Political Instability and Agricultural Policy Dynamics in Ghana

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1. Introduction

Ghana is mainly an agricultural country since agricultural activities constitute the main use to which Ghana's land resources are put and agriculture is the main occupation of about 47 percent of the economically active age group (15 to 64). The country covers an area of approximately 239 million square kilometres of which agricultural land forms about 57 percent of the total land area. Only about 20 percent of this agricultural land is, however, under cultivation. Thus, the availability of excess agricultural land offers policy makers some flexibility in the direction of agricultural policy. It is a well known fact that growth in agricultural output, income and employment comes from either extensification, that is, expansion of cropped area or intensification which implies increases in productivity which is most often associated with high yields. Excess agricultural land therefore provides policy makers in Ghana the luxury to formulate strategies of agricultural growth that can combine both extensification and intensification. Thus, planners in Ghana have emphasized agricultural growth through acreage expansion as well as developing and disseminating better technologies, using higher input intensities and encouraging the switching of cropping patterns in favour of the production of high value and for that matter more profitable commodities.

The emphasis of agricultural policy has, however, been highly dynamic in Ghana's case. Indeed, the history of agricultural policy in Ghana presents a picture that is closely related to the political fortunes of the country. It can be discussed, as a matter of convenience, in relation to five distinct periods of policy variations: the pre-independence period in which policies were geared mainly towards export crops; the post-independence period which was characterised by a period of mass government participation in agriculture followed by an era when policies tended to encourage capitalistic means of agricultural production and marketing. In between these periods was the slide to economic chaos that preceded the era of stabilization and structural adjustment. To these five distinct periods could be added the present era of democratic dispensation.

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2. Pre-Independence Policies (1874-1950)

Agricultural policies under colonial domination were geared towards the production of export crops and raw materials that were in demand in Britain. During the colonial period, government agricultural policies subordinated the needs of the non-export crop producers to the needs of the emerging urban elites, expatriate food importers and colonial authorities who emphasised the production of export crops. Thus, the aims of the Department of Agriculture during the colonial period were, to educate and advise farmers thereby assisting them to produce larger and better crops for export. The passing of the poll tax law at the beginning of the twentieth century compelled the peasant farmers and fishermen to find wage employment or go into export crop production, mainly cocoa, in order to earn enough to pay their taxes. This disrupted the long-standing and well-established trade relations between Ghana and the North African coast leading to a reorientation of economic relations towards the colonial government. The emphasis on export production encouraged infrastructural developments in Southern Ghana, designed to facilitate exploitation of the valuable wealth of the forest areas. The success of these developments resulted in urbanisation, expansion of the mining industries and in-migration of labour to the Southern parts of Ghana. These developments also encouraged internal and external market expansion and promoted commodity production.

In response to the economic opportunities, through the mobilisation of land and labour, the small farmers of Southern Ghana transformed Ghana, in a most remarkable manner, into a leading world producer of cocoa from 1911. By 1920, cocoa accounted for nearly 83 percent of the value of exports and duties on cocoa provided sufficient revenue to finance an aggressive food import policy. The basic food requirements in urban and cash crop producing areas were satisfied by the importation of staples such as rice from British Burma, Dutch Indonesia and India; wheat from America; dried fish from Scandinavia; tinned meat and dried milk from Great Britain; and corn from French Sudan.

Large scale plantations of cocoa, however, had no foot-hold in Ghana's case as it had in other areas like South-East Asia, Latin America and even some parts of Africa, for example, Cote d'Ivoire. The development of the cocoa industry was a tribute to the ingenuity of the small farmer who responded well to price signals and economic opportunities.[1] The development of export production was also broadly characterised by a highly competitive form of European merchants' capital not only in Ghana but throughout the West African sub-region.[2] The growth of the trade in agricultural produce and in development of

1 *B.E. Rourke*, Wages and Incomes of Agricultural Workers in Ghana, ISSER Technical Publication Series, No. 13, University of Ghana, Legon,1971, pp. 24-25.

2 *R.W. Shenton / L. Lennihan*, Capital and Class: Peasant Differentiation in Northern Nigeria, The Journal of Peasant Studies, Vol., 9, No. 1, 1981, pp. 47-70.

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European merchants' capital stimulated the growth of a class of indigenous Ghanaian entrepreneurs who also invested their commercial profits in the production of agricultural commodities and this contributed to the success of the export based agricultural economy.

