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EFFECTS OF RISING FOOD AND OIL PRICES ON RURAL HOUSEHOLDS IN GHANA: A CASE STUDY OF SELECTED COMMUNITIES IN THE DANGME WEST DISTRICT USING THE CBMS APPROACH

The development in the global agricultural front in 2007, such as the rising food prices, poses significant threats to Ghana's macroeconomic stability and overall development achievements. Global food prices increased over 50 percent as a result of the use of crops for bio-fuel, rising cost of production, climate change and increase in demand as a result of population increase. Petroleum and other fuel price increases were also driving up food prices, particularly because of the high transport costs of low-value high-volume commodities such as staples. The increase in crude oil prices has also made agricultural production more expensive by raising the cost of mechanical cultivation and of inputs (e.g., fertilizers and pesticides). These developments on the global scene always have repercussions for individual countries, and eventually trickle down to the household.

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The effects of the rising prices in Ghana cannot be underestimated as these are felt at all levels of the economy and society. At the household level, surging and volatile food prices hit the poor and food insecure. The few poor households that are net sellers of food, however, benefit from higher prices.

The average nominal wholesale prices of grains in 2007 show that maize, rice, and cowpea were above

their 2006 levels (Figure 1). Maize prices increased by more than 12 percent from 2006 to 2007, while local rice and cowpea prices rose by more than 5 percent and nearly 6 percent, respectively, (Table 1). With exception of cassava and gari, all prices in the starchy rose in 2007 relative to 2006. The price of plantain went up by about 131.1 percent in 2007. The prices of yam and cocoyam also appreciated by 19.3 percent and 18.7 percent, respectively. Vegetables also had

Table 1. Changes in Nominal Prices of Major Food Items

Food Items	2002-03	2003-04	2004-05	2005-06	2006-07
Grains					
Maize	11.58	41.54	56.92	-29.72	12.43
Local Rice	16.07	32.04	23.46	4.99	5.34
Millet	1.78	17.76	66.63	-2.31	-13.64
Sorghum	-2.63	26.98	61.70	-12.73	-2.57
Cowpea	29.77	10.11	44.07	-1.58	5.93
Starchy					
Cassava	-11.06	27.26	43.02	3.14	-7.60
Yam	10.37	16.70	23.08	3.68	19.33
Cocoyam	-0.28	31.06	23.21	13.21	18.68
Plantain	12.47	27.74	4.45	14.30	131.07
Gari	-9.98	11.10	75.55	7.89	-4.46
Vegetables/Others					
Onion	41.08	-2.42	39.50	-9.52	8.20
Dried Pepper	40.31	8.89	19.52	7.75	2.19
Tomatoes	39.92	14.41	41.76	-2.09	75.78
Groundnut	32.83	10.90	45.73	14.41	64.53
Palm Oil	27.37	2.93	6.50	-0.22	32.02

Source: ISSER, 2008

significant price increase in 2007 with tomato and groundnut prices increasing by as much as 75.8 and 64.5 percent, respectively.

Household-Level Impacts and Coping Mechanisms Adopted

In order to determine the impact of rising food and oil prices on rural households in Ghana, a community-based monitoring system (CBMS) survey was conducted in October 2008 covering a total of 300 households. Three communities in Dangme West District were

selected to determine the impact of price shocks. These include Dodowa, Ningo, and Prampram, whose major food staple was corn or maize. Information in relation to their food, access to healthcare and education, changes in their work situations, their financial management practices, and their recreational and leisure practices, were collected during the survey.

Based on the results of the CBMS survey, some households made some adjustments in their food preparation patterns as well as changed the places they buy food

items. One of the most common coping strategies adopted by households across three sites is eating less of what they usually used to eat (Table 2). These changes had been made by households across income groups but have mainly been conspicuous among those in the 1st and 2nd quintiles.

Changes in electricity consumption were also observed among households due mainly to the increase in electricity tariffs and in the amount of electricity consumed. In response, most of them replaced incandescent bulbs with compact fluorescent bulbs with lower wattage. This was mainly practiced by households in the 2nd quintile across all communities.

Although health seeking behavior of households had changed, it was mainly as a result of the implementation of the National Health Insurance Scheme (NHIS). As such, households were given the opportunity to visit government hospitals or health centres where they were likely to benefit from the insurance scheme (Table 3). However, there were still some households who reported that, as part of their coping mechanisms, they decided not to bring their sick member to the hospital unless the person was in very critical condition.

