GRAPHIC ONLINE

Aveyime Rice Project dead; Over 500 workers sent home without pay

Edmund Smith-Asante / Sep - 23 - 2016 , 07:33

The front view of Prairie Volta Limited

dead.

Apart from the lifelessness that meets the visitor, the sight of rusty broken-down tractors and other equipment only fit for scrap tells it all.

It is as if the rice project, which was at the onset in 1997 embroiled in the Quality Grain scandal has been doomed to fail or is under a curse, since an attempt to revive it in 2007 with the coming in of Volta Prairie Limited (PVL), has also hit a dead end.

The primary cause of the state of affairs at the once-vibrant rice producing company is the years of neglect by the largest shareholder in the project – the government.

After the initial investment of Prairie Texas Incorporated (PTI) of the United States of America, which saw the employment of 200 permanent staff and between 300 and 400 casual staff and the company back on its feet, the lack of further investments by the government, coupled with unfulfilled promises and misfortunes have once again crippled the project, which has the potential to cater for all the rice needs of the country and even export a surplus.

Background

PVL is a joint venture company between a USA-registered company Prairie Texas Incorporated (PTI) and the Government of Ghana, which was agreed in a memorandum of understanding (MoU) signed by the two parties on May 16, 2007.

By the agreement, PVL, the managing partner, owns 40 per cent shares in the company, while the government, the majority shareholder, owns 60 per cent through the Ministry of Food and Agriculture and the GCB Bank.

The company owns 1,250 hectares of land in the Central Tongu District in the Volta Region, of which 750 hectares has been cleared and 710 fully irrigated. PVL also holds lease rights from the government and the local community to a further 6,000 hectares.

With its current 770 hectares, PVL can produce a maximum of 7,000 tonnes of paddy rice a year, which is about 12 per cent of the installed capacity of its 1997 mill which is in need of major refurbishment or better still must be replaced with a more modern and efficient mill.

An agricultural aircraft for the farm going waste at the PVL site

Investment gone waste?

A tour of the facilities at the company's site showed a huge investment that had been allowed to go waste as a result of a plethora of issues, the main one being the lack of capital injection and the failure of the bank to release the larger chunk of an agreed loan to revamp the project.

Taking the Daily Graphic team round, the General Manager of PVL, Mr Kojo Osae-Addo, said most of the machinery were 20 years old and needed replacement for utmost production.

Maize silos with a capacity of 10,000 metric tonnes bought during the Quality Grain era had to be retrofitted for rice but they still break the rice because the conveyors are not designed for the rice but for maize.

Large drying silos which were not complete when they were brought in are sitting idle and going rusty although some employees from the Takoradi Polytechnic are ready to use their know-how to build a heating system to make them usable.

Other big silos and equipment for de-husking, cleaning, polishing and bagging the rice are all idle, rusting away or gathering dust.

An agriculture aircraft (Agcat) with 450 horse power is also sitting idle and rusting away because of inactivity and would need funding for thorough servicing if it is to be used again.

A shed serving as the workshop for PVL

According to Mr Osae-Addo, engineers were going to be sent to Arkansas, where the aircraft was manufactured, for six months to learn how to service, strip and rebuild a second aircraft for US$150,000 but all that did not materialise because of the dire straits of the company.

He disclosed that a previous aircraft crashed the first day it took off because it had not been used for a long time but fortunately the pilot survived.

There is also a 90,000 litre underground fuel tank on site for fuelling tractors and other equipment, which will last for about one and half to two months (a season is about four months).

Adding to all that, almost 800 hectares of land that was prepared with several irrigation canals are not only lying fallow; some have been encroached on while others have been compacted by large herds of cattle belonging to indigenes which graze on the land.

The cattle have also damaged most of the canals that were created for the rice so while the land would have to be ploughed again, the canals would also have to be recreated if rice cultivation would be

Meanwhile, developing a one hectare rice field could cost between $2,000 and $5,000 depending on the capacity of the field.

Loan facility truncated

Mr Osae-Addo explained to the Daily Graphic team how after an initial loan of US$4.6 million was granted by the Agricultural Development Bank (ADB) in 2011 out of a total request of US$9.6 million, the promise of a top up once agreed benchmarks were reached never materialised.

He said although the US$4.6 million was used judiciously with 60 per cent (US$2.6 million) going into the purchase of needed equipment such as tractors, new rice polishers and spare parts to refurbish existing machinery, and two Nissan pickup vehicles, while the remaining 40 per cent was used to prepare the land, buy seed, other inputs and to pay salaries, approximately GH¢3 million was still lost in revenue.

Mr Osae-Addo said the loss, despite the best performance of the farm in 2012, was due to the unavailability of combine harvesters because of the theft of parts and the ADB's refusal to advance US$50,000 for the emergency importation of parts from the USA.

"The loss of the GH¢3 million in revenue and ADB's failure to honour its commitment to top up the loan amount are the straws that broke the camel's back," he said.

Heavy duty machinery now only fit for scrap

Stretched negotiations

Mr Osae-Addo explained that following the problems of the post-2012 operations, PVL continued negotiations with ADB for the bank to honour its top-up pledge, which culminated in ADB approaching KfW (the German government), funded Out-growers Value Chain Fund (OVCF) to provide additional funds.

"The terms ADB was insisting on were not favourable to PVL and its small out-growers. In essence ADB was using the OVCF to refinance the existing PVL loan with only an additional GH¢1.67 million in working capital," he narrated.

According to Mr Osae-Addo who was appointed the General Manager of PVL by its board in 2013 when work was at a standstill, it was after eight months of negotiations that the ADB finally agreed to provide additional funding over and above the OVCF facility, only on the findings of an independent business review that would be conducted by KPMG, a global network of professional firms providing audit, tax and advisory services.

Mr Kojo Osae-Addo (right), the General Manager of PVL, telling Mr Edmund Smith-Asante how the fortunes of the company changed

After a report was issued by KPMG on their findings and an agreed operational plan between PVL and ADB, operations were restarted in April 2014 with the agreement that PVL would sign and utilise the funding under the OVCF agreement, while ADB would provide supplementary funding of GH¢5.6 million over two years under a five-year loan agreement.

But in a bizarre manner, "as soon as the GH¢1.67 million of the OVCF facility was disbursed in May 2014, ADB informed PVL management that there would be no further disbursements from the agreed supplemental facility because it (ADB) had a pari passu issue with Ghana Commercial Bank, a PVL shareholder," Mr Osae-Addo said.

He described the action of ADB as "bait and switch" meaning they had not been truthful to PVL at the onset, saying the action of the ADB put in jeopardy 131 hectares of rice that had been planted then.

"With funding for refurbishing the dilapidated equipment not forthcoming, PVL's management had to improvise and plant as much of the new foundation seed it had purchased back in December 2013 with OVCF funds as quickly as possible before it went bad. PVL's management was able to plant 203 hectares of the planned 350 hectares through the rainy season," he stated.

Mr Osae-Addo, however, added that as PVL was getting ready to harvest, ADB settled its pari passu issue with GCB in July 2014 and released GH¢940,000 to PVL for parts for the combine harvesters, salaries and other costs but the amount was far lower than the GH¢2.6 million prescribed for the first year - that was prescribed by the KPMG report as the minimum amount required to ensure continuous operations.

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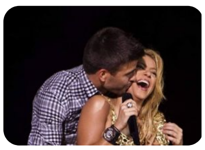

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