



## INVESTMENT OPPORTUNITY IN KUMASI, GHANA FRUIT PROCESSING

### 1.0 EXECUTIVE SUMMARY

Fruit processing in Kumasi presents a huge potential for prospective investors. The city's unique position at the centre of the country, coupled with excellent access roads to all parts of Ghana, make it easy to obtain fresh fruits from cultivators in the Ashanti Region and from others parts the country. The Ashanti Region traditionally is a major producer of citrus fruits in Ghana. According to the Food and Agriculture Organisation (FAO), Ghana in 2011 produced 75,000 tons of bananas, 48,000 tons of papaw 60,000 and 55,000 tons of oranges and pineapples respectively.

Fuelled by the growing demand of a health-conscious growing middle class, the country, according to the Ministry of Trade and Industry, imported over 54,000 tons of fruit juices estimated at over US\$23 million in 2012, up from a 2005 figure of 10,904 tons, an increase of almost 500%.

The potential market that a fruit processor can access includes a wider Ashanti Region/Northern market of over 12 million, a Ghanaian market of over 24 million, a Sahelean market of over 45 million and a potential ECOWAS market of over 250 million consumers. The location of Kumasi at the crossroad of major roads allows for cost-effective distribution of fruit-processing products to these markets.

To support an investor in this sector, current laws offer generous incentive packages. A corporate tax rate of 10% applies for investments in Kumasi and 0% for projects outside Kumasi. Core equipment to be used in an investment in a fruit processing plant will not attract any import duties and levies.

The Kumasi City Investment Promotion Unit (KCIPU) of the Kumasi Metropolitan Assembly (KMA) is available to assist potential investors to secure already existing structures or land to be developed for such an investment. The Unit can also assist potential investors in meeting statutory registrations and providing further information on this sector and related issues.

### 2.0 INTRODUCTION TO KUMASI AND THE ASHANTI REGION

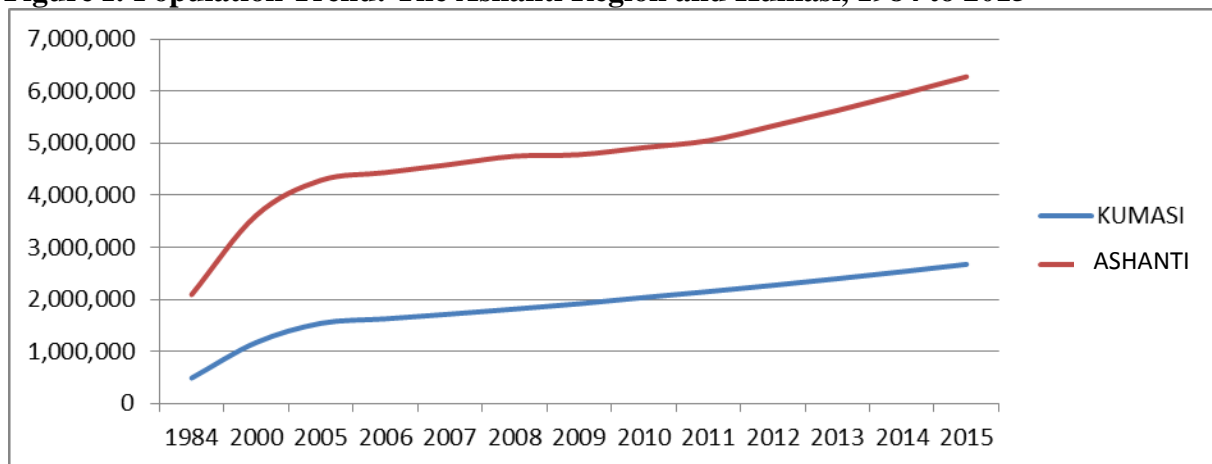
With around 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous in Ghana. The region occupies a total land area of 24,389km<sup>2</sup> (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi is located centrally in the Ashanti Region, forming an important transport and commercial hub for both domestic and international traffic. It is the key transportation link between the south and north of Ghana as well as the surrounding landlocked countries. It has a national airport with a large number flights each day to Accra, Tamale and Takoradi.



