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POLITICAL ECONOMY OF COCOA: THE CASE OF GHANA

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THE POLITICAL ECONOMY OF COCOA: THE CASE OF GHANA

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ABSTRACT

THE POLITICAL ECONOMY OF COCOA: THE CASE OF GHANA

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This thesis analyses the Ghanaian cocoa sector from the lens of International Political Economy. The essay examined the evolution of Politics, economics and social structures and the foreign policy of Ghana from pre-independence (1890s) to post-independence era (2012). The cocoa sub-sector of the Ghanaian economy, which has been a major source of wealth in contemporary Ghana, is the focus of analysis. The question '*'Cui bonno*?'' *Or ''who benefits?''* is central to the investigation as the study tried to identify the major actors (international and local), their roles, interests and the powers they possess, where and how they derive their power, alliances in the Cocoa sub-sector and how the distribution of power reflects to an extend what, when and how actors benefit from the industry. "Why the smallhoder cocoa farmer does gets so little from his cocoa?'', is one of the questions to which an answer is sought in this study. Naturally, this answer also covers the origins and structure of the power and influence that the multinational cocoa processors and manufacturers hold over the domestic and global cocoa economy.

Keywords: Political economy, Ghana, Smallholder Farmer, Cocoa.

ÖZ

Kakao'nun Politik Ekonomisi: Gana vakası

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Bu tezde Uluslararası Politik Ekonomi'nin objektifinden Gana'nın kakao sektörü ve ülkenin dış politikası analiz edilecektir. Bu makalede tarihi değişim bağlamında bağımsızlık öncesinden (1890lar) bağımsızlık sonrası döneme kadar Gana'nın siyasi evrimi, ekonomi ve sosyal yapıları ve dış politikası incelenmiştir. Analizin odak noktası, çağdaş Gana'da refahın ana kaynağı olan Gana ekonomisinin kakao yan sektörüdür. Çalışma, temel aktörleri (uluslararası ve yerel), onların rollerini, çıkarlarını ve sahip oldukları güçleri, bu yetkiyi nereden ve nasıl elde ettiklerini, Kakao yan sektöründeki ortaklıkları ve yetkinin dağılımının bu aktörlerin endüstriden ne ölçüde, ne zaman ve nasıl faydalandıkları konusuna nasıl yansıdığını saptamayı amaçladığı için '*'Cui bonno*?'' yada *'kim faydalanıyor?''* sorusu araştırmanın merkezidir. "Kakao üretimi yapan küçük çiftçiler kendi üretiminden neden bu kadar az gelir elde ediyor?'' sorusu bu çalışmada cevabı aranan sorulardan biridir. Doğal olarak, bu cevap çok uluslu kakao üreticilerinin ve imalatçılarının yerel ve küresel kakao ekonomisi üzerinde hakim olduğu güç ve etkinin kökenleri ve yapısını da kapsamaktadır.

Anahtar kelimeler: Politik ekonomi, Gana, Kakao üretimi yapan küçük çiftçi, Kakao.

To my late father, Adams Abubakar (Chief)

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CMB	Cocoa Marketing Board
CMC	Cocoa Marketing Company
CPC	Cocoa Purchasing Company
COCOBOD	Ghana Cocoa Board
COPAL	Cocoa Producers Alliance
CPP	Convention People's Party
CRIG	Crop Research Institute Ghana
CSD	COCOBOD Service Division
CSMC	Cocoa Sector Marketing Committee
ERP	Economic Recovery Program
FAO	Food and Agriculture Organization
FFF	Farmers Field School
FOB	Free On Board
GDP	Gross Domestic Product
ICCO	International Cocoa Organization
IMF	International Monetary Fund
IITA	International Institute of Tropical Agriculture
LBC	Licensed Buying Company
MOFEP	Ministry of Finance and Economic Planning
NDC	National Democratic Congress

NGO	Non-Governmental Organization
NLC	National Liberation Council
NLM	National Liberation Movement
NPP	New Patriotic Party
NRC	National Redemption Council
OPEC	Organization of Oil Producing Countries
PBC	Produce Buying Company
PNDC	Provisional National Defense Council
PNP	Peoples National Party
PPRC	Producer Price Review Committee
QCD	Quality Control Division
SMC	Supreme Military Council
STCP	Sustainable Tree Crop Program
UAC	United African Company
UGFC	United Ghana Farmers Council
UGCC	United Ghana Farmers Council Cooperation
WCF	World Cocoa Foundation

CHAPTER 1

INTRODUCTION

The role of power in economic life is essential to any study and analysis of international political economy, which means how power is used to shape and reshape the political economy and the manner in which it distributes costs and benefits, risks and opportunities to any member of the society i.e. social groups, enterprises and organizations within the system are vital in any study of political economy (Strange, 1988:62). Who gets what out of the system? Who benefits, who loses? Who carries the risks and who is spared from risk? Who gets the opportunities and who is denied an opportunity? These questions form the core of this study, which seeks to investigate the cocoa industry in Ghana in the context of history.

Ghana's history is inextricably intertwined with the impact and development of its cocoa industry. One cannot therefore comment on Ghana without alluding to its cocoa sector, which offers a livelihood to over a million farmers, and their families in the southeastern tropical part of the country. Cocoa remains one of Ghana's leading exports and in contemporary times, the chief source of wealth for the country. Prior to cocoa, the Gold Coast (Colonial Ghana) was noted for its large deposit of gold and other mineral resources. Gold was the most important commodity traded in the Gold Coast in the 17th century and export was dominated by gold (Wolf, 1982:80). However, slavery began destabilization the 'Gold Coast' economy and destroying the gold trade. Slave prowling proved to be more profitable than gold and at the beginning of the eighteenth century; slaves constituted the main commodity of the African trade and the English dominated that trade (Wolf, 1982:45). While the Portuguese have initially imported slaves into the Gold Coast from Benin to exchange them for gold, the later Dutch, Danes and the American arrivals stocked their ships with large quantities of inland slaves supplied to the coastal forts by the Fanti, Akwamu and the Ashanti (Mikell, 1989:15).

By the middle of the 19th century, with the gradual collapse of the external demand for slaves as a result of the abolishment of the trade after 1807, elements within the groups that had grown powerful from their participation in the trade-chiefs, notables, and, particularly, African middlemen traders-found in the European demand for palm oil a substitute export item (Grier, 1981:28).

The Gold Coast producer, a capitalist by orientation is remarkably sensitive to price changes in the world market and his production is always consistent with the pursuit of economic gains associated with a commodity, is bound to change his production pattern as and when his profit motive is endangered. This is evident when a fall in the world price of palm oil and palm kernel after 1885 and the subsequent fall in the price of rubber exports which recorded a boom in 1890 laid the foundation for the production of cocoa on a large scale in the colony as lands for the production of cocoa were purchased from the proceeds of palm oil and rubber (Hill, 1963:47).

Cocoa was introduced in the Gold Coast in the mid-19th by a ‘’fortunate combination of circumstances’’. The Basel mission, a Christian evangelical ministry through their systematic effort in promoting agriculture and help improve the living standard of the people of Gold Coast introduced cocoa into the colony. The mission established experimental farms in the Akwapim Mampong in the Eastern Region were seedlings were supplied to farmers around Aburi and Krobo Odumase, but further expansion of the distribution came to a halt during the Ashanti wars against the British in the 1860s and the early 1870s (Buah, 1998:18). In 1879, Tetteh Quashie, a blacksmith from Christainborg (present day Osu, a district of Accra) established a cocoa-nursery in the same town of Akwapim Mampong with pods which he had brought back from Fernando PO (off the coast of Nigeria and Cameroun) where he had been working as a laborer. Sir William Brandford Griffith, the governor of Gold Coast established a special nursery at the botanical garden in Aburi. The object of establishing the garden was primarily with the view of training the natives to cultivate economic crops in an efficient way for the singular purpose of export. By 1895, cocoa cultivation had grown engulfing the southern belt of Ghana, with Krobo, Shai and Akwapim leading the pack of migrant farmers seeking larger areas to cultivate the new crop. This migration of the southern Ghanaian cocoa-farmers proved to be the catalyst for the creation of the Ghana cocoa-growing industry and was one of the greatest events of the recent economic history of sub-Sahara Africa (Hill, 1963).

The migration provided the needed labor and land which were critical to the development of the cocoa industry. Farmers ploughed back their proceeds from the sale of their cocoa by securing extra lands for further expansion of their trade. As regards labor, wives and children of farmers proved to be key before the introduction of wage labor later in the century. Assisted by the speedy development of the road and rail network in 1920, and the brokers (middlemen), revenue generated from cocoa accounted for about 84 percent of the Gold Coast's total exports by 1927. Production reached 300,000 tons by mid-1930s (Vigneri, 2011:213). Gold Coast became the largest producer of cocoa bean in the world from 1911 to 1977 when Ivory Coast took over. Timber, rubber and gold exports continued to generate a significant amount of resources, but cocoa was to revolutionize the country as its production penetrated deeply into the society, changing kinship and political institutions of peasant farmers. ''Cocoa, as distinct from any agricultural crop which preceded it, linked these farmers to the British imperial system, and through into the global economy'' (Mikell, 1986:108).

The production and export of cocoa made the Gold Coast a treasured colony, and smoothed the consolidation of social classes whose livelihood hinge on the articulation of the global economic system (Mikell, 1986:87). During this early stage of the cocoa boom, the life of producers improved as farmers invested in multiple plantations, opened depots and double-storey houses. New roads were constructed to help people get the cocoa beans out of the villages to the ports. The interwar period marked a downturn in the production of cocoa caused by decline in price and demand. The great depression had a toll on the economy of the colony because of the fall in cocoa exports, which contributed about 60 percent of government revenue (Beckman, 1976). Attempt to cut back government spending and increase tax by the new British Governor, Guggisberg to fund his ambitious development plan triggered response from Africans. As the downward motion of prices of cocoa continued, in order to promote their interest, the European firms joined together to form the United African Company (UAC), formed by the amalgamation of three companies namely, Niger Company (with no link with the present country Niger) owned by Lever Brothers, African and Eastern Trade Company. The colony's farmers also responded by forming an alliance named Gold Coast and Ashanti Federation. This federation organized cocoa hold-ups in 1930s to pressure the colonial masters to increase prices of cocoa but with limited success. However, the 1937 hold-up proved to be more successful because it involved all elements within the society especially the chiefs who doubled as cocoa farmers (Mikell, 1986:140). This lasted for several months and it did bring the economy of the colony to a standstill.

