AGM fertiliser warehouse in Ghana. Photo Credit: Justice Lee Adoboe

Covid, war, subsidy cuts: Triple fertiliser trouble for farmers

By Justice Lee Adoboe

A**S** food prices soar across the globe amid supply chain disruptions, the situation in Ghana could become dire due to difficulties farmers face accessing or buying fertilisers.

It is estimated that smallholder farmers produce more than 90 percent of the food consumed in Ghana. Including

Local staples include cassava, maize, millet, rice, millet, yams, and rice.

The country imports almost all of the fertilisers needed to boost the yields of these crops and enhance food security.

Charles Nyaaba, the executive director of the Peasant Farmers Association of Ghana (PFAG), described the fertiliser situation in the country as unstable since 2020, attributing the problem to the global supply chain disruptions due to Covid-19, the Russia-Ukraine crisis, and the shrinking government subsidies.

"Fertiliser prices have increased more than 100 percent since 2020, and that has made it difficult for most peasant farmers buy," Nyaaba said.

"The government has also reduced the subsidy component in the price of fertilisers. The decline started from 2019. The subsidy reduced from 50 percent in 2017 to 36 percent in 2020 and decreased further to 15 percent in 2022. For us in PFAG, we expected that since governments around the globe were supporting their farmers, making it possible for them to get flexible credit, and also increasing farm input subsidy, ours would also take the cue. Unfortunately, it is the reverse."

Nyaaba said some fertilizer blending companies also took advantage of the supply chain bottlenecks to produce poor quality fertilisers.

"Many farmers who bought such fertilisers do not get the desired results in crop yields," he said.

The difficulty accessing fertilisers has compelled some farmers to grow their crops without using the farm input, while others have reduced their farm sizes.

Still others Nyaaba said stopped farming altogether or switched from cultivating crops that require so much fertiliser to those that do not.

"These developments reflected on food supply for 2021 and 2022. In 2022, for instance, the supply reduced drastically for maize and rice, causing most poultry businessesc who depend on local cereal farmers to shut down or scaled down. That is the extent to which the fertilizer price hikes has impacted on peasant farmers and the general Ghanaian agriculture economy," he added.

Ghana introduced the fertiliser subsidies in 2008 in response to the global finance, food, and fuel crisis. The implementation has however been fraught with challenges, including hoarding and smuggling.
In recent years the government's flagship Planting for Food and Jobs (PfFJ) agriculture programme became the main avenue for farmers to access subsidised fertilisers.

The programme which commenced in 2017 with a seed grant of USD120 million from the Canadian government operated on five pillars: Fertilizer, Seed, Extension, E-agriculture, and Marketing.

At least 600,000 metric tons of fertilizer was provided for farmers annually under the programme.

Many Ghanaians have, however, not been impressed by the outcomes of the programme as the country experienced consistent food shortage and food price hikes over the same period.

Food inflation averaged 48.7 percent year on year in April 2023 from 26.6 percent during the same month in the previous year and has been a major contributor to ballooning inflation which hit a record 54.1 percent in December 2022.

Prince Akoto-Adipah, the CEO of Ghana Chamber of Fertilizer. Photo Credit: Justice Lee Adoboe

Farmers complained the quality was low and the price almost at par with the price on the open market. In most cases, the subsidies were delivered late, when the time for application had long passed.

Ghana's agriculture sector has the potential to consume between 1.2 million and 1.5 million metric tons of fertiliser annually.

But the core market is around 600,000 and 800,000 metric tons per year, said Prince Akoto-Adipah, Chief Executive Officer (CEO) of the Ghana Chamber of Fertiliser.

Until the establishment of the Dangote fertiliser plant in Nigeria, most landlocked neighbouring countries depended on fertilizer exports from Ghana with more than 200 local blending companies.

Though companies like Yara and EMG export legally to these neighbouring countries, the smuggled component is far higher.

Akoto-Adipah said one of the major challenges Ghana faces with access to fertiliser is the fact that there is no company doing primary production in the country.

All of them blend their products, with a few parent companies doing primary production and supplying to their Ghanaian subsidiaries such as Yara and OCP.

Ghana has toyed with the idea of establishing a fertiliser plant to utilise its offshore gas resources for fertiliser manufacturing.

With Covid-19, and closure of factories and borders, Ghana, like other countries in Africa, has felt the impact of a fertiliser shortage.

"With the [Russia-Ukraine] war, market closures, and sanctions on Russia, it means no imports can come from the two countries -- they cannot export. So the market had to adjust and those with excess capacity have to bridge the gap. So the impact has been bad," said Akoto-Adipah.

Russia and Ukraine control more than 50 percent of the phosphorous market, for instance.

The drop in supply over the period of Covid-19 and the Russia-Ukraine crisis is confirmed by market data by the American International Trade Administration, which put the value of Ghana's fertiliser imports at USD173 million in 2019, USD109 million in 2020, and USD79 million in 2021.

"Coupled with that is our inability to pay during the Covid-19 era. Due to the shortage, those who had a little to export, were taking payment upfront for their supplies, something most of the companies here could not do because government payments for their supplies had been in arrears from 2020," Akoto-Adipah said.

He said that development contributed greatly to fertilizer shortages and rising fertiliser prices on the market since suppliers also wanted to get assurances from the government before delivery to farmers.

"An already precarious situation was exacerbated by the foreign exchange volatility, with a weak local currency (Ghana Cedi) constantly plunging against all major traded international currencies in a generally challenging macroeconomic environment," he said.

The local currency depreciated cumulatively by 30.0 percent against the US dollar, in 2022, compared with 4.1 percent depreciation in 2021, according to Bank of Ghana.

Moreover, the increase in import tariffs and general charges at the port contributed to accelerating fertiliser import price hikes.

"If you were able to import at a particular price, you needed to ensure that you would be able to recoup the total cost, and make some margins such that you could buy again when you return to the market in the next two or three months. This also compelled suppliers to constantly increase prices, making the situation unbearable for farmers," Akoto-Adipah said.