Kumasi's daytime population is estimated to reach 2.5 million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people.

**Figure I: Population Trend: The Ashanti Region and Kumasi, 1984 to 2015**



Source: KMA Statistics, 2012

Kumasi's strategic geographic location makes it a brisk commercial and administrative centre, and it is often regarded as the commercial capital of Ghana, with West Africa's largest open-area market, the Kumasi Central Market. Estimated market reachable within one day of ground travel is approximately 12 million consumers (Ashanti Region and surrounding regions, approx. half of Ghana's population).

Kumasi has already proved attractive to a number of large foreign investors. Agro-processing giant Archer Daniels Midland (ADM) has been operating a cocoa processing facility in Kumasi since July 2009. Other major players with active presence include Coca Cola and Guinness which both have bottling plants in the City. Other international companies with offices in Kumasi include Maersk, Barclays Bank, Standard Chartered Bank and Unilever, which has been operating in Ghana for over 70 years.

Ghana is divided into ten administrative regions. Each region is headed by a Regional Minister appointed by the President. The principal units of local government are the district assemblies. There are three kinds of districts in Ghana – districts, municipalities and metropolis. Between the district assemblies and the central government are the regional coordinating councils. The role of these bodies is to administer and coordinate policy implementation at the local level. Kumasi is administered by the Kumasi Metropolitan Assembly (KMA), with the Mayor serving as the city's chief executive officer. The Ashanti Region as a whole is under the purview of the Regional Minister.

The institution of chieftaincy is very pronounced in the Ashanti region and plays a significant role in its management, especially in the area of land administration. Most land in the Ashanti



Region is administered by the Asantehene (Ashanti King), with relatively small portions belonging to the state under the administration of the Lands Commission. The Asantehene is assisted by a variety of chiefs ranging from paramount, divisional and sub chiefs, stool and clan elders who all play roles in land acquisition with the Asantehene playing the ultimate role.

Kumasi is home to numerous educational institutions, including the largest science and technology university in Ghana and in West Africa, the Kwame Nkrumah University of Science and Technology (KNUST), which has a student population of over 31,000 students comprising both undergraduate and postgraduate students.

Kumasi's location at the centre of the Ashanti Region and of Ghana, coupled with its good road network and airport, makes it the preferred trading centre for most of the surrounding regions and is an important commercial centre for West Africa. Kumasi serves as the commercial hub for the neighbouring Brong-Ahafo region, the three northernmost regions of Ghana, and parts of the Western and Eastern regions, creating a potential market of about 12 million people. An investor can access landlocked Burkina Faso, Mali and Niger with a total potential market of over 48 million people. Merchants from these landlocked countries trade at the Kumasi Central Market, West Africa's largest open air market — to the extent that a section of the market has come to be called the "French line".

Through Ghana's membership in the Economic Community of West African Countries (ECOWAS), Kumasi potentially serves an even larger market of over 250 million people.

