



Boosting Demand for Domestic Rice in Ghana

Main Findings and Recommendations

The prices consumers in Ghana pay for rice are higher than those in international markets. However, this does not always translate into higher prices for producers. Rice farmers are not benefiting as expected from import tariffs on rice and from the fertilizer subsidy programme. MAFAP analysis suggests that the following measures would improve prices for producers and ultimately make rice more affordable for consumers:

Measures to improve the quality of domestic rice and infrastructure

- ▶ Establishing a monitoring system, using samples from various districts, to see if producers are benefiting from fertilizer subsidy and mechanization programmes.
- ▶ Increasing investments in improved milling techniques.
- ▶ Enhancing the seed quality of domestic rice to make it more competitive with imported rice from Asia which is preferred by urban consumers.
- ▶ Expanding the share of investment on rural infrastructure, especially on storage and transport facilities.

Trade related measures

- ▶ Assessing rice trade policies to see if they are aligned with overall policy objectives for the sector.
- ▶ Increasing the efficiency of port handling by reducing bureaucracy, taxes and fees on imported rice.

SUMMARY

MAFAP analysis shows that there are substantial differences between the prices that rice producers and wholesalers receive. Until 2009, rice producers (Figure 1) received higher prices than what they would have received without existing policies and with better performing markets. In 2009, farm gate

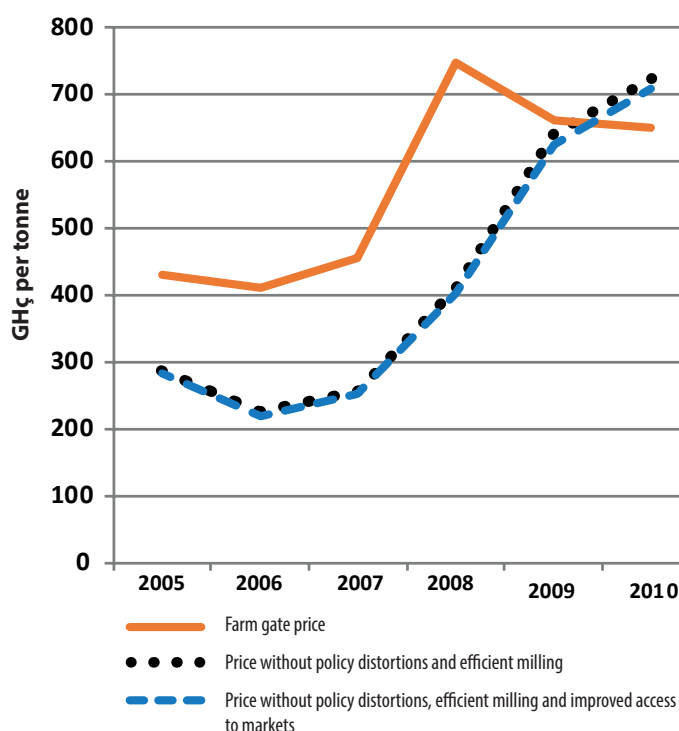
prices were aligned with international prices. However, in 2010 farm gate prices were lower than international prices. This was mainly due to high access costs, especially for transportation, between the farm gate and wholesale markets.

Rice wholesale prices are higher than what they would be without current policies and with a better functioning import market. This is mainly due to excessive port handling costs as well as taxes and fees on imported rice. Indeed, in addition to the 20 percent import tariff, there are 17.5 percent of extra costs from various taxes and fees, including VAT. Domestic rice importers only pay VAT.

Although the import tariff was lifted from 2008 to 2009, consumer rice prices did not decrease. Indeed, they remained on average 54 percent higher than international prices.

Around 70 percent of the rice consumed in Ghana is imported. Although the government has made rice a high priority crop because of its importance for food security, current policies have not made rice more affordable for consumers.

Figure 1. Producer prices of rice in Ghana (2005-2010)



KEY ISSUES

Excessive transport, storage and handling costs hinder farmers' access to markets and make the import duty aimed at protecting domestic producers less effective.

High access costs are the main reason why domestic rice producers' prices are not aligned with international prices. Wholesalers receive incentives, in addition to the 20 percent import duty, from additional taxes on imported rice and

excessive port handling costs. Figure 2 compares the cost of transporting rice from the farm gate and the border to the wholesale market in Accra. From 2005 to 2010, port charges accounted for an average of 53 percent of the total cost of transporting rice from the border to the wholesale market. Transportation and handling costs accounted for 49 percent of the total cost of transporting rice from the farm gate to the wholesale market.