The achievements of cash cropping and the flourishing export based economy of the South were to have backwash effects on the northern savannah areas of the country. The most important way in which the north was incorporated into the national economy was to provide labour for the south-based export economy, whilst the north remained a predominantly subsistence agricultural area.[3] Thus all political and economic institutions that were set up for the penetration of merchant capital were to be found in the Southern part of Ghana.[4] It was not until the 1950s that the colonial government took greater interest in the economic development of the northern savannah areas. The colonial government particularly encouraged food production in the north in an effort to meet food deficits in Ghana's urban areas and to reduce Ghana's dependence on imported food.

The most obvious characteristic of Ghana's economic structure by the end of the colonial period in 1957 was the pervasively dualistic nature of the economy. The co-existence of traditional, labour intensive production techniques with modern capital intensive ones occurred not only in the obvious case of manufacturing, but in agriculture, fishing, mining, construction and trade.[5] This structural framework was carried into the independence era and while the cocoa industry was entirely an indigenous one, many of Ghana's modern industries remained enclaves, making little use of domestic resources and adding minimally to national product.

As summarised by Dapaah,[6] agricultural policies pursued during the colonial period were designed to make the Gold Coast (Ghana) colony a source of raw materials and a protected market for metropolitan manufacturers and farmers. The colonial educational system, the government's transportation policy and the bias of government policies against women who traditionally cultivated most food crops were designed to shepherd the Gold Coast into export crop and food import dependent economy. Thus, at the time of self-government in 1950, the Gold Coast had had roughly half a century of an agricultural policy that emphasi-

3 *J. Songsore*, Structural Crisis, Dependent Capitalist Development and Regional Inequality in Ghana. Occasional Paper No. 77, Institute of Social Studies, The Hague, Netherlands, 1979, pp. 510.

4 *B. Beckam*, Ghana: 1951-1978. The Agrarian Basis of the Post-Colonial State, in: Rural Development in Tropical Africa, London, 1981.

5 *Tony Killick*, Development Economics in Action: A Study of Economic Policies in Ghana, Fakenham Press Ltd.,. 1978, pp.10-25.

6 *S. K. Dapaah*, Review of Past Agricultural Policies in Ghana and the Vision for the Future. A Paper Presented at a Workshop Organized by the Institute of Economic Affairs and DANIDA, 3-5 July, 1988, Elmina, Ghana (mimeograph), pp. 1-12.

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sed production of export crops, accorded very low priority to local food production but encouraged food imports, disregarded the agricultural and village needs of the countryside but financed urban infrastructural development through the extraction of rural based wealth.

3. Era of Mass Government Participation

Agricultural policies in the latter years of colonial rule dovetailed into the early years of independence. Policies were generally influenced by the desire of the nationalist government to satisfy two major events: (i) to please the urban youth who were in the fore front of the independence struggle but many of whom were unemployed or underemployed and (ii) to satisfy the perception that industrialisation was the most expedient way to bring about rapid structural changes, high rates of economic growth and economic independence to the country. Thus, it became necessary to have an agricultural policy that avoided dependence on small-scale farmers but rather created job opportunities. Also, it became necessary to pursue a real strategy to tax agriculture through both direct and indirect means to finance a rapid import based industrialisation that was seen as the solution to the country's economic development.

Food production remained a primary problem. Faced with the formidable task of providing food for the fast expanding urban population and arresting the increasing dependence on food imports in the face of declining agricultural exports and rising prices, a bold attempt to transform Ghana's agriculture was undertaken. The main feature of this attempt was that production and distribution of agricultural produce became a primary field of state intervention. Thus, in the first Five-Year Development Plan[7] (1951-56), the view was expressed that agriculture could not be modernised and adapted to the needs of an expanding economy solely through progressive improvement of the traditional subsistence system of production and therefore large scale farms under public auspices were to be established to test and demonstrate the feasibility of mechanised farming. An Agricultural Development Corporation (ADC) was subsequently established to promote agricultural development.

In the second Five-Year Development Plan[8] (1959-64), the ADC's role in establishing estate agriculture and leading the modernisation of agriculture was greatly expanded. Even though ADC's large-scale production was notably unsuccessful as it had accumulated large deficits and was forced to wind up by 1962, state intervention continued. Following the declaration of socialism by the ruling party as the socio-political goal for Ghana in 1961,

7 *Republic of Ghana*, Five-Year Development Plan (1951-56), Accra, Ghana, 1950, pp. 5-10.

8 *Republic of Ghana*, Second Five-Year Development Plan (1959-64), Accra, Ghana, 1958, pp.15-25.

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state intervention assumed ideological dimensions. The reasoning behind state intervention was mainly to bring the agricultural sector in line with the ideological thinking of the government of the period, that is 1957 to 1966. Small-scale farming was regarded as an obstacle to the spread of socialist ideas: it made for conservatism, acquisitiveness and the development of bourgeois mentality[9]. The government's agricultural effort was shifted almost completely to a new sector of state and co-operative agriculture, with only token recognition to small scale farming.