### **3.0 INVESTMENT OPPORTUNITY**

#### **3.1 Fruit Production**

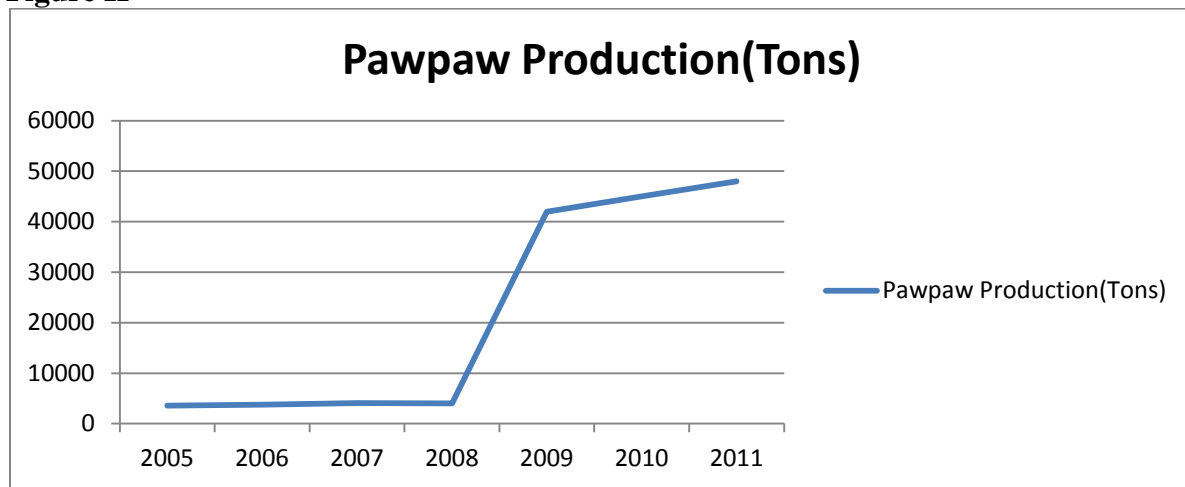
Ghana is a commercial producer of tropical fruits, with a lot of its citrus cultivated in the Ashanti Region. It is estimated that the United Kingdom alone imports over 2,000 tons of fruits from Ghana annually.

Fruit production in Ghana has experienced a tremendous increase between 2005 and 2011. FAO statistics indicate that the country's pawpaw production has witnessed a gradual increase from 3,575 tons in 2005 to 48,000 tons in 2011.

On the average 582,857.14 tons of oranges were produced annually between 2005 and 2011. Mangoes, Mangosteen and Guavas witnessed an overall increase in production of 11.74%, from 75,000 tons in 2009 to 85,000 tons in 2011.

