

ABSTRACT

Challenges Facing Potential Investors in the Pineapple Industry in Ghana

by

Godfred Yeboah¹

As part of the government's export diversification program, non-traditional products have been heavily promoted in Ghana. Pineapple, papaya and mangoes in particular have received a lot of attention under the government's export diversification program and under a United States Agency for International Development (USAID) sponsored Trade and Investment Program. These efforts have resulted in an increase in the production and export of the fruits and pineapples in particular.

There is still considerable interest in the production of the fruits. However, potential investors in these enterprises have lots of questions that they cannot readily find answer. Some of these questions include: how profitable and how risky is the business? How much capital should be invested into the business and should one produce for the local market or produce for export? After the decision to export has been made one also has to answer the question of how much of the fruits should be produced and how much should be sourced from out-growers to meet export requirements.

This study focuses on pineapples and aims at providing answers to some of these vexing questions using quadratic programming (QP). Quadratic programming enables one to formulate many plans that might be difficult if not impossible to compute. The study intends to formulate plans for two representative farms: an out-grower and an exporter. Risk (price and/or yield) will be given a lot of consideration in this study, particularly how it influences profitability. The plans will be formulated using a GAMS software to obtain the optimal outputs, profits, production from own farm and quantity to be sourced from out-growers under various risk levels for the exporter. For the out-grower, optimal output, profits, capital requirement among others will be generated under different risk assumptions as well.

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Hosting Institution:

Institute of Statistical, Social and Economic Research (ISSER), *Ghana*.

For full research/trip experience read below:

Field

TRIP REPORT

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ECONOMICS OF PINEAPPLE PRODUCTION AND MARKETING IN GHANA

Background

Ghana like most developing countries in Sub-Saharan Africa rely on a few primary commodities or minerals as the main sources of government revenue and foreign exchange. Development partners and donor agencies have extolled the need for these countries to diversify their export base. As part of the export diversification process, Ghana has promoted horticultural crops and pineapples in particular. There is a ready and growing demand for the fruits especially during the winter months in Europe. Thus, governments of Ghana and its donor partners including the World Bank and USAID have heavily promoted the production and exports of horticultural crops.

The effort has paid off and pineapple has since become the most important non-traditional agricultural export crop. From a low of 2,600 metric tones (MT) in 1986, Ghana was able to export over 33,000MT in 1999, earning over 13 million dollars (GEPC). However, since 1999 export volumes have stagnated and even declined in some years.

Project objectives

The objectives of this study were twofold. 1. Having identified the potentials in pineapple as a viable export crop, it is imperative to perform economic analysis to examine the profitability of pineapple production and marketing-at the exporter level. 2. Examine a role for the pineapple industry to help stimulate growth in rural economies and in creating wealth for rural dwellers. Thus, the project objectives were to examine the profitability of pineapple production and marketing using mathematical programming and also to examine the Farmapine Model both as a cooperative marketing strategy and as a market based development approach.

Field activities

The first step in achieving the model objectives was to conduct literature search on pineapple production and marketing in Ghana. Thus, the first two weeks of the field study was spent at the libraries of the University of Ghana, Faculty of Agriculture, Agricultural Economics Department, Ministry of Food and Agriculture (MOFA), AMEX International-a U.S. based consulting firm that oversaw the implementation of the USAID export assistance program in Ghana, Technoserve-a U.S. based development partner that was working with outgrowers and World Bank Country office. Mr Armah from AMEX, Mr. Takyi of Technoserve and Mrs. Mensah in charge of the horticultural division of the World Bank were particularly helpful in the early stages. They provided a

complete picture of the pineapple landscape in Ghana and gave me names of key people to contact.

The next phase of the project involved designing separate questionnaires to administer to the outgrowers and to the exporters. During that phase, repeated contacts were made with the Ghana Export Promotion Council, Statistics department of the Ministry of Trade, Sea-freight Pineapple Exporters of Ghana (SPEG) and with the Horticultural Producers Association to collect background and statistical data on production and exports of fruits and vegetables in Ghana. Contact was also made with the Director, field specialists and the export manager of Farmapine Ghana Limited. This phase lasted for about two weeks.

The completed questionnaires were pre-tested and after some modification were administered to the relevant target groups. In all sixty outgrowers and twelve exporters were surveyed. The pre-testing and actual survey took the better of two weeks. The last two weeks of study was devoted to preparing for the seminar and continued visits with the outgrowers.

