



# **APRA COUNTRY BROCHURE: GHANA (WORK STREAM 1): INCLUSIVE OIL PALM COMMERCIALISATION IN SOUTH-WESTERN GHANA**

The Agricultural Policy Research in Africa (APRA) programme of the Future Agricultures Consortium (FAC) is a six-year research initiative (2016-2022) that is working to **identify the most effective and inclusive pathways to agricultural commercialisation** that empower women, reduce rural poverty, and improve food and nutrition security in sub-Saharan Africa.

### **What is agricultural commercialisation?**

We define commercialisation as a process that occurs when farmers increasingly engage with the market, either to procure inputs and resources (such as fertiliser, seeds, hired labour, formal credit, and rented land), or to prepare and sell their produce. Commercialisation may occur through either external investment or market specialisation and farm consolidation, or a combination of the two. Commercialisation is successful if more people are 'stepping up', 'stepping out', and 'stepping in', and fewer people are 'hanging in' or 'dropping out' of productive agriculture.

### **What is APRA doing?**

APRA researchers are examining how African farmers engage with four different types of commercial agriculture (estate/plantation, medium-scale commercial agriculture, contract farming, and smallholder commercialisation) and the effects this has on the livelihoods of rural people, particularly women and young people. The aim is to help inform future policy and investment decisions to promote inclusive forms of agricultural commercialisation in sub-Saharan Africa targeting six focal countries across East, West and Southern Africa (Ethiopia, Ghana, Malawi, Nigeria, Tanzania, and Zimbabwe).

## **APRA in Ghana**

APRA is conducting quantitative and qualitative research to examine the impacts of oil palm commercialisation (OPC) models on household welfare in the Ahanta West and Mpohor districts in south-western Ghana.

### **Research objective**

This study aims to describe existing OPC models in the districts of Ahanta West and Mpohor. It will seek to discover who participates in the OPC models identified and why, and examine how participation in different models effects welfare. Of particular interest is whether the study's two focuses – participation and welfare – exhibit a gendered component and, if so, why.

### **Study questions**

- Which farmers engage with which OPC arrangements, and why?
- What poverty implications arise from participating in different OPC arrangements, and how do these outcomes differ across groups?
- What is the relationship (synergies or competition) between different OPC arrangements and resource allocations to other crops?
- Do different OPC arrangements have varying effects on other farm and non-farm enterprises?

### **Research findings**

- Using multiple welfare indicators, we find that observed OPC pathways yield differential welfares.