A commission of enquiry was instituted by the colonial government to investigate the marketing of cocoa in the aftermath of the 1937 cocoa hold-up. The Nowell Commission formed prior to the outbreak of the World War II in its report revealed the terrible conditions facing the vast majority of Gold Coast cocoa farmers. This condition was aggravated by the lack of organizational and institutional mechanisms available to offset economic debt, and create investment potential (Mikell, 1986:141). The post-World War II period radically changed the nature of cocoa marketing in the Gold Coast. The government established a marketing board in 1946, which at first fixed prices for cocoa produce and later under Kwame Nkrumah's government, the board become solely responsible for buying and exporting through its subsidiary agencies. Until 1951, a huge chunk of the profit made by the Cocoa Marketing Board went into its funds, which were then used for public investment purposes such as the provision of social amenities. In 1961, a cooperative society made of farmers was given the monopoly to purchase cocoa substituting the set-up of private brokers, traders, agents, and middlemen who until then had managed the internal marketing of cocoa (Beckman, 1976:70). The Convention People's Party (CPP) a political party machinery formed towards the struggle for political independence, founded by Kwame Nkrumah, benefited from tremendously favorable postwar market conditions and accumulated cocoa revenue on a gigantic measure, following the swift increase in market prices of cocoa in the 1950s (Frankel, 1974). Increased export duties imposed by the government in 1951 began to take a larger portion of cocoa revenue, which increased with the increase of the average selling price of a ton of cocoa (Vigneri, 2011:201). Following legislative assembly elections in 1954, the cocoa export tax was increased further while the price paid to producers remained unchanged for four years. This created discontent and political tension between cocoa farmers. The agitated farmers who were mostly Ashanti, feared that their interest was been overlooked by a nationalist movement whose leaders were from other parts of the colony (Alence, 2001:399). The National Liberation Movement (NLM), a parallel movement towards political independence made up of mostly Ashanti cocoa farmers headed by the chief linguist of the Ashanti Kingdom, Baffour Akoto who doubles as a cocoa farmer. The NLM at independence fought for a federal state system, one that gave a greater share of wealth to the regions that produce it. After independence in 1957, the price of cocoa in the world market assumed an upward trend, which led to an increase in the share of government revenue from cocoa. In the early 1960s, when world prices plummeted due to an excess supply over demand, Nkrumah blamed the imperialists and neocolonialists for forcing prices lower and hence the government adopted a new policy of increase trade with the socialist economies of Eastern Europe. Under agreements, these countries offered generally stable prices, which on the average led to higher export earnings (Armah, 2004:40) but that was not enough to mitigate the imminent collapse of the prices of cocoa in 1965.

The downward movement of price of cocoa continued after the coup d'état of Nkrumah by the National Liberation Council (NLC) in the 1966. The new government increased the prices of cocoa paid to farmers in the face of a continuous decline in world prices, yet this did not prevent the smuggle of cocoa to neighboring countries of Togo and Ivory Coast due to the better prices paid for cocoa in these countries. By 1983, Ghana was producing 160,000 tons a year down from more than 500,000 tons in 1965 (Chazan, 1983:98). In the middle of 1970s and early 1980s, it is estimated that as much as 20 percent of cocoa produced in Ghana was smuggled into Ivory Coast. Aging trees and continued attach by pests and diseases made investment in cocoa distasteful (Buah, 1998:38). Farmers, who found that sales prices scarcely covered their costs, increasingly shifted from cocoa production to food production. These factors combined propelled Ivory Coast to assume the number one spot in the list of cocoa producing countries in the world in the late 1960s (Gocking, 2005:248).

The change of fortune in Ghana's cocoa sector began with the execution of the Economic Recovery Program under the Structural Adjustment Program (SAP) of IMF and World Bank in 1983, which included a special program to revive the sector (the Cocoa Rehabilitation Project). Policy variations comprised of reforms in the Cocoa Marketing Board, increasing producer prices paid to Ghanaian farmers in relation to those paid in other cocoa producing countries, thus curtailing the motivation to smuggle, thus reducing the level of implicit taxation of farmers and devaluing the Cedi (national currency) (Vigneri, 2011:200).

By 1995/6, production rebounded to 400,000 tons growth in cocoa production became prominent in 2001, perhaps stimulated by a mixture of record-high world market prices, increased producer prices o farmers, and a set of interventions the COCOBOD introduce to improve farming practices: mass spraying programs and high-tech subvention packages to encourage the applications of fertilizer. The year 2011 marked an unprecedented expansion of the Ghanaian cocoa industry when the share of its contribution to global production hit a record of 1 million metric tons (ICCO, 2011).

A study by Polly Hill in 1963 focused on the growth and expansion of the cocoa production in Gold Coast and the contribution made by the ''migrant cocoa farmers of southern Ghana'' who according to her through their efforts and investment in the industry made Ghana the number one producer in the world. Gwendolyn Mikell in her book *Cocoa and Chaos* published in 1989 analyzed local, national and international levels of interactions between actors in the world economy in the post-independence era. The study delineated how the mode of production, relations between the state and the local people changed as the production of cocoa integrated Ghana into the world capitalist economy and how political, ethical and regional alliances were created as strategies for gaining control of the cocoa resources. These competitions between the capitalist oriented peasants, regional ethnic groups and government for control of export, she argues have led to upheavals and the cocoa hold-ups prior to independence. Orla Ryan in her "Chocolate Nations" in 2011 extended the discussion on cocoa to looking at the contemporary period (from 1980s to 2010) in the Ghanaian history since the transition of the country from a military administration to a democratically elected one. In answering the question of why Ghana and its peasant cocoa farmers seem to earn little from cocoa production despite its overwhelming contribution to the world production, Ryan reveals that, the unequal power distribution between players in the sector as the cause supermarkets, manufacturers and governments.

Drawing from Susan Strange's approach to the study of political economy, what this study seeks to do differently is to provide an understanding of the political economy of cocoa in Ghana in the context of historical change. The essay examined the evolution of Politics, economics and social structures of Ghana from pre independence (1890s) to post-independence era (2012). The cocoa sub-sector of the Ghanaian economy, which has been a major source of wealth in contemporary Ghana, is the focus of the investigation. The question '*'Cui bonno*?'' *Or ''who benefits?''* is central to the investigation as the study will try to identify the major actors (international and local), their roles, interests and the powers they possess, where and how they derive their power, alliances in the Cocoa sub-sector and how the distribution of power reflects to an extend what, when and how actors benefit from the industry. It is the claim of the study that unequal distribution of benefits in the cocoa sub-sector is an outcome of unequal power relations between actors seeking to protect their interests.

The study contributes to research by serving as a reference point to all students who want to acquaint themselves with information in the cocoa production and the interaction between state, market and society in Ghana. The study will also serve as a guide to policy makers and lobby groups in Ghana interested in improving the lots of the cocoa folds.

The research was based on review of secondary data on history, politics and economics in Ghana. In this, regard micro and macro socio-economic, environment and political data, articles, journals, local and international reports, newspapers, books and other relevant materials on the subject matter primarily from Middle East Technical University, London School of Economics and Political Science and School of Oriental and African Studies. The study also employed both structured and unstructured meetings and interviews with farmers' representatives, private buying companies, manufacturing companies and the Ghana government.

This was done not without limitations as regards data collection and interviews. Getting people to talk to at the Ghana Cocoa Board (COCOBOD) was a problem. The fear of moving prices made officials of the COCOBOD reluctant to provide information on cocoa. The officials are therefore very selective on the persons they speak to and the information they give out to whom they meet and grant interview to. Some chocolate manufacturers like Cadbury just like the COCOBOD also declined granting interviews to me after an earlier arrangement to do so.

The study is in six parts. Chapter 2 deals with the evolution of world production, consumption and marketing of cocoa. In order to understand in what framework and how the Ghanaian cocoa sector operates, the chapter gives an overview of the market forces governing the world cocoa market and the development of the world market price as well as an introduction to cocoa producing countries.

Chapter 3 focuses on the evolution of the Gold Coast society in the mid-19th century from slavery to the development of the cocoa industry in 1937. This chapter looks at the conditions that led to the change and orientation of farmers who adopted cocoa when it was first introduced in the Gold Coast. The critical role played by the migrant population of southern Ghana in providing labor for take-off of cocoa and how lands were acquired was also discussed.

Chapter 4 focuses on the 1938 to post independence period in 1982 when Ghana was replaced by Ivory Coast as the world's largest producer of cocoa bean. The attempted reforms and commissions of enquiry which were set up to look into matters relating to the withdrawal of cocoa beans from the market by farmers in the 1930s and 40s. The newly formed Cocoa Marketing Board, which assumed monopoly for marketing and exporting of cocoa, its origin and its relationship with farmers and other actors were also discussed in the chapter.

Chapter 5 is dedicated to the recovery period of production of cocoa in Ghana from 1983 to 2012. The role government played through the cocoa marketing board and continues to play in the sector and the impact of the reforms on cocoa production. The impact of the reform program undertaken under the sponsorship of the World Bank and IMF to revive the cocoa sector in Ghana was discussed.

Chapter 6 and 7, the last and the core part of the thesis analyzed the central theme of the thesis of who benefits? Who loses? The relationship between the key actors, the farmers and the multinational cocoa processors and chocolate manufactures were discussed.

CHAPTER 2

EVOLUTION OF WORLD COCOA PRODUCTION, CONSUMPTION AND MARKETING

The gradual development of various uses of *theobroma cacao*[1] has provided the opportunities and challenges for commercial production and development of cocoa. In order to fully appreciate in what setting the Ghanaian cocoa sector functions; this section gives an overview of the market forces controlling the world cocoa market and the development of the world market price as well as a brief on cocoa producing countries.

2.1 Origin and Early Usage of Cocoa

Contrary to most other agrarian primary products, which came to be produced in Africa as a response to the changing conditions resulting from the growth of demand for raw materials in the industrial world throughout the concluding part of the 19th century, cocoa was not an indigenous African crop. The cocoa crop grew wild on the South American continent where it was domesticated in the 16th century and used for commercial purposes in the 18th century (Amoah, 1995:45). The cocoa bean has long been considered a valuable bean that could be counted; this prompted its usage by the Aztecs as currency for transaction motive. By the sixteenth century, the Aztecs of Central America found a way of preserving the beans and finally found a method of crushing the beans to make a drink called *Chocolatl*. They believed cocoa possessed spiritual qualities hence it became known as the Food of the Gods.

