

Plantation, outgrower and medium-scale commercial farming in Ghana: Which model provides better prospects for local development?

Key messages for policymakers

1. Different agricultural commercialisation models produce different local development benefits.
2. African governments are making important policy choices in their quest to modernise agriculture, with some promoting large-scale farming on plantations while others promote small- or medium-scale commercial farming.
3. This study examined three agricultural modernisation models in three areas of Ghana: plantation, outgrower and medium-scale commercial farming.
4. Each has different implications for land, labour, employment, local economic linkages, food security and livelihood outcomes.
5. This study was part of a project called Land and Agricultural Commercialisation in Africa (LACA), jointly funded by the Department for International Development (DFID, UK) and Economic and Social Research Council (ESRC, UK) under Institutional Arrangements in Land Deals in Africa: Local Impacts of Global Resource Scarcity. This project explored the comparative outcomes of different farming models across Ghana, Kenya and Zambia.
6. The study drew on a mixed methods approach comprising in-depth interviews with various stakeholders; a household survey including those involved in our case studies (as workers, outgrowers and independent farmers) as well as others; in-depth life histories; and mapping of local economic linkages.
7. The impacts of different agricultural commercialisation models are complex and policymakers need to understand their differential socio-economic processes and outcomes.
8. The same agricultural commercialisation model can generate different outcomes

due to spatial and other socio-economic and cultural reasons.

Main findings

1. The plantation and commercial models resulted in more land concentration while the outgrower model produced the least.
2. In terms of employment, the plantation and outgrower models employed more workers than the commercial model but the latter had better-paid workers at the lower level of employment.
3. Although workers in the outgrower model were paid less, there were no significant gender differences in wages received by men and women. The other two models paid male workers much more than female workers.
4. Food security is better in the outgrower area than in the plantation and commercial farming areas.

Introduction

There has been a sustained push for agricultural commercialisation in developing countries. In Africa, this has been pursued in different ways over time.

During the colonial era, most governments believed that **plantations** were the best model for bringing about rapid modernisation of agriculture. However, in Ghana, the plantation model gained more prominence during the post-independence era when state-owned farms were established in all agro-ecological zones. State authorities argued at the time that plantations have merits transcending economies

of scale: they are technology hubs for innovation diffusion, and bring marketing benefits, greater productivity and higher output (Collier and Dercon 2009; Epale 1985).

However, these assumptions have been criticised and contradicted by research (see Gyasi 1992). Plantations have been shown to disrupt local land relations, be environmentally destructive and sometimes constitute enclaves with few linkages into the surrounding local economy, thereby impoverishing local populations (Brass and Bernstein 1992; Kirk 1987). This is irrespective of whether plantations are state owned or privately owned.

Experiments with the **outgrower** model in the 1970s brought many small farmers into global value chains. Outgrowing also attracted criticism because of its selectivity and also its tendency to alienate lands from poor farmers (see Behrman et al. 2012; McMichael 2008). Nevertheless, this model has recently been touted by the UN Food and Agriculture Organization (Ouma et al. 2013; De Schutter 2011) as a 'win-win' solution and the best model for commercialisation that can improve productivity, enable inclusive development and avoid land displacement. According to this thinking, outgrower schemes can be carefully crafted to avoid repeating the mistakes of the past, such as monopsonistic tendencies and the hijacking of projects by men (Tiffen 1995; Watts 1994).

A third but less common model is the **medium-scale commercial** model, in which farmers colonise a single geographical location and grow the same commercial crop or range of crops. This may happen due to state planning and support or may emerge organically. This model represents a capitalist model of farming

on a scale which falls between the large plantation and smallholder outgrowers. While individual holdings may be modest in comparison to plantations, when medium-scale farmers dominate an area their cumulative impact on the local economy may be as significant as a large plantation. This model privileges an accumulating class, sometimes the local elite, and its expansion may lead to the decline of peasant or smallholder family farming.

The post-1980 commercialisation drive in Ghana was based on the pursuit of market efficiency guided by the tenets of neoliberal ideology. The logic of absorbing peasants into the modern large-farm system pervades contemporary discourses in Ghana, justifying large-scale land acquisitions.

Agriculture in Ghana is still predominantly small scale, with access to land mainly through customary systems (Tsikata and Yaro 2013). Therefore, any commercialisation model introduced into this landscape is bound to alter production systems, landholding arrangements and the distribution of benefit streams. Our study investigated the resultant changes in the agrarian systems and their implications for land, labour, employment, food security and local economic linkages.

Description of cases

We conducted three detailed case studies: Norpalm, which operates on a plantation model; Blue Skies, which operates on an outgrower model; and the mango farmers of Somanya, who represent a medium-scale commercialisation model.

Plantation:

Norpalm Ghana Limited has a 4,500ha plantation located in the heart of the rainforest in Pretsea, Western Region. The company was incorporated in 1998 following the government's divestiture of the state-owned National Oil Palms Limited. Norpalm is majority owned by a Norwegian company, Norpalm ASA. The company has its own mill, which processes an average of 70,000t of fresh fruit bunches of oil palm per year.

Outgrowers:

Blue Skies Company Limited was established in 1998 in the Free Zone export enclave at Doboro near Nsawam, Eastern Region. It is owned by two British individuals (50 and 40 percent respectively) and a Ghanaian (10 percent). The factory processes pineapple, mango, papaya, coconut and passion fruit for export, mainly to European markets. It relies on several outgrower farms with landholdings ranging from 1ha to 250ha. It operates a flexible supply contract system with prices fixed annually by the company.