Ghana's dependency on imported rice, and excessive costs and taxes on rice imports, lead to high prices for consumers. Reducing the costs of port handling, taxes and transport would make the price of imported rice more accessible.

Import duties on rice protect traders but not farmers.

Ghana temporarily suspended the 20 percent import duty on rice to make food more affordable during the 2008 - 2009 soaring food price crisis. The import duty was reinstated in November 2009. From 2005 to 2010, domestic wholesale prices were higher than the price of imported rice inclusive of the import tariff. This led to high levels of protection for wholesalers even when the duty was lifted in 2008 and 2009 (Figure 3).

On the other hand, from 2009 to 2010, the difference between international and farm gate prices was less than the import duty. This indicates that import duties do not adequately protect farmers from competition from imported products.

Irrigation schemes and subsidies for fertilizer and farm equipment help increase production. However, the high cost of imported rice has penalized consumers and increased Ghana's rice import bill.

Annual domestic production increased by an average of 16 percent between 2005 and 2010. Indeed, production has almost doubled since 2005. However, the quality of domestic rice is not comparable to the perfumed imported rice which urban consumers prefer.

Figure 2. Comparison of access costs of rice in Ghana (GH¢/tonne), 2005 - 2010

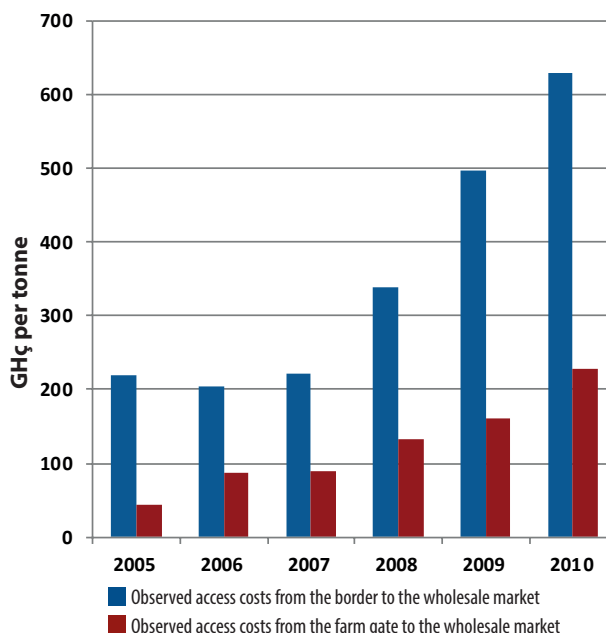
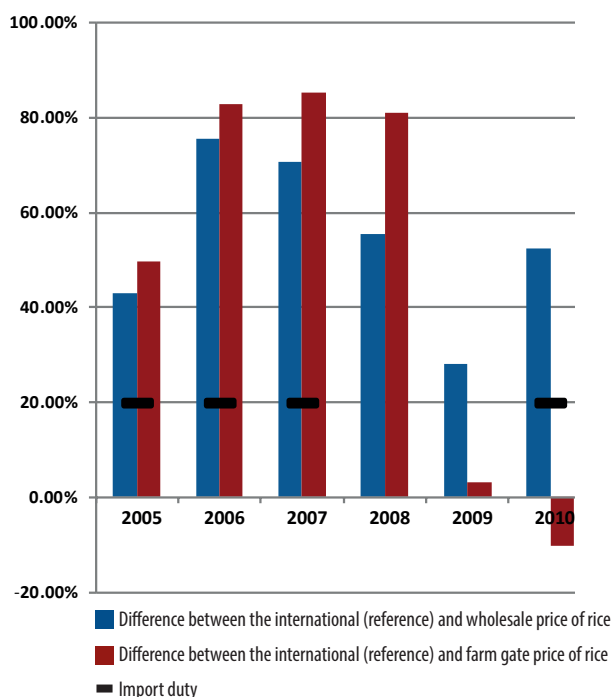


Figure 3. The import duty on rice compared to the difference between domestic and international farm gate and wholesale prices (2005 - 2010)



CONCLUSION

Steadily increasing access costs (Figure 2) have led to lower prices for rice producers when compared to international prices. Producers' prices, compared to international prices, reached an all time low in 2010. Tariffs on imported rice keep prices high for consumers and were of benefit to farmers only until 2008. Improving rural infrastructure to reduce access costs and enhancing the quality of domestic rice could lead to higher producer prices.

Further Reading

MAFAP Technical Note on Incentives and Disincentives for Rice in Ghana (2012) by Angelucci, F., Asante-Poku, A. and Anaadumba P.

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