



Encouraging non-farm work to increase agricultural commercialization in Ghana

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Key messages

- **Agricultural policies should include measures to promote non-farm work to both increase agricultural market participation and commercialization.**
 - For example, increasing farmers' access to financial capital, education and infrastructure.
- **Agricultural policies should seek to increase access to productivity-enhancing inputs (such as chemical fertilizer and improved seeds), especially in northern Ghana.**
- **Farmers who engage in non-farm work have a higher likelihood of selling their agricultural products and in greater quantities.**

Poverty in Ghana: rural agricultural households overrepresented

Poverty in Ghana is generally a rural phenomenon. 37.9% of rural households are poor, compared to 10.6% of urban households. Furthermore, 78% of national poverty is in rural areas.

Over 90% of these rural households depend on agriculture. However, the long dry season – especially in northern Ghana – means that farms lay idle for about seven months per year.

Policy measures aiming to lift these rural households out of poverty concentrate on promoting agricultural development, especially through enhancing market integration. These policies are based on the premise that if rural households produce and find markets for their goods, their liquidity would improve.

The rural non-farm economy had developed quickly over recent years. Non-farm employment for members of farm households during the long dry season has been identified as a way for the rural poor to diversify their incomes and have a positive effect on the farm sector.

Little evidence to support Ghana's agricultural policy

Ghana's Food and Agriculture Development Policy (FASDEP II) sets out strategies to both increase farmer participation in markets (i.e. commercialization), and promote non-farm employment.

However, there is little evidence to support these policies. In particular, evidence on the linkage between farm and non-farm activity from the perspectives of market participation and agricultural commercialization is lacking.



The analysis

A team of local researchers sought to establish 1) Whether non-farm engagement by farm households promotes the sales of their produce, and 2) How non-farm engagement influences the quantity of produce sold (i.e. level of commercialization).

The team analyzed data from the Ghana Living Standards Survey 6 (GLSS6) collected in 2012-2013. Considering five crops: maize, rice, groundnut, beans, and sorghum, the research team used impact evaluation approaches to estimate the impact of non-farm engagement on agriculture.

The GLSS6 dataset is one of the richest and most important datasets on Ghana as it presents comprehensive, reliable and up-to-date statistics and indicators to monitor and evaluate the impact of development policies and programs on the living conditions of Ghanaians.

Key findings

The results indicate that **non-farm engagement improves agricultural market participation and commercialization by increasing the probability of selling crops, and the quantities sold**, respectively. Specifically:

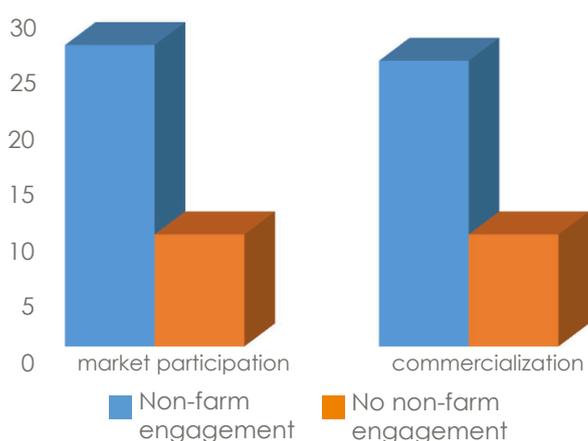
- Non-farm engagement increases the probability of selling crops by 16.9%
- Non-farm engagement increases the quantity of crops sold by 15.5%

Commercialization is found to vary across ecological zones and household localities.

- Farmers from the forest zone commercialize more than those from either the forest and coastal zone or the savannah.
- More specifically, farmers from rural forest and coastal zones (southern Ghana) commercialize more than farms from rural savannah zones (northern Ghana).
- Additionally, farmers from urban savannah zones commercialize more than those from urban forest and coastal zones.

The farmers who are most likely to engage in non-farm activities were found to have high education levels, access to public transport and own bank accounts.

Effect of non-farm engagement on market participation and commercialization (%)



Source: GLSS6 Dataset

Conclusions and policy messages

The research team concludes that **non-farm engagement by farmers encourages market participation and increased commercialization in Ghana**. Creating conditions that would encourage farmers' participation in non-farm activities would therefore help to develop the subsistence farm sector into a commercialized one.

While government policies indicate the importance of both commercialization and non-farm engagement, measures to achieve these are often implemented to run in parallel.

To improve commercialization and maximize the impact of agricultural policies, the team recommends:

Revising existing agricultural policies – such as Planting for Food and Jobs (2017-2022) and the Medium-Term Agriculture Sector Investment Plan (METASIP) III (2018-2021) – **to simultaneously tackle commercialization and non-farm work**.

- As these particular policies focus on increasing productivity and commercialization, promotion for non-farm work should be added.
- Measures to improve farmers' access to financial capital, education and infrastructure can encourage non-farm work as part of these policies.

That **efforts to encourage non-farm work alongside agricultural commercialization should be integrated into new policies**.

- For example, the upcoming One District, One Factory (1D1F) policy offers an excellent opportunity to provide seasonal non-farm work for farm households.

Designing policies that are adapted to different localities and ecological zones.

- For example, the government's National Food Buffer Stock Company should be more active in providing guaranteed prices in northern Ghana (where prices are generally lower and less is sold than in southern Ghana) to encourage commercialization.
- Creating vantage input centres in rural areas (particularly in northern Ghana) can improve access to productivity-enhancing inputs, such as chemical fertilizer and improved seeds.