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Ghana's Restaurant Sector Represents Opportunity for U.S. Food and Beverage

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Food Service - Hotel Restaurant Institutional

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Report Highlights:
In light of its economic potential, political stability, strategic geographic location, and wide range of tourist destinations of significant natural and historical interest, Ghana's hospitality industry offers promising opportunities in terms of food and beverage trade. The restaurant subsector will experience continued rapid growth to cater to a growing middle class and increased tourism and business travelers. There is sustained growth in demand for consumer-oriented foods and food products, especially condiments and sauces, meat, dairy, and many other processed foods. The share of the tourist market accounted for by the United States continues to trend upward, presenting favorable opportunity for suppliers of U.S. foods and beverages.

General Information:

Introduction

Restaurants in Ghana vary greatly in appearance and offerings, including a wide variety of cuisines and service models ranging from inexpensive fast food restaurants and cafeterias, mid-priced family restaurants, to high-priced luxury establishments. Meals are generally served and eaten on the premises but many restaurants offer take-out services, and some run drive-thru service, mainly in Accra and Kumasi. Some restaurants with limited space offer only take-out and delivery services. Ready to eat food delivery service expanded greatly in Accra recently, and also introduced in Kumasi. Owing to growing popularity and the challenges of Ghana's urban transportation networks, restaurant operators in Accra and Kumasi recently resorted to food delivery service via motorbike riders as well.

General population increase, urbanization, a burgeoning middle class, and surging tourist and business travel account for a dramatic increase in Ghana's restaurant industry. The Ghana Tourism Authority (GTA) provides data on registered restaurants in the country but there certainly remains more eatery establishments operating throughout the country which are not registered.

Licensed restaurants in Ghana that engage in the sale of food and beverages to final consumers who may be visitors/tourists or local consumers are classified into three distinct grades as follows:

GRADE ONE	Equivalent to the luxury restaurant that has excellent ambiance and décor, excellent quality furnishing, fixtures, fittings, extensive cuisine, flawless, professional, impeccable and high levels of service, superior quality tableware and linen and a wide choice of drinks and wine.
GRADE TWO	A restaurant with a high standard of cuisine, set in a very comfortable ambiance conducive to dining with good quality furnishing and skilled service staff to offer high levels of service.
GRADE THREE	A restaurant with a satisfactory choice of dishes, snacks, or refreshments served in a modest or normal setting, in an informal atmosphere with trained staff offering satisfactory levels of service.

Of all three grades of restaurant, ***grade two*** recorded the highest growth between 2005 and 2014; ***grades one*** and ***three*** saw falls in their number over that period. During this period, there was increased demand for the services of the middle range restaurants and as a result, the number of higher and lower end restaurants dropped. The narrative is changing now, however, with observed expansion also occurring within the grade one category.

The recent growth in mid-priced outlets in Ghana is likely due to the entry of large standardized chains such as KFC, Pizza Hut, Second Cup, and now Burger King. Predating these, however, are indigenous food courts, specializing in ice cream, chicken and pizza outlets. With an entry strategy of siting outlets at fuel filling stations, these standardized chains also received a major boost from their extended presence in new shopping malls, and are poised for further expansion to meet the potential demand from Ghana's growing middle class. Generally affordable to the urban middle class, these globally recognizable eateries are a novel presence, and eating at one can be regarded as an indication of status or growing prosperity.

Hospitality Has Potential

Ghana presents a positive outlook for investors in the restaurant sector, given that the country's economy is going through tremendous transformation, with significant increases in the disposable incomes of households, even for a developing nation. Real GDP has almost doubled in a decade. The country also has a range of tourist destinations of increasing popularity. This coupled with its political and social stability means that attracting tourists from elsewhere in the region and more developed countries holds promise. By 2014, the United States accounted for the majority of international visitors to Ghana, according to a 2017 report by the Ghana Statistical Service (GSS). This report analyzed available data over a 10-year period (2005-2014) and found that the profile of visitors changed substantially from predominantly overseas resident Ghanaians to a more diverse mix of visitors from neighboring countries (Nigeria) and from the United States, while the number of people coming from "Other countries" also recorded growth of 350.4% during the decade.