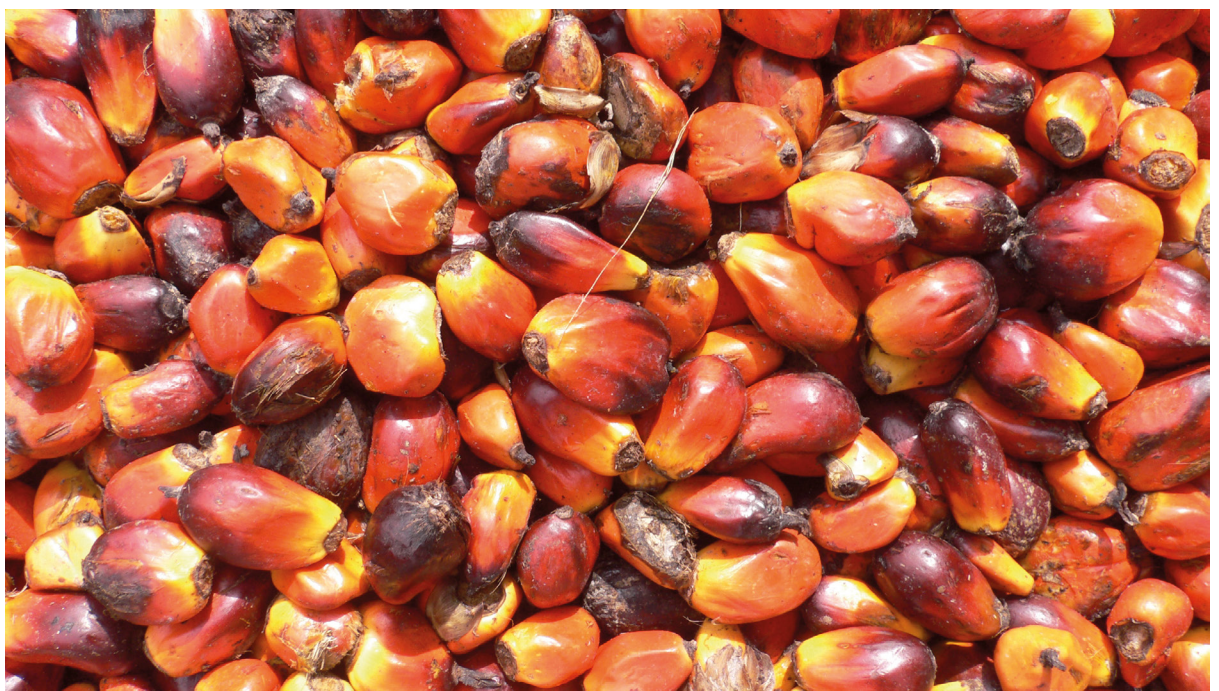
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- Considering the objective measures of welfare such as income and consumption, farmers in the 'own-processing commercialisation' pathway represent the best outcome for increasing household welfare.
  - Based on per capita income and non-land asset measures of welfare, farmers who sell to local market traders are worse-off financially.
  - Based on subjective measures of welfare such as perception about one's life circumstances, those who sell through agents are poorer because they believe they are being cheated by this marketing arrangement.
  - High return participation is enhanced by: the presence of females; having land holdings; increased production rates; the availability of working capital; access to paved roads; good proximity to an oil palm processing company; the availability of agro-services; and the availability of a processing mill within the community.
  - Formal contractual arrangements have stopped as a result of dissatisfaction regarding contract terms and a general breakdown of trust between the market participants. This is particularly the case among those using the services of agents, and this appears to be partly fuelling farmers' interest in their own oil palm processing.
- not equitably distributed across gender and generation, and are constrained by structural and institutional factors including marketing rigidities (limited ability to participate in better remunerating markets), poor land tenure arrangements, and poor hard and soft infrastructure (unavailability of associations and poor roads). The following policy options can help address some of these challenges and help promote pro-poor commercialisation:
- Put greater focus on household- and community-level agro-processing. Given that Ghana is a net importer of oil palm and that own-processing offers options to significantly increase welfare, interventions such as credit facilities – which allow communities to purchase locally-made processing machines – could be a game-changer.
  - Develop community-based mechanisation through public-private partnerships (PPPs). As the presence of a processing facility within the community is the strongest predictor of own-processing, a PPP arrangement providing an incentive for modern, community-based, mechanised processing facilities could boost processing rates and potentially enhance household welfare.
  - Develop rural infrastructure (particularly roads), as this could allow for better opportunities and more cost efficiency among those who prefer to deal with oil palm companies directly.
  - Form strong oil palm-based farmer associations (which we found to be missing in the study areas), as this could help lower the unit costs required for engaging directly with companies. Providing cooperative management training to such groups will further enhance their performance and sustainability.

### ***Policy implications***

The results of the APRA-Ghana Work Stream 1 studies clearly show that smallholder farmers are very responsive to market incentives and are willing to commit resources (land, labour and capital) to expanding their commercial agriculture enterprises as shown by their high levels of specialisation in non-food cash crop production. Yet, the rewards to such commercialisation endeavours are



**Research contacts:**

**Dr Fred Dzanku, Senior Research Fellow, Institute of Statistical, Social and Economic Research (ISSER),  
University of Ghana: [fdzanku@gmail.com](mailto:fdzanku@gmail.com)**

**For more information:**

**<https://www.future-agricultures.org/apra/>**

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The APRA Directorate is based at the Institute of Development Studies (IDS), UK ([www.ids.ac.uk](http://www.ids.ac.uk)), with regional hubs at the Centre for African Bio-Entrepreneurship (CABE), Kenya, the Institute for Poverty, Land and Agrarian Studies (PLAAS), South Africa, and the University of Ghana, Legon. It builds on more than a decade of research and policy engagement work by the Future Agricultures Consortium ([www.future-agricultures.org](http://www.future-agricultures.org)) and involves more than 100 researchers and communications professionals in Africa, UK, Sweden and USA.

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