Children in some households were transferred from private to public schools, which became more prevalent with the government's introduction of the Capitation Grant. The program allowed many parents to pay nothing, or just a very small amount to maintain

Table 2. Coping Strategies Adopted by Households in terms of Food Consumption (%)

Coping Strategy	Dodowa	Ningo	Prampram
Eating less of what they normally used to eat	29.7	14.7	37.5
Eating same food for days	21.6	2.9	0.0
Eating more carbohydrates	13.5	17.6	0.0
Mixing varieties	13.5	2.9	0.0
Skipping meals	8.1	32.4	37.5
Combining meals	5.4	17.6	12.5
Shifting from perfumed rice to local	2.7	2.9	12.5
Parents eating less	2.7	8.8	0.0
Eating more ready to cook food	2.7	0.0	0.0

Source: CBMS Survey 2008

their children in public schools, as compared to paying much higher fees if their children were in private schools. Survey results also reveal that some children of households had also dropped out of school, mainly because they were needed to help in the family's farming business. Some children, however, willingly dropped out of school because they were simply not interested in education.

Although job loss was not very common, results showed that households did not depend on only one source of income, but rather diversified in terms of employment so that they could meet their daily household expenses. Moreover, the increases in the cost of fuel and consequently the cost of transportation, by both private vehicles and public utility vehicles, had resulted in some household members walking to work or school in order to save money. Borrowing money was also a common coping strategy among households.

Results of the CBMS survey also showed that households were divided concerning the issue of whether their standard of living was better off, worse off, or had remained the same. In the case of Dodowa and Prampram, there were more households which reported

that they had seen improvements in their lives as compared to their conditions one year ago with 46.3 percent and 39.6 percent, respectively (Table 4). However, a majority of households in Ningo (51.5%) opined that they had become worse off. The proportion of households which had seen no changes ranged from 17.8 percent in Ningo and 23.8 percent in Dodowa.

Government's Mitigating Policies

The Government of Ghana has tried to mitigate the negative impacts of global food price increases without jeopardizing the potential benefits. It also implemented measures to mitigate the effects of rising costs of petroleum products in the country. In fact, a task force was constituted to study the situation on a continuous basis so as to recommend actions that would be

Table 3. Changes in Patterns Adopted by Households to Meet Health Care Needs (%)

Coping Strategy	Dodowa	Ningo	Prampram
Going to government health centre for consultation and hospitalization	52.0	33.3	20.0
Not bringing a sick member to the hospital unless the person is in very critical condition	16.0	11.1	10.0
Resorting to self medication	12.0	22.2	20.0
Taking medicines for relief of symptoms but not for curing the disease	12.0	3.7	10.0
Using medicinal plants or herbal medicines as alternatives to pharmaceuticals	4.0	25.9	10.0
Consulting a pharmacist instead of a doctor	4.0	0.0	10.0
Shifting from branded to generic drugs	0.0	3.7	10.0
Taking medicines in lower dosages	0.0	0.0	10.0

Source: CBMS Survey 2008

Table 4. Changes in the Standard of Living Among Households

Town	Better off	The same	Worse off
Dodowa	46.3	23.8	30.0
Ningo	30.7	17.8	51.5
Prampram	39.6	22.8	37.6

Source: CBMS Survey 2008

necessary from time to time, until stabilization and normalcy was achieved.

Apart from measures taken to cushion the Ghanaian consumer against the rising food costs, such as the removal of import tariffs on rice, wheat, yellow corn and vegetable oil, the government intervened to ensure that Ghana's farmers are best positioned to take advantage of emerging opportunities. To ensure that producers in the agricultural sector are well positioned to respond to the challenges and take advantage of emerging opportunities, the government further instituted measures such as subsidizing fertilizer, substituting cassava flour for wheat flour in bread and pastry products, supporting large-scale cultivation of rice and rehabilitation of dams, among others. There were also additional proposed interventions such as investing in mechanization, expanding of irrigation facilities, strengthening and revolutionizing the agricultural extension service, providing post-harvest infrastructure, and supporting farmers with soft loans. The government also removed excise duties and recovery

levies on selected items, increased support for the production cost of electricity, imported wheat and rice, among others.

Conclusion

Efforts of the government to protect the local rice industry have not paid off, since local production has not been able to meet demand which causes harm to the consumers' ability to purchase local rice. This ultimately protect producers among Ghana's rice trading partners, since imported rice becomes cheaper on the Ghanaian domestic market, further distorting domestic prices and hurting local producers.

This resulted in households having less money to spend on consumer goods, education, and health and

to improve their general livelihood. In response, households adopted different coping strategies. For instance, some changed their food consumption behaviors by eating less of what they usually eat, skipping meals, and shifting from expensive staples to relatively cheaper ones, among others. Some households also changed their health-seeking behavior while others had their children drop out of school to help in the family's farming business. Adequate nutrition for the population, especially poor people, is at risk when they are not shielded from price increases. Higher food prices lead poor people to limit their food consumption and shift to even less-balanced diets, with harmful effects on health in the short and long run.

This Policy Brief is based on the research paper of the same title which was presented during the 7th PEP Network General Meeting on 9-12 December 2008, Dusit Thani Hotel, Makati City, Metro Manila, Philippines. A full version of the paper may be downloaded from the Poverty and Economic Policy website: www.pep-net.org. A similar study was likewise conducted by the CBMS Teams in Cambodia and the Philippines.

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