



Investment opportunity in Ashanti Region of Ghana's Agricultural Sector (Oil Palm Cultivation)

Executive Summary

According to the 2011 Master plan study (MASDAR) report on the Oil Palm industry in Ghana, West African countries collectively produced 1.63 million Metric Tons (mt) of crude palm oil (CPO) in 2010. Oil palm processing firms in the Ashanti region have indicated that there is a significant shortfall between the demand for fresh fruit bunches (FFB) of oil palm and its supply. Projected domestic national demand for FFB grew in 2011 to 6.7 million mt while local production of only 3.7 million mt was estimated according to the 2011 MASDAR Report. Due to this shortfall in supply, local processors such as Ashanti Oil Mills Limited and Juabeng Oil Mills Limited have had to reduce their production from 15 tons of oil per hour to 2 tons.

Well aware of this gap in supply, cultivation of oil palm to feed the local and international demand presents an attractive investment opportunity. There is land available in the Ashanti Region for oil palm plantations.

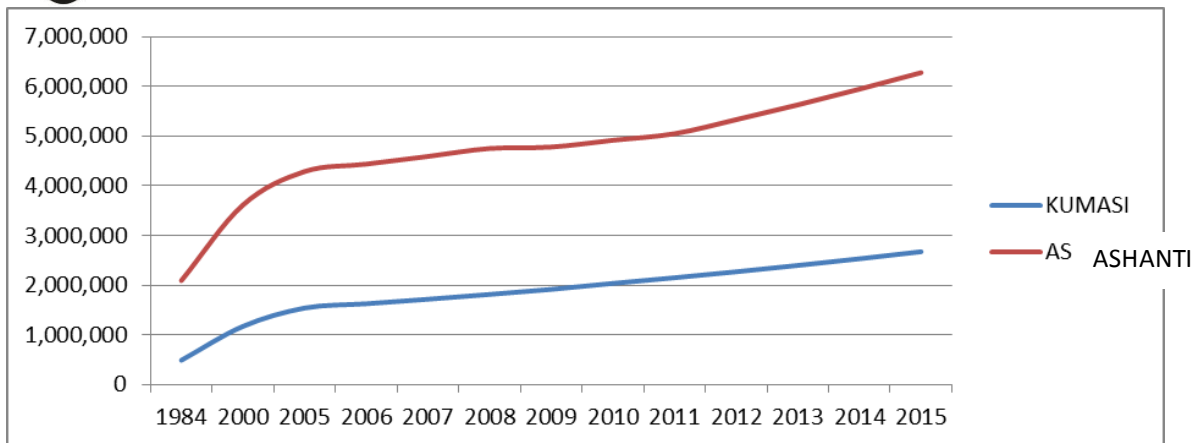
Introduction to Ashanti Region and Kumasi

With some 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous region in Ghana. The region occupies a total land area of 24,389km² (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi is located centrally in the Ashanti Region, forming an important transport and commercial hub for both domestic and international traffic. It is the key transportation link between the south and north of Ghana as well as the surrounding landlocked countries. It has a national airport with several flights a day to Accra, Tamale and Takoradi.

Kumasi's daytime population is estimated to reach 2.5million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people.

Figure I: Population Trend: The Ashanti Region and Kumasi, 1984 to 2015



Source: KMA Statistics, 2012

Kumasi's strategic geographic location makes it a brisk commercial and administrative centre, and it is often regarded as the commercial capital of Ghana, with West Africa's largest open-area market, the Kumasi Central Market. Estimated market reachable within 1 day of ground travel is approximately 12 million consumers (Ashanti region and surrounding regions, approx. half of Ghana's population).

Kumasi has already proved attractive to a number of large foreign investors. Agro-processing giant Archer Daniels Midland (ADM) has been operating a cocoa processing facility in Kumasi since July 2009. Other major players with active presence include Coca Cola and Guinness which both have bottling plants in the City. Other international companies with offices in Kumasi include Maersk, Barclays Bank, Standard Chartered Bank and Unilever, which has been operating in Ghana for over 70 years.

Ghana is divided into ten administrative regions. Each region is headed by a Regional Minister appointed by the President. The principal units of local government are the district assemblies. There are three kinds of districts in Ghana – districts, municipalities and metropolis. Between the district assemblies and the central government are the regional coordinating councils. The role of these bodies is to administer and coordinate policy implementation at the local level. Kumasi is administered by the Kumasi Metropolitan Assembly, with the Mayor serving as the city's chief executive officer. The Ashanti region as a whole is under the purview of the regional minister.

