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Report Name: Ghana's Agricultural Subsidy Program

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Report Highlights:

The Government of Ghana is pursuing an import substitution agenda regarding rice and chicken meat. Two key policies that will provide subsidies to farmers engaged in rice, corn, sorghum, soybean, and broiler production have been rolled out.

General Information

The Government of Ghana (GOG) is pursuing an import substitution agenda regarding rice and chicken meat. Two key policies that will provide subsidies to farmers engaged in rice, corn, sorghum, soybean, and broiler production have been rolled out. Of particular interest to the GOG are the rice and broiler value chains.

The two subsidy policies are (1) the Planting for Food and Jobs (PFJ), which is an input subsidy program for crop farmers; and (2) the Ghana COVID-19 Alleviation and Revitalization of Enterprise Support Program (Ghana CARES) Broiler Initiative.

In 2019, the GOG set a target of being self-sufficient in rice supply by 2022 via the PFJ. Similarly, a target of halving chicken meat importation by 2026 via a project under the Ghana CARES program was proposed in 2021.

The Planting for Food and Jobs (PFJ) Inputs Subsidy Program

The overall goal of the PFJ program is to promote food security, employment, and poverty reduction through transformation of the agricultural sector. The implementation of PFJ is based on five main pillars: (i) seed access and development, (ii) fertilizer access and fertilizer systems development, (iii) extension services, (iv) marketing, and (v) e-Agriculture. The program is expected to enhance public-private partnership, raise productivity and farm incomes, and create jobs along the different value chains. Specifically, PFJ aims to encourage the adoption of technologies (such as improved seeds and fertilizers) by providing incentives and appropriate training to farmers, and to improve access to markets through extensive use of information and communication technology. The program was originally designed to be implemented over four years, from 2017 to 2020, with a total estimated cost of GH¢3.3 billion (\$718 million)¹. The nationwide fertilizer subsidy component of the PFJ was estimated to cost GH¢1.8 billion (\$401 million)¹ over four years (2017-2020).

Owing to the perceived success of the PFJ, its implementation was extended beyond 2020. In 2021, the GOG spent an amount of \$70 million to fund the program but at a reduced input subsidy rate of less than 30%. And this year (2022), the government is spending \$98 million on the program, an increase in funding of 40% over that of 2021.

Preceding the PFJ, there was a national crop farming support program dubbed the Fertilizer Subsidy Program (FSP). Reports indicate that the cost of the FSP became unbearable, increasing from GH¢20.65 million (\$3.28 million) in 2008 to GH¢239 million (\$37.94 million)² in 2017. The amount spent by the government on FSP in 2017 was over 73% higher than the 2016 spending, and was by far, the highest annual increment in fiscal allocation to the program since 2008. Between 2008 and 2016, the government spent about GH¢570.80 million (\$90.60 million)² on this policy.

According to Ministry of Food and Agriculture (MOFA), the impact of the FSP on accessibility and adoption by smallholder farmers was very limited. Most smallholder farmers targeted by the program still could not afford to pay even the subsidized price of the fertilizers. Thus, large commercial and well-to-do farmers became the only beneficiaries.

¹ The exchange rate was \$1.00 = GH¢4.60

² The exchange rate is \$1.00 = GH¢6.30

To promote the adoption of fertilizers among smallholder farmers, a new approach was needed—one that incorporated a flexible payment system into the subsidy. The PFJ was designed to address this concern. Consequently, the PFJ’s fertilizer-subsidy program, in addition to a 50% subsidy on the price of fertilizers (nitrogen, phosphorus, potassium - NPK, urea, sulfate of ammonia, and bio-fertilizer), included a novel option that encouraged fertilizer intake by farmers, especially by smallholders, whose incomes were low and whose resources for purchasing agricultural inputs were limited. Specifically, the program provided eligible farmers with a 50% subsidy, allowing them to pay 25% of the fertilizer price as a down payment, with another 25% due after the harvest. If beneficiaries failed to pay the remaining 25% of the fertilizer price for two consecutive planting seasons, they would become ineligible and be removed from the program until they settled their debt. Additionally, to prevent misuse, each eligible farmer was entitled to no more than six bags of bio-fertilizer to produce soybeans, ten bags of NPK, and five bags of urea or sulfate of ammonia for other crops, which corresponded to a maximum fertilized crop area of two hectares per farmer.

