

The Neuchâtel Initiative

Review of Experiences on Market Oriented Agricultural Advisory Services (MOAAS)

Country: Ghana

Name of intervention: Market-oriented commodity extension and value chain development

Time period under analysis: 2 years

Institutions/agencies involved: Ministry of Food and Agriculture, German Technical Cooperation, German Development Service

Project purpose: To facilitate local economic development through increasing the competitiveness of actors involved with agricultural commodities.

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Services supported:

- Rural advisory services/extension
- Technical service providers and certification
- Training
- Certification
- Organisational Development of Groups and Associations

Question 1: What are the general settings and arrangements for MOAAS?

Agricultural extension services in Ghana are mainly carried out by the Ministry of Food and Agriculture and focus on production issues. Food producers face the core problem of low productivity, combined with lack of market access, distorted market prices and inadequate provision of infrastructure. As a result, these producers are not very competitive in local, regional and export markets.

There are major challenges the current extension service faces in the promotion of agricultural value-chains: extensionists are trained in production technologies, but do not have knowledge on relevant marketing issues and linkages. Limited resources in the government's extension service also reduce its scope of action. It has only been in the cocoa sector and the few outgrower schemes (cotton, oil palm) that the producers' decisions are informed by market demand and conform to (international) standards.

The complexity of value-chain development requires integrated actions at different levels and with different stakeholders. Thus, the Market Oriented Agriculture Programme (MOAP) has been established under the Ministry of Food and Agriculture (MOFA), and supported by GTZ and DED. Its objective is:

“Agricultural producers, processors and traders increase their competitiveness on national, (sub)regional and international markets.”

The program consists of three components:

- 1) Increasing the efficiency of the public sector's agricultural development services;
- 2) Promoting value-chains in the agricultural sector;
- 3) Strengthening private-sector institutions in the agricultural sector.

These components link policy advising, institutional strengthening, and local innovation and implementation.

MOAP operates in three regions, supporting three to four commodities in each region. It establishes commodity-specific value-chain committees consisting of representatives of MOFA, the private sector, research and development partners. Committee members and other key stakeholders and resource persons, from both private and public sectors, are trained in value-chain development and coordinate activities oriented towards the improvement of selected value-chains.

For market-oriented agricultural extension to succeed, extensionists at all levels need reorientation and training. Therefore, the Ministry has been organising further training on general and specific topics related to the value-chain concept.

Question 2: Who are the clients of MOAAS?

Market-oriented agricultural extension targets relevant stakeholders in specific agricultural commodities or sub-sectors: input suppliers, producers, processors, marketers/ traders, and in a limited way, even the consumers. Investors also look for advice on viable investment opportunities, which they can now receive from the Ministry and commodity-specific private sector associations.

For improved efficiency, extension services are now focused on supporting commodity or sub-sector specific associations (e.g. Horticultural Association, Pineapple Producers and Exporters Associations, etc.). Some of the commodity groups, such as pineapple, citrus and tomato growers groups, are organised around a common market or processing facility.

Ideally these commodity and sub-sector associations are organised at community, district, or regional level, with representation under a national umbrella association. The nature of the market – whether local, regional or export; fresh or processed – determines the requirements for the producers', processors' and marketers' associations.

On behalf of their members, the executives of these associations interact and negotiate with other market players to determine the terms of quantity, quality and price of the commodity. They also advocate for relevant research through government-coordinated research and extension linkage committees.

The associations use group needs assessments to identify the services and service providers needed. Client surveys determine the level of satisfaction of all those using their services. The Market-Oriented Agriculture Programme financially and technically supports these assessments.

Some of the producer associations (e.g. FAGE, grasscutter farmers associations) are beginning to take over what had previously been the government's role in providing training, market information and advisory services to their members. The Ministry and the MOAP support this process by building capacities of key resource persons within these organisations.

Question 3: What approaches and methods are used for agricultural advisory services?

Market-oriented commodity extension principally uses the value-chain approach, which entails:

- Analysing selected commodity chains (with stakeholder involvement);
- Studies on special topics such as value addition in local, regional and export markets;
- Assessing critical points and opportunities for capturing and creating value;
- Developing and implementing intervention strategies.

Commodity associations and groups have undertaken numerous interventions with technical and financial support from MOAP through a cost-sharing arrangement.

Some of these have included:

- Developing and implementing Good Agricultural and Handling Practices, and training extensionists in these;
- Certification processes, e.g. on EUREPGAP and seed certification;
- Developing commodity strategies;
- Building the capacity of key resource persons (public and private) in the value-chain;
- Negotiating and strengthening linkages along the chain, e.g. between producers and processors or traders;
- Establishing and strengthening networks and public-private partnerships.

On a larger scale, commodity networks and commodity specific events for information sharing (e.g. Mango-week and the International Forum on Grasscutter Promotion in West Africa) provide platforms for successful upscaling of innovations and best practices.

The business environment and political conditions are also important factors that MOAP addresses by supporting policy reforms in the direction of poverty reduction and growth creation (i.e. PRSP, agricultural sector reform). An inter-ministerial trade desk is supported to develop better policies for international trade integration.