The first foreigner to drink *chocolatl* was Christopher Columbus. Nevertheless, it was Hernan Cortés, leader of a voyage to the Aztec empire in 1519, who returned to Spain in 1528 bearing the Aztec recipe for *chocolatl* (chocolate drink) with him. The drink was

[1] The botanical name of cocoa, which originated from a Swedish botanist Linnaeus in 1753.

first received apathetically and it was not until sugar was added that it became a popular drink in the Spanish courts.[2] The introduction of the crop in Europe later led to an eruption in demand brought about by the affordability chocolate, which paved the way for an extensive cocoa cultivation in the world with Brazil, in particular leading the way[3]. This led to the cultivation and the spread of Amelonado cocoa from Brazil throughout the world. Amelonado cocoa was first planted in the Portuguese Islands of Principe in 1822, Sao Tomé in 1830 and Fernando Po in 1854, then in Nigeria in 1874 and later in Ghana in 1879[4].

2.2 Commercial Production of Cocoa

There are three varieties of cocoa namely Crillo, *Forastero,* and *Trinitario,* a hybrid of Forastero and Crillo. Within these types are several varieties. Forastero, which now forms the greater part of all cocoa, grown is hardy and vigorous producing beans with the strongest flavor. *Amelonado* is the Forastero variety most widely grown in West Africa and Brazil. It has a smooth yellow pod with 30 or more pale to deep purple beans. Crillo with its mild or weak chocolate flavor is grown in Indonesia, Central and South America. Crillo trees are not as hardy and they produce softer pods that are red in color, containing 20-30 white, ivory or very pale purple beans (Amoah, 1998:45). Trinitario plants are not found in the wild, as they are cultivated hybrids of the other two types. Trinitario cocoa trees are grown mainly in the Caribbean area but also in Cameroon and Papua New Guinea.

Cocoa is a perennial crop and it takes between 3-4 years to start receiving returns from its investment. A successful development of a cocoa farm requires a good knowledge about physiological principles, which can promote efficiency of the tree's development and disease control (Amoah, 1995:46). Commercial success of cocoa production

[2] ICCO website http://www.icco.org/about-cocoa/growing-cocoa.html downloaded on the 20thJuly 2013

[3] Ibid 2

[4] Ibid 2

depends largely on adoption of good cultivation practices particularly good husbandry practices. Cocoa grows on trees and the pod grows on the stems and branches. Cocoa tree takes a couple of years after planting until it bears fruit, a cocoa tree can bear fruits for roughly 30 years. Cocoa is harvested uninterruptedly through the year, as the pods do not develop at the same time of the year. In Africa, cocoa is harvested rigorously between the month of December and June. The cocoa pods are cut down mostly by hand, using machetes. The cocoa bean is taken out of the cocoa pod using knives and small machetes. The beans are then fermented on the ground on the sun for approximately three weeks before they are packed into jute bags ready for export.

Good climatic setting is an essential requirement for the successful growth of a cocoa plant. Cocoa plants react well to moderately high temperatures, with a maximum of 30 - 32ºC and a minimum of 18 - 21ºC per annum[5]. Cocoa requires plentiful and well-distributed rainfall through the year. An annual rainfall pattern of between 1,500mm and 2,000mm is usually favored for the growth and development of cocoa.

Cocoa requires a soil comprising of coarse particles and with a considerable amount of q nutrients to allow the growth of a healthy root system[6]. The cocoa tree is sensitive to a lack of water, and can endure waterlogging for a short time. The soil for cocoa production must have both water retention properties and good drainage capacity.

2.3 World Cocoa Economy Today

While cocoa initially originated from Latin America, Africa and West Africa in particular is the powerhouse of cocoa production in the world today. Nigeria, Ivory Coast, Ghana and Cameroon account for about 75 percent of total cocoa production in the world. Ghana attained the status of a primary producer of cocoa for the most part of the 20th century, and is currently the second major producer after Ivory Coast.

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[5] ICCO website http://www.icco.org/about-cocoa/growing-cocoa.html downloaded on the 20th July 2013

[6] Ibid 5

Between 2002/2003- 2011/2012, cocoa production in the world increased from approximately 3.2 million tons in the 2002/2003 cocoa season to an estimated 4.3 million tons in the 2011 crop season. This means an average annual growth rate of 3.3% has been achieved. Production levels have strayed considerably from the usual trend, principally arising from the impact of climatic conditions (ICCO, 2012).

The last two decades have seen the African region firmly established its geographical concentration as the number one supplier of cocoa, a position that it has maintained for over a century (ICCO, 2011). Cocoa production in Africa expanded at an average rate of 3.7% per annum with a corresponding increase in its share of world production from 69% at the beginning of 2003, to 75% at the end of 2011(ICCO, 2011). Cocoa production in Latin America also grew at a lesser rate of 3.1%, with its stake in worldwide production stagnating at the rate of 14%. Asia and Oceania countries was the slightest dynamic of the three cocoa producing regions of the world, accounting for an average increase of 1.5%, with its stake falling from 17% to 15% at the end of 2011(ICCO, 2012). Between the major producing countries, significant expansion in production was recorded by Ghana (increased by 438,000 tons), Ivory Coast (increased by 112,000 tons), tons), Cameroon (increased by 74,000 tons), Nigeria (increased by 53,000 tons), Indonesia (increased by 78,000 tons), Ecuador (increased by 77,000 and Brazil (increased by 34,000 tons). Malaysia, in contrast to the others, experienced a tumble in production (fall by 21,000 tons) (ICCO, 2012:9).

Throughout the latter part of the 1980s, a discrepancy existed between the forces of demand and supply, triggered by excess production of cocoa largely coming from non-traditional cocoa producing countries. This surplus of supply over demand led to a drastic fall in cocoa prices in the world. In conventionality with prices of other primary commodities, the price of cocoa has been characterized by wide fluctuations and decreasing price. Several developing countries are extremely reliant on commodity trade and the fluctuations of the world market price of such commodities are of great concern to policy formulators in these countries (Helena, 2009:46).

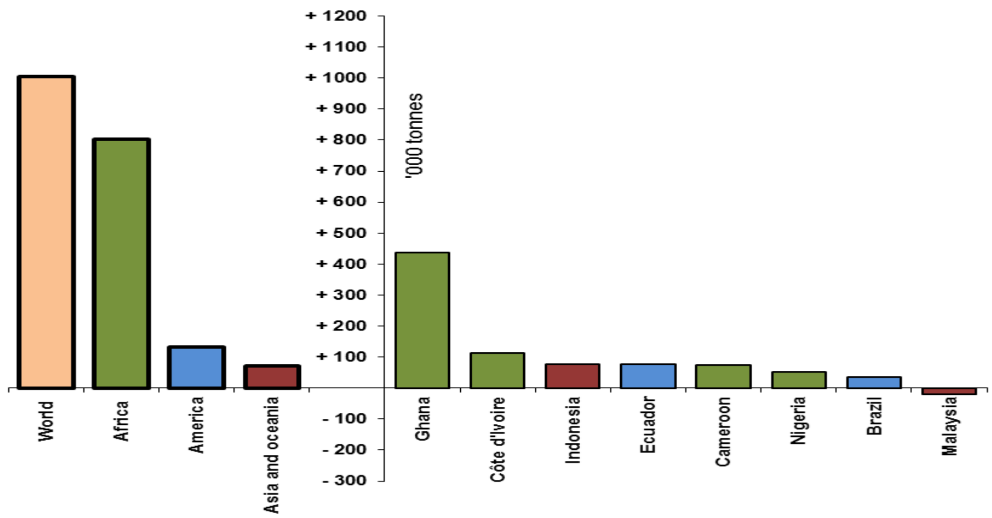

Figure 1. Changes in World Production of Cocoa Beans-2002/2003 to 2010/2011, ***Source: ICCO Annual Report 2010.***

Commodity prices do not have a static posture. They tend to change on a daily basis depending on the time of planting, harvesting and exporting of the crop, making prices very difficult to predict. One primary reason for the fall in price of cocoa is the upsurge of cocoa production in the world market; total cocoa production and supply has doubled compared to the start of the 1980s. A number of nontraditional cocoa producing countries moved into the business of producing cocoa in the late 1980s largely due to a relatively high price of cocoa at the time (Helena, 2009:48). The price of cocoa declined gradually until the start of the new century when it improved marginally. An additional reason contributing to the falling pattern of cocoa prices was the penchant of industries to hold bulky stocks of the cocoa beans with the purpose of creating an artificial shortage.

Social and political unrest in Ivory Coast and lower yields of cocoa caused by farmers' lower capacity to sustain production levels due to absence of sufficient income in the cocoa off seasons. Furthermore, erratic weather conditions and lack of information about risks and market failures makes cocoa vulnerable to volatile prices.

There are huge differences among countries producing cocoa regarding the size and efficiency of their respective cocoa farms. In Malaysia and Brazil, cocoa farms are big plantations run by huge firms who are motivated by profit to continue to be in business. These firms are prepared to withdraw when the prevailing market situations are unfavorable (Ryan, 2011:136). In contrast, West African cocoa is cultivated on subsistence family farms where income earned from the harvest from the farm constitutes the means of support of the farmer and his family.

Management and marketing of cocoa is done in different ways. The most common way is to let market forces of demand and supply determine prices and quantities produced. This involves the interaction of many private sector actors and with little or no intervention from the government. This allows producers to obtain higher price for their harvests due to the availability of options to sell to, nevertheless the volatility of the market price of cocoa also makes farmers more vulnerable. Notwithstanding the fact that the international cocoa market is under the influence of world market forces, the state can interfere with the operations of the market in case of market failure.

Different from the free market system is the marketing board system where the state controls production methods and the marketing chain of cocoa (Helena, 2009:31). There may be a number of private firms that may have a certain level of influence over a part of the production chain, nonetheless, it is the government that determines the amount paid to cocoa farmers in the form of producer prices and handles exports.

In between these two systems is the scheme of stabilization fund. It has resemblance of the marketing board system in that the government determines producer prices and the fund in charge of exports and internal markets (Helena, 2009:31). However, the government does not have control over the physical handling of the crop, even though it regulates and issues licenses to agents on the internal market. The producer prices are set to cushion the farmer from the incessant fluctuations in world prices. The idea is also to accumulate income as reserves to support cocoa producers when world market prices tumble.