The institution of chieftaincy is very pronounced in the Ashanti region and plays a significant role in its management, especially in the area of land administration. Most land in the Ashanti is administered by the Asantehene (Ashanti King) and relatively small portions belong to the state under the administration of the Lands Commission. The Asantehene is assisted by a variety of chiefs ranging from paramount, divisional and sub chiefs, stool and clan elders who all play roles in land acquisition with the Asantehene playing the ultimate role.

Kumasi is home to numerous educational institutions, including the largest science and technology university in Ghana and in West Africa, the Kwame Nkrumah University of Science and Technology (KNUST), which has a student population of over 31,000 students comprising both undergraduate and postgraduate students.



Kumasi's location at the centre of the Ashanti Region and of Ghana, coupled with its good road network and airport, makes it the preferred trading centre for most of the surrounding regions and is an important commercial centre for West Africa. Kumasi serves as the commercial hub for the neighbouring Brong-Ahafo region, the three northernmost regions of Ghana, and parts of the Western and Eastern regions, creating a potential market of about 12 million people. An investor can access landlocked Burkina Faso, Mali and Niger with a total potential market of over 48 million people. Merchants from these landlocked countries trade at the Kumasi Central Market, West Africa's largest open air market — to the extent that a section of the market has come to be called the "French line".

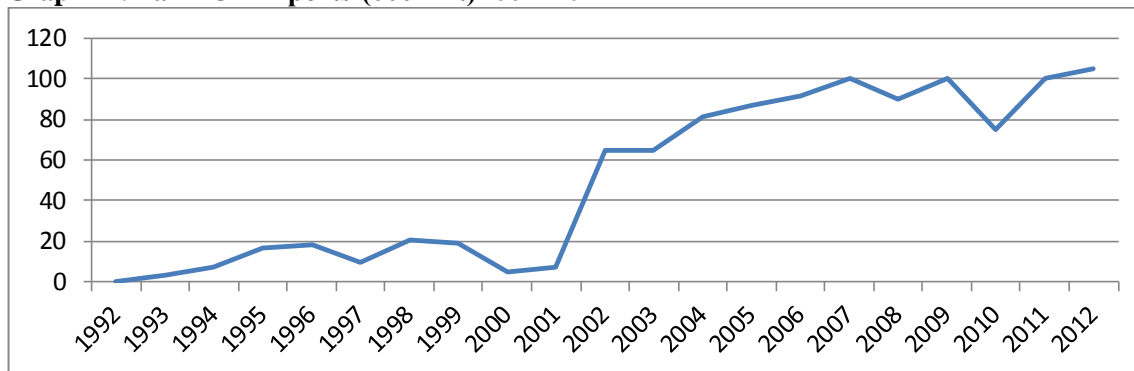
Through Ghana's membership in the Economic Community of West African Countries (ECOWAS), Kumasi potentially serves an even larger market of over 250 million people.

Market opportunity

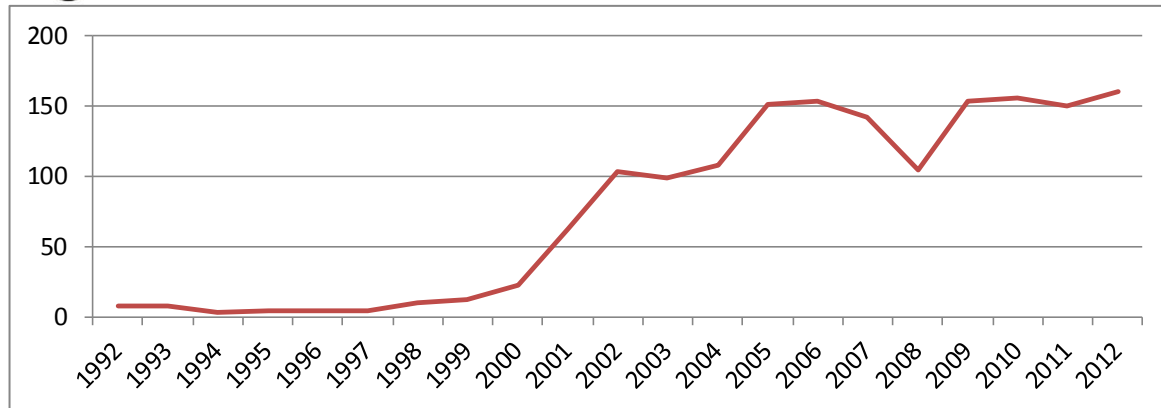
Projections for future supply and demand in Ghana indicate that there is huge export market opportunity for palm oil, particularly in West Africa where there is currently a supply gap of about 450,000 mt per annum. The Ministry of Food and Agriculture (MOFA) projects that the present deficit in the supply of Crude Palm Oil (CPO) will grow from 32,000 tons (*160,000 tons of Fresh Fruit Bunch-FFB, 8889 hectares. 35,555 direct jobs in oil palm plantations*) to 127,000 tons (*141,000 direct jobs from 564,400 hectares*) in 2014 indicating a deficit that requires to be filled.

