



# Sectoral Outlook of the Economy

## Agriculture

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# Introduction

- The Agriculture Sector can be categorised into 4 sub-sectors
  - The Cocoa sub-sector
  - Crops and Livestock sub-sector
  - Forestry and Logging
  - Fisheries
- Characteristics of Agriculture in Ghana
  - Activities in the sector are influenced by the 3 agro-ecological conditions that divide the country into 3 major zones: rain forest; northern savannah; coastal areas

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# Characteristics of Agriculture in Ghana

- Crop production in Ghana is for 3 main purposes: food for consumption, raw materials for industry and production for export
- Cultivation is largely dependent on rain fall and irrigation farming is minimal
- Sector is made up of several thousands of small-scale farmers

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# Characteristics of Agriculture in Ghana

- Small Scale Farmers
  - They cultivate small land sizes of not more than 5 hectares on average
  - Bulk of agricultural output is produced by the small-scale farmers
- Traditional farming system:
  - Land preparation accomplished through slashing and burning of vegetation
  - Depends mainly on natural soil fertility and very little on chemical fertilizers

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# Characteristics of Agriculture in Ghana

- Technological dualism
  - Small scale farmers using simple tools like the hoe and cutlass
  - Large scale producers using more sophisticated machinery like tractors and harvesters

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# Role of Agricultural Sector

- Contribution to GDP
  - In the 1970s and 1980s, the sector's contribution to GDP averaged over 55%
  - In the first half of the 1990s the contribution declined to an average of about 42%. This decline was due in part to the increasing influence of the services sector in the economy
  - The sector contributed its highest in recent years in 2004 when it accounted for 40.3% of GDP. This was due to exceptional performance of the coca sub-sector which grew at 29.9% in 2004

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# Contribution to GDP by Sector

Year	Agriculture	Services	Industry
2003	39.8	32.8	27.4
2004	40.3	32.6	27.2
2005	39.5	32.9	27.6
2006	39.3	32.9	27.8
2007	38.0	33.4	28.6
2008	33.9	31.8	26.5
2009	34.5	32.3	24.9
Average			
2002-2004	39.8	32.8	27.4
2005-2009	36.3	32.4	27.2

# Contribution to Foreign Exchange

- In the 1970s cocoa and timber contributed over 75% to the total export earnings of the country. Cocoa remained the highest contributor to foreign exchange until the 1990s when gold took over due to the declining output levels of cocoa and the increasing importance of gold
- In 2003 the sector contributed 35.5% of total foreign exchange earnings
- Increase in the sector's contribution to foreign exchange earnings in the 2000s was due to increased earnings from the cocoa sub-sector

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# Contribution to Foreign Exchange

- The inconsistency in the sector's contribution to foreign exchange earnings can be attributed to over-reliance on a few export products whose prices on the world market are unpredictable and volatile
- In addition, the output/yield from the sector especially from cocoa production has witnessed a lot of fluctuations over the years
- The government in a bid to diversify the sources of foreign exchange earnings from the sector, embarked on the promotion of non-traditional exports such as horticultural products

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# Contribution to Foreign Exchange

Year	Cocoa & cocoa Products (%)	Timber (%)	Non-Trad (%)	Non-Agriculture (%)	Total (%)
2003	34.9	7.6	6.0	51.5	100
2004	39.2	7.7	5.9	47.2	100
2005	32.4	8.1	5.4	54.1	100
2006	31.8	5.3	5.4	57.5	100
2007	26.3	6.0	4.7	63	100
2008	28.2	6.0	3.6	62	100
2009	32.0	3.1	2.6	62.4	100

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# Contribution to Government Revenue

- Revenue from this sector is mainly through duties paid on exports of agricultural commodities, particularly cocoa
- The duty on cocoa is normally collected as a residual after paying farmers and accounting for the administrative and operation costs of the Ghana Cocoa Board
- Generally, this residual tax is higher when the world price of cocoa is high

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# Contribution to Government Revenue

- The contribution of the sector to Government revenue has declined steadily from about 26% in 1987 to an average of about 20% in the first half of the 1990s
- Over the past decade, agriculture's contribution to tax revenue and total revenue has continued on a declining trend
- This is attributed to the increasing importance of other sources of government revenue

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# Contribution to Government Revenue

- In addition, the government's objective of ensuring that cocoa farmers get a greater proportion of the world market price of cocoa implies that the proportion of cocoa revenue going to the government has been on the decline

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# Agricultural Sector Contribution to Government Tax and Total Revenue

Year	Contribution of Agriculture (₺bn)	% of Total Tax Revenue
1998	400.5	14.7
1999	254.1	7.5
2000	178.8	4.1
2001	299.9	4.6
2002	368.9	4.3
2003	365.0	4.0

# Contribution to Employment

- The agricultural sector has continued to provide employment to the highest proportion of the economically active population in the country as farmers and farm labour
- However, the sector's contribution to employment is declining in conformity with Lewis' model of Structural transformation

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# Contribution to Employment

- In 1970, the sector employed 58.4% of the total labour force. Between 1970 and 1980 its employment of the labour force averaged about 57%
- In recent years, the sector's contribution is estimated at 56% of the labour force
- This employment constitutes an important source of livelihood for the people dependent on it