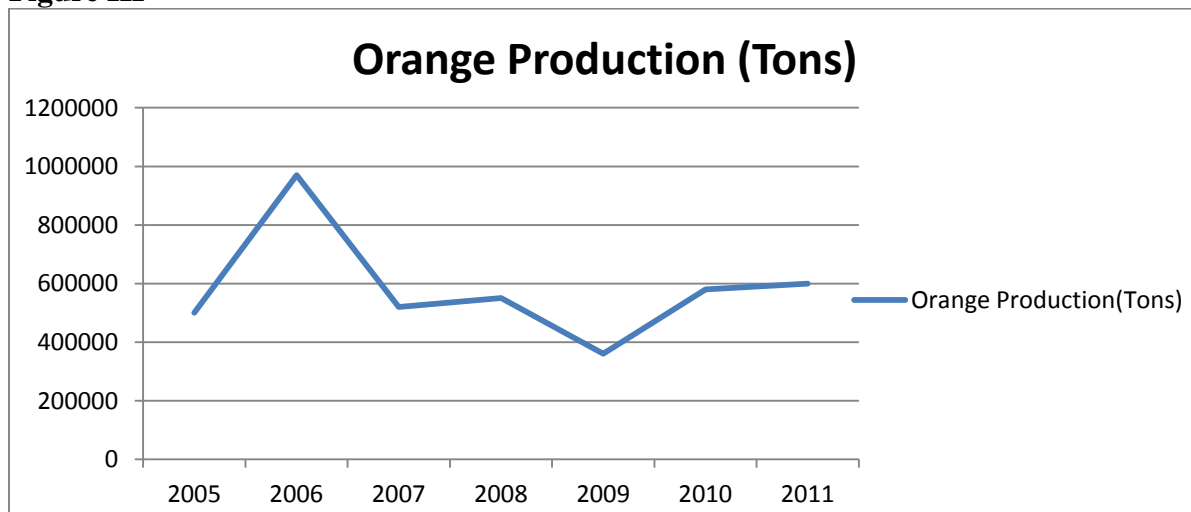


**Figure II**



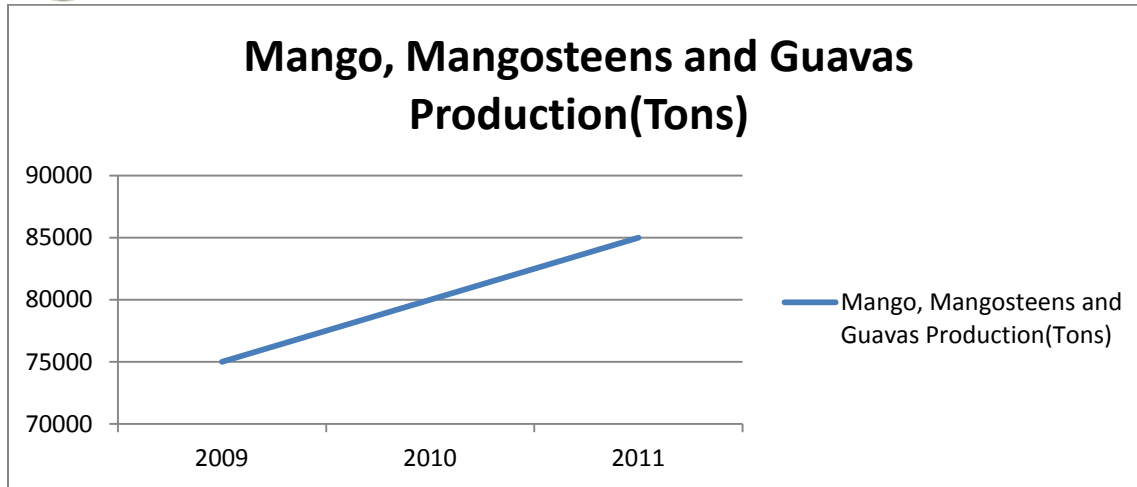
**Source: Food and Agriculture Organisation (FAO) Statistics**  
(<http://faostat.fao.org/site/444/DesktopDefault.aspx?PageID=444#ancor> ) last visited on August, 2013.

**Figure III**



**Source: Food and Agriculture Organisation (FAO) Statistics**  
(<http://faostat.fao.org/site/444/DesktopDefault.aspx?PageID=444#ancor> ) last visited on August, 2013.

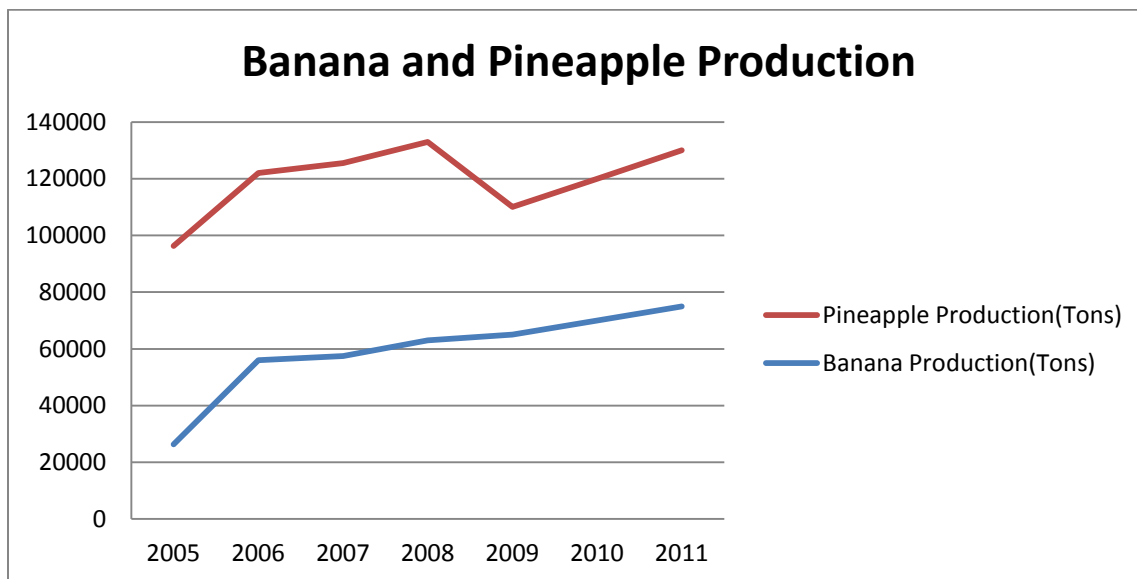
**Figure IV**



Source: Food and Agriculture Organisation (FAO) Statistics (<http://faostat.fao.org/site/444/DesktopDefault.aspx?PageID=444#ancor> ) last visited on August, 2013.