The total area under oil palm cultivation in Ghana is 336,000 hectares with independent smallholdings producing over 1.2 million metric tons of fresh fruit bunches (FFB) and estates processing over 400,000 metric tons of FFB per year.

Graph II: Palm Oil Exports (000' mt) 1992-2012



Graph III: Ghana Palm Oil Imports (000' mt) 1992- 2012



Source : US Department of Agriculture

Out of Ghana's 336,000 hectares of oil palm, about 80% is cultivated by private small-scale farmers. Ghana currently has an unmet demand of 32,000tons of palm oil. The estimated unmet demand in the ECOWAS sub-region is 850,000tons. The large estates achieve productivity levels of between 10 – 15tons/ha. Smallholders and out growers produce between 7 – 10tons/ha while private small-scale farms produce about 3tons/ha.

Ghanaians treasure food products prepared with FFB extracts and using FFB in food variety is locally cherished. In addition to the above, the farmers in suitable areas of Ashanti for oil palm cultivation are willing to embrace and apply scientific methods, innovations for higher yields and technology to meet production demands.

It is evident that global demand of FFB is on the ascent and Ashanti can produce and export palm oil of a good quality.

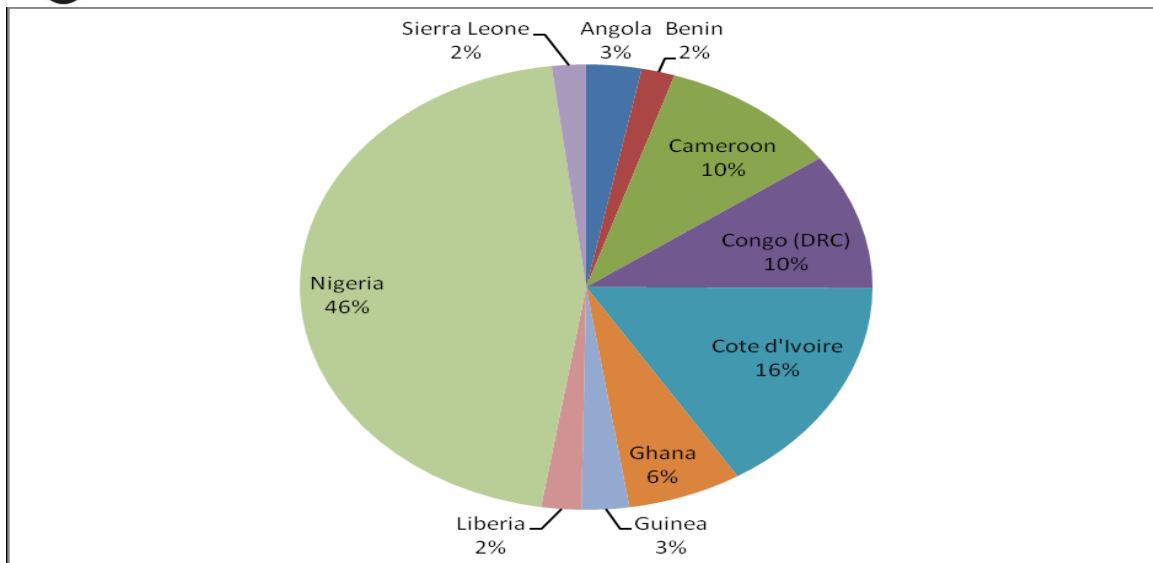
WEST AFRICA (Extracts from the MASDAR 2011 Report)

West Africa leads the continent in palm oil production in Africa with large foreign companies playing lead roles in the production. In Ghana some of the major players include in SIAT, Wilmar International and NORPALM.

Currently palm oil production on the continent is unable to meet the local demand turning most countries into net importers. In 2008, local production made up 55% of the domestic consumption of 6.3 million mt. Domestic demand is estimated to have hit 6.7 million mt in 2011 while local production of only 3.7 million mt.

West African countries collectively produced 1.63 million mt of crude palm oil in 2010.