Expansion of state participation in agriculture naturally led to the cutting down of the exiguous investment in small scale farming. The United Ghana Farmers' Council (UGFC) was formed and given the responsibility of organizing the small farmers for mechanised agriculture through cooperative efforts. The UGFC effectively replaced the agricultural extension services designed by the colonial government to help small-scale peasant farmers. The State Farms Corporation (SFC) was formed to undertake large scale mechanized farming; the Ghana State Fishing Corporation (GSFC) was formed and organized with a fleet of fishing trawlers and cold storage facilities to undertake the fishing and distribution of fish throughout the country. The post independence period (1957-66) was therefore an era of massive state participation in agriculture during which attempts were made to develop large scale farming through mechanised agriculture. This experiment in large scale agriculture involving public ownership has been judged by many writers to have been a costly and wasteful venture.

The overall policies pursued in the post independence era did not favour agriculture in general and food production in particular. Only between 4.3 percent and 13.5 percent of annual development expenditure was allocated to agriculture between 1961 and 1965, with the bulk of the money going to the socialised sectors even though its net contribution to aggregate production was less than 1 percent.[10] Agricultural policies in the early years of independence were designed to deal primarily with urban unemployment and not to deal with rural poverty, and to avoid dependence on the small scale independent private farmers whose political philosophy was inconsistent with that of the ruling party. Policies also failed to recognize the implication of rapid population growth for the agricultural sector.

4. Era of Capitalist Means of Production

A change of government in early 1966 heralded changes in state-agrarian relations. Between 1966 and 1972, the emphasis was on private capitalist development of agriculture.

9 *Killick*, ibid.

10 *S.K. Dapaah*, op.cit.

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Government particularly became interested in the promotion of rice farming in the northern part of Ghana as a means of increasing food production. The State Farms were therefore sold to private rice farmers and the extension service was revived to offer advice to small-scale farmers throughout the country. Emphasis in the period was on private ownership, units of more modest size and bank financing.

Another feature of agricultural policy in this period was the formation of single product development boards. Policy makers believed that the ingenuity of the peasant farmer could be further successfully exploited as in the case of cocoa, by the establishment of development boards to offer advice, incentives and oversee the production of agricultural raw materials that were vital to newly established factories. These development boards were on single commodities such as cotton, kenaf and grains. Agricultural policies in this period were backed by a massive rural development scheme designed to provide the basic infrastructure of roads, water and electricity that would encourage rural people to stay and farm and diversify their economic activities rather than migrate to the over populated urban areas.

The upsurge of interest in raising agricultural productivity to self-sufficiency level led to the instituting of the Operation Feed Yourself (OFY) and Operation Feed Your Industries (OFYI) programmes beyond 1972. These programmes were to spearhead the campaign to increase food production and agricultural industrial raw materials. Among the objectives of these programmes was the belief that production would be improved by small-scale farmers increasing their production through acreage expansion. The OFYI emphasized on the production of cotton, kenaf, sugar cane and other industrial raw materials. With the OFY, the emphasis was placed on the cultivation of cereals particularly rice and maize, the former being more successful. Ghana became self-sufficient in rice production between 1974 and 1975. The contribution of the small farmers to rice self-sufficiency was insignificant, largely because they were not given the opportunity to participate in the rice scheme on the assumption that small farmers were not likely to provide the requisite framework for generating social and economic development. Though investment in commercial rice farming created employment opportunities in various ways to small farmers and their families, it nevertheless benefited the few urban based bureaucrats, professionals, military men and the top stratum of rural people.

Towards the end of 1970s (and into the 1980s), small-scale development programmes were initiated to provide opportunities for small farmers. One such project was the World Bank scheme geared towards raising incomes of the rural small farmers of the Upper Regions of Ghana – the Upper Regional Agricultural Development Programme (URADEP). The Ghanaian-German agricultural development project was also established to assist small farmers to increase food production through effective distribution of inputs and research into the development of new technologies for farmers. The Volta Regional Agricultural Develop-

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ment programme (VORADEP), the Northern Regional Rural Integrated Project (NORRIP) and the Managed Inputs Delivery and Agricultural Services (MIDAS) were all established in the early 1980s with the aim of increasing agricultural production particularly of small scale farmers by providing agricultural inputs and services on time and on regular basis. In the early 1990s, the International Fund for Agricultural Development (IFAD) designed and implemented programmes aimed at improving the productivity of small-scale farmers in the Northern, Upper East and the transitional zones of Brong-Ahafo, Ashanti and Volta Regions.