Distribution of Inputs and Target Beneficiaries

The number of PFJ beneficiaries increased from 202,000 in 2017 to 1,736,510 in 2020. More than 1,949,706 crop farmers were projected to be beneficiaries in 2021 (see table below).

Distribution of subsidized agricultural inputs per beneficiary farmers (2017-2021)

Type of Input	2017	2018	2019	2020	*2021
Quantities of Certified Seeds Distributed in Metric Tons (MT)	4,400	6,822	18,333	29,211	32,692
Quantities of Fertilizer Distributed (MT)	291,021	247,094	331,349	423,473	493,234
Total Number of Beneficiary Farmers	202,000	677,000	1,183,313	1,736,510	1,949,706

*Projections of total amount of input distributed/total number of beneficiary farmers at the end of the Q3, 2021 compared with same period 2020.

PFJ Program Output

The Planting for Food and Jobs program had targets of increasing the 2016 production levels of corn by 30 percent from 1,722,000MT to 2,238,600MT; rice (paddy) by 49 percent from 688,000MT to 1,025,120MT; soybean by 25 percent from 143,000MT to 178,750MT; and sorghum by 28 percent from 230,000MT to 294,400MT, all within the program period of four years. At the end of the original program period, the 2020/2021 crop production figures for corn (3,031,691MT), paddy rice (986,905MT), soybean (202,243MT), and sorghum (345,421MT) indicated that all the targets were realized except for rice. The program is deemed to have improved food security, reduced poverty, and ensured the availability of selected food crops on the market as well as providing job opportunities within the agribusiness value chain. Content with the gains, the GOG extended the PFJ program beyond 2020. However, the subsidy rates were considerably reduced in 2021.

Perceived Impact

The initiative, currently in its sixth year of implementation, is perceived by the GOG to have enabled greater community participation in agricultural activities and through agricultural incentives, attract greater private sector investments. The program has been deemed to have increased the capacities of

smallholder farmers to profitably produce food and other crops to supply growing domestic and sub-regional markets with foodstuffs and non-food crop products.

Impact on International Trade

Evidence from gathered data suggests that the gains made from the PFJ program failed to impact the country's rice import trade fully. The chart below shows that the quantity of rice imports recorded in 2017 (after the launch of the PFJ) was only eight percent lower than the quantity recorded in 2016. Indeed, imports increased in the subsequent years (2018-2020), buttressing the facts that the country is still far from achieving self-sufficiency in rice supply.