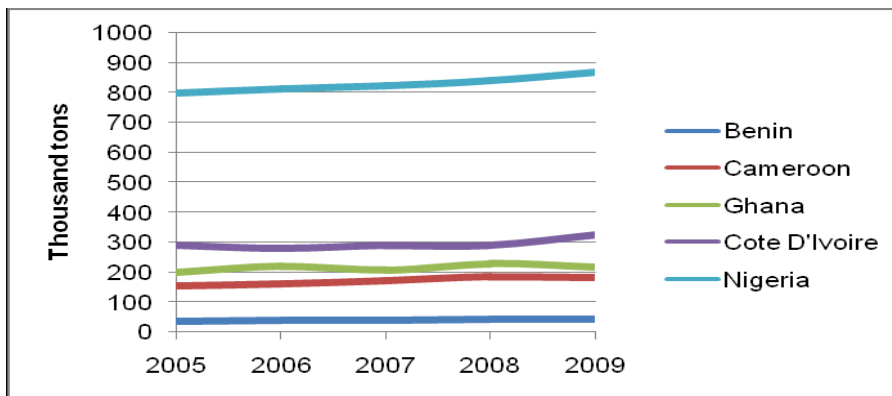
Graph IV: African Supply of Crude Palm Oil (CPO) in 2010



Source: MADAR Report, 2012

CPO produced in West Africa increased from 1.68 million mt in 2008 to 1.75 million mt in 2009.

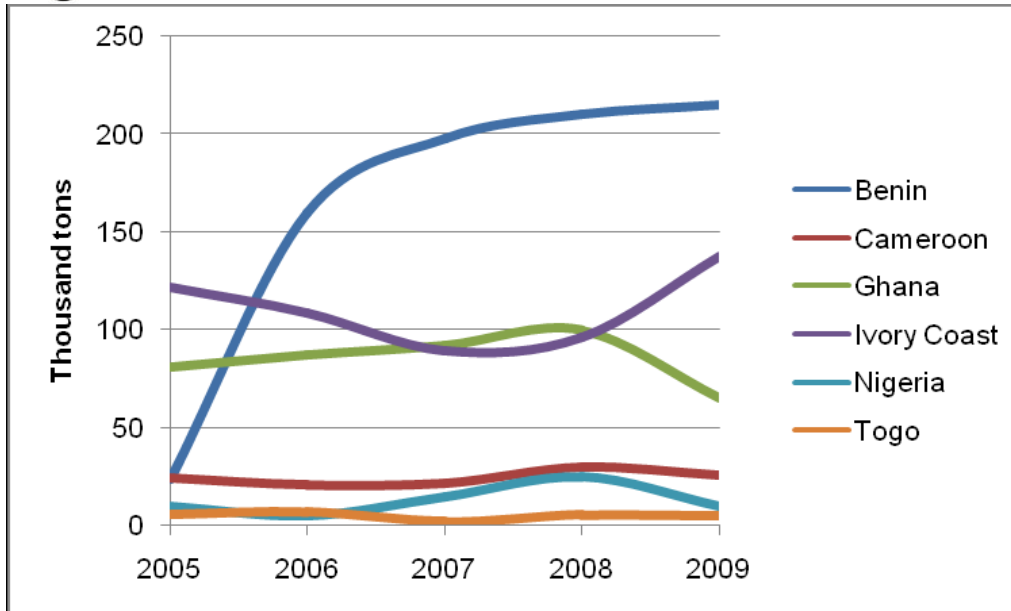
Graph V: CPO Output in West Africa ('000 mt), 2005 – 2009



Source : Oil World Annual, 2010

The largest exporter of CPO in Africa is Benin. Malaysia continues to be a major exporter of palm oil to West Africa doubling their exports from 517,000 mt in 2003 to 1.1 million mt in 2009. Among major palm oil importers in the region are Benin and Togo, which also serve as transfer hubs for the Nigerian market. Cote d'Ivoire is the only net-exporter of CPO in Africa as at 2009. The third largest exporter is Ghana.