A good number of cocoa producing countries have adopted a market-oriented reform. Indonesia, Malaysia, Brazil, and Nigeria, all operate under such situations (Varangis, 2001:14). In countries where the government has a considerable influence over the cocoa production chain, such as Ghana, Côte d'Ivoire and Cameroon, the system has been partially liberalized. After liberalization of the cocoa market in these countries, the producer price farmers receive for their products is largely determined by the world market price and the forces of demand and supply. This shows that farmers may get higher, but more insecure earnings, due to the volatile nature of the world market price (Amoah, 1998:68). A long-term undesirable effect of liberalization may be that, producers will not be secured in times of declining world market prices.

Figure 2 below indicates Africa, as the lead region in cocoa production accounting for 77% of total world export, with Asia and Oceania producing 16% and the Latin America region recording (6%). The international market of cocoa largely remains concentrated within the developed world. The top five countries account for 87% of total world export, with over 98% originating from the top ten countries from 2006/2007 to 2010/2011. Ivory Coast leads the world production with 37% of global export, Ghana (22%) and Indonesia (15%) coming second and third respectively.

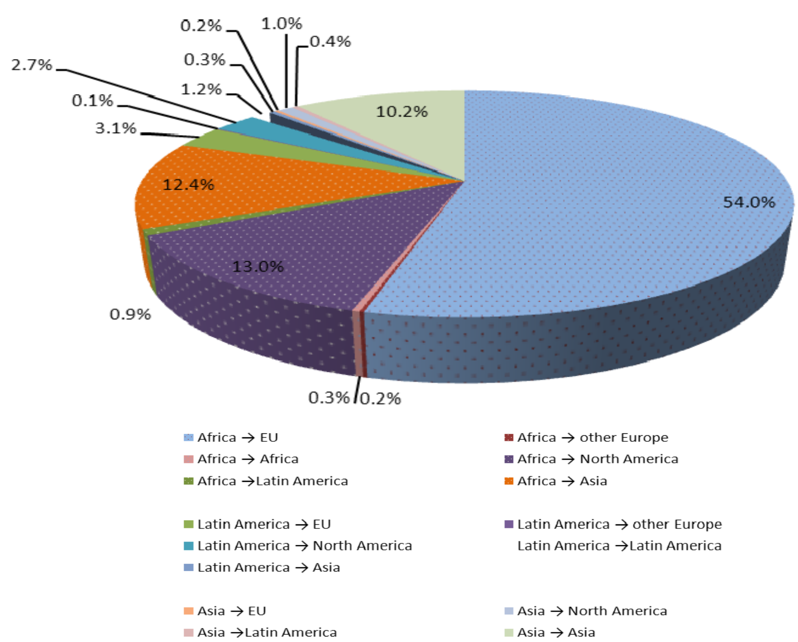

Figure 2. Regional Export of Cocoa Beans in 2010/2011 ***Source: ICCO Annual Report 2010.***

Cocoa remains a vital source of foreign exchange earnings for many producing countries, which are mostly developing countries, African countries in particular. Africa's hefty reliance on cocoa and other primary commodities as a source of foreign exchange is vulnerable to market conditions especially with regard to price volatility, and weather conditions. Nonetheless, in some situations, real exchange rates, and domestic marketing activities and in some cases government interventions have acted as buffer for price movements for cocoa farmers (Helena, 2009:39).

2.4 Cocoa and Chocolate Consumption

Cocoa is largely consumed as chocolate, chocolate coated products (biscuits, ice creams), or in other food products comprising of cocoa powder such as drinks, cakes and snacks. The primary ingredients used in manufacturing chocolate are cocoa paste, which gives the basic chocolate aroma, cocoa butter, which provides the typical mouth feel, sugar and an additive agent[7]. Milk is also added to produce milk chocolate.

Though Africa remains the largest in terms of production, it lags behind in terms of consumption of cocoa and chocolate. Chocolate products in Africa are treated as luxury; the vast majority of Africans living on less than $2 per day makes it virtually impossible to enjoy a bar of chocolate, which almost cost the same amount (Ryan, 2011:48). The North America and Europe on the hand, leads the way as the largest consumer of cocoa and chocolate products. The rate of growth of chocolate and cocoa consumption in the Far East and in Eastern Europe can mainly be attributed to an increase in demand for products containing cocoa powder. Comparatively, slight amount of cocoa butter are used in cosmetic products and, more recently, new products are being manufactured from cocoa by-products in some cocoa producing countries.

[7] http://www.cocobod.gh/coco_link.php downloaded on 14th August 2013.

Consumers from Western Europe and North America dominate the chocolate business. Even in the wake of the economic downturn that characterized the world economy in recent years, chocolate is still viewed as an affordable luxury.

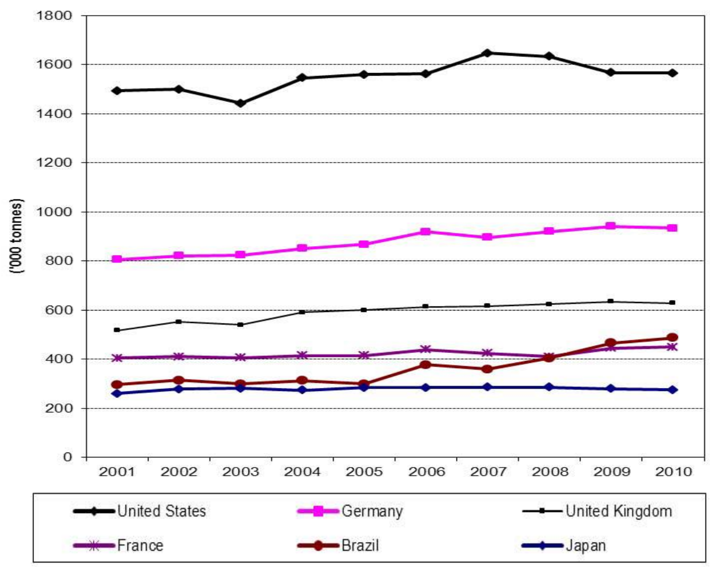

Figure 3. Chocolate Consumption in Selected Countries 2001-2010 ***Source: ICCO Annual Report 2011.***

2.5 Marketing of Cocoa

Like other commodities, external marketing of cocoa is done in two forms: either physically purchased or sold on the commercial market, or transacted on the London (Liffe) and New York (ICE) commodities market. The use of futures market – a contract for purchase and sale of commodities for delivery in the future on an organized exchange forum subject to all terms and conditions of that exchange (Amoah, 1998: 69). In a futures market, the buyer and seller enter into a standardized contract- amount of cocoa at a specific place and time to be delivered at a future date.

The nature of production of cocoa makes it virtually impossible for an individual to plant, weed and harvest the crop alone. Many hands are needed to undertake these tasks (Ryan, 2011:60). As we shall see in later chapters, individual smallholders have been and continue to be the livewire of the cocoa industry in Africa contrary to what pertains in the Latin American Countries, which are mostly plantations. This unique feature of the African cocoa production has been instrumental to the success of the sector. With all the difficulties involved in the cultivation of cocoa by an individual producer, the question is, does the African smallholder farmer get enough for his cocoa?

CHAPTER 3

EVOLUTION, GROWTH, DEVELOPMENT AND ORGANISATION OF THE COCOA INDUSTRY IN GHANA (1888-1937)

Given the global market share of cocoa trade, it is almost negligible and not a very important commodity in relation to other commodities traded on the world market such as oil and gas whose contribution to world trade are undisputedly high. Perhaps the luxurious nature of cocoa and cocoa products, which are predominantly produced in few unindustrialized countries, might have accounted for the marginal contribution of cocoa to the global economy (Gunnarsson, 1978:140). Regardless of how marginal its contribution to total world trade, cocoa constitutes a considerable proportion of these countries production and an even larger share of their foreign exchange earnings. Thus, the economic prosperity of these countries largely depends on the success or failure of its cocoa industry. The introduction of cocoa into the Ghanaian society in the 19th century undoubtedly brought prosperity to the pioneer cocoa farmers who were driven by economic ends (Hill, 1963:18). This chapter will focus on the introduction and the growth of the cocoa industry, production and marketing, how and why the people adopted cocoa, the reasons behind the exponential growth of the sector within few decades of introduction and the structural changes that have ensued as a result of introduction of the cocoa crop.

3.1 The period of introduction

It is an established fact that cocoa was introduced into Africa by the Portuguese and Spanish settlers who imported plants from South America and established large agricultural estate on the islands of Sao –Tomé, Principe and Fernando Po outside the western coast of Africa. These regions developed to become important hubs for cocoa production in the world. Sao-Tome in particular became the major producer of cocoa in Africa and second next to Ecuador in the world, a position which was upheld until the Gold Coast assumed the leadership role as the world's largest producer of the cocoa bean in 1910 (Gunnarsson, 1978:146).

However, its introduction into Ghana and West Africa at large has been a major source of debate. There are three variant narratives on the introduction of cocoa in Ghana and interesting enough, all the three narratives leads to the establishment of a cocoa nursery at Aburi Botanical Garden in Akwapim, the first cocoa nursery in the Gold Coast to have been established to promote the distribution, cultivation and exportation of cocoa beans.

According to folktales in the Ghanaian society, the Basel Mission, who worked under the aegis of the Danish Government in 1843, introduced cocoa into West Africa and Ghana. As part of their goal of improving the living standard of the Gold Coast society through an export based agricultural economy, they made regular effort to elevate the poor standard of agriculture by constantly experimenting with new crops of which cocoa was identified as one of such commodities (Hills, 1963:17).

Some have also argued that the serious effort to introduce cocoa in the Gold Coast was made by Sir William Branford Griffith who served as the Governor of the Gold Coast from 1886 to 1895. Governor Griffith is touted as having imported cocoa plants from the West Indies to establish a botanical garden in Aburi where cocoa plants were distributed to African farmers (Gunnarsson, 1978:140).

Others have also identified Tetteh Quashie in particular, who was a native Ga (an ethnic group) blacksmith from the Christiansburg in Accra who had been working on the plantations of Fernando Po as a laborer, from where he had brought plants to establish a cocoa nursery in Mampong (Akwapim) in 1879. This was given much credence when in the Gold Coast Annual Report of 1902; Tetteh Quashie was named as the man who introduced cocoa into Ghana and 1879 given as the date of introduction (Hill, 1963:18).