An interesting feature of agricultural development in Ghana throughout these periods has been the activities of women traders. These women have marketed agricultural produce and have facilitated inter-regional exchange of goods. The activities of women have been so widespread that the term subsistence agriculture has had little relevance to most parts of Ghana.

In spite of attempts to assist small scale farmers in the early years of this era, a careful analysis of the agricultural policies pursued in this period indicate that they all tended to favour large scale capital intensive mode of production over small scale production units and gave little consideration for industrialisation based on agricultural surpluses. Agricultural policies tended to be characterised by (i) high direct and indirect taxation and the underpricing of agricultural commodities for the benefit of the urban population, (ii) concentration of infrastructure and social amenities in the large cities; (iii) imposition of top-down government schemes, and (iv) unwillingness to transfer the administration of marketing, storage, input distribution and credit programmes to the private sector.

The overriding policy issue of the post independence period in Ghana (1957-82) had been the ideology of economic development, that is, capitalism and socialism. However, regardless of the ideology, the state had always intervened actively in both the production and marketing of agricultural commodities. Development plans were designed mostly to respond to specific crisis situations. Not surprisingly agriculture as a whole failed to respond significantly on a sustained basis in response to these plans.

5. Slide to Economic Chaos

Ghana's economy deteriorated steadily from the early 1960s with the pace of decline accelerating in the 1970s when national income fell by around 0.5 percent annually between 1970 and 1982 with per capita income falling by over 30 percent in the same period. There were declines in production in all sectors of the economy. In agriculture, output declined at a rate of 0.3 percent per annum throughout the 1970s and in 1982 and 1983 severe drought and widespread fire damage contributed to an output decline of over 6 percent for each year

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with an equivalent fall in GDP.[11] Food production and production for export were badly hit. Food self-sufficiency ratios in relation to basic consumption requirement declined from 83 percent in 1964-66 to 71 percent in 1978-80 and then only 60 percent in 1982. With dwindling export earnings to support commercial inputs and less availability of food aid, total food availability was equal to 68 percent of estimated minimum basic calorie requirements by 1982.

The output of cocoa, which is the major source of foreign exchange and substantial source of government revenue, fell precipitously from about 400,000 tonnes in 1975 to 159,000 tonnes in 1983. This together with a sharp decline in economic activities in general led to a dramatic fall in government expenditures as total recurrent and capital expenditure fell from over 27 percent of Gross Domestic Production in 1975 to 10.1 percent in 1983. The ensuing large budgetary deficits and persistent expansion in money supply combined with declining production and import capacity generated high rates of inflation and Ghana experienced a three-digit inflation of 117 percent in 1977 and 1981 and 123 percent in 1983.

The fall in production was in large part a consequence of domestic policies but the adverse longer-term trend can be attributed in part to external factors also. Between 1970 and 1984, world prices of primary exports fell; combined with the rise in oil prices in 1973-74 and 1978-79, this led to a sharp worsening in Ghana's terms of trade which declined by around 1.1 percent per annum. However, major domestic policy short-comings remained the principal explanatory factor behind weak economic performance. The links between macro-economic policy and agricultural sector performance are particularly clear in the case of Ghana. With agriculture contributing over half of GDP, around 65 percent of export revenues and about 55 percent of labour force, macro-economic policy acquires considerable importance.

The most striking link concerns exchange rate policy. Between 1969 and 1983 the cedi depreciated in real terms by over 90 percent. This weighed heavily against domestic tradeable production that was further compounded by the high implicit taxation rates levied by successive governments on the producers of the principal export commodity, cocoa. As a result, Ghana's international market share fell from a peak of 36 percent in 1965 to around 17 percent in the early 1980s. A gulf between official and parallel exchange rates consequent upon the rapid depreciation of the cedi likewise stimulated the growth of smuggling to neighbouring countries. This trend was fueled by low producer prices which were below 50 per cent of the level sustained in neighbouring Cote d'Ivoire and Togo.

[11] *S. Commander / J. Howell / A. Wayo Seini*, Ghana: 1983-87, in: Structural Adjustment and Agriculture: Theory and Practice in Latin America and Sub-Saharan Africa, James Curry Ltd., 1989, pp. 107-126.

