

Current status of small to medium-scale local companies entering agribusiness, and the issues the African governments need to address in promoting small to medium-scale companies

BTS Amartey
President, Ghana Agri-Input Dealer Association

Introduction

- Small and Medium Agribusiness Enterprise are at the heart of the Ghanaian economy and represent about 90% of all agribusinesses.
- SMEs in the agribusiness are the key actors in the food supply chain in Ghana.
- Ghana's economy is primarily agrarian, thus SMEs in agribusiness are considered drivers of the Ghanaian economy.
- They contribute to employment creation and income generation.
- Many of the SMEs over the years have evolved to become key suppliers and service providers to large organizations.

Status of Small and Medium Agribusiness Enterprises in Ghana

- Agribusiness SMEs in Ghana can be categorized into rural and urban based enterprises.
- Rural based enterprises operate on a small scale employing less than 5 persons on the average.
- Urban based enterprises operate vary from small to medium scale operations employing in excess of 50 person.
- Goods and services include
 - Agro-inputs including; improved seeds, fertilizers, and agro-chemicals
 - Farm machinery and equipment, including; tractors, implements, knapsack spraying machines, irrigation equipment
 - Mechanization services, mainly; land preparation and shelling of maize
 - Processing of fresh fruits and vegetables
 - Distribution and marketing of both domestic and imported products
 - Transportation services

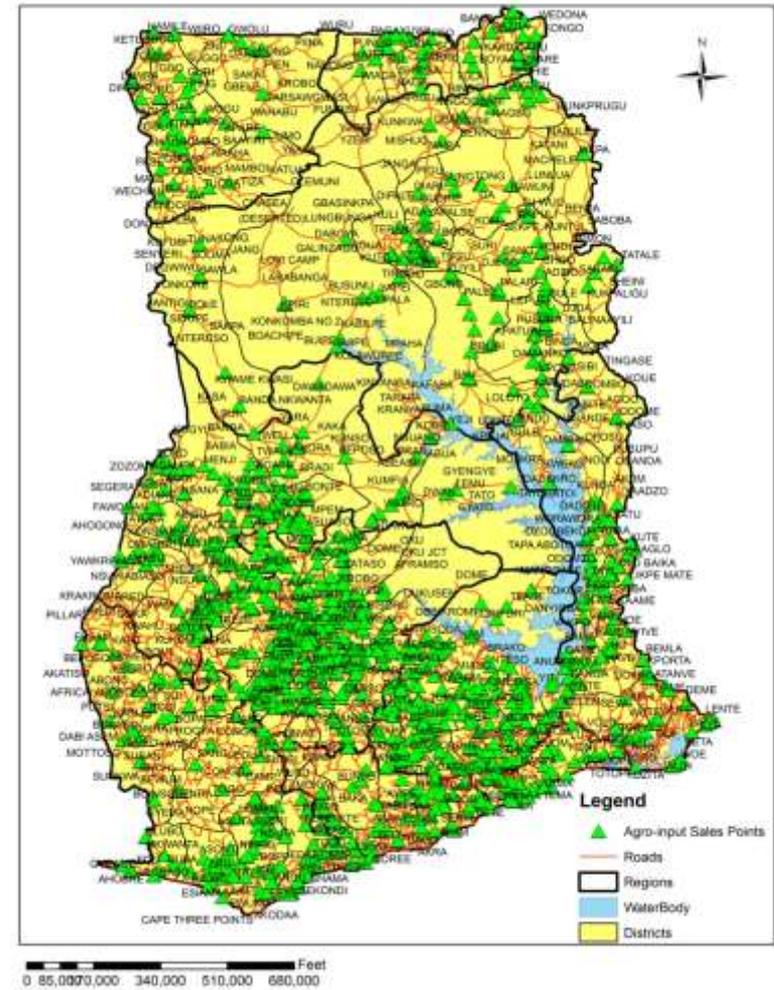
Status of Small and Medium Agribusiness Enterprises in Ghana

- Of the five services provided by Agribusiness, SMEs in Ghana have observed growth recently to different extent across the rural and urban divide.
 1. Agro-input dealers have grown over the last decade in both rural and urban communities
 2. Growth in farm machinery and equipment supply has been marginal and mainly in the urban communities
 3. Mechanization services have increased mainly in rural communities
 4. Processing of fruits and vegetables is on the rise in urban communities
 5. Distribution of imported products is increasing in both rural and urban communities

Provision of agricultural inputs – fertilizer, seeds and agro-chemicals

- We have over 3,000 agro dealer retailers, wholesalers/distributors and importers in Ghana.
- There are still areas that we do not have the presence of agro-dealers especially in the rural areas and in the Northern region in particular.
- Farmers have to travel in some cases more than 15km to access fertilizers.

AGRO-INPUT SALES POINTS IN GHANA



Business opportunities



Business opportunities

- With current support provided by the Government of Ghana and the growth observed in input supply as illustrated in the previous slides as well as the enhanced agricultural production
- There are sterling agribusiness opportunities, particularly:
 - Retailing of agro-inputs and services in farming communities
 - Services for agribusinesses and smallholder farmers
 - Processing of cereals, legumes, fruits and vegetables
 - Improved storage facilities
 - aqua culture

Services

- **Tractor services:** There is a growing demand for mechanization services including: land preparation, harvesting and post harvest
- **Business Development Service Providers:** Most of the SMEs require the services of BDS to develop bankable business plans, prepare accounts and audits.
- **Trainers:** There is demand and need for trainers due to lack of training support services (technical) for most SMEs



Processing of agricultural products

Consumer preferences are changing and the increasing demand for processed foods and “ready to eat meals” provide opportunities for;

- Processing of farm produce such as cereals (maize, rice, millet), starchy crops (yam, cassava, Sweet potato, plantain), legumes (carrots, cabbage, garden eggs, tomato), fruits (pineapple, pawpaw, banana, mango).
→ This also presents a great opportunity to increase income of smallholder farmers through the supply of high quality raw materials

Storage Facilities

- Enhanced agricultural production has provided opportunities for improved storage facilities to reduce high post-harvest losses and improve returns for farmers and processors. (There exists few storage facilities for food crops such as maize, rice etc.)
- There exist the opportunities for investments in storage facilities for inputs such as fertilizers; agro chemicals to improve the distribution of agro-inputs to smallholders

Constraints for SME in Ghana

- Lack of access to credit
- Lack of adequate infrastructure – roads, water, and electricity
- Manufacturing industries are moving into importation of finished products from outside Ghana and thus limiting the need for raw materials for processing
- Irregular supply of raw materials from farmers due to lack of structured market
- Lack of access to business information/data to forecast (eg. Demand for fertilizer for 2014)
- Lack of support services from BDS providers

Actions governments can take to further promote SME participation in agribusiness

- Road and transport: provision of roads will help transport of produce from rural areas to marketing centers and ease of transport of inputs to the farming communities (e.g. Priority in high agriculture production areas for maximum return)
- Utilities: electricity, water should be provided on regular basis
- Difficulty in accessing credit: Government should put in place credit guarantee to give comfort and risk level to the banks to enable the bank to grant credit to the SMEs
- Cost of borrowing: Bank of Ghana and the commercial banks work to reduce the interest rate

Thank you