Question 4: What are the outcomes and impacts of agricultural advisory services?

Through market-oriented agricultural extension, farmers and other actors in the value-chain are expected to receive higher shares in the value-chain.

When primary producers organize, they increase their market power. Association representatives can negotiate better agreements for their members than they could achieve individually. Reaching this level of organization is a long process, but the resulting empowerment leads to higher social and economic benefits for producers.

Networks, not only of producers, but of all actors along the chain, improve availability of relevant information to their members. There are many other means for improving the availability of information, such as through establishing market information centres or conducting specific commodity studies. Increasing the availability of market information strengthens actors' capabilities to make market-oriented

decisions. This leads in many cases to positive economic impacts for producers and processors.

Even in cases where increasing market information does not lead a direct increase in the absolute financial benefit, it will still tend to stabilize prices, improving the predictability and decreasing risk in farming businesses. This was very visible in large government-supported buying or processing ventures on commodities including maize and cassava. With medium-scale processing enterprises, the stabilisation effect is quite localised and less visible. Outgrower schemes involving small and medium enterprises remain dependent on the stability of their market outlet.

Producers can reduce risk by growing crop varieties which can be sold to both the processing/export market and the fresh or local markets. In the case of a tomato factory supported by a Public-Private-Partnership Arrangement (German Cooperation), the contract farmers and other surrounding farmers benefited from the introduction of higher yielding local varieties, and the application of Good Agricultural Practices leading to higher yields.

Question 5: What is the role of development cooperation and other key stakeholders?

Development cooperation is facilitating the shift of government agencies towards international competitiveness and private sector orientation. Development agencies have a further role in capacity development at micro, meso and macro levels, and in facilitating the access to markets for a wider target group, especially the marginalised. The macro-level intervention includes lobbying within the frame of international trade agreements and regulations. At micro and meso level, many NGOs and civil society organisations, and some international development partners, support commodity groups and associations with technical and advocacy advice.

The role of the government in the market oriented commodity extension service is to:

- 1) Deliver advisory services;
- 2) Oversee service delivery by private sector providers;
- 3) Regulate services.

Presently Ghana's Government is providing matching funds (through the Extension Development Fund) to local NGOs for delivering extension services to selected districts. In those districts, the role of government has shifted to policy planning and monitoring. The farmers then set the agenda for service delivery. Farmer groups then collaborate with private sector service providers to deliver services. Service providers are encouraged to advise the farmers to meet market demand in terms of product quantity and quality.

Private production, processing and marketing enterprises share responsibility in supporting pro-poor growth. Some businesses have met this social responsibility through public-private partnerships, through which they ensure fair conditions within a specific sector. In contract farming, mutual agreements on the trading terms between producers and processors/marketers have to be checked to ensure all parties benefit fairly. To receive standardised produce, several processing and marketing enterprises (e.g. Farmapine, tomato factory) provide an extension service. The producer pays for this service, which is deducted from the product cost. Some enterprises provide extra social benefits to their contract farmers, including health

care, HIV/AIDS prevention and treatment. These social services are standard in most organic and certification programmes (e.g. EUREPGAP).

One debate concerns whether service providers should negotiate contracts with processing/marketing enterprises on behalf of farmers. Lobbying and advocacy support is clearly needed to increase information to and thus the negotiation power of marginalised groups. However, mediators should not “take over” ownership and thus reduce the development of entrepreneurship amongst farmers.

Question 6: What linkages exist between agricultural advisory services and other types of services?

For some commodities, such as cotton and palm oil, the government has representation on the boards of the processing companies and, through this, plays an advisory role.

Input dealers advise farmers on the use of agrochemicals, whilst the Ministry of Food and Agriculture controls the agrochemicals on the market.

In the road sector, the Ministry of Food and Agriculture advises the Department of Feeder roads on the priority production areas. Their capacity to do so is constrained by the insufficient quality of available production data available.

Question 7: What are the general lessons learnt in terms of e.g., good practices, obstacles, pitfalls?

Agricultural value-chains in Ghana commonly face three major challenges:

1. Despite some existing markets and market demands, there is not enough homogenous **product** available at certain times to fulfil the demand.
2. The **processing** of agricultural produce is still very limited and of low quality, partly due to low investment amounts, partly to limited knowledge. Some processors abuse the low educational level of producers in determining the prices to the disadvantage of farmers.
3. The **investment risks** in Ghana are relatively high: low security on land (for processing and production); high interest rates and limited access to medium amounts of credit (in the range of \$50 to \$500,000 US).

To overcome some of these challenges, interventions must support associations, linkages along the chain, and quality standards. Facilitating the process of contracting between producers and processors/traders stabilizes relationships and benefits. The public-private partnership model further reduces high risks in local investments.

The government invests heavily in export products including oil palm, pineapple, and mango. This strategy misses the huge potential of local and regional markets, which have lower quality and quantity requirements and therefore reduce the degree of farmer dependency on external support.