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The trend in exchange rate naturally led to the reduction of export earnings and thus Ghana's capacity to import. Furthermore it reduced the tax base and exacerbated the budget deficit. The diminished capacity to import was associated with rapidly falling capacity utilization and investment in domestic industry. By the early 1980s, the Ghanaian economy was thus marked by rampant inflation, abnormally low investment levels, critical shortage of foreign exchange, a highly reduced access to foreign borrowing, a fall in the production of food, minerals and manufactured goods, dislocation of the transport and communications system through lack of maintenance and unavailability of spare parts, acute shortage of consumer goods and industrial raw materials. Output from the core of agricultural sector was constrained by not only inappropriate pricing and taxation policy but also inadequate levels of public investment in the sector. Producers shifted increasingly into non-tradeable production but because of marketing constraints this was further associated with low levels of market release and high absolute price levels for basic goods. By 1983, the entire economy had slid into a chaotic state with disastrous consequences for agriculture.

6. Stabilisation and Adjustment

The shocks outlined in the preceding section interacted in the early 1980s to cause the complete collapse of Ghana's limping economy. The terms of trade fell from an average of 1.1 percent in the period 1960 to 1970 to an average of -1.3 percent between 1970 and 1983. A severe drought accompanied by widespread bush fires reduced agricultural output, and Nigeria expelled over one million Ghanaian workers. In response to this crisis, in April 1983, the government initiated a sweeping stabilization and structural adjustment programme.[12]

The first phase of the programme (1983 to 1985) dubbed the "stabilisation" phase, aimed at halting the decline in the tradeables sectors and for re-establishing the conditions for higher overall growth. The key policy changes included exchange rate and trade policy reforms that established a more realistic exchange rate; prices and incomes policy that restored producer price incentives; fiscal and monetary policies aimed at the reduction of the budget deficit to a manageable level and sector specific programmes. Exchange rate reform however, received priority and a series of devaluations were embarked upon between 1983 and 1986. This was accompanied by tighter monetary and credit control policies that helped to keep domestic inflation rates down at an annual average of between 15 to 35 percent.

Being the largest sector of the economy agriculture naturally became the target of policy intervention. It very much needed such intervention since agriculture was going through enormous problems: the most notable were inadequate and untimely supply of inputs such

[12] *Republic of Ghana*, The Economic Recovery Programme (ERP), 1983-86, Accra, Ghana.

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as fertilizer, insecticides, cutlasses etc; inadequate research and extension services; a contracting cocoa industry; severe bottlenecks in transportation and storage of farm produce and inadequate producer price structure for major crops. Animal production suffered from erratic supply of animal feed and concentrates while fish declined in supply in the domestic market due to shortage of marine engines and fishing gear. Thus, sectoral reforms gave agriculture the highest priority.

As part of the ERP, a programme for the agricultural sector: "Ghana Agricultural Policy – Action Plans and Strategies[13] (1984 – 86)" was implemented. Highlights of the plan included self-sufficiency in the production of cereals; maintenance of adequate levels of buffer stocks of grains, particularly maize and rice, to ensure availability of food during the lean season (March – July); price stability and provision of maximum food security against unforeseen crop failure and other natural hazards. The government's strategy was to emphasise maize, rice and cassava during the three-year period and increase output by increasing yields in selected high potential areas, including irrigated project areas, while encouraging production in other less endowed areas. The main thrust of agricultural policy in the first phase of the ERP was, however, the realignment of cocoa prices that was aimed principally at shifting domestic terms of trade in favour of cocoa – the main foreign exchange earner whose production went down drastically during Ghana's economic depression.

In the second phase of economic reforms (1986-88), policies aimed principally at steering the economy towards long term growth and government investment was focused on export-promoting development of infrastructure. Macro-economic policies and efficient management continued to receive priority. This was geared principally towards improvements in the structure of incentive so as to spark off and maintain a momentum of increasing production. Greater emphasis on sectoral reforms was aimed at laying the basis for reassured vigorous and efficient growth in the key sectors of agriculture, energy, industry, education and health. The financial and banking sector underwent some reforms aimed at making the sector more efficient and responsible to its role in facilitating economic activity throughout the economy.

The second phase of economic reforms emphasised increased productivity and internal price stability in the agricultural sector. The government actively promoted cereal production in pursuit of food security objectives. For example, every year the government raised the guaranteed minimum price for maize and rice, which had been in operation since the late 1960s, and subsidies of essential farm inputs such as fertilisers, machinery, and other agricultural chemicals continued, though on a reduced scale.

13 *Republic of Ghana*, Ghana Agricultural Policy – Action Plans and Strategies (1984-86), Accra, Ghana.