Regardless of who ever were responsible for introducing cocoa into the Gold Coast, it is undeniable fact that its production after a short period of introduction has led to an overwhelming expansion of the industry. Our focus therefore should rather be geared towards identifying the factors that led to the exponential growth of the sector, and how its introduction has altered the politico-socio-economic development of the Gold Coast.

The Gold Coast cocoa industry experienced its flamboyant period within few years of introduction by a ’’fortunate combination of circumstances’’. Literatures concerned with the factors behind the rapid expansion of the industry often ascribe either internal factors or external or the combination of both as having contributed to the expansion of the industry.

3.1.1 External Influences

The significance of external influence has been accentuated by two schools of thought which rest on two opposing ideological grounds and represent different views as to the long term consequences of the introduction of cocoa in the Gold Coast. These theories are on the one hand the Marxist Theory of imperialism and neo-colonialism and on the other hand the liberal theory of international trade (Gunnarsson, 1978:150).

The Marxist theory of imperialism draws inspiration from the seminal theories of the interrelationship between capitalism and imperialism theorized by Lenin in his *Imperialism, the Highest Stage of Capitalism.* According to Lenin, colonies are acquired for three major functions namely, to serve as producers of raw materials that would be used for production in the imperialist economy. Secondly, the colonies were to provide an outlet, a market for the products from the imperialist economies and thirdly, the colonial areas were supposed to attract surplus capital that could not find its way in the imperialist economy (Lenin, 1969).

Samir Amin made an extension of Lenin’s argument in 1972 who classified colonial Africa into three different regions based on their level of economic purposes(Amin, 1972:). The first ’’macro- region’’, ‘’*Africa of the colonial trade economy’’*, consist of traditional West African countries of Ghana, Togo, Cameroun, Chad, Nigeria, Sierra Leone, Gambia, Liberia, Guinea-Bissau, and Sudan. This macro-region is further divided into sub-regions namely: (i) the coastal zone, which is without difficulty accessible to those outside world, and which constitutes the 'rich' area; (ii) the hinterland, which serves as a source of labor for the coast, and market for the businesses that are being established there; and (iii) Sudan, which was rich in minerals.

The second macro-region is the *Africa of the concession-owning companies, which* is made of countries in the traditional Congo River basin (Congo-Kinshasa, Congo-Brazzaville, Gabon, and the Central African Republic). This macro-region was the hub for colonial companies.

The eastern and southern parts of the continent made of (Kenya, Uganda, Tanzania, Rwanda, Zimbabwe, Botswana, Lesotho, Burundi, Malawi, Angola, Mozambique, Swaziland, and South Africa) constitute the third macro-region, which Amin refers to *Africa of the labor reserves.* Because of the existence of a great wealth of mineral to be exploited in this macro-region, there was the need for a supply of ’’proletariat’’. To have an easy access to the proletariat, the colonialists evicted the African countryside societies - at times by violence - and send them purposefully back into small, deprived areas, with no other way of modernizing and expanding their farms. The colonialist then forced the ‘traditional’ communities to supply the European mines and farms with cheap proletariat for the manufacturing industries of Rhodesia, South Africa, and Kenya (Amin, 1972:505).

The Gold Coast is found in Lenin’s category of *’’raw material producing economies’’* and *Amin’s ’’Africa of the Colonial Trade Economy’’*. The set of countries in this group according to Amin, the partitioning of the African continent in the 19th century extended the ways the colonialist could have access to capital at the center. To achieve this, the colonial powers, organized production on the spot, and exploited mineral resources and labor. This exploitation was done simultaneously with nonstop dominance and cruel political force, which was aimed at limiting and maintaining the local social classes to the role of a ''conveyor belts'' (Amin, 1972:506). The colonialists were then able to form a structure, which made it promising for large-scale production of crops for export under the conditions necessary to interest central capital in them (Gunnarsson, 1978:144)**.** Ghana delivered on such raw materials in the form of palm kernels, timber, palm oil, and later cocoa.

The argument made by this school of thought seems to be in line with the one made by apologists of the colonial government, who linked the introduction of cocoa into Gold Coast to Governor Griffith. This does not only put additional weight on the ''imperialist-colonialist'' argument that the introduction of cocoa mainly for export was deliberate and coercive, but also casts a further doubt on the role of Tetteh Quashie who is officially recognized as the man to have introduced cocoa into the country.

This ''imperialist-colonialist'' argument however, tends to overate the importance of purely coercive methods, such as taxation, force production and forced labor as the major factors behind the expansion of raw material production in West Africa in general and in the Gold Coast in particular (Gunnarsson, 1978:144) thereby undermining the economic acumen of the Gold Coaster as a rational producer whose motive of production has always been for economic ends. The pre-colonial history of Africa has always revealed to us the traditional African setting and how economic activities were organized; hunting, fishing, crop farming and indigenous manufacturing played important role in serving the economic needs of the people before the advent of the Europeans in Africa (Rodney, 1970:16). Migration of people from one occupation to the other was purely based on the economic ends and this trend may have continued into the colonial era (Hill, 1963:64). To some extent cocoa production in West Africa and in some parts of Gold Coast were characterized by coercive measures, but to overemphasize its decisive role, as having led to the production of cocoa in the Gold Coast may be improper (Gunnarsson, 1978:144).

According to the liberal notion of international trade grounded on the principle of *vent-for-surplus* from the idea found in the classical theory of international trade espoused by Adam Smith in ''*Wealth of Nations*'' and developed by Myint in 1958 to elucidate the 19^{th} century expansion of international trade to the unindustrialized countries of Latin America, Africa and South-East Asia. The theory posits that foreign trade overpowers the slenderness of domestic markets by increasing the scope of the market by providing a vent for surplus produced in the national market (Myint, 1958:60). The theory emphasizes that, least developed countries, tends to have some primary commodities in surplus when domestic demand is fully fulfilled. This surplus produced is exportable.

What distinguishes this theory from the traditional David Ricardo's Comparative Cost Advantage approach to the reasons behind international trade is that, according to the comparative cost advantage module the function of international trade is to reallocate resources in the most optimal manner from society point of view (Gunnarsson, 1978; Myint, 1958). The theory of vent-for surplus goes further to postulate that a country, which has not been previously involved in international trade, possesses a surplus productive capacity, which may be utilized by means of foreign trade. Thus, the function of international trade is not to reallocate resources in the first place, but to create a new effective demand for items not previously produced (Gunnarsson, 1978:140).

Furthermore, the Comparative cost theory is founded on the proposition of stationary theory. It makes an assumption on a fixed quantity of resources and full employment. This obviously makes the theory undesirable for developing and least developed countries because these countries are nowhere close to complete employment (Myint, 1958:60). These countries display features of a dynamic economy. As dynamic as the world economy is today, Comparative costs theory cannot logically explain the characteristically high rate of expansion of exports observed in many underdeveloped countries (Gunnarsson, 1978).

Relating this theory to the plight of African countries engaged in the production of export crops, Myint cited the dominance of the large surplus capacity of productive resources in land and labor. The introduction of international trade brought both incentives and means to utilize these resources, in a productive manner by producing agricultural crops for export. As regards cocoa production in the Gold Coast, the growth of the cocoa industry didn't follow the regular pattern of economic development and it needed not to be that at all because that would have affected the regular food supply. The cocoa production utilized surplus land and underemployed labor. This proved to be a safe enterprise which demanded very little reallocation of resources and involving only minor risks with the growing demand for chocolate products in Europe providing the incentive for production (Myint, 1958:65). Indigenous African capital formation, though present, but was less significant since production could take place practically without modern production techniques considering the simple nature of cocoa production, capital requirement was extremely low. However, the farmers needed initial capital and credits during off-pick seasons. This capital was provided by the European merchant firms whose role in Myint opinion proved vital in the growth and expansion of the cocoa industry.

Just as the ''imperialist-colonialist'' approach, Myint turns to underestimate the importance of capital accumulation among the indigenous Gold Coast peasant farmer. Crop farming has been the pre-colonial endeavors of the Gold Coasters who have always produced staple crops for the domestic market through barter trade; a system of trade where goods and services were traded without the use of money. This system continued after the introduction of money as a medium of exchange. This led to the formation of an indigenous class of peasants who were capable of responding to the stimuli provided by the indigenous market economy. The existence of European merchants and the loans provided to farmers was only an incentive attractive enough to entice the Africans into producing cocoa for export.

3.1.2 Internal Influences

The emphasis on the ’’imperialist-colonialist’’ influence has been challenged by a research undertaken by Polly Hill in 1963, an anthropologist, in her most cited book, *Migrant Cocoa Farmers of Southern Ghana*. According to Hill cocoa production in the Gold Coast was introduced by commercially minded farmers in the southern part of the Gold Coast who migrated into the forest areas for the express purpose of growing cocoa as opposed to the claims generally made attributing the growth and development of cocoa to the ’’sedentary peasant farmer’’, who was virtually not familiar with the cash crop economy. Hill argues that, Ghana cocoa growing industry was created as a result of the migration of southern Ghanaian cocoa-farmers in the south of the forest belt who bought land which at the time of purchase, was hardly inhabited. The migrant farmers who were mostly Akwapim, Krobo, Shai and Gas had foreknowledge of the cash crop economy through an earlier contact with the European merchants possibly through their palm kernel and rubber trade.

The understanding of this migratory process, touted as one of the greatest events of the recent economic history of Sub Sahara Africa, is vital to the understanding of the introduction of cocoa production in the Gold Coast. The migratory process marked the beginning of a new era that altered the socioeconomic organization of rural West Africa. The role of European capital and merchants, according to Hill played rather an insignificant part in the expansion of the cocoa trade. Their contacts with farmers were poor and their contribution to capital formation was meager (Hill, 1963). Nevertheless, Hill acknowledged the intermediary link the Europeans played in the export business linking the cocoa producers in the world economy. The marketing and export of cocoa would have been dealt a devastating blow without the Europeans as intermediaries.

The main argument of Hill is that, cocoa production in Gold Coast came to be dominated by a group of rural farmers who were capitalist. Capitalist because, the primary aims of these farmers have always been the expansion of their businesses, contrary to the general notion that the African lacks economic forethought. The migrant cocoa farmer as Hill suggests is remarkably responsive to economic incentives and remarkably dedicated to the pursuit of economic ends. The migratory process took place within a context of economic and historical setting, which is worth mentioning here.

