



Despite a large and growing output of tomatoes in Ghana, the manufacturing industry has been unable to leverage the crop, leaving the industrial sector import-burdened to the detriment of local agricultural producers.

"Northern Star Tomato factory to close down." This is just one of the recent headlines in the local media about the fate of the government-owned factory.

The processing plant, based in Pwalugu, a small town in Ghana's Upper East region, has in the last couple of years repeatedly proved unable to function efficiently due, shockingly, to an inadequate supply of its main raw material - tomatoes.

### **In the beginning...**

Northern Star has had a slightly convoluted ownership past. Formerly Pwalugu Tomato Factory, it was one of the three state-owned tomato processing plants set up in the 1960s as part of Ghana's first President Kwame Nkrumah's development plan for the country. The other two processing factories set up in Pwalugu were the GIHOC Tomato Cannery (TOMCAN) in Wenchi in the Brong Ahafo region, and the GIHOC Cannery in Nsawam, a town near Accra.

After the IMF and World Bank-led Structural Adjustment Programmes (SAP) of the 1980s, the government was forced to sell or privatise most of its corporations.

The Pwalugu Tomato Factory somehow managed to remain under state control, which led to more years of atrophy and eventually complete closure.

However, when the tomato processing companies shut down, as part of the conditionality set by the multilaterals, the Ghanaian government abolished import quotas in 1992. This increased competition from foreign tomato processing firms.

Their products were much more competitive because European foodstuffs are highly subsidised, to the tune of €250 million a year.

In 2006, the Ministry of Trade and Industry announced a policy hinged on promoting equitable regional development that envisaged at least one manufacturing plant in each Ghanaian district.

As such, a small local company, Northern Star, bought the tomato plant to strengthen its partnership with Italian food processing and packaging company, Trusty Foods.

However, operations turned sour and the plant closed down again a year later, despite significant investment in equipment and machinery and land for tomato growing. In 2010, the plant reopened with a new investor but seemed beset by the same troubles it ran into previously, threatening closure for the third time.

### **Dam, that helps**

Tomato farming is predominantly undertaken in northern Ghana, around the surrounding areas of Bolgatanga. As it was (and continues to be) one of the poorest regions in the country, in 1975 the Acheampong military government began constructing the Tono irrigation dam in the Upper East region to encourage farmers to produce food and cash crops.

According to Accra-based non-governmental organisation Third World Network in an April 2006 study, carried out in collaboration with the International Fund for Agriculture Development (IFAD), the Tono dam is one of the biggest agricultural dams in West Africa.

It covers 3,600 hectares and provides 2,400 hectares of irrigated land for cultivation. The dam has greatly benefited small scale farmers in the region as it enables them to farm all year round. The tomato is a key northern crop, identified in the study as being more profitable than rice, maize and groundnuts.

### **More to be done**

Ghana seems increasingly incapable of producing canned tomato products. The finger pointing flies in many directions, but lack of farmer incentives get the most blame.

One problem, which the Tono dam was built to mitigate, is the seasonal nature of the tomato

crop. Large quantities of tomatoes are produced between November and March but, once the season is over, cultivation of tomatoes is significantly scaled back, especially in areas outside the radius of the dam and other water sources. This makes the input for canneries unreliable and forces them to rely on imports to fill any gaps.

Another issue has to do with quality and lack of storage facilities. The processing factories often reject tomatoes that they feel are unsuitable for processing and, because there is no proper storage system, surplus tomatoes are left to rot. Moreover, Northern Star, for example, was infamous for having an insufficient number of tomato crates and inadequate transport to move them from the farm to the processing plant. This again discourages large-scale production.

Although the practice is on the rise in many regions of Ghana, not all tomato farmers are organised into cooperatives, and even when these exist, they lack the bargaining power to negotiate off-take contracts. Prior to most of them being privatised or shut down, the processing factories engaged some farmers to provide tomatoes at a contracted price.

However, even this caused problems in the larger cities because, according to research by ICCO, a faith-based development organisation, the presence of the factories undermined the bargaining power of the Accra women traders. Known as 'market queens', they also bought tomatoes directly from farmers but could only transact with those who were not tied to contracts with the factories.

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Farmers may feel more secure knowing that there is a contractual agreement for the sale of most of their goods, but there still tends to be a dispute around the purchase price.

Tomato farmers have a ready market in the 'market queens' who are willing to buy the tomatoes at a higher price than that typically offered by factory management.

Differentials between the factory-offered price and market prices can be as much as 300%. There is usually a fixed price set by the government but farmers complain that factory management sometimes renegotiate prices that fall below the set rate. Plant managers, however, defend the need to renegotiate in the event of inferior quality produce.

The 'market queens' are said to now bypass the local market altogether because of this and go as far as neighbouring Burkina Faso to buy tomatoes. This has also added to the woes of local farmers, especially in the northern regions.

### **There shall be consequences**

All these disputes affect the retail market downstream. Today, Ghana is flooded with different brands of foreign tomato products. BBC News estimates that Ghana imports more than 10,000 tonnes of tomato puree and canned tomatoes from the EU annually. Even though 6,960 tonnes of tomato is harvested in the Upper East region every year, in addition to European imports, Ghana also depends on tomatoes from Burkina Faso to the tune of more than 6,500 tonnes in order to meet local demand.

Tema-based Trusty Foods, unable to revamp the Northern Star cannery, now relies heavily on bulk tomato paste imports. Only 7% of its tomato-based inputs come from Ghana.

Originally, Trusty Foods had a contract with Northern Star to receive bulk tomato paste, which it would then process further and package for the retail market. However, industry problems rendered this arrangement untenable and the company had to find alternative sources for its tomato inputs. Given that Trusty Foods is a European company and that the industry is subsidised by \$250 million a year there, the shift to a European supplier is not so far-fetched.

### **Where do we go from here?**

The government and Northern Star's management should consider acquiring and harvesting from their own farmland to supplement whatever they get from local farmers. In this way, the government can also introduce preservation methods and equipment, as well as improve irrigation.

According to the Ministry of Trade and Industry, there are efforts being made to save the Northern Star processing factory from collapse. Some of these measures include further improvements in productivity in northern Ghana, along the lines of the results seen from Tono dam, so production can be prolonged beyond the standard three-month processing period.

There is also a proposal to establish a joint tomato enterprise between Ghana and Burkina Faso. Part of the plan would be to establish value chain actors, while registering small-scale farmers in both countries who would be able to supply Northern Star with raw produce for processing. A Memorandum of Understanding is set to be signed by all the parties involved.

All this sounds familiar but hopefully this time around it is not just government rhetoric. It is expected that the government will implement whatever revival strategy is agreed. Either way, the consequences for agribusiness will be significant. Success must be the only option.

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