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Under the third phase of the adjustment process (liberalisation and growth phase), which started in 1989, the major goals included deregulation of commodity and service markets to reduce domestic price distortions, as well as liberalisation of export and import markets. Many Ghana governments had imposed restrictions on trade in order to reduce imports and improve upon the balance of payment situation. The restrictions had taken many forms including the form of higher tariffs on imports, quantitative controls and administrative regulations. Ghana's trade liberalization policy actually came into full effect when the import licensing system was abolished in 1986. The import liberalization was aimed at efficient allocation of scarce resources so as to encourage only the production of commodities over which the country has comparative advantage. The implementation of trade liberalization policy has made it possible to freely import machinery and equipment and consumer goods including food commodities without the hassle previously associated with the control regime.

The food and agricultural development strategy of the government was set out in the "Medium Term Agricultural Development Programme[14] (MTADP)". The MTADP was initiated in 1988 and put in place in 1991, under the conviction that there was a need towards a more meaningful food and agricultural policy that would consolidate the gains made so far in the agricultural sector under the Structural Adjustment Programme. The goal of the strategy was to help provide the enabling agricultural environment for the efficient production of food and agricultural raw materials at world competitive prices by encouraging the production, processing and marketing of those commodities in which Ghana has comparative advantage.

Thus, certain specific policies and strategies were addressed to enhance domestic food production and these need to be highlighted. These were in the areas of input supply and distribution; input price subsidies; production credit; producer prices; and market outlet for food crops. On input supply and distribution, it is pertinent to note that until recently the production, imports and distribution of farm inputs such as seeds, fertilizers, insecticides, fungicides, small hand tools, motorized equipment etc. were undertaken by government agencies. This policy was, however, abolished in 1990 in response to government's privatization policy in order to encourage the private sector to take over this activity and promote competition in the input market. The objective was to promote efficiency in the input market and ensure availability and timely supply of these inputs to the farmer thereby lowering cost and increase benefits to farmers. Unfortunately the response of the private sector to

[14] *Ministry of Food and Agriculture*, Medium Term Agricultural Development Programme (MTADP): An Agenda for Sustained Agricultural Growth and Development (1991-2000), PPMED, Accra, 1990.

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this policy reform has been slow and has resulted in decreased availability and high prices of purchased inputs.[15]

Among the major measures, which were applied to encourage the use of modern and improved inputs were direct and indirect subsidies. Input price subsidy has been applied worldwide as an incentive tool due to its effectiveness in influencing the adoption of new technology, resource allocation and addressing income disparity between agriculture and other economic sectors. In Ghana, the prices of all inputs and services handled by public agencies were directly subsidized until the end of 1990. The subsidized inputs included fertilizers, improved seeds, production credit as well as insecticides, fungicides, spraying machines and other simple hand tools used in cocoa cultivation. The indirect subsidies were in the form of reduced or no tariffs on all agricultural inputs including heavy machinery such as tractors and combine harvesters imported for direct use or distribution by the private sector.

The direct input subsidies were phased out over various periods that did not exceed five years and ended in 1990. The input price subsidies were abolished, partly because of its substantial financial burden on the government. The withdrawal of subsidies has been associated with a sharp rise in the prices of farm inputs especially fertilizers and a decline in the use of these inputs. On the average the prices of most agricultural chemicals used in cereal production increased in excess of 40 percent per annum between 1986 and 1992.[16] As such, many Ghanaian have advocated the restoration of the subsidy policy, arguing that such policies existed not only in several developed countries but also in some of the countries from where Ghana imports food items, thereby putting Ghanaian farmers at a considerable disadvantage in competition.

Among the essential farm inputs, the availability of production credit was conspicuously inadequate and this constrained, to a large extent, the adoption and extensive use of modern agricultural inputs in the country, particularly among the small-scale farmers who usually obtain production credit from both formal and informal financial markets but mainly from the latter. The informal credit is provided mainly by friends, relatives, traders, private money lenders and private groups through groups such as *susu* (a rotating savings and lending scheme). These are mainly short-term loans, which are used predominantly for consumption rather than for production. The interest rates have traditionally been quite

15 *C.D. Jebuni / A. Wayo Seini*, Agricultural Input Policies Under Structural Adjustment: Their Distributional Implications. Cornell Food and Nutrition Policy Programme. Working Paper No. 31, Ithaca, New York, 1992, pp.15-20.

16 *S. Asuming-Brempong*, Exchange Rate Liberalisation and Input Subsidy Removal, in: *S.A. Breth* (ed.), Issues in African Rural Development, No. 2, Winrock International Institute for Agricultural Development, 1994.

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high due partly to the high risk of granting the loans without adequate collateral and the high rate of default in payment.