Prior to cocoa, the Gold Coast was noted for its large deposit of gold and other mineral resources. Indeed the search for gold, timber, ivory and spices prompted the Portuguese, the Dutch and the English alike to journey to West Africa in the 15^{th} century. Gold was the most important commodity traded in the Gold Coast in the 17^{th} century and export was dominated by gold (Wolf, 1982:149). However, by the end of that century, the discovery of gold later in the century in Latin America and Brazil in particular, led to a decline in demand for gold from Africa due to the high cost of shipping gold from Africa. Around the same period, labor was needed in Spain, Portugal, and in Portugese islands of Cape Verde and Sâo Tome, for plantation agriculture. Within the Atlantic Slave trade arrangement, African slaves came to be more valuable than gold, and Brazilian gold was offered for African slaves at Whydah (Dahomey) and Accra (Rodney, 1970:42). Slavery began destabilization the 'Gold Coast' economy and destroying the gold trade. Slave prowling proved to be more profitable than gold. At that point, slavery began undermining the 'Gold Coast' economy and destroying the gold trade.

At the beginning of the eighteenth century, slaves constituted the main commodity of the African trade and the English dominated that trade (Wolf, 1982:149). The slave trade developed in leaps and bounds assuming a triangular shape consisting of the Atlantic Coasts of Africa, Europe and America. The Gold Coast earned the reputation as the center of the slave trade with the port of Elmina serving as the transit point of the Trans-Atlantic Slave Trade.

After the abolishment of the slave trade in the Gold Coast for its subjects in 1807, partly due to changes in economic interest and the continued resistance of the enslaved Africans, the British embarked on a multidimensional campaign of ending the transatlantic slave trade and encouraged the export of items like palm oil, ivory, gold and rubber.

By the middle of the 19th century, with the gradual collapse of the external demand for slaves after 1807, elements within the groups that had grown powerful from their participation in the trade-chiefs, notables, and, particularly, African middlemen traders-found in the European demand for palm oil a substitute export item (Grier, 1981:28). As demand increased throughout the century for the oil (used in Europe for lubricating machinery and making candles and soap), cultivation ensued. The Krobo, in particular, and the Akwapim were most heavily involved in palm oil production and trade, and it was they who began the process of cutting down virgin forests to plant extensive palm tree plantations. By 1890, palm oil and palm kernel exports contributed to an estimated two-thirds of all Gold Coast exports (Hill, 1963:78). The discovery of alternative oils and fats elsewhere in the world, coupled with depression in Britain in the last quarter of the nineteenth century led to the steady decline of palm oil prices that lasted through the twentieth century.

Around this same time (1800s), there was an extraordinary increase in the world price of rubber due to increased demand because of the development of various uses of rubber. The value of rubber exports exceeded the value of palm oil and palm kernel combined. In 1893, Ghana ranked third in the list of rubber producing countries in the world and the level of her export was maintained until 1914 (Hill, 1963:68). The Gold Coast producer, a capitalist by orientation is remarkably sensitive to price changes in the world market and his production is always consistent with the pursuit of economic gains associated with a commodity, is bound to change his production pattern as and when his profit motive is endangered. This became evident when a fall in the world price of palm oil and palm kernel after 1885 and the subsequent fall in the price of rubber exports, which recorded a boom in 1890 due to oversupply laid the foundation for the production of cocoa on a large scale in the colony as lands for the production of cocoa were purchased from the proceeds of rubber and palm oil (Hill, 1963:68).

The reason of the migration is well documented in Polly Hill's book on the migration of cocoa farmers in southern Ghana- a tumble in the world market price of palm oil in 1885 forced farmers to search for substitute export crops; a flourishing rubber exports in 1890 trigged by an increase in price provided the wealth for the acquisition of virgin forest lands; increasing population density in the Akwapim area, which stimulated commercial farmers to advance inland taking them into Ashanti Region where the huge share of cocoa in Ghana is produced today in search of alternative export agriculture opportunities (Hill, 1963; Gunnarsson, 1978).

These migrant farmers purchased lands from the local chiefs in groups such as ''*companies*'', a modified system of group land-purchase invented by palm oil farmers of Akwapim for the purposes of acquiring additional forest lands for the cultivation of their crops) and ''*families*'' which developed spontaneously in response to the stimulus of commercial cocoa-farming. The family served as a source of labor for the cocoa growing farmer and depending on the size of the farm, migrant farmers depended on the services of external labor under a scheme termed *abusa*, where farm laborers were given one-third of the sale price of the harvested cocoa (Hill, 1963: 120). This practice was maintained until the services of wage labor came into existence later in the 20th century.

3.2 Organization of the Gold Coast Cocoa Industry

3.2.1 Land and Labor

The Gold Coast cocoa industry was the creation of the commercially oriented indigenous farmers, responding to the economic opportunities made available by the introduction of the new crop (Mikell, 1989:46). Foreign owned plantations played no part in the development of the industry. As shown by Polly Hill, the driving force was above all a stratum of ''rural capitalists'' investing in land and labor moving to areas where the soil is most suitable for cultivation of the cocoa tree. These lands prior to the purchase were inhabited. The limited availability of lands for cultivation in the

Akwapim area where cocoa had first been introduced stimulated the major movement of farmers from there into the Ashanti and eastern areas to purchase lands in pursuit of the new crop (Hill, 1963:120). These Lands were purchased either through groups called ’’Companies’’ or through ’’Families’’.

Acquisition of land for the purposes of cocoa farming by individuals is very rare and very expensive. To strengthen their bargaining position, a group of farmers club together for the sole and commercial purpose of buying land for cocoa production from the agency of chiefs, the custodian of the lands whose authority derives from the people whose land they are selling. After purchase, lands are then allotted to each member of the club in line with his contribution. Hence, the term is *Company*. Each member is then free to cultivate his strip of land alone without any interference from the Company (Amanor, 2010). The companies are solely formed for strengthening bargaining position and not necessarily mean individuals cultivate the land in-group. This practice came into existence in the 1900 in response to the growing demand of commercial agriculture, which required commercial attitude to land as a commodity that can be purchased and sold.

A group of people with closely linked kinship, which are predominantly matrilineal, on the other hand buys Family Lands. Each member of the family group farms independently on his own portion of the land. What differentiates the family Land and Company is the small nature of the group, which constitutes the family (Hill, 1963: 123).

The growing population of cocoa farmers ploughed back their profits in cocoa production through the purchase of multiple lands in the western end of Ghana’s Forest Zone, rapidly shifting the production frontier into the Ashanti and Brong Ahafo regions. This simplistic land tenure system practiced in the Gold Coast will become a subject of contention between the indigenous chiefs and the colonial Government who were bent on introducing the Crown Lands Bill of 1894 which, when passed, would have seen ’’Waste Lands, Forest Lands, and Minerals vested in the hands of the Queen’’(Austin, 1987:260). This bill would have seen all lands in the Gold Coast, which have been in the custody of traditional chiefs been transferred to the colonial government.

There were two reasons for the colonial state interest in taking over the ownership Ghanaian land in the 1890s. One was that the British at the time doubted that enough cash crops could be produced without the complete European takeover of the lands (Howard, 1978:75). Hence, there was a talk of taking ownership of lands into the administration of the colonial government with the view of establishing plantations using imported Chinese labor to produce cocoa and palm products. The second and more important motive was to take absolute control over the production of gold (Howard, 1978). The 1890s was a period in the history of the Gold Coast characterized as the gold rush period: hundreds of small speculators were trying to take out concessions to prospect land with the hope that gold might be found. Large claims of land were granted to Europeans by Ghanaian chiefs who often do not have an idea of the extend of the land they were bargaining away. The largest concession in the history of the Gold Coast to a single firm was granted to Ashanti Goldfields, which obtained a concession of hundred miles with complete monopoly rights in the best gold land in Ghana today (Howard, 1978:75). Complains from its competitors about the size of the concession given Goldfields convinced the imperial government to regulate land more carefully.

The bill sparked protest from the chiefs who saw their control over stool lands threatened, and from the educated elite who were deeply involved in the concession business. In a remarkable show of unity, the Aborigines Right Protection Society (ARPS) was formed by a cross-section of chiefs and the educated elite to purposely fight the bill to the latter. The society sent a deputation to Britain and subsequently the bill was withdrawn and replaced by the Land Bill of 1897 (Gunnarsson, 1978:156). Without a significant change in the content of the bill, the ARPS continued their protest, which in the end ensured the bill did not live to see the light of day.

However, it will be flippant to attribute the demise of the bill exclusively to the efforts of the ARPS; Confluence of forces combined to suggest that if passed the bill will be counterproductive hence it was economically wise to rescind it. It was becoming obvious that even with the uncontrolled system of peasant ownership, Ghana was producing the goods needed; it was therefore not necessary to establish plantations and introduce forced labor in order to obtain goods needed for the British industry. The rebellion against colonial oppression in colonies of South Africa and Sierra Leone prompted that a similar event might take place in Ghana if their needs were not met (Mikell, 1989:66). The persistence of the chiefs and educated elites did not prevent the colonial government from promulgating the forest bill in 1910, which initiated reforms in the land tenure system in Gold Coast.

Access to labor was the other essential factor in the expansion of cocoa production. The Gold Coast cocoa industry was overwhelmingly supported by labor from the farm-owners themselves and their family members (Hill, 1963:121). As farms expanded, so did the need for labor that could not be supported by the family. The occasional wage labor from the northern part of Gold Coast trooping to the forest zones for greener pastures and labor from the coastal zones to the forest zones driven by the need to pay their colonial taxes were the source of labor. This migration of north and coastal labor to the forest zones served as an index of the propensity of the cocoa and the manner in which these areas were incorporated into the world economy (Mikell, 1989:66).

The dominance of the family based labor in the cocoa sector at the early stage of introduction of cocoa was mainly based on economic motives rather than the underdeveloped nature of the wage labor (Gunnarsson, 1978:156). As Polly Hill suggests, many capitalist farmers who have accustomed to invest their surpluses in the expansion of their businesses have never employed the services of labor. They were reluctant to waste their savings on the employment of labor. Other farmers with relatively more acres of farms employed the services of a waged labor. Hill christens this period as the first stage of the development of capitalist relations in the Gold Coast. The second stage was reached when the farmers had successfully established a sufficient area of bearing cocoa to support labor through the *Abusa* system where a labor is given one-third of the proceeds from the farm after harvest. It must be remarked that, the recruitment and use of labor in the Gold Coast varied distinctly from the Portuguese colonies of Sao Tome and Principe where the plantation system practiced by the Portuguese was dominated by the exploitation of slave labor (Hill, 1963; Gunnarsson, 1978).

