

# Creating entrepreneurs through agribusiness financing

By **Ama Amankwah Baafi**

**A**vailability of funds to support agribusiness initiatives continues to be a challenge for players in the agric sector, largely due to the fact that it is considered a risky one.

Most of the financial institutions shy away from lending to the sector, with available statistics showing that only a few are ready and willing to give out credit to support activities.

While the government is trying to turn around the dwindling fortunes of the sector, some private entities are also contributing their quota to ensure that entrepreneurs are resourced to support their initiatives.

Most agribusiness enterprises have been assisted by the USAID Financing Ghanaian Agriculture Project's (USAID-FinGAP's) business advisory service (BAS) providers to access sources of financing to expand their production capacity.

Consequently, the wind of entrepreneurship is blowing. For instance, among the growing acreage of rice farms across the wetlands of Nkwanta North District of the Volta Region, women and youth in the area have moved from being simple farmhands to burgeoning farm owners.

This is because of the increased operations at Okata Farms and Food Processing Limited, an agribusiness enterprise that was assisted by USAID-FinGAP's BAS providers to access financing which the company used to provide smallholder farmers with training in good agric practices and post-harvest technologies, as well as mechanisation services and the introduction of high-yielding hybrid seeds and agro-chemicals for increased and improved production.

Available data at FinGAP states that women, who traditionally do not own land, began using idle wetlands owned by their husbands to cultivate paddy rice to sell to Okata Farms, such that in the 2016 farming season, 20 women collectively produced 75 metric tonnes from their own farms.

It said Okata Farm's access to financing had stimulated produce gains and a high level of interest in rice farming,



Investing in the economic potential of women and the youth in agribusiness will create reliable source of livelihoods.

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which had positioned the district to help meet the needs of the country's rice processors and created a new group of farming entrepreneurs.

"We used to plant groundnut in small quantities to feed our children and provide only labour for planting and harvesting rice. Now we can farm rice and sell it to Okata Farms for income to support our families," Kasiratu Ayuba, the leader of an 80-member women's group, said.

#### Govt's agric agenda

There are ongoing talks about the need to create jobs through agriculture and related activities, with about 60 per cent of the country's population still engaged in the sector.

Indeed, the current government's growth agenda, since it assumed office, has been centred on agriculture to lead the effort towards economic recovery.

As the government has outlined initiatives such as the Planting For Food and Jobs (PFFJ) campaign to improve productivity in the sector, an amount of GH¢700 million is to be spent on the initiative this year to help empower over 500,000 farmers to increase food production and create more jobs for the youth.

The Minister of Finance has said a total of 2,700 extension agents will be recruited to support the

PFFJ) to increase the production of selected crops for food security and job creation.

He stated that under the agricultural transformation programmes, roads linking

farms to urban centres would be constructed and refurbished, while storage facilities for farm produce would also be provided to attract private capital for large-scale agribusinesses.

#### Financing agribusiness

These, however, may not be the only solutions to the economic woes of the rural poor because apart from generating new sources of jobs and income, it is equally important to bring about transformational change in the agribusiness sector to augment incomes and create more sub-industries within the agricultural sector.

Most people who are outside the agricultural sector are forced to migrate to the cities in search of work. This highlights the need to develop more innovative mechanisms in the rural economy that boost employment opportunities in the agric sector.

The Annual Percentage Rates (APR) and Average Interest (AI) released by the Bank of Ghana (BoG) have consistently revealed that only few banks in Ghana extend their financing to the agricultural sector.

Although the banks insist on providing lending to the agriculture sector, a bulk of the loans go to support the importation of agricultural products, including poultry, but they do little or nothing when it comes to crop production. The banks aim at profits, hence they will invest in areas with low risk. The agricultural sector is perceived as a highly risky one. The effects of climate change, including erratic rainfall, improper record keeping by farmers, among many other things, are all but a few of the reasons why funding to the sector by banks is often not attractive.

There is also the lack of market access, especially for perishable goods, and poor infrastructure such as warehousing and feeder roads to facilitate market access, which cause farmers to make losses from production, hence their inability to repay loans. **GB**