The policy to provide formal credit to small-scale farmers in particular and for agricultural development in general resulted in the establishment of the Agricultural Development Bank (ADB) in the early 1960s. Besides the ADB, the commercial banks were obliged as a matter of policy to lend not less than 25 percent of their loanable funds to the agricultural sector and also at reduced interest rates. These policies were abolished in 1990. Subsequently, the interest rates for agricultural loans have been raised to levels comparable to those charged for non-agricultural loans. Agriculture is at a considerable disadvantage with respect to commercial interest rate determination due to the high risk in agricultural production, high rate of default in repayment and the high cost of administering loans to the many small-scale farmers.

The producer prices of some agricultural products received government support for several decades. Guaranteed Minimum Prices (GMP) were provided for some food crops, notably, maize and rice, which together accounted for about 5 percent of agricultural GDP. The producer price policy intervention was intended to ensure that the producers received remunerative prices and therefore, adequate incentives for increased production. The assumption was that the market failed to pay remunerative prices for the farm produce.[17] As part of the general government policy of non-interference and privatization of economic activities under the SAP and after evaluation of the price support policy, the GMP was abolished in 1990. The prices of all food crops are now determined in the open market and the prices of raw materials are determined through negotiations between the producers and the buyers.

The problem of finding outlets to dispose off the marketable surplus of small-scale farmers often serves as a disincentive to these farmers to increase their production. As part of the solution to the problem, the Ghana Food Distribution Corporation (GFDC) was established in 1971 to trade alongside the private traders, particularly in providing market outlets for farmers located at remote farming villages. However, the GFDC was unable to perform its task effectively. On the average, it handled less than 10 percent of the marketable surplus grains and less than 10 percent of other foodstuffs annually. The policy of direct public involvement in the distribution of food crops in the country also diverted attention from assisting the private traders to perform their activities efficiently and effectively. The GFDC was therefore earmarked for divestiture under policy reforms.

[17] *S. Asuming-Brempong*, Ghana's Rice Policy, in: Africa Development, vol. 14, 1989, No. 4, pp. 67-82.

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7. Era of the New Democratic Dispensation

Ghana returned to multi-party constitutional rule in January 1993 following a highly disputed general election. The vision of the government became one of making Ghana a middle income country. In 1995, the government therefore launched Ghana's Vision 2020 programme aimed at ushering the country into an era of sustained accelerated growth that will transform Ghana from a poor indebted low income country into a prosperous middle income nation by the year 2020. In line with this objective, the overall GDP was targeted to increase to an average growth rate of about 8 percent over the planned period from the average of about 5 percent over the past decade. Agriculture is expected to play a pivotal role in bringing about the intended economic transformation and its consequent positive impact on poverty reduction and accelerated improvement in the quality of life in Ghana.

Food security and poverty reduction assumed centre stage in Ghana's agricultural policy under the new democratic dispensation. Consistent with the critical role agriculture has to play in bringing about sustainable food security and poverty reduction and its overall impact on economic growth, the Ministry of Food and Agriculture (MOFA) formulated an Accelerated Agricultural Growth and Development Strategy that is expected to guide the agricultural sector in the realization of the Ghana Vision 2020 programme. This strategy is designed to increase the sector's average annual growth rate from the current 4 percent (1995–1998) to about 6 percent by 2020.[18] The strategy is consistent with two basic orientations of government: (i) reliance on the private sector to lead investment and economic growth and, (ii) devolution of significant responsibilities from central government to local government (District Assemblies).

The overall goal of the Accelerated Agricultural Growth and Development Strategy is to provide a framework within agricultural development policies and programmes can be designed and implemented. The strategy is based on the realization that Ghana's vast agricultural potential can be exploited in a systematic, cost effective and sustainable manner only if its agricultural production and distribution processes are driven by significantly improved access to domestic and foreign markets in response to changing consumer demands. One of the main focuses of the strategy is to promote access of agricultural commodities for which Ghana has comparative advantage or can develop such advantage to satisfy domestic requirements for food and raw materials and for export into regional and other international markets. This involves placing emphasis on increased productivity and price competitiveness at the production and postproduction levels.

18 *Ministry of Food and Agriculture, Republic of Ghana*, Accelerated Agricultural Growth and Development in Support of Ghana's Vision 2020, Accra, Ghana, 2001.

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The policies and programmes designed to support the achievement of the objectives of the Accelerated Agricultural Development Strategy are based on four major elements:

- Development and improved access to technology for sustainable natural resource management;
- Improved access to agricultural financial services;
- Improved rural infrastructure;
- Enhanced human resource and institutional capacity.