3.2.2 Small Holder Production

Cocoa cultivation in the Gold Coast represented a dramatic change in the organization of production on a large scale, growing level of exports was the result of organized, planned cash crop cultivation not simply as a result of a naturally gifted crop growing from the land. Cocoa farms were established throughout the country except in the northern territory, starting first in the Eastern province of the colony with the pioneer migrant farmers from the south, spreading into Ashanti and moving later into the western and some parts of the central and Brong Ahafo regions (Hill, 1963:60).

Though there is a varied opinion on the mode of production in the Gold Coast cocoa industry, no one has questioned that cocoa production started as a smallholding farmer's enterprise because of the consensus built on the nature of farming. The units of cultivation were undoubtedly small and in fact they seem to have remained small even in the 1950s and 1960s; in 1938 the Nowell Commission set up by the colonial government to look into the Marketing of Cocoa in West Africa estimated the average Ashanti farm at two-and-a-half acres with multiple farm owners being common amongst most farmers (Nowell Committee Report, 1938:12). The committee went further to state in its report that:

> We found in the Gold Coast an agricultural industry that perhaps has no parallel in the world. Within about forty years, cocoa farming has developed from nothing until it now occupies a dominant position in the country's economy- cocoa being virtually the only commercial crop and provides two fifths of the world's requirements. Yet the industry began and remains in the hands of small, independent native farmers.

In fact, even today majority of West African cocoa farmers cultivate only on small pieces of land. This does not mean cocoa production in the Gold Coast was strictly based on smallholding. Often Ghanaians who had saved capital throughout trade or professional work bought cocoa farms, which were considerably larger extending to about 24 or 25 acres (Howard, 1978:41).

These smallholding farmers contributed to an explosion in global production. In 1895, world output of cocoa totaled 77,000 metric tonnes with most of this coming from South America and the Caribbean. By 1925, world production reached more than 500,000 metric tonnes and the Gold Coast had become a leading producer of the cocoa bean feeding chocolate factories all around the world (Ryan, 2011:46). This proved possible without the use of a sophisticated agricultural technology. The establishment of a cocoa farm in the Gold Coast was relatively a simple exercise during the early years of introduction.

After a piece of land had been acquired, the forest was cleared and burnt. Food crops were planted on the cleared land and cocoa interplant. These food crops were grown until the cocoa tree had reached a height as to render food cultivation virtually impossible. The cocoa trees were attended to only during the first year to prevent them from pests that come in the form of weeds. The cocoa tree is attended to later, after they have reached maturity. This simple way of cultivation in the Gold Coast without a huge capital requirement attracted people who do not have any rubric of farming techniques to engage in farming especially when cocoa commands a high price on the world market (Ryan, 2011:86).

3.2.3 Marketing and the Cash Advance System

The channel of marketing from the individual cocoa producer to the final market was perhaps the dominant characteristics of the cocoa industry. At least it proved to have comprehensive consequences for the industry at the end, as we shall see in later chapters. As we have indicated earlier in this chapter, the European companies or the colonial administration never took active part in the actual production process of cocoa. Production was in the hands of the indigenous farmers. However, the presence of the European merchants and their capital were vital for the growth and development of the industry (Hill, 1963). Indeed, external marketing of cocoa would have been chaotic without the Europeans as the link between the cocoa producers and the world market. The cocoa producers (Farmers), Brokers and Sub-Brokers (Middlemen) and the European Firms or Merchants primarily dominated the internal marketing of cocoa during the period under discussion (1888-1937). This is best demonstrated graphically in figure 1 below. The figure shows the flow from the producer to the shipping stores in the coast from where it was exported to the Europe and North America.

Cocoa was purchased from the farmers by a class of indigenous merchants or brokers who were sometimes referred as middlemen. Some of these middlemen were large-scale merchants, but the vast majority of them were petty- traders handling small quantities of the cocoa bean. The sub-brokers purchased the cocoa from the producers and sold it to the larger brokers who in turns sold it to the European firms (Gunnarsson, 1978:54). The reverse of this channel of marketing was also true for imported European goods i.e. goods flow from the European firms to the farmer and so did the credit system, which came to be known as the Advance System worked.

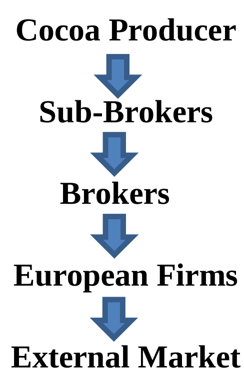

Figure 4. Supply Chain of Cocoa in the 19th Century ***Source: The Author.***

Cocoa production is a seasonal affair and so is its marketing. Cocoa was harvested and marketed during a period stretching between September to March every year. This meant that, during off seasons, farmers were short of capital for investment in land and maintenance of their farms. This coupled with the change in consumption pattern of farmers and their families in favor of imported European goods made sure farmers were in constant need of capital. To remedy the situation, capital was provided by the European firms who contacted the broker for delivery of certain quantity of the cocoa beans at an agreed price (Gunnarsson, 1978:54). A certain amount of money was then paid to the broker so he could contact the producer and the sub-brokers. This system later developed into the cash advance system where a large sum of money was paid to the producer to secure deliveries of cocoa during the harvest season. The question here is at what price? In addition, how the prices of cocoa was determined in the Gold Coast.

Price of cocoa in the Gold Coast were fixed by the European firms who used the New York and London markets as basis for determination of the producer price, by which we refer to the prices paid by the European purchasing firms to the cocoa community. These prices were not the prices actually paid to the producers but to the African broker who was the intermediary between the producers and exporters (Gunnarsson, 1978:68). Producers in reality were paid lower than the producer prices and in some cases as low as 50 per cent. As we shall see later, this among other factors culminated into the infamous Gold Coast cocoa agreement in 1937 and the subsequent cocoa hold-up (Keeling, 1989:39).

3.3 Actors in the Cocoa industry

3.3.1 The Broker

The brokers and Sub-brokers or middlemen arguably the actors who have attracted much attention in the internal marketing structure of the cocoa. This is perhaps due to the sensitive position they occupied between the producers and the European merchants.

The Nowell committee report in 1938 categorized these brokers as follows (Nowell Committee Report, 1938).

First, there are the foreign export merchants (i.e. Large brokers) who may buy the cocoa direct from the producer through their own employees who are also called factors, or from the middlemen or brokers. If bought by their own employees, i.e. agents, storekeepers or factors, the latter have usually to give some security for goods under his care for cash advanced

Then there are the brokers or ordinary middlemen some of them are men of considerable affluence and influence. They own or rent their own premises, provide their own sacks and scales and disburse their own cash in buying, Their purchases are hawked among the different exporting firms and sold to the highest offerers. Sometimes a contract is entered into with one or another of the exporting firms for delivery of a definite amount of cocoa of a standard quality within a given period at a price agreed upon. Their operations do not differ much from that of the factory class already referred to (i.e. Buying clerks), except that the former are notified a certain price which has to be paid, whereas the latter have no such restrictions and their only incentive is to get the cocoa as cheaply as possible

Then there are what may be more appropriately termed the "petty buyers." They may either be buying in a small way as sub-buyers for the store-keepers, or the broker, or they may be independent "Free Sellers," but their means being limited their operations are accordingly restricted, and having obtained a few loads of cocoa as cheaply as possible they hawk it amongst the large buyers... Under the category of petty-buyers more recently come the Hausa men (Gunnarsson, 1978:54). They, however usually confine their purchases to the remoter districts and having purchased as much as they can carry and set off, with their own beast of burden, to a center often a few days journey distant, where they in turn dispose of it.

The relationship between the three distinct groups of the brokers must be stated clearly. The factors differed from the brokers in the sense that they were regular employees of the European firms (large brokers). Their employers with the intention of buying cocoa at a fixed price provided these factors with capital and a commission to be earned after the target has been achieved. These categories of cocoa buyers were very few and handled some part of the total cocoa produce. The brokers, however were neither the employees of the European firms nor were they wealthy capitalists. The broker employed the services of a sub-broker (petty buyers) who were the ones who made actual purchases from the producers (Grier, 1981: 40).

The brokers by virtue of their position had the most effective means of manipulating the domestic market, since they had reliable information about the movements on the world market as well as of conditions amongst the cocoa producing communities. The European firms had little or no contact with the producers therefore; they had little knowledge of the production (Gunnarsson, 1978:54). The farmers or producers who are confined within their farms did not have knowledge of the world market prices and the price fluctuations that characterized the cocoa trade. We shall see in the next chapter the accusations leveled against this category of brokers by the European firms as reasons for the Cocoa agreement of 1937.

3.3.2 The Foreign Firms (Expatriate Bourgeoisie)

Whereas the internal marketing and production of the cocoa bean was exclusively in the hands of the indigenous Gold Coasters, the European firms or merchants predominantly controlled external marketing and shipping in the 1930s. This was not entirely the case in the early 1900s. With the entry into the war of the USA in 1917, a number of ships were diverted from West Africa to New York, whence they carried troops to England (Gunnarsson, 1978). As a result, more shipping space became available for the export of cocoa to the expanding U.S. market. The new opportunity created an upsurge of interest amongst farmers, African traders and the ranks of some brokers in the direct shipment of cocoa. Evidence points to a staggering increase in the number of African exporters from 29 in 1917 to almost 300 At the close of the First World War in 1919 (Grier, 1981:40). These African firms or individuals operated as exporters alongside their European counterparts.

However, it will be myopic to restrict the upsurge in the number of indigenous firms in the shipping sector to US involvement in World War I. We therefore speculate that, increase in the price of cocoa during this period was a major factor: large profit margin local entrepreneurs enjoyed from the price boom that ensued after the World War resulted in several new companies coming into existence between 1919 and 1920 many of which were small and had a short life span.

Nevertheless, these small firms established by Africans were soon driven out of business because of the unequal terms of competition and of technological developments whose costs to Ghanaians were exorbitant. This forced many indigenous entrepreneurs to abandon the cocoa trade and move into professional life. Among this group of people were the mulatto Ghanaians who formerly were able to compete with the Europeans by virtue of their European roots, who began to move into professions such as teaching, evangelism and Law (Howard, 1978).