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# Contribution to Food Supply

- The sector is the main source of food supply to the non-agricultural and mainly urban population
- The country has been nearly self sufficient in food production with the supply of cereals, roots and tubers, plantain, fruits and vegetables etc
- The production of food by the sector for domestic consumption saves the country millions in food imports

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# Contribution to Food Supply

- The local food supply helps to reduce demand for foreign exchange for food imports
- Such foreign exchange is saved for the import of capital goods
- On the other hand imports of food such as rice, poultry, fish and dairy products have been regular and increasing to help meet demand
- The sector's inability to produce adequate and 'quality varieties' of these products costs several millions of scarce foreign exchange

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# Contribution to Industry

- Agriculture supplies the bulk of raw materials needed for processing in agro-based industries such as those that process fruits
- However, in some cases, the local supply to these industries have not been sufficient
- In other cases, the capacity of the agro-based industries has been under-utilised reducing the demand for the sector's output
- The agricultural population also provides a market for industrial sector's output

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# Performance of the Agricultural Sector

- In terms of output growth, the sector has exhibited a lot of fluctuations
- The growth performance has exhibited a pattern in which a year of relatively higher growth is followed by a year of low growth
- Between 1975 and 1983, agriculture showed a steady decline with negative growth rates in some years
- The decline was reversed in 1984 and between 1984 and 1988, the sector grew at an average of 1.9% per annum

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# Performance of the Agricultural Sector

- Between 1990-1994, the performance averaged 1.1% per annum and in the second half of the 1990s averaged 4.4% per annum
- Exceptionally high growth rates were recorded in 2003 and 2004 with growth rates of 6.1% and 7.5%
- The sector also grew faster than both industry and services over these two years

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# Agriculture Sector Growth Rates

Year	Crops/Livestock	Cocoa	Forestry/ Logging	Fisheries	All
2003	5.3	16.4	6.1	3	6.1
2004	5.4	29.9	5.8	3.5	7.5
2005	3.3	13.2	5.6	-1.2	4.1
2006	3.5	2	2.6	15	4.5
2007	4	6.5	2.5	5.0	4.3
2008	5.8	5.0	3.5	10.0	6.0
2009	8.2	6.2	3.5	-2.3	6.1
Average					
2002-2005	4.8	14.8	5.6	2	5.5
2006-2009	5.4	4.9	3.0	6.9	5.2

# Sub-Sectoral Performance

- Cocoa
  - Between 1970 and 1980 cocoa output dropped from 403,000 metric tonnes to 296,000 metric tonnes
  - By 1998, cocoa production was 288,000 metric tonnes representing 29% of the 1970 output level
  - The early 1990s saw a stagnation in output with production averaging about 280,000 tonnes a year
  - The poor performance over these years is attributed to falling world prices and low producer prices to cocoa farmers

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# Cocoa Sub Sector

- Another reason for the poor performance is drought and fires
- Smuggling of the produce to neighboring Cote D'Ivoire is also one of the reasons for poor performance
- The decline in cocoa production was reversed in the late 1990s with the sub-sector recording a 4% growth in 1997
- There was also a significant improvement in 2003 growing by 16.4%

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# Cocoa Sub Sector

- The 2003 output has only been surpassed by the 1964/65 crop season with an output of 581,000 metric tonnes
- The increases in output from 2001 is also attributed to the mass spraying of cocoa launched in 2001/02 season aimed at controlling diseases; favourable producer prices and reduction in the smuggling of dry cocoa beans to neighbouring countries

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# Crops and Livestock

- The crops and livestock sub sector has shown growth between 1995 and 2001
- This good performance is attributed to increases in the area cultivated and increased yield per hectare resulting from the use of fertilizer and other improved farming practices

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# Fisheries

- The fisheries sub-sector is characterised by technological dualism with large companies using trawlers co-existing with traditional fishermen who depend on canoes

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# Problems or Constraints Facing the Agricultural Sector

- Heavy dependence on rainfall
- Low level of technology
- Lack of credit
- Low land and labour productivity
- Poor physical infrastructure
- High post-harvest losses
- Land tenure system

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# Agriculture and the GPRS

- The GPRS II aims to achieve an agricultural led growth strategy. Agricultural development is expected to be the engine of growth because:
  - The majority of Ghanaians are employed by the Agricultural sector
  - Agriculture is the highest contributor to GDP
  - The bulk of the poor are engaged in Agriculture so a focus on agriculture will have a direct benefit on poverty
  - Increased productivity in agric will ensure food security and contribute to health and well-being of the country

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# Agriculture and the GPRS

- Modernised agriculture will prepare the ground for structural transformation between agriculture and industry
- Agricultural development can help the country enhance its comparative advantage into competitive advantage in the sub-region and in more distant markets
- Modernised agriculture will help stem rural urban migration and provide jobs for unemployed youths

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# Weaknesses & Threats to Agriculture-Led Strategy

- Agriculture will always be dependent on natural conditions.
- Rainfall and bushfires cannot be predicted
- Post-harvest losses, storage and marketing and transportation difficulties
- Affordable credit also remains a big challenge

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