To be successful in promoting carefully selected agricultural commodities through improved access to markets, all operators in the agricultural production process, namely, researchers, extension workers, input suppliers, farmers, processors, exporters and the public sector responsible for the provision of support infrastructure must recognize and respect their interdependent roles in making Ghana an efficient, competitive and reliable supplier of agricultural commodities in the domestic, regional and export market.

In the new democratic dispensation, government intervention in the agricultural sector is being restrained as much as possible to the establishment of transparent political, social and legal ground rules in circumstances where private supply of goods and services remain below socially optimum levels and where market access, contractual and co-operative mechanisms fail to effectively promote and coordinate production and marketing activities. Government is increasingly directing its efforts in undertaking or supporting the provision of public goods and services that give rise to significant externalities or economies of scale. Commonly, these include the provision of access roads to farming areas, port facilities, power, water, health services, production and marketing research, quality control, market information services and any other service that will improve Ghana's competitiveness and facilitate the integration of Ghana's markets into the global markets.

Thus, policies of government under the new democratic dispensation have entrenched a liberalized market economy in Ghana. The policies have increased competition for the local production of some agricultural commodities as well as their imports. For example while domestic production of rice, which has become an important staple food, has improved significantly, observers are worried by the surge in rice imports. Indeed, rice is the most important cereal import and about half the rice consumed in Ghana each year is imported by way of commercial imports and food aid. This is significant because rice consumption in Ghana is growing rapidly, particularly among urban dwellers. Indications are that more rice has been imported since 1990 when the trade liberalization policy came into effect. For example, rice imports increased from 116 thousand metric tons in 1989 to 216 thousand metric tons in 1992, an increase of about 86 percent. The import bill for rice was over US$100 million in 2001. The heavy import of rice is making it difficult for domestic producers to compete. In fact, it has been noted that in the short run, many of the domestic producers have been unable to compete with imports coming from cheap sources, resulting

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in some enterprises slowing down or actually collapsing. This has been particularly noted in the case of rice, poultry, oil palm and cotton production.[19]

8. Lessons Learned

The implementation of agricultural sector reforms after the slide to economic chaos generated some major lessons. Reforms were supported and encouraged by the donor community. An important lesson has been the intensive collaboration between the Government of Ghana (GOG) and the donors in formulating the medium-term sectoral development strategy. This resulted in a high degree of consensus on sectoral policy and institutional reforms needed. This was, by and large instrumental in ensuring that the reforms specified in the programme were implemented effectively and with a high degree of commitment.[20] However, it is important to note that when the sale of government assets to the private sector is a conditionality for government assistance, clear guidelines for these sales have to be established and options defined in case no suitable private buyer can be found. Besides, lack of precision in project documents can lead to disagreement between the donor and the government concerning the interpretation of the terms of the conditionalities and to delays in implementation.

Another major lesson learned was from the divestiture of agricultural parastatals and market liberalization under agricultural policy reforms. These were necessary in order to provide an enabling environment for more efficient farm production and marketing through increased competition. However, these programmes need to be accompanied from the beginning by measures that actively support private sector entry. Otherwise, there is the risk that a void might be created, and the government might be pressurized to step back in and satisfy unmet demand for marketing services, thus reverting to the original status of government involvement in the agricultural sector as an operator rather than a policy maker.

9. Conclusion

It is clear from the narrative that Ghana's agricultural policies have often changed, almost drastically, in line with changes in political regimes. While policies in the colonial era were

[19] *R.O. Adutwum*, Policies and Strategies for Food Security in Ghana. A Paper Presented at a Researcher, Policy Maker, Civil Society Dialogue Workshop organised by Reseau Ghaneen of SADAOC Foundation, ISSER, University of Ghana, Legon, November, 2001, pp. 10-17.

[20] See *Ministry of Food and Agriculture, Republic of Ghana*, Accelerated Agricultural Growth and Development Strategy in Support of Ghana's Vision 2020, Accra, 2001, pp. 19-29.

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geared towards the needs for raw materials of the colonial power, Britain, the dynamism of agricultural policies in the post-independence era has been dictated mainly by the political ideology of the government in power. This perhaps accounted for the confused and unstable state in which agriculture, and indeed the entire economy, found itself by the end of the 1970s leading as it were to low production and widespread food shortages. The major lesson learnt from the chaos is that pragmatism should be the guiding principle in the development of sustainable agricultural growth. It is this pragmatism that appears to be the driving force of Ghana's agricultural policy in this new era of democratic dispensation where debate and consensus building have played a major role in shaping the future of Ghana's agriculture. That future seems to be anchored, at the moment, on comparative advantage and trade. Through trade Ghana can grow and export the commodities in which it has comparative advantage and import those it cannot grow.

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