Commercial farms:

The commercial mango industry in Somanya began in 1997 when the Adventist Development and Relief Agency (ADRA), with the assistance of the United States Agency for International Development (USAID), assisted farmers to modernise mango production as a poverty reduction strategy in the Yilo Krobo District. Urban-based businesspeople and civil servants subsequently established farms in the area. Currently there are more than 120 mango farmers in Somanya with medium to large farm sizes mostly ranging between 20ha and 200ha.



Figure 1: Map of Ghana indicating locations of the three case studies

Impacts on land

Many past studies have found that plantations result in land concentration and disrupt the livelihoods of local people, while the outgrower model is less disruptive of land relations and livelihoods (Smalley 2013).

Our study shows that:

1. The number of households with no access to land is highest in the commercial farming area, followed by the plantation area, and lowest in the outgrower area.
2. The commercial farming area has the highest inequality in land ownership, as domestic investors have crowded out local farmers by purchasing lands hitherto used by these groups.
3. Farm households in the outgrower area have larger farm sizes than those in the commercial farming area, while those in the plantation area have the smallest.



Figure 1: Norpalm plantation

4. Traditional land tenure systems such as sharecropping have declined more in the plantation and commercial farming areas than in the outgrower area.
5. There is a commodification of land as rental and leasing systems facilitate the commercial farm sector.
6. In all model areas, poorer farmers lease out their lands to the richer ones, thereby retaining less land for their own production and generational transmission.
7. Land prices are on the rise, with the most rapid increases in the commercial farming area. This has resulted in poorer farmers, especially women, abandoning their farms to take wage work on bigger farms or quit farming completely.

8. The plantation and commercial farming areas have highly commercialised land relations due to land scarcity and high prices, compared to the outgrower area where traditional systems of accessing land still exist.

Employment and labour relations

The employment outcomes of the three models have been distinguished by the availability of a processing plant, as these generate lots of employment in proportion to output. Our outgrower case employed 2,013 workers while the Norpalm plantation employed 1,864. In both cases the majority of these workers were casuals.

Our study shows that:

1. The plantation and outgrower models generate more employment than the commercial farming model, but significant proportions of the employees in the two models are casuals.
2. Wages are generally higher for permanent workers in plantation and outgrower scheme factories, while casual workers in the commercial farming area earn higher than their counterparts in the other models.
3. Hired migrant labour has been used extensively in all three models, with the commercial farming area employing both Ghanaian and other West African migrants.
4. Family labour has not been as prominent due to outmigration of children, education and households' own diversification strategies. Poorer farmers used more family



Figure 3: Agro-processing facility for palm oil

labour than wealthier ones, while there is increasing monetisation of family labour among wealthy commercial farmers.

5. Gender discrimination in employment and access to land occurs in all three models. Although farm workers in the outgrower scheme were paid less than in the plantation and commercial farming areas, the wage gap between male and female workers was the most egalitarian in the outgrower case.

Food security, livelihoods and local economic linkages

Access to land constitutes an important basis of food security, as it enables families to produce their own food crops and also diversify into wage labour and trading. Access to reliable employment may in turn improve households' food security.

On food security, our study shows that:

1. Food insecurity was highest in the plantation area, followed by the commercial farming area, and lowest in the outgrower model.
2. Both the commercial and outgrower models integrate a form of own production

into their labour regime, where employers give parts of their land to farm workers for food production.

3. Semi-proletarianised seasonal workers combined self-provisioning from their own farms with wages, resulting in better food outcomes than permanent workers. Permanent workers often have less land than seasonal workers, if any, and when they do have their own land they do not have the time to invest in it.

All three models led to diversified livelihoods. Economic activities linked to the models include farming; retailing farm produce; wholesaling and retailing farm inputs; petty trading in industrial goods to meet the needs of the farming population; transportation; and a host of other services.

On livelihoods, our study shows that:

1. There are more diversified livelihoods in the outgrower area, followed by the plantation area and then the commercial farming area.
2. Contrary to claims that the outgrower and commercial models generate stronger economic linkages than plantations, we found that the different models impact local economies via different pathways.
3. The outgrower and commercialisation schemes boost local markets, while the plantation creates more opportunities for agro-processing by local people.
4. In the plantation and outgrower areas, agro-processing plays a critical role in

generating employment and an expanded demand for raw materials.

Conclusions

The three models have different implications for rural agrarian change. The plantation and commercial farming models show more similar features and outcomes compared to the outgrower model.

The outgrower model generally has more positive effects than the other two models on land, labour, employment, food security and livelihoods. The different pathways created by each model result from the specific mechanisms of causation. Land scarcity is a feature of production pressure, which leads to commodification of land but at a different pace.

The plantation model has created greater land scarcity, rising prices and consequently landlessness. Both the plantation and commercial farming models produced similar effects on land and labour relations and hence growing inequality in their areas. Even though the outgrower model, which integrated with a processing plant, outperformed the other two models in the assessed criteria, it may only be a question of time before land concentration and other negative outcomes emerge.

Recommendations

1. Policy-makers should aim to minimise the concentration of land into the hands of a few by spreading land acquisition over several areas rather than a single location. Even though cumulatively, large areas will still be owned by the wealthy, this will allow the poor to co-exist in more mutually beneficial ways.

2. Investments that include agro-processing facilities should be encouraged in order to create employment for the youth and women. However, entry into wage work should not lead people to exit farming completely.
3. Labour laws should be specific and implemented at the farm level as well as in agro-processing facilities or factories to ensure fair wages and working conditions. Mandatory payments of social security contributions are critical when local people rely on wage work and no longer have their own land.
4. Policy should recognise that commercialisation need not necessarily be the preserve of medium- and large-scale farmers. This study shows that small farmers, whether in an outgrower scheme or operating independently, and with the right combination of commercial crops and food crops, can generate diversified livelihoods and food security.

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