In 2005, international tourist arrivals from the United States numbered 25,900, rising to 135,900 in 2014, an increase of 424.7%, at an average annual growth rate of 18.4%. The share of the tourist market accounted for by the United States increased from 6.6% in 2005 to 12.4% in 2014. Post expects this growth in both U.S. and international visitors to continue, and with that will come sustained demand growth for U.S. supplied foods, condiments, and beverages.

Growing Sophistication of Ghanaian Restaurant Industry

Ghanaian restaurant cuisine, like many African cuisines, remains closely tied to home cooking - where food is the medium that brings family and friends around a bowl. A 21st-century approach by young chefs with exposure to fine dining restaurants in cities across the developed world brings added creativity and possibilities to how Ghanaians eat theirs and others cuisines. This new generation of chefs employ techniques and design elements that update but also honor local flavors and tastes.

"However, this evolution is not entirely new", noted an industry expert. "It's a continuing process that has spanned over the course of hundreds of years. For instance, during Colonialism many regions of the continent had been exposed to European cultures — mostly French, English or Portuguese – that has resulted in culinary exchanges," adds the expert. Over the years, there was migration into Ghana of people from afar who brought their culture and cuisines with them. Notable examples are the Lebanese, Indian and Chinese communities that bring distinctive flavors and a diversity of available dining options to the Ghanaian culinary landscape. This acceptance of diverse cuisines is a key feature of food in Ghana, as dishes such as shawarma, kebab, samosas, or various Asian-style curries are ubiquitous across the country as a function of well-established diasporas. Overall, the culinary scene is truly internationalized. In Accra for example, one can also find multiple other dining options including American, Cuban, European, Ethiopian, Korean, and Thai to name just a few. The growing demand for diversified restaurant services has resulted in the springing forth of sophisticated restaurants and restaurant groups, especially in Accra, that use social media, google maps and online reservations to serve clientele that demand a more cosmopolitan experience.

Increasing Popularity of Food Delivery Services

Like all corners of business and social interaction in Africa, mobile technology plays an ever-expanding role in the restaurant industry. There is a rapid increase in popularity of online food ordering and delivery services, with service providers such as Mr. Delivery, Edziban.com, SomaYen247 and Jumia Food, offering access to online food ordering and deliveries from eateries across Ghana’s capital, Accra. Mealex & Mailex Delivery Services is the main online food delivery service in Ghana’s second largest city, Kumasi. In these cities, where infrastructure challenges and congestion may act as a disincentive to eating out, mobile delivery services offer a highly efficient means of reaching customers, as a patron simply places an order on their smart phone which is then delivered rapidly by motorbike. Cash remains the preferred payment method. However, mobile money and credit cards continue to gain popularity and acceptance for both for in-house dining and online delivery services.

Advantages and Challenges in the Ghanaian Food and Beverage Market

Advantages	Challenges

• Ghana’s population of 29.6 million is growing at 2.18 percent annually with an increasingly fast emergence of a middle class. • The urban population in Ghana accounted for 54.68% of the total population in 2016 – considerably higher than in the Sub-Saharan region, which reached 38.27% in 2016. • Migration to the capital and southern parts of the country is expected to continue over 2013-2020 as the urban population will grow by a Cumulative Annual Growth Rate (CAGR) of 3%. This promising trend is expected to further boost the demand for food and beverage services. • According to Euromonitor report, Ghana managed to record strong economic growth making it the fifth largest economy in Sub-Saharan Africa. Real GDP growth is expected to continue at an average of 6% over 2014-2020. • The Ghanaian market is relatively open with tariff rates relatively low and banded at zero, five, ten and twenty percent. • Ghanaian consumers associate U.S. food products with being of high quality and value. U.S. consumer-oriented products have always enjoyed high demand. • Growth in the tourism sector and demand from neighboring countries is creating new opportunities for consumer-oriented products. • Insufficient domestic production and processing means import demand in Ghana for consumer-oriented products will remain high. • Ghanaians spend most of their income on food and non-alcoholic beverages that account for 41% of total expenditure.	• Ghana’s 2018 GDP per capita at current prices averages $1,779.89. • The current monthly minimum wage (announced by the GoG in June 2018) is only approximately $56.00. • Significantly higher cost of freight incurred in getting U.S. consumer-oriented products onto the Ghanaian market. • Imitations of U.S. consumer-oriented products by unscrupulous businesses who take advantage of the high demand for U.S. supplied consumer-oriented products. Some “Made in the USA” products are of questionable origin. • Competition is strong from traditional suppliers in Europe and Asia. • Many U.S. exporters view Ghana as too small a market and there are few U.S. freight consolidators who are willing to meet the requirements of Ghanaian importers • Market continues to be dominated by businesses with ownerships from India, Lebanon, and some European countries (mainly; Italy, France and the United Kingdom). These mainly source their supplies from Asia, the EU and South Africa. Products from South America are even sourced by these businesses.

