS office located in the US Embassy in Accra, Ghana, to assist in selecting one or more importer/distributors.

Regardless of which strategy is chosen, personal contacts are highly recommended to get to know the buyer. The Ghanaian partner should be well known to the U.S. exporter before any permanent contractual arrangement is made and should be able to provide updated information on the market consumer trends, on current market developments and trade practices.

Market Structure



Following is a brief description of the distribution channels:

Approximately 90 percent of the food products and ingredients used in the HRI sector are fresh produce, poultry products, seafood and beef sourced locally.

HRI establishments buy products not produced in Ghana at different points of the distribution chain, reflecting each product's particular nature. Fresh foods are bought in produce markets and the open markets. Most hotels and restaurants in Ghana have in-house departments that source and purchase local food products.

Numerous independent food distributors dominate Ghana's food service industry. This means that the food service operators need to deal with a large number of distributors and wholesalers in order to meet their requirements. Most HRI operators prefer to make their purchases from a small number of wholesalers who provide several lines of food and beverages at good prices.

Some importer groups (eg Finatrade group) own fast foods/restaurants (for example Nandos, Rapsody) and they directly supply them with food products.

Sub-Sector Profiles

Ghana's foodservice sector consists of three main sub-sectors namely hotels and resorts, restaurants and institutional contracts. The following provides a brief description and comparison of each subsector.

Hotels and Resorts

Ghana now offers a wide range of hotel accommodation for the growing business and tourist industry: cosmopolitan, metropolitan, town and country hotels and park lodges of varying comfort, elegance and convenience abound. Hotels are a substantial part of the country's growing tourism industry. Ghana's hotels are classified according to international star rating system with 5-star as the highest and one star the minimum internationally acceptable quality. In addition, there are local budget hotels.

Presently the hotel sector is made up of one 5-star hotel, five 4-star hotels, and a significant number of 3-star 2-star, 1-star hotels and guesthouses. The capacity of the various categories of lodging is summarized below.

Class of hotels	Number in the class
5-Star	1
4-Star	5
3-Star	25
2-Star	135
1-Star	151
Guest Houses	165
Others	769
Total	1250

Expanding hotel infrastructure is a priority for the Government of Ghana (GOG), and much of the growth in the sector has been in the past few years. Hotels and resorts meeting international standards are still limited, resulting in relatively high hotel rates. However, there are several new hotel projects underway that are expected to increase lodging and dining capacity to help meet the needs for anticipated growth in convention, business, and leisure tourism. An Airport City 4-star deluxe Holiday Inn was completed this year and Golden Tulip Hotels has acquired and renovated a hotel in Kumasi. Other international hotel chains currently in the process of building hotels in Ghana include Hilton, Marriot, and Sheraton. Also, U.S.-based New Dawn Resorts (Holder Hospitality Group) recently signed a Memorandum of Understanding (MOU) for an international resort complex to be developed on a 60-acre stretch of coastline in Accra. The resort complex is expected to site at least four hotels, restaurants, a casino, playgrounds and other international-standard facilities. New Dawn Resorts plans to spend USD 500 million to develop the first hotel project on 10 acres. Other investors will be recruited to develop the remaining 50 acres. Kingdom Holding Company, a Saudi-based enterprise, is developing a Mövenpick Hotel and Resort near the airport in Accra, and has plans to renovate the 151-room, 4-star Ambassador Hotel in the Accra city.

Hotels represent a growing opportunity for sales of imported food products and ingredients. This subsector is the third most popular place for buying a meal, ranking behind fast foods chains and non-fast food restaurants.

Tourism is currently the fourth largest foreign exchange earner in Ghana. The government is developing a comprehensive travel and tourism policy, with a special emphasis on cultural tourism and eco-tourism. It is also implementing aggressive marketing campaigns. However facilities and basic infrastructure still need to be developed considerably to attract large scale tourism.

Fast Food: The fastest and top growing sub-sector in the last few years has been the fast food category in the HRI Industry in Ghana. Industry sources estimate the total revenue of fast food operations in 2007 at approximately \$100 million. The annual growth rate in the sector is estimated at an average of 20 percent in the last few years. The fast food subsector is a labor-intensive industry that provides employment for about 5,000 workers at present, mostly unskilled. Due to a favorable liberal market environment, Ghana is attracting a myriad of both local and foreign investors. There is a growing awareness among Ghanaians of healthy eating and a growing trend toward lighter meals.

Consumption of chicken and fish has grown considerably, due to the increase and expansion of the fast food subsector. The demand for fresh produce and foods without preservatives has also increased. There are three distinct segments in the fast food market: 1) The indigenous brands led by Papaye and Frankis, 2) international franchise brands such as Nandos, Chicken Licken, and 3) the myriad of single, neighborhood outlets. The growth in fast food operations in Ghana offers U.S. exporters the opportunity to supply innovative products such as seasoned potato chips, sauces and seasonings. Quick service food chains and takeaway outlets are the most popular locations for buying a full meal or snack in Ghana.

Restaurants: The non-fast food restaurant subsector is also experiencing rapid growth, and is frequented especially by professionals and business people. New, upscale and specialized restaurants serving both local and continental cuisines are springing up in the major urban centers. Growth in this subsector is driven by business travelers and the growing preference of young professionals to meet their clients in restaurants. Restaurants in Ghana can be found in distinct categories by the type of cuisine they provide, for example Chinese, Indian, Continental (mostly found in the hotels) and Ghanaian indigenous food.

Institutional

There is no official data on number of institutional food service contractors in Ghana but they do exist, especially in the major cities. These contractors provide catering services for social gatherings such as weddings, parties, and funerals. Government regulation of this sector is minimal.

SECTION III: COMPETITION

Generally, Ghanaians attach high quality to products of U.S. origin and are willing to pay a premium for them. China, South Africa and the EU are the major competitors for the market. Some franchise restaurants and fast foods import food products and ingredients from their own company's home base (for example franchise restaurants based out of South Africa.)

SECTION IV: BEST PRODUCT PROSPECTS

Products in the market which have good sales potentials

Fruit preparations Fruit juice and soft drinks (AAAA)	Packaged rice (AAAA)	Mixed seasonings, spices and condiments (AAA)	Powdered beverages including fruit juice (A)
Frozen poultry and fish products (AAAA)	Baking mixes including baking powder, yeast and flavorings (AAA)	Skimmed and whole milk (liquid and powdered) (AAA)	Snack foods (cookies, biscuits) (A)
Tomato puree and tomato puree concentrate (AAAA)	Non-alcoholic beverages [Tea, Coffee, fruit drinks] (AAA)	Pasta products (AA)	Margarine, butter and cheese (A)
Bottled vegetable cooking oil (AAAA)	Wines (including sparkling wines) and beers both alcoholic and non alcoholic (AAA)	Confectionery products (candies, gums, dessert products) (AA)	Canned fruit and vegetables (A)
Canned fish especially mackerel and sardines (AAAA)	Breakfast cereals including oatmeal (AAA)	Alcoholic beverages including spirits, liquor (AA)	Canned meat (A)
Baby foods, including infant formula, cereal baby foods (AAAA)	Mayonnaise, salad dressing, tomato ketchup, sauces (AAA)	Health foods (A)	Ice cream, yoghurt concentrates (A)

Footnotes:

AAAA-----Highest sales potential AA-----high sales potential
 AAA-----Higher sales potential A-----sales potential

Products not present in significant quantities but have good sales potentials
 Wines, energy drinks, spices and beef and beef products.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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