



# Ghana's salt industry: A neglected sector for economic development?



Justice Tei Mensah<sup>a,\*</sup>, Ebo Botchway<sup>b</sup>

<sup>a</sup> Department of Economics, Swedish University of Agricultural, Sciences, SLU, Box 7013, SE-75007 Uppsala, Sweden

<sup>b</sup> WASCAL PhD Programme, Faculty of Economics and Management Sciences, Universite Cheikh Anta Diop (UCAD), Dakar - Senegal

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## ABSTRACT

The case of poverty in the abundance of plenty mostly extant in resource rich countries is also evident along the coast of Ghana. Despite the huge salt production potential of the country's coast, the renewable resource remains highly untapped as output levels are less than 10% of potential output. Meanwhile many of the indigenes of coastal communities wallow in poverty amidst high levels of unemployment. Findings of this study reveal that key obstacles inhibiting the growth of the sector relates to land acquisition, lack of investment, and low level of technology adoption. The study therefore recommends a mix of strategies aimed at rejuvenating the sector to achieve optimum harnessing of salt deposits. This would help diversify the export markets of Ghana and help her industrialization drive towards achieving an upper-middle income country status in the short-to-medium-term.

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## Introduction

Salt production in Ghana traces its roots to the famous trans-Saharan trade many centuries ago. During the reigns of ancient Ghana, Mali and Songhai empires, salt, gold, ivory, inter alia, were traded across the Sahara with Arabic merchants from the Maghreb and the Middle East. Most of the salt traded then came from present day Ghana.<sup>1</sup> Salt production in the country has traditionally been either mined or extracted from the saline sea water. Historical accounts indicate that since the 18<sup>th</sup> century Daboya has been the hub of rock salt—where huge deposits of saline rocks were mined (Dickson, 1969). On the other hand, salt production from sea water was not the preserve one community but rather scattered across the coastal stretch of the country. As Dickson (1969) notes "...on the coast practically every settlement had its salt works... but certain areas stood out as major centers of production, namely Ada, Anomabo, Mouri and Elimina". These areas became key trading post in the salt trade as it was transported to the forest areas particularly the Ashanti kingdom<sup>2</sup> and across the sahara to the Maghreb.<sup>3</sup>

However, since independence, Ghana's trade in salt has been limited to the West African sub-region notably; Benin, Togo, Burkina and Mali (GNST, 2006). Salt winning and fishing are the most predominant economic activity along the coastal stretch of

Ghana. In many coastal communities such as Ada, Keta, etc., women have been engaged in salt production over the past three centuries.

The important role of the salt industry towards the economic development of the country cannot be underestimated. Aside Senegal, Ghana is the only country in the West African sub-region endowed with the natural conditions suitable for the production of salt in commercial quantities. Yet, the country's annual output of 250,000 metric tonnes (m.t) over the past few years is estimated to be only 10% of its potential output. This implies that given the high demand for salt for both industrial and household uses, the ECOWAS market serves as ready market for Ghana's salt. Currently, estimates suggest that more than 8000 people are engaged in salt production. Women constitute about 60% of labor employed in the industry. They are usually hired as carriers of harvested salt from pans to stockpile area as well as packaging of salt in some of the major refineries (Minerals Commission, 2012). Thus, the expansion of the industry could offer more employment opportunities thereby reducing the unemployment bubble facing the country and boost household income as well.

Ghana has since independence relied mostly on traditional export commodities, including gold, cocoa, timber and recently crude oil, for foreign exchange earnings. We therefore argue that the quest for sustainable development can fully be achieved if the country's export market is diversified effectively to harness the huge potential of her renewable resource deposits such as salt, as it has the potential to increase foreign exchange earnings while providing employment opportunities to indigenes especially along the coast and further salvage the problem of youth unemployment in the country.

\* Corresponding author. Tel.: +46 760701524.

E-mail addresses: [justice.tei.mensah@slu.se](mailto:justice.tei.mensah@slu.se), [myjumens@gmail.com](mailto:myjumens@gmail.com) (J.T. Mensah<sup>a</sup>), [botchwayebo1@gmail.com](mailto:botchwayebo1@gmail.com) (E. Botchway<sup>b</sup>).

<sup>1</sup> Hitherto referred to as the Gold Coast.

<sup>2</sup> Which virtually had no salt deposits.

<sup>3</sup> It must be emphasized that salt from Ghana also faced competition from other sources notably the Borno salt.

A study commissioned by the Commonwealth Secretariat and the Ghana Export Promotions Council (GEPC) in 2008 reveals that Ghana's 500 km coastal stretch has an annual production potential of 2.2 million per annum. Interestingly, the Songhor Lagoon alone has a potential production capacity of 1.44 million m.t.

The market potential for increased salt production from Ghana's fields is undoubtedly enormous. The largest consumer of salt in West Africa, Nigeria, currently imports virtually all of its salt demands from Brazil and Australia. With a per capita consumption of salt between 2.2 g and 6.3 g a day and an estimated consumption of 600,000 m.t. per year (household, animal and industrial) the highly import dependent market of Nigeria obviously offer ready market if the salt industry in Ghana is revamped into an active one. Available estimates indicate that Nigeria imports US \$1.5bn worth of salt a year to meet household and industrial (petro-chemical) demands (Meristem, 2008). Thus, given the historic trade and bilateral relations between the two countries, there is a huge potential that remains untapped. Also, Ghana's main export market including Niger, Burkina Faso and Cote D'Ivoire, which together account for about 90% of Ghana's total salt exports (Ghana Export Promotion Council and Commonwealth Secretariat, 2009), can also be extended to other West African countries. Cumulatively, industrial demand for salt in the West African sub-region is estimated to be over 3 million m.t per annum.

