

Business News of Tuesday, 23 October 2012

Source: Daily Graphic

## Ghana Reduces Hunger By 87% - FAO

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Ghana has reduced by 87 per cent the number of people undernourished in the country over the past two decades due to improved investment in agriculture.

This is in spite of the increasing population, changing weather patterns, inadequate lending and innovations that are threatening to squeeze the cuff off the country's agric sector.

Senior Policy Officer of the Food and Agriculture Organisation, Mr James Tefft said these on the sidelines of the 18th African Rural and Agricultural and Credit Association (AFRACA) General Assembly in Accra, which was under the theme "enhancing the agricultural value chain through innovation."

"Agriculture should be treated as a business and investments made in the smallholder farmer through innovative financial support mechanisms and instruments", Mr Tefft said.

He called on the government to promote practical solutions that aim to promote sustainable intensification of food production systems, ensure a strong involvement of smallholder farmers and other rural poor, and preserve natural resources by minimizing post-harvest losses and waste throughout the food chain.

He said higher prices of agricultural commodities provide positive incentives for increased investment in agriculture, but what is critical in the sector is a better policy response and improved governance that are needed to ensure sustainability and to address the effects of increased price volatility and of higher costs of the food basket for the poor.

Finance Minister, Dr Kwabena Duffuor, agrees that the agriculture sector received less financing due to the risks involved and stressed the need for an agricultural revolution based on productivity growth to move one million out of poverty by 2015.

But as government introduces a medium term investment plan for Ghana's under-resourced agricultural sector, a new public and private sector initiatives aimed at covering debt financing, private equity and agricultural insurance could unlock some of the sector's huge still untapped potential.

In 2010, Ghana's real Gross Domestic Product (GDP) growth rate pegged the agricultural sector growth at 5.3 per cent up from 4.8 per cent.

According to the revised figures, the crops subsector thus was less than half of the 10.2 per cent growth achieved in 2009. Conversely though, fishing, in value terms grew by 1.5 per cent in 2011, reversing a 5.7 per cent contraction suffered in the previous year. Forestry, logging and related activities rose by 10 per cent while livestock grew by 4.1 per cent in value terms.

The broader plan for the agric sector is the New Food and Agriculture Sector Development Policy; known as FASDEP II, which sets out a national vision for the food and agriculture sector as a modernized agriculture culminating in a structurally transformed economy and evident in food security, employment opportunities and reduced poverty.

FASDEP II sets out six broad policy objectives. These are food security and emergency preparedness; improved growth in incomes; increased competitiveness and enhanced integration into domestic and international market; sustainable management of land and environment; science and technology applied in food and agricultural development; and improved institutional co-ordination.

To achieve these broad objectives, government has come up with a quantitative programme known as the Medium Term Agriculture Sector Investment Plan (METASIP) which covers the period 2011 to 2015. This plan aims to raise the agricultural growth rate, over the next four years, to between six per cent and eight per cent per annum.

The crops and livestock sub-sectors are expected to lead this growth with an average annual growth rate of five per cent. Forestry and logging, and fisheries are expected to grow at five per cent per annum during the period. Cocoa is expected to remain robust in support of the other sectors.

METASIP sets out to ensure the sustainability of growth through improvements in the productivity of all operators along the value chain. This is to be achieved by modernizing agricultural techniques and operations, producing raw materials for industries, and, by producing more with less people, freeing labour for use in other strongly growing sectors of the economy.

This, in turn will increase employment opportunities, significantly reduce poverty, raise foreign exchange earnings and improve food security and incomes.

However, a lot more financing will be needed, from the banking sector and from private equity investors.

Both debt financiers and equity investors alike see agriculture as a very risky sector for good reason. Indeed there are a plethora of challenges to agriculture financing. One is agricultural commodity and food price volatility, which makes financial forecasting different.

Another is the seasonality and unreliability of rainfall and the related longer term worry of uncertainty of climate change. Add to these the unsustainability of current agricultural practices and weak infrastructure.

Then there are institutional problems, such as the lack of property rights and the unsecured land tenure system.

Institutional lenders are constrained by the high level of defaults among agricultural loan beneficiaries in comparison to other sectors and the lack of appropriate collateral for agricultural financing. There is also the problem of high transaction cost of disbursement on agricultural loans to smallholders.

Globalization of financial markets and trade liberalization; have created their own problems for Ghana's agricultural sector as well. One has led to dominance of the local banking industry by big foreign ones in less risky sectors; the other has created intense competition for Ghana's food producers, from imports.

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