The seminar (in my opinion) was the highlight of the field study took place on October 23, ISSER conference room 21. The seminar was chaired by Dr. Nyanteng, a senior researcher at ISSER and Mr. Armah, Deputy Chief-of-Party at AMEX lead the discussion. Participants were invited from AMEX, MOFA, ISSER, Technoserve, World Bank, USAID and farmers groups. Other participants included farmers, exporters, bank representatives, Farmapine executives, directors, students, personnel and staff of ISSER, etc. The chairman in his closing remarks noted that this was one of the best-attended seminars at ISSER with very lively discussions. The mix of academicians and practitioners provided a lively forum for the discussions.

In conclusion, the field trip achieved the objective of collecting data and background information for the study on pineapple production and marketing. The participants at the seminar in particular were very interested in the study results especially the staff of Technoserve. They were interested in the recommendations from the study as they were looking forward to implementing them in their interaction with the farmers and farmers groups.

The following outlines activities and events occurring from August 20, 2002 to October 26, 2002 as part of the field research for the above named project.

August 20

Departed from U.S. Omaha to Accra via Minneapolis and Amsterdam.

August 21 Arrived in Accra, Ghana

August 26 – ISSER

Met and discussed framework for research with Professor Asenso-Okyere, Director of ISSER. Formally introduced to ISSER researchers, staff and facilities. Received access to office.

August 27 – 30 Agricultural Economics Department library

Met with faculty of the department. Reviewed literature on studies conducted on pineapple.

September 2 –3 – Amex International Inc.

Met and discussed research with Mr. Mathew Armah, Deputy Chief of Party. Granted unrestricted access to all AMEX materials and publications. Reviewed materials and studies done on pineapple by Amex.

September 4-6 – Technoserve, Ghana

Met and discussed research and the state of the pineapple industry in Ghana with Mr. Takyi Sraha, Senior Business Advisor, Pineapples. Discussed the Farmapine model in detail, especially the role of Technoserve. Reviewed materials and studies done on pineapple.

September 9-13 SPEG

Met and discussed the state of the pineapple industry especially the role of SPEG with Mr. S. Mintah, General manager of SPEG. Reviewed the data available at SPEG.

September 9-13 Ghana Export Promotion Council (GEPC)

Made a formal request for information relating to promotion activities by GEPC from Mr. Obeng, Program Officer. Directed to their Statistic Department and library for relevant information. Made repeated visits to library and the statistics department with Mr. Ofori-Anim as my contact there.

September 12 Ministry of Food and Agriculture

Reviewed information on pineapple production and marketing in Ghana. Assessed data on horticultural exports.

September 13 World Bank Country Office, Accra

Met Miss Patience Mensah, Agricultural Economist in charge of Pineapples. Had lengthy discussion with her on the Farmapine model and World Bank involvement.

Visited the library and reviewed information on World Bank support for agricultural diversification in Ghana and support for pineapple in particular.

September 16-20 Farmapine Ghana Limited (FGL)

Met and discussed research with Mr. Okine. Obtained names and contact information of leaders of cooperatives

September 16-30 Questionnaires

Met leaders of the farmers cooperatives (Fotobi, Pokrom and Odumase-Samsam) and arranged for suitable dates to visit with their members. Finished and pre-tested questionnaires to be administered to outgrowers. Administered Questionnaires to Outgrowers.

October 1 –15 Questionnaires

Met with Managing Director of FGL> Discussed the pineapple industry and the impact of FGL on the industry. Continued with administering of questionnaires to outgrowers affiliated FGL and those not affiliated with FGL. Pre-tested and administered questionnaires to the exporters.

Made repeated visits to Ministries of Trade, Finance, Food and Agriculture to pursue information on financing for non-traditional agricultural products. Made several visits to Agricultural Development Bank to obtain information on World Bank loan to FGL
Made several visits to the Bank of Ghana in pursuit of interest rate and exchange rate information.

October 17 – EDIF

Discussed how accessible EDIF funding is to non-traditional exporters especially FGL and other pineapple exporters

October 17-22

Continued with the administering of questionnaires to exporters. Started preparation for the seminar.

October 23 – ISSER

Conducted seminar at ISSER. Seminar was chaired by Dr. Nyanteng with Mr. Armah of Amex leading the discussion. Participants were invited from Amex, MOFA, ISSER, Technoserve, World Bank, and USAID. Other participants included farmers, exporters, bank representatives, etc.

October 25 Depart Accra, Ghana via Amsterdam to the US.

October 26 Arrived in the US.