Nonetheless, perhaps the largest potential market for salt production may exist in the domestic market. The burgeoning oil and gas industry in Ghana, presents a huge opportunity for players in the salt industry to sell their produce. The petroleum industry is estimated to require in excess of 1 million m.t. of salt per annum as input. Thus, given its salt and oil deposits, there are huge prospects for the country to develop a chlor-alkali industry with linkages to the plastics, paints, pharmaceuticals, textiles, soaps and detergents, paper and metallurgical industries (Sutton and Kpentey, 2012) as is being done in Brazil (Estrella et al., 2011). In other words, potential exist for the utilization of part of the salt to produce caustic soda (a raw material for the soap and detergent industry) and for bauxite/alumina production.<sup>4</sup> Thus, given plans of establishing an aluminum smelter in Ghana, output from the salt has a great potential if harnessed optimally. More importantly, the chlorine co-product can also be used in the water treatment as well as raw material in the production of health and sanitary chemicals (Ghana Mining Journal, 2010). Hence, these developments present an excellent opportunity for the development of the salt industry.

In this paper, we argue that in as much as the salt industry does not provide a wide range of vertical integration option when compared to other sectors like cocoa, it has the potential to provide significant contribution to the growth of the Ghanaian economy if well developed.

The paper therefore examines the challenges inhibiting the development of the salt industry in Ghana and presents the way forward by looking at the policy options available to ensure that the industry plays a key role in the economic growth and development of Ghana. To achieve these targets, the study uses secondary data gathered from different sources regarding issues on the salt industry in Ghana. It draws heavily on survey results/data from the Enterprise Map of Ghana by Sutton and Kpentey (2012).

The rest of the paper is organized as follows. **Overview of the extractive industry in Ghana** presents a description of the Extractive Industry in Ghana while **Trends in Salt production, export and**

**import** highlights the trends in salt production, export and import. In **Structure of the salt industry in Ghana**, we discuss the structure of the salt industry. **Policy, institutions and legislation** offers a highlight of policy, institutional and legislative framework concerning the industry while the challenges inhibiting the growth of the industry are analyzed in **Challenges facing the development of the salt industry in Ghana**. **Conclusion and way forward** concludes and present a prescribed strategy for revamping the ailing industry.

## Overview of the extractive industry in Ghana

Ghana is among the few countries in the world endowed with diverse deposits of natural resources (renewable and non-renewable). Extraction of these resource endowments have however, largely been concentrated in non-renewables, i.e., gold, diamond, bauxite, manganese, crude oil, etc. Whereas crude oil production is relatively new<sup>5</sup>, extraction of the other minerals especially gold dates back to over 1000 years ago (Bloch and Owusu, 2012; Hilson, 2002). Indeed the mining sector aside its numerous challenges has made significant contributions to economic development of Ghana in terms of government revenue and employment. For instance, between 2006 and 2011 the extractive industry's (mining and quarry) contribution to GDP surged from 2.8% to 8.5% respectively (ISSER, 2012).

Prior to the development of the oil and gas sector, gold mining was the dominant sector in the industry attracting nearly 95% of all FDI in the mining sector (Bloch and Owusu, 2012). Also, in terms of the structure, the industry is largely dominated by large scale foreign firms, with some significant number of small scale indigenous mining firms.<sup>6</sup> A key problem with the extractive industry in Ghana is the inadequate forward and backward linkages with other sectors of the economy. It is interesting to note that despite several years of gold mining, the country has no single gold refinery and has to export its produce to South Africa and other countries for purification.

## Trends in salt production, export and import

Global demand for salt has surged and has been sustained at high levels over the last decade. The main drivers of the rapid increase in global demand for salt include the industrial boom in China – chemical industry – and growth in world population, as demand for salt in food is increasing in Asia and South America. Consequently, world production has increased accordingly in response to the surge in demand. The main producers of salt are North America, Europe and Asia accounting for 84% of world output (GEPC and CS, 2009). China remains the leading producer of salt with United States, Germany and India following in that order as depicted in Fig. 1.

Interestingly, the two leading producers of salt in the world – United States (US) and China – also happen to be the leading consumers of salt. The US for instance, is the leading importer of salt in the world, particularly from Latin American countries like Chile and Brazil, mainly to augment domestic production so as to maintain safety and mobility on highways during the winter season (Hanneman, 2003).

In Ghana, despite the huge production potential, trends over the past decade have been moderately low averaging 182 thousand m.t (1999–2009). In response to the massive landmark policy

<sup>4</sup> Currently, Ghana exports virtually all of her bauxite produced and imports refined alumina to feed domestic industries.

<sup>5</sup> Started in 2010.

<sup>6</sup> There are also a large fleet of illegal mining activities popularly called "galamsey" extant in the gold sector.

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