Banana production in the country more than doubled between 2005 and 2011. During this period the country produced 26230 and 75000 tons 2005 and 2011 respectively.

Figure V



Source: Food and Agriculture Organisation (FAO) Statistics (<http://faostat.fao.org/site/444/DesktopDefault.aspx?PageID=444#ancor> ) last visited on August, 2013.

The country produced 424,000 tons of pineapple from 2005 to 2011.



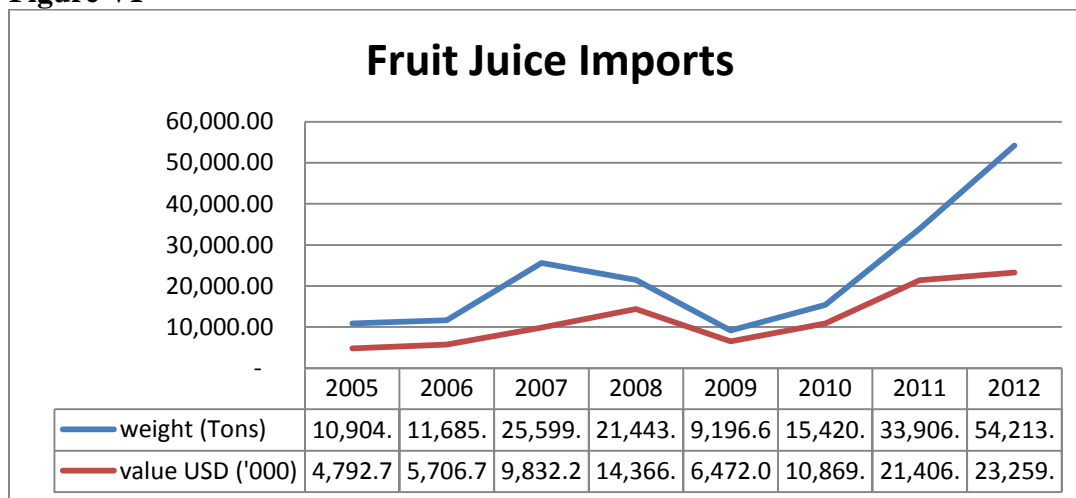
### 3.2 Fruit Juice

Fruit juice consumption in Ghana is very common. This is mainly fuelled by a growing health-conscious middle class. According to the "Reviving a Dying Industry Report" 10.4 million litres of fruit juice is consumed yearly in Ghana. This demand is currently being met mainly through imports.

complemented by some local production. Some of the major producers in Ghana include Blue Skies Limited and Papsa Ghana Limited.

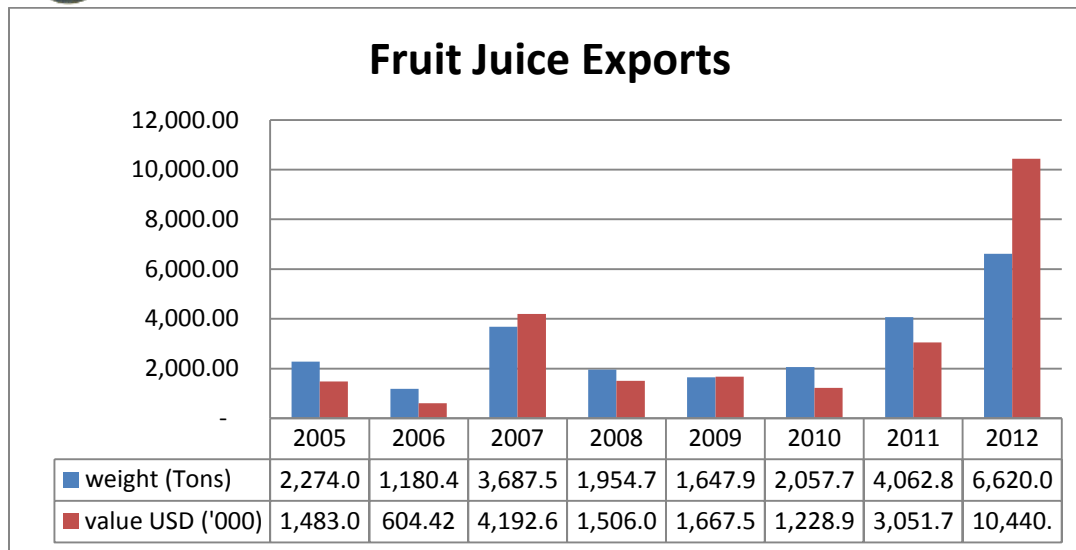
Ghana's climate and soil composition support the growth of tropical fruits. The country is endowed with an assortment of fruits, including mangoes, pineapples, citrus and coconut among others. The opportunity to process these fruits into juice and other consumer products for domestic and foreign markets is enormous.