Distribution of Licensed Restaurants Across the Country

Region/City	*No. of Establishments*	*Grade 1*	*Grade 2*	*Grade 3*
Ashanti	67	9	28	30
Brong Ahafo	9	0	3	6
Central	13	0	4	9
Eastern	24	6	9	9
Greater Accra	250	68	146	36
Northern	27	0	15	12
Tema	43	14	22	7
Upper East	5	1	1	3
Upper West	4	1	1	2
Volta	6	0	3	3
Western	32	5	13	14
Total	**480**	**104**	**245**	**131**

Source: Ghana Tourism Authority Catering Directory, 2016

NB: the above licensed restaurants only represent a fraction of the total number, with the majority of restaurants across the country that could fittingly be categorized as ***grade three*** operating without licenses.

Observed Growth in the Number of Licensed Restaurants

Category	*2010*	*2014*	*2016*
Grade 1	46	80	104
Grade 2	153	206	245
Grade 3	141	147	131
Total	**340**	**433**	**480**

Source: Ghana Statistical Service, 2017

Based on the table above, there was a 40 percent increase in the total number of licensed restaurants over the period of six years. The number of licensed Grade 3 restaurants has decreased partly because most of these evade registration. This observation, alongside the increase in the number of Grades 2 and 3 restaurants could also be a reflection the growing middle class that has developed taste for higher quality service and ingredients.

Restaurant Sector Oversight

GTA, an institution under the Ministry of Tourism, Culture and Creative Arts is the public service agency in charge of regulating tourism in Ghana through marketing and promotion, licensing and classification of tourism facilities and services, research and development. The GTA regulates activities in the restaurant sector as part of its mandate. Its regulatory responsibilities include determining the minimum requirements for licensing a restaurant, and the mandatory documents essential for obtaining operational permit.

For more information on regulatory requirements visit http://www.ghana.travel

Competition

Among the major global suppliers of consumer-oriented foods and food products to Ghana, the United States ranks fourth in terms of dollar value. This position is again retained with regard to condiments and sauces. With regard to consumer-oriented food and food products, competition exists with suppliers from China (1st), Netherlands (2nd), Belgium (3rd), and South Africa (5th), ranked accordingly. Likewise, competition exists with suppliers from China (1st), South Africa (2nd), Netherlands (3rd), and South Korea with regard to condiment and sauces.

Ghanaian Imports of Consumer-Oriented Agricultural Products in USD from the Top 5 Countries

Year / **Source country**	**2013**	**2014**	**2015**	**2016**	**2017**
China	8,827,603	16,520,231	9,880,240	12,789,651	12,671,896
South Africa	688,101	3,778,875	3,925,204	5,337,056	4,396,148
Netherlands	2,142,187	1,652,822	1,563,052	1,326,878	1,842,571
United States	1,891,318	2,395,250	802,463	597,374	1,062,469
South Korea	231,683	78,755	29,998	35,750	1,014,836

