Cotton: Ghana’s subpar performance

In Ghana, cotton is referred to as the “cocoa of the north”. And yet the cotton sector’s performance has been anything but successful. By examining the recent history of the sector in Ghana and comparing it with Burkina Faso, this article review aims to provide a few keys for understanding the country’s subpar performance.

These two articles examine the recent history of the cotton sector in Ghana, comparing it with the cotton sector in Burkina Faso. Both countries introduced “reforms” in the 1990s and 2000s. Without betraying the authors, we can say that both articles conclude that Ghana has suffered from policy failure. Despite strong commitment from private companies with solid references and partners, the government lacked willpower in its support of the sector. The reforms of the ’80s caused the sector to collapse in Ghana and Nigeria, while giving a boost to the sector in other countries in the region.

In 2015, Ghanaian university lecturers B. Asinyo, C. Frimpong and E. Amankwa visited two of the country’s three cotton-growing regions and met with managers from companies operating there. From 2015 to 2016, Boafo Yax Agyeman and his seven co-authors—from Ghanaian and Japanese universities, the Economic Commission for Africa, and Burkina Faso’s Ministry of Agriculture—asked stakeholders from the cotton sector in Ghana and Burkina Faso how they thought the reforms affected six different areas: (i) input-credit systems, (ii) cotton-price determination and profit distribution, (iii) extension services, (iv) research and development, (v) regulatory systems and (vi) food security. They asked three questions: (i) What reforms were introduced in the two countries? (ii) How do stakeholders perceive their impact? (iii) Do those perceptions agree with the sector’s productivity? They received answers from representatives of cotton companies, farmers, researchers, civil servants and NGOs. In Ghana, cotton (also referred to as “cocoa of the north”) is grown in rainfed agricultural systems in the northern regions of the country (Upper East, Upper West, Northern, and part of Brong Ahafo). In the ’70s and ’80s, the textile industry employed 25,000 people (27% of jobs in the manufacturing sector). In 1968, the Cotton Development Board (CDB) was created by the government, with private companies taking over soon after. The CDB ran into difficulties when global cotton prices fell, and it was replaced in 1985 by the Ghana Cotton Company Ltd. The latter entity provided seeds, fertilizers, pesticides, tractors and extension services to farmers. In 1986, private companies appeared on the scene, and by 2000 there were 16 of them. But by 2005, only five remained. “Zoning” was found to be indispensable, but was not always complied with. Certain companies were incapable of fulfilling their obligations with regard to farmers in the zone attributed to them. Farmers receiving fertilizer and seeds on credit from one company would sell the cotton to another. The boom in production (less than 1,000t in 1985–86, 25,000t in 1996–97 and 38,000t in 1999) was thanks to government intervention in support of textile companies, but by 2010 production had fallen to 2,500t. In 2009, the government said that the revival of the sector would be a key factor in the fight against poverty in the north, especially as global prices were favourable. Zones were attributed to three international companies active in Ghana’s cocoa industry: OLAM, Armajaro and Wenco in the Upper West, North Central and Southern Central regions, respectively. But it wasn’t enough to help the sector take off again.

Asinyo et al. take stock of all the factors which, in their opinion, explain Ghana’s failure, such as: theft, exposure of the national textile industry to international competition, lack of credit, lack of R&D, dependence on Burkina Faso for seeds, the climate in the northern part of the country, the absence of farmer organisations and the “lack of regulation” (although they do not specify what should have been regulated or how it could have been done).
Agyeman et al. are more explicit in this regard by making a comparison with Burkina Faso. A major focus of their study is to reveal the insight of stakeholders from the sector in both countries on the advantages, disadvantages and errors in implementing the reforms in both countries. The opinions collected are in line with analyses by independent observers.

Regarding input-credit systems, opinion on the effects of the reforms is negative in Ghana (price, inadequacy, funding) and mixed in Burkina Faso (good supply chain, government subsidy, but cost of BT seeds). Likewise, opinion on profit distribution and prices paid to farmers is negative in Ghana (low prices, floor price not respected, lack of transparency in determining prices, absence of consultation), whereas in Burkina Faso stakeholders see delays in paying farmers as a negative point, but the guaranteed price and its determination as a positive point. Opinion is divided when it comes to extension services and R&D: negative in Ghana because of poor extension services and lack of research; positive in Burkina Faso because of improvement in the quality of training and agronomic research. Lastly, with respect to institutional and regulatory systems, stakeholders from the sector in Ghana were disappointed with the failure of zoning, lack of cooperatives and politicisation in the choice of companies, whereas stakeholders in Burkina Faso appreciated the existence of an interprofessional association (bringing together farmers and large companies) and the government’s commitment.

These two articles ultimately show that Ghana has lacked strong government intervention to organise the sector through four “obligations” that are in no way inconsistent with free enterprise:

(i) Authorising only a limited number of financially and technically sound companies (three was a good choice) that integrate the ginning of seed cotton and the trituration of seeds;
(ii)Attributing a collection zone to them that is big enough to ensure profitability (and impose heavy financial penalties for non-compliance with zoning);
(iii) Obliging them to base their relationships with farmers (whether individual farmers or groups) on compliance with specific contracts for provision of inputs (price, quality), extension services and the purchase of seed cotton (price, payment period);
(iv) Ensuring the proper functioning, without interference, of a governance body for the sector comprising representatives of companies and farmers’ unions, mainly in charge of determining sale prices for inputs and purchase prices for seed cotton on a uniform national basis (based on global prices and sales, and including government aid in the calculation).

By analogy with what is happening in the countries neighbouring Ghana, an interprofessional association for cotton would no doubt quickly address other economic issues (funding farming seasons, inter-annual smoothing fund, inputs), agronomic issues (genetics, fertilisation, pest control, transitioning to environmentally friendly practices) and a common commercial strategy for cotton produced in Ghana (fibre length, fibre cleanliness, fair trade and organic). That would be very desirable for small farmers in northern Ghana.

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