**Figure VI**



**Source: Ministry of Food and Agriculture of Ghana Statistics, 2013**

**Figure VII**



**Source: Ministry of Food and Agriculture, 2013**

Ghana imported 182,366.90 tons of blended fruit juice mixtures worth USD 96,703.60 and exported 23,485.20 tons worth USD 24,174.12 in the period 2005 to 2012. Despite the country's high reliance on imported juices, the market for Ghanaian fruit juices on the international market also exist. The country exported over 6,000 tons of fruit juices in 2012. The major markets for Ghana's fruit juices include the U.S. and Europe.

### 3.3 Other Processed Fruit Products

Other opportunities lie in processing Ghana's fruits into dried fruits(for export), canned fruits, Jams, jellies and marmalades.

### 4.0 WHY INVEST IN FRUIT PROCESSING

- Access to fresh fruits from fruit cultivators within the Ashanti Region
- Excellent access roads will enable processors to obtain fresh fruits from other parts of the country.
- Access to the a potential Ashanti regional market of an estimated 5 million consumers, a national market of 24 million, a Sahelean market of over 40 million (people in land locked Burkina Faso, Mali and Niger) and an ECOWAs market of over 250 million
- Access to the largest open market in West Africa, the Kumasi Central Market.
- Access to research institutions, universities and training centres.

Access to skilled personnel trained by Kwame Nkrumah University for Science and Technology (KNUST), Crop Research Institute of the Centre for Scientific and Industrial Research (CSIR), the Kwadaso Agricultural College and the Ejura Agric College.



## 5.0 SUPPORT PROVIDED BY KUMASI MUNICIPALITY AND KUMASI REGIONAL ADMINISTRATION

The Kumasi City Investment Promotion Unit (KCIPU) will help a potential investor to select the most suitable location for the establishment of the processing facility and assist in securing building permits. Building permits are building development consents granted to a prospective developer by the KMA to construct buildings or related structures in an approved location, within a set time frame and in line with local or national building regulations. The permit provides the necessary guarantee that a proposed building or related structure is to a large extent suitable for construction.

KCIPU will also assist with registration with the Ghana Investment Promotion Centre, Ghana Free zones Board, the Environmental Protection Agency and other such agencies as required by law.

## 6.0 INVESTMENT INCENTIVES

- Access to a already existing facilities for a joint-venture or access to land for the development of a new project
- 10% Corporate Tax if the project is located within Kumasi
- 0% corporate tax if the plant is located outside Kumasi
- Exemption from the payment of duties and other levies on the major equipments to be used in processing

## 7.0 FURTHER INFORMATION AVAILABLE

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- GIPC Act 478
- Food and Agriculture Organisation Statistics-  
<http://faostat.fao.org/site/444/DesktopDefault.aspx?PageID=444#ancor> (last visited on August 27, 2013)
- Reviving a dying industry: What will it take for local fruit processors to stage a comeback?, Ghana Business and Finance, 2011

### Last updated

- August, 2013

*This profile was prepared by the Kumasi Metropolitan Assembly's investment promotion office, under the auspices of the Regional Partnership for Trade and Investment in sub-Saharan Africa, a project funded by the Government of Finland and implemented by the Millennium Cities Initiative (MCI)*