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Linking the Poor to Domestic and Export Markets: An Analysis of Agricultural Value Chains in Sub-Saharan Africa, Ghana

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Abstract

In the last few years, great importance has been attached to agricultural value chain promotion in order to contribute to the achievement of the Millennium Development Goals. The question of how to link the poor to local and international markets is controversially discussed in the current debate on pro-poor growth.

This study investigates into selected value chains of mango, cassava and grasscutter (*Thyonomys swinderianus*) in Ghana. Agricultural production in Ghana is characterised by small-scale farming and processing. Does adding value to export and domestic commodities generate profits and employment for the poor along the value chains under review, thus making a contribution to pro-poor growth? The following hypotheses are assessed: a) processing for domestic markets generates more employment and value than the export of fresh commodities; b) price levels of domestic and export markets do not clearly favour supply for the latter; c) increasing market orientation and commercialisation improves social and food security of poor men and women, who make up for 40% of the population.

The value chain analysis of the three commodities shows that their competitiveness is limited by various inefficiencies which particularly affect the resource-poor. Governance is a crucial factor that determines the organisational degree of value chain operators and their ability to generate profits. In addition, the resource-poor face several entry barriers such as regular supply to the market, high investment and production costs as well as standards for export markets. Therefore, price levels on international markets do not justify a sole focus on export promotion, especially if costs of market entry for the resource-poor are taken into account. Poverty-oriented potentials of linking small-scale producers and processors to domestic markets are under-utilised in Ghana.

Policy recommendations derived by the study suggest that development agencies should specify pro-poor value chain promotional approaches in terms of target groups and the expected poverty impact on these groups. Without fostering necessary physical and institutional infrastructure as well as human capacities at the micro level, value chain promotion activities in development cooperation are likely not only to by-pass the poor but to widen the gap between the poor and non-poor.

Keywords: Agribusiness, Millennium Development Goals (MDG), pro-poor growth, rural development, value chains