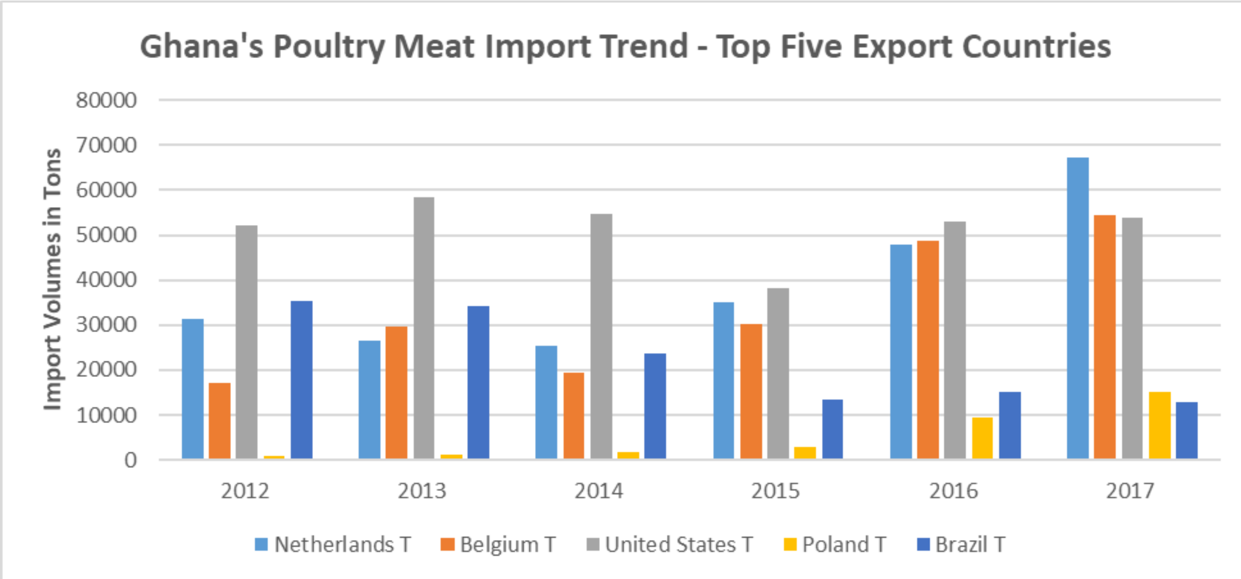
Source: Global Trade Atlas

Ghanaian Imports of Condiments & Sauces in USD from the Top 5 Countries

Year / **Source country**	**2013**	**2014**	**2015**	**2016**	**2017**
China	165,565,725	172,040,883	190,980,034	185,378,298	216,048,061
Netherlands	71,854,643	56,036,667	55,991,225	67,084,027	89,039,731
Belgium	54,814,803	50,397,234	49,551,604	63,671,634	73,380,217
United States	98,684,935	84,396,997	52,069,961	58,114,325	65,822,358
South Africa	41,025,504	33,547,823	31,581,723	29,236,548	36,251,818

Source: Global Trade Atlas

In addition to condiments and sauces, beef and beef products from the United States have good prospects in Ghana, particularly concerning high-end restaurant and grocery establishments. Seafood is also an area in which Post anticipates continued demand growth. As Ghana's marine fish stocks dwindle and the government seeks to stabilize the situation, imported seafood will continue to play a role in satisfying unrelenting consumer demand. As the local aquaculture sector also expands, so too will opportunities for U.S. feed ingredients. In terms of tonnage of current beef and seafood trade to Ghana, the United States is currently 16th and 9th, respectively. However, the United States enjoys a larger share of the poultry meat market in Ghana (losing the top exporting country position to the Netherlands only in 2017) and is ranked 3rd behind the Netherlands (1st) and Belgium (2nd) as depicted in the graph below. While poultry continues to be a product in high demand, significant policy challenges loom which may impact U.S. exporters market access.



United States' share of the Ghanaian poultry meat market (2012-2017)

Best Product Prospects

Products of highest sales potential include beef, poultry and fish products, noodles and other pasta products. Others showing promise are breakfast cereals, wines, and dairy products. Overall, as the restaurant customer base expands and demands higher-end products, available data, consumer preferences, and local industry trends point to meat, dairy, seafood and a host of processed product groups holding the most growth potential. Overall, Ghana presents intriguing opportunities to U.S. suppliers of multiple food and beverage products. With an increasingly prosperous middle class, and a rate of urbanization much higher than the regional average, Ghana's consumer base is more accessible than ever.