Graph VI: Exports of CPO from Africa, ('000 mt)

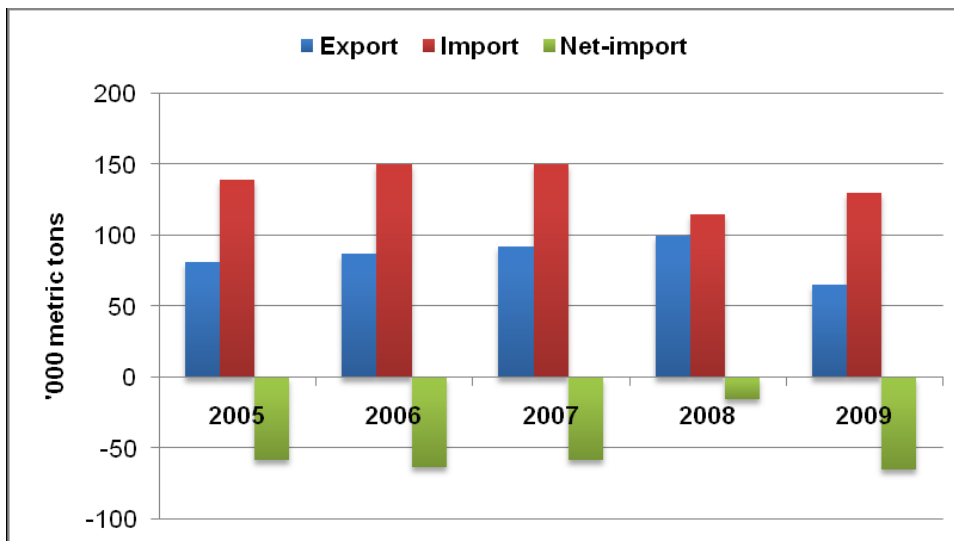


Source: MASDAR Report

GHANA

There is a substantial amount of trade in CPO between Ghana and the rest of the world. This trade is both formal and informal. Ghana has been a net-importer of palm oil each year. In 2005, the net import was estimated at 58,000 metric tons being the difference between the 81,000 tons of export and the import of 139,000 tons. 2009 saw a widening of the CPO trade gap to a five-year high of 65,000 tons.

Graph VII: Trade in CPO in Ghana, 2005 – 2009

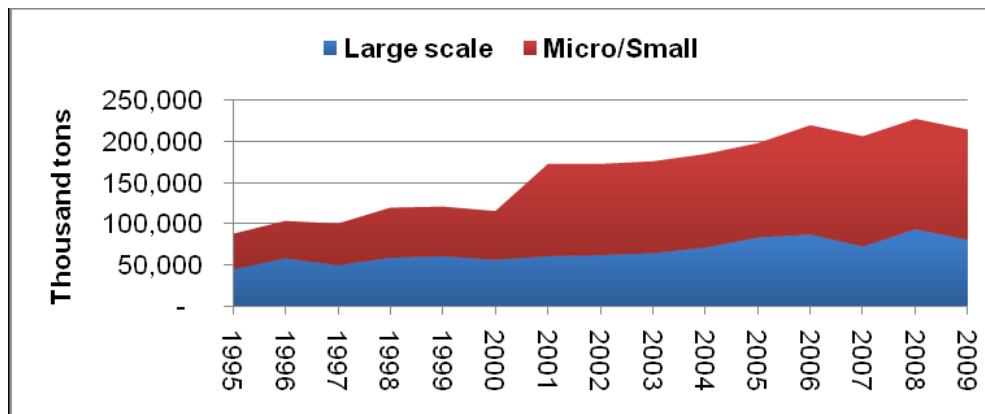




Source: 2010 ISTA Micke GmbH, Oil world

Independent smallholders with typical holdings of less than two hectares account for the major supply of FFB for palm oil production in Ghana. Over the past decade the share of small-scale palm oil production has increased while the share of the large scale estates has fallen. In 2002, the five major producers of palm oil accounted for 28 percent of the total national output, this has fallen to 19 percent by 2009. In contrast, smallholders have increased their share of the total output to 80 percent of the total CPO production.

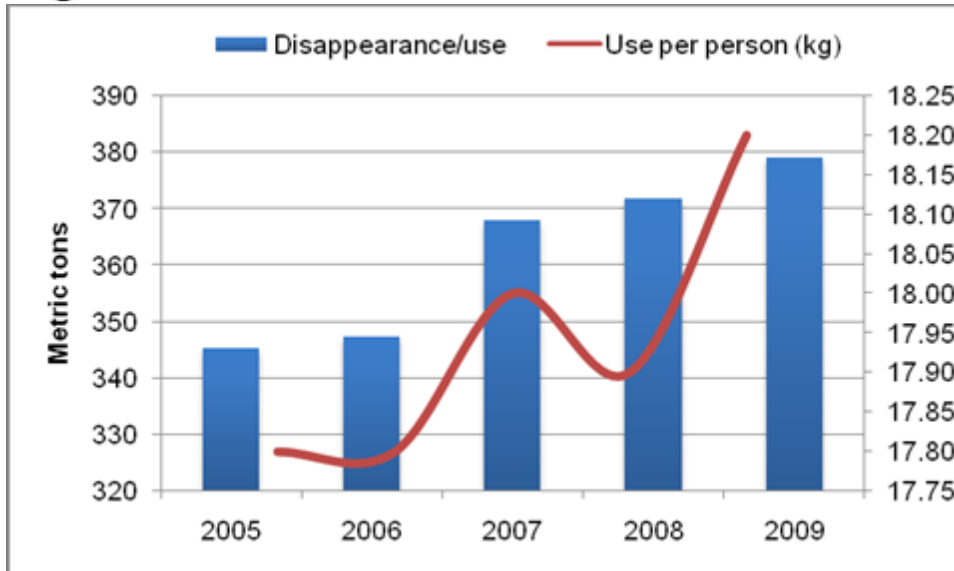
Graph VIII: Sources of Crude Palm Oil Production in Ghana, 1995 – 2009