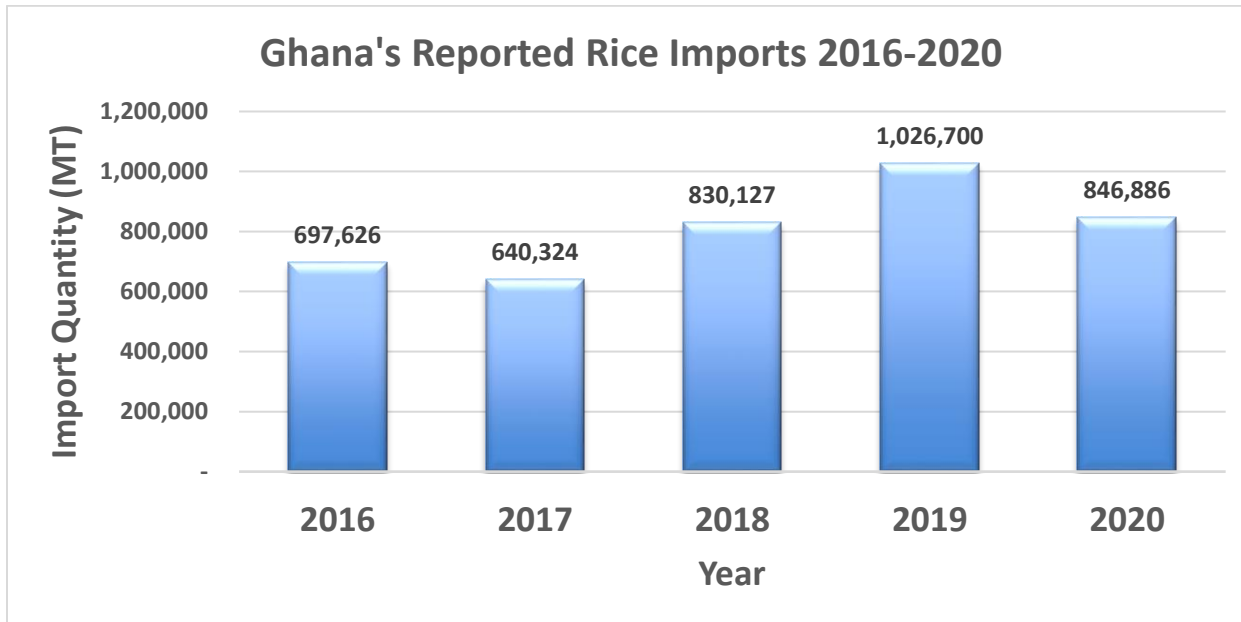


Fig. 1: Ghana's reported rice imports from 2016 to 2020

PFJ under threat - Debts owed to fertilizer companies

The Minister for Food and Agriculture has reiterated that the Ministry is planning to expand the program to include more smallholder farmers. However, reliable sources revealed that all the projections are highly unrealistic since the government still owes some of the distribution companies for fertilizer. Under the PFJ, participating input distribution companies prefinance and deliver the PFJ branded inputs to agro-input retail outlets in the districts/communities for onward sales to farmers at the subsidized prices. Verified and endorsed waybill covering the inputs is presented to the Minister of Agriculture through Regional Ministers or their representatives for final endorsement before being forwarded to the Minister of Finance for payment of the price differential resulting from the subsidy. Sources note that between April and July of 2021, no fertilizer was distributed to the farmers because the distribution companies were finding it difficult to fulfil their obligations to the banks to be able to continue importing the raw materials for fertilizer production. This is because the GOG did not pay them on time. The companies indicated they could no longer continue to finance the program. Some beneficiary farmers were upset that the development cost them the opportunity of attaining better harvests.

Looking into the future, it is difficult to imagine the sustainability of this input subsidy program on the same scale, especially with the developing global shortage of fertilizer bringing higher fertilizer prices.

Rationally, a reduction in program funding and/or further cutback in the subsidy rate or participation is anticipated in the future.

Ghana CARES Broiler Initiative

This GH¢100 billion (\$15.87 billion)³ policy is the GOG’s response to mitigate the impact of the COVID-19 pandemic on the lives and livelihoods of Ghanaians. It has two phases, namely, (1) stabilize the economy (July-December 2020); and (2) revitalize and transform the economy (2021-2023). The second phase of the program identifies agriculture as a critical sector to revitalize and transform the economy by supporting commercial farming and attracting educated youth into agriculture.

Support for Commercial Broiler Farming

According to the GOG’s estimate, Ghana imports about 350,000MT of frozen chicken annually from Europe and the Americas, costing the nation nearly \$400 million annually. Though Ghana’s demand for chicken meat is ever increasing, domestic supply fails to keep pace due to high production costs. There has been a gradual change in consumer preferences for chicken meat. A growing number of consumers now prefer chicken meat in cut parts to live birds or dressed whole birds. Most domestic broiler producers lack the appropriate equipment to achieve this standard of processing. The Ghana CARES policy seeks to assist broiler farmers and other actors along the chicken meat value chain to bridge the gap between the chicken meat demand and supply, to eliminate imports. Towards this end, 160 producers will benefit from a 50% interest rate subsidy and a 50% input subsidy for day-old-chicks, feed, and veterinary drugs/vaccines. This package will be provided in the first year of the broiler production.

Expected Output

The table below shows the expected output from the Ghana CARES Broiler Initiative according to the MOFA’s Animal Production Directorate.