Source: Based on data from MOFA, 2010

The consumption of CPO in Ghana is estimated at 379,000 mt. The rate of growth from 2005 to 2009 was 2.4 percent per year. Average consumption per person has also registered less than one percent change year-on-year.

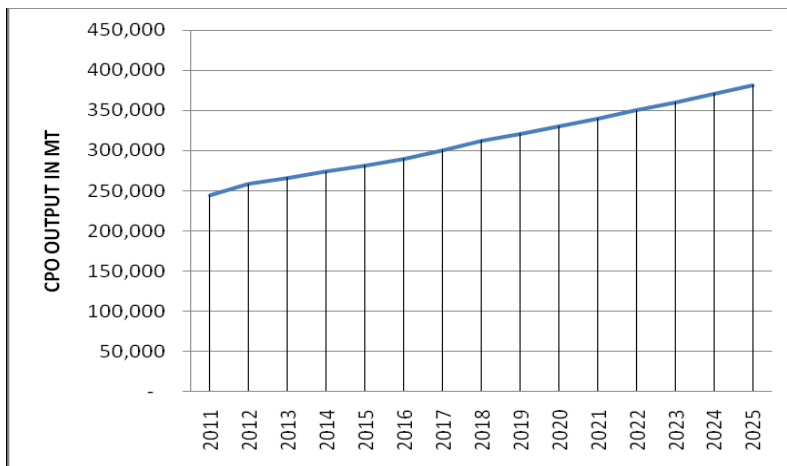
Graph IX: Demand for CPO in Ghana, 2005 – 2009



Source: Based on data from Oil World Annual, 2010

The forecast of CPO output suggests about 3% annual increase in palm oil production if the present production trend continues without any significant and rapid intervention within the next 15 years. For example, the estimated level of production of CPO in 2011 which is put at 244,335 mt will increase to 301,000mt in 2017 and 382,000 mt in 2025.

Graph X: Forecasts of CPO Supply: 2011 – 2025



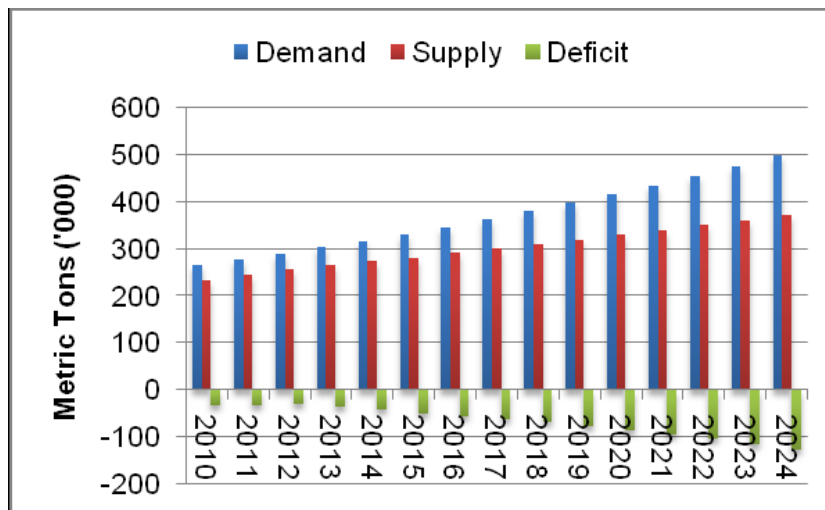
Source: MASDAR Report, 2011



Estimates indicate that the present shortfall in CPO supply will continue and even grow bigger in the future. From a projected low of 32,000 mt in 2010 it is envisaged that the deficit will hit 127,000 tons in 2024

The current supply gap for West Africa is estimated at 450,000 tons and is bound to grow at the same rate that Ghana's gap is projected if not higher- thus presenting a huge opportunity for export if Ghana increases production in excess of local demand.

Graph XI: Estimated supply gap of CPO in Ghana, 2010 – 2024



Source: MASDAR Report

Overview- Agricultural Sector In The Ashanti Region

Weather	The region experiences double maxima rainfall in a year, with peaks in May/June and October. Mean annual rainfall is between 1100 mm and 1800mm. The mean annual temperature ranges between 25.5 ⁰ c in the southern districts and 32 ⁰ c in the northern parts of the region. Humidity is high averaging about 85% in the southern districts and 65% in the northern part of the region.		
Drainage	The Rivers are: Pra, Offin, Afram, Oda, and, Lake Bosomtwe, (a meteoritic lake) of size 47.68sq km, and measures about 10km across its widest point.		
Vegetation	The southern districts are covered with moist semi-deciduous forest whilst the Guinea Savanna covers the northern part, consisting of short deciduous and fire resistant trees. Riverine forests also occur along the Afram River and streams of the savanna zone.		
Soils	Soils in Ashanti Region are mainly of two types. Forest ochrosols are found in the southern districts whilst the savanna ochrosols are confined to the northern districts. The pH and nutrient status of the soils is shown in the table below.		
	Soil	Soil pH	% Organic matter
	1. Offinso-Ejura	5.3-7.8	1.5-3.0



	2. Kwadaso-Juaso, Obuasi	4.3-7.0	1.5-3.0						
Land Use	<p>Agricultural land</p> <p>Agriculture is the dominant sector in the region's economic activities and it is endowed with abundant arable lands which support the production of cash crops such as cocoa, coffee, oil palm, citrus, cashew, mango and food crops like cassava, plantain, rice, yam, cocoyam, maize, and vegetables.</p> <table border="1"> <thead> <tr> <th>Commodity</th> <th>Metro / Municipal / District</th> </tr> </thead> <tbody> <tr> <td>Cocoa oil palm and citrus</td> <td>Atwima Mponua, Sekyere East, Amansie West, Amansie Central, Ahafo Ano North, Bosomtwe Atwima Kwanwoma, Adansi South, Adansi North, Offinso, Ejisu Juaben, Asante Akim South and Ahafo Ano South districts</td> </tr> <tr> <td>Maize and other food crops such as cassava, plantain, yam</td> <td>All</td> </tr> </tbody> </table> <p>Ejura Sekyeredumase dominates in the production of maize, yam, groundnuts and cowpea. Asante Akim North produces plantains on medium to large scale.</p> <p>Forest resource</p> <p>About 3,180 sq km representing 22.5% of Ghana's forest reserves are in the region. About 2,340 sq km (65%) of this is being exploited whilst the remaining 1,240 sq km (32%) is protected.</p> <p>Some economic tree varieties found include Wawa, Odum, Sapele and others. Lumbering activities therefore take place in almost all the districts in the region.</p>			Commodity	Metro / Municipal / District	Cocoa oil palm and citrus	Atwima Mponua, Sekyere East, Amansie West, Amansie Central, Ahafo Ano North, Bosomtwe Atwima Kwanwoma, Adansi South, Adansi North, Offinso, Ejisu Juaben, Asante Akim South and Ahafo Ano South districts	Maize and other food crops such as cassava, plantain, yam	All
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Farming systems:	<p>Mixed cropping, mono-cropping and shifting cultivation (short fallow periods, usually less than 5 years, are practiced). Tree crops such as Cocoa, oil palm, citrus and mango are grown as mono-crops in plantations. However, these plantation crops are inter-cropped with food crops during the early periods of establishment. About 77% of farmers have farm sizes below 1.2ha. Mechanized farming is practiced mainly at the Ejura Sekyedumasi, Mampong Municipality and other transitional zones.</p>								
Land Tenure System	<p>Stool, family ownership, leasehold and share cropping (Abunu & Abusa).</p>								

Source: Ministry of Food and Agriculture(www.mofa.gov.gh)

Why establish an oil palm plantation in Ashanti?

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The following factors makes areas suitable in Ashanti advantageous place for the successful production of palm oil:

1. It has a suitable climatic condition for the palm tree
2. It has available farm lands
3. It has well established oil palm processing companies which are producing under capacity because of inadequate supply of raw materials
4. It is strategically located for export market since it has the biggest market closest rather to the savannah countries and the desert lands in the West African sub sub-region.
5. It has research institutions, universities and training centers.
6. It has good road networks and means of transport both by air and land.
7. It has range of banks providing support from both the public and private institutions.