Year	No. of birds to be raised	Quantity of meat (MT)
1	5,250,000	5,000
2	26,250,000	25,000
3	52,500,000	50,000
4	105,000,000	100,000
5	210,000,000	200,000

Source: Animal Production Directorate, MOFA

Expected Impact on International Trade

The GOG is targeting a return to a chicken meat import restriction policy requiring an importer to source 40% of the planned imports domestically. An Import permit (covering 60% of the planned imports) would be issued by the Food and Agriculture Minister only after an importer shows proof of purchasing 40% of the planned imports from a domestic poultry farmer. Nevertheless, a positive population growth rate, urbanization, a bright economic outlook, and a growing middle-class will continue to generate increased consumption demand for chicken meat in the years ahead that will outstrip domestic production capacity, especially without substantial government support for the domestic producers. The only way to meet consumer demand with an affordable supply will be through imports. At the maximum

³ The exchange rate is \$1.00 = GH¢6.30

operational success of the initiative, imports (estimated by industry analyst to hit 400,000MT by 2022) will temporarily be reduced by up to about 50% but this condition is not expected to last beyond the policy implementation period of 2023.

Trend of Chicken Meat Import

Ghana’s demand for frozen chicken continues to grow and industry analysts expect this trend to continue into the foreseeable future. Chicken meat imports in 2020 was about 300,000MT. Figure 2 below shows the trend of chicken meat imports from 2010 to 2020.

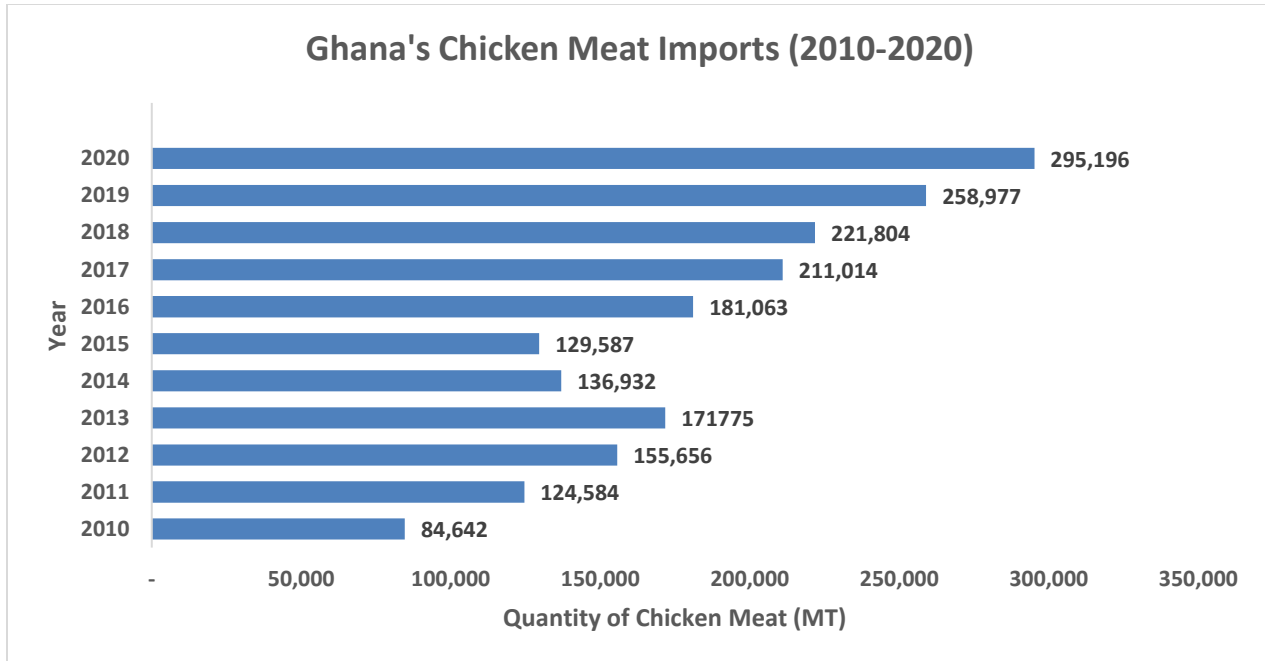


Fig. 2: Ghana’s chicken meat imports from 2010 to 2020

Conclusion

All other things being equal, the earlier gains in terms of improved yields of targeted crops of the GOG’s input subsidy program, implemented under the PFJ, will be eroded as beneficiary farmers are weaned off the program due to the GOG’s inability to sustain the expense. The implication is that the GOG’s vision of attaining self-sufficiency in rice production by 2024 will remain a mirage. Likewise, any distortion in trade created by the Ghana CARES Broiler Initiative will be temporary, lasting only as long as the government’s intervention.

End of Report.

Attachments:

No Attachments.