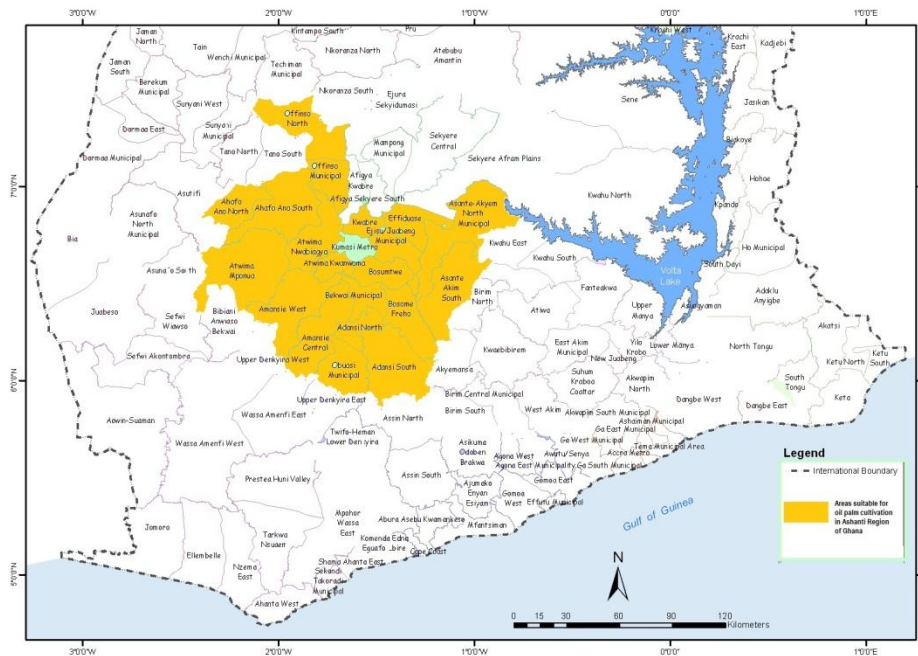
Areas suitable for oil palm cultivation in Ashanti present a positive picture in the following areas : year round heat and solar radiation, rainfall, low land leasing cost, suitable soils, labor cost, business environment, less vehicular and human traffic in Kumasi the capital city of Ashanti than the nation's Capital Accra, the presence of skilled personnel trained by Kwame Nkrumah University for Science and Technology (KNUST), Crop Research Institute of the Centre for Scientific and Industrial Research (CSIR), the Kwadaso Agricultural College and the Ejura Agric College present an enormous pool on expertise to support this industry

Severe FFB deficit experienced from July to December every year by oil palm millers is not exclusive or confined to Ashanti Region alone but stretches to cover other regions as well. In contrast, whenever there is bumper harvest, if not consumed by the oil mills in the region could easily be absorbed in the neighboring regions with ease.

Potential locations in Ashanti

Areas suitable for the oil palm cultivation include: Amansie West District, Amansie East District, Nkwawie District, Ejisu District (Figure 1). The Ghana Investment Promotion Centre (GIPC), Lands Commission and the Association Of Ghana industries (AGI) are institutions which can assist investors in the identification of lands and support services. Investment Promotion Officers of Kumasi Metropolitan Administration will arrange meetings with these organizations and accompany potential investors at meetings if asked.

Figure 1: Map of areas suitable for oil palm cultivation in Ashanti of Ghana



Source: Masdar (2011)

Investment incentives

The Agricultural Development Bank (ADB) and Rural Banks provide facilities for prospective investors. The Out grower Value Chain Fund (OVCF) established by the government and the German Development Agency KfW supports plantation establishment in the country.

There is also a ten year Corporate tax holiday for the establishment of tree crop farm such as oil palm in Ghana

Further information available

- MCI: Invest in Ghana: Focus Kumasi. March 2008
- KPMG: Kumasi, Ghana: Potential Opportunities for Investors. September 2008
- Ghana Statistical Service: 2010 Population and Housing Census Summary o Final Results. May 2012
- Ghana Investment Promotion Centre: GIPC Act 418 (1994)
- Ministry of Food and Agriculture and Masdar: Master Plan study on Oil Palm Industry in Ghana. November 202

This profile was prepared by the Kumasi Metropolitan Assembly's investment promotion office, under the auspices of the Regional Partnership for Trade and Investment in sub-Saharan Africa, a project funded by the Government of Finland and implemented by the Millennium Cities Initiative (MCI)



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