By 1937, there were four most important European firms, which were, engaged in the shipping business, namely United African Company, Cadbury and Fry's, G.B Olivant and Compagnie Francaise de L'Afrique Occidental (Milburn, 1970:57). These companies between themselves handled over 70 percent of the cocoa shipped from the Gold Coast. These firms as we indicated earlier bought cocoa through their employees known as factors or brokers from the producer and sold it on the world market via the ports. In addition the merchant firms supplied the Ghanaians with goods from overseas. These firms were by no means newcomers in the cocoa business in the Gold Coast, but had a long standing trading relations(Milburn, 1970:58) . Amongst these four firms, two of them stood tall.

The UAC, a merchandise firm, had one of the most extensive business operations before Ghanaian independence. It was formed in 1929 by the merger of the Niger Company and the Africa and Eastern Trade Corporation (Milburn, 1970:57). In 1931 the company acquired Unilever's West African holdings and by 1938 combined six commercial and industrial enterprises. Its capital was reported as £11,000,000 in ordinary shares of £1 each of which 80 percent were held by Lever Brothers and Unilever and 20 percent by the Africa and Eastern Trade Corporation. During the 1936-1937 season, the UAC purchased from eight to ten thousand tons of cocoa in the Gold Coast(Milburn, 1970:58).

Cadbury Brothers, on the other hand an important British manufacturing firm buying cocoa, had been involved in the trade as early as 1908 because of its need for raw cocoa. In 1918, merger arrangements were started with J. S. Fry and Sons, and from 1930 to 1936, the firm bought cocoa for other firms such as Rowntree .

The price of Gold Coast cocoa reached an all-time post-World War I high of £40 per ton during the 1936-1937 season. Both the supply and price of cocoa had increased steadily over the 1930-1931 cocoa hold-up and in 1936, 311,000 tons of cocoa valued at £7,760,000 was exported, yielding £363,000 in revenue derived from export tax(Milburn, 1970:62)

During 1937, however, the effect of the economic depression begun to have a telling effect on the price of cocoa in Gold Coast. This evoked concern among the European buyers who saw the possibility of their profit margins decreasing mainly due to the high prices of cocoa and competition from the indigenous firms. This prompted the British firms to start exploring the possibilities of a marketing agreement between themselves to stabilize the price of cocoa (Milburn, 1970:70). In addition, trade abuses by the middlemen employed by these same foreign firms as agents had become more pronounced and this presented matters for immediate attention. Cadbury was particularly interested in the control of these abuses but did not initiate any move towards eradicating the deficiencies. It was the UAC, however, which actually took the initiative in beginning discussions during the spring of 1937. UAC and other firms were most prominently involved in the discussions and eventually concurred that a formal agreement was needed to curtail expenses and limit the bitter competition, which had prevailed during the 1936-1937 season.

Normally, capital was supplied by the European firms who contacted the broker for the delivery of a certain amount of cocoa at a given price. A certain amount of money was then paid to the broker so that he could contact sub-brokers and producers. It was thought these large advances made available to brokers for the purchase of cocoa were the principal reason for the high cost of cocoa. We shall see in the next chapter how producers registered their displeasure at the buying agreement by the European firms.

3.4 Structural Changes

Soon after introduction, cocoa began to have a profound impact on its producers, the areas in which they lived, and the social and political economy of the Gold Coast. Practically every author has claimed, that all structural changes in the rural economy took place during the introductory phase 1890-1910 and that the socioeconomic structures founded during this period remained or was even strengthened during the remaining part of the colonial period (Gunnarsson, 1978:174). Our contention here is not to ascertain the veracity of this claim or otherwise, but rather we seek to focus on the changes that have occurred because of the introduction of the new crop and the factors that have triggered this change regardless of the period those changes really occurred.

First, as we have earlier on trumpeted, commercially minded farmers introduced Cocoa in the southern part of the Gold Coast in the late 19th century from the eastern regional districts of Akwapim and Krobo, who moved westward adjacent the district of Akyem to buy vacant forestland from the chiefs for the cultivation of cocoa (Hill, 1963). A good number of these farmers plowed their profits in cocoa production in Ghana's Forest Zone, quickly shifting production into Brong Ahafo and Ashanti regions. This cocoa induced migration increased the contact of rural farmers with the coastal areas and government agency, which distributed seedlings, sprays to farmers. The interaction between this group of migrants and the indigenous people of the forest belt brought about ethnic diversity, which proved to be crucial for the continued co-existence between the cocoa producers who come from different shades of ethnic divide. The continued co-existence of these ethnic groups prevented the possibility of any warfare with could have hampered the sustainable production of cocoa (Mikell, 1989).

Secondly, a necessary, though by no means sufficient, condition for the development of capitalist relations of production is the emergence of a wage labor force separated from the means of production (Gunnarsson, 1978:170). During the phase of introduction of cocoa into the Gold Coast, the means of production were to some extend in the hands of the producers, in this case the cocoa farmers, working their own piece of land using family labor. As cocoa farms expanded, so also did the need for labor that could not be provided by the extended family or the lineage. This led to the development of the waged-labor force.

Commercialization of the economic activities of the rural Gold Coast tended to increase the inequalities between the cocoa farmers. This in turn may have been consequences of the specific linkages between the world market and the cocoa producers and the institutions created thereby (Gunnarsson, 1978:170). Especially the emergence of a class of indigenous middlemen and moneylenders is likely to have played a central role in the process of stratification among the producers. Gunnarson argues that, the marketing arrangement might have contributed to the increasing inequalities among farmers in two different ways (Gunnarsson, 1978: 140).

Firstly, the middlemen or brokers, the common expression in the Gold Coast, were the only link between producer and market, a link without which all commercial agriculture was virtually impossible. These middlemen were the only group in the cocoa trade who had knowledge of both production and the domestic market. As intermediaries, they could influence both prices paid to producers and the marketing (Gunnarsson, 1978: 140). Secondly, the middlemen served as creditors to the producers. Since only the middlemen had contacts with the market, they could pay the producer prices differing from the market trend (Gunnarsson, 1978: 140). These middlemen generally made loans to farmers and these loans were usually taken by the small farmers who could not accumulate funds necessary for future planting of cocoa. This inequality among farmers is manifested in the volumes of production per a year. Wealthy farmers cultivate on a large hectare of land and less wealthy farmers cultivate on not more than a couple of hectares of land. This continued to be one of the characteristics of the cocoa sector in Gold Coast and the independent Ghana.

The worsening economic situation during the 1930s necessitated an alliance between the brokers, middlemen and the traditional chiefs against the colonial masters. The middlemen however, had little chance to lead the colony towards independence mainly because they themselves served as an important purpose in the colonial economy as an intermediate link between producers and the market. Politically, they may have aspired to independence, but economically they were bound to remain within the framework of the colonial economy, although they would have wanted to do away with the European exporters and to establish direct links with the European and American markets (Grier, 1981). We shall see in the next chapter how this alliance plays out leads to independence and the continued interest of the European firms to control the cocoa trade via the controversial trade agreement.

CHAPTER 4

POLITICAL ECONOMY OF DECLINE- POST INDEPENDENCE ERA (1938-1982)

The interwar period marked a decline in cocoa production, experienced due to the growing difficulty in transportation and decreasing demand. Outbreak of diseases and pests i.e swollen shoot virus led to a reduction in production in the Eastern part of the country in the 1940s, necessitating the cultivation of cocoa further into the Brong Ahafo and Western regions (Amanor, 2010:108). Production went up in the second half of the 1940s in the Western region (Vigneri, 2011:201). In 1947, the colonial government set up the Cocoa Marketing Board (CMB) and made it the sole institution supretending over the purchase of cocoa beans in the internal market. This chapter will be dedicated to discussing the origin of the CMB and how various regimes have long used cocoa revenues meant for cocoa and agricultural development in particular, for the Ghanaian economy in totality to retain their grips on power.

4.1 The Origin of the Cocoa Marketing Board (CMB)

Cocoa production in Ghana has since in the beginning been in the hands of the local producers who are mostly small-scale farmers. The trade, on the other hand was mainly controlled by foreign firms who had a major stake in exporting and local buying of the crop. There were, however occasional attempts by the farmers to organize themselves to by-pass the firms in order to secure better prices and trading profits with limited success. The foreign firms as we have indicated earlier managed the local trade through a network of agents called brokers, the intermediaries between the firms and the producers. During the Second World War, an export monopoly was established and later perfected after the war as the Cocoa Marketing Board (CMB). In this new arrangement, the firms were given, the role of ’’Licensed Buying Agents’’. The board became a principal tool of state accumulation of capital during the period before and after independence and provided the institutional framework for the struggle over the local cocoa trade that ensued. The origin, structures and the local trading system on which the Cocoa Marketing Board was founded is worth examining.

The foreign firms buying cocoa in Ghana and Nigeria entered into a buying agreement in 1937 with the purpose of reducing ’’competition’’ (Frankel, 1974:43). Aside the general aim of market sharing, the buying agreement of the firms seems to have been designed to ’’clip down’’ the numerous middlemen acting for and on their behalf in the local buying arrangement.

The Gold Coast farmers responded with a hold-up of sales in combination with a boycott of imported merchandise. Similar actions were undertaken before with limited participation of farmers. However, the cocoa farmers were effectively mobilized this time around. The hold-up meant that, farmers boycotted the sale of cocoa to the European firms. This was maintained successfully throughout the crop season of 1937/38 and was only called off when the British government appointed a commission to look into the matter and the grievances of the farmers and the foreign firms alike (Frankel, 1974:43).

The Nowell report, the commission instituted by the colonial government to look into the matters that precipitated the hold-up was critically predisposed towards the Buying Agreement and recommended that it should be withdrawn. However, the report agreed with the firms that the cocoa trade had been unprofitable for all parties involved during the 1930s and that this has been largely due to severe competition among the firms leading to overpayment of the world market prices, increasing expenditures of the middlemen and the system of advances, which had raised the cost of the cocoa purchases (Nowell Committee Report, 1938). The report also agreed with the firms’ position that the custom of manipulating ''declarations''[8] had developed to a perilous extent and that radical reforms were needed in order to maintain sanity in the system.

Despite the considerate stands for the arguments presented by the buying firms, the report concluded that, the buying agreement constituted a buyers monopoly that would give the producers no alternative than to accept any price offered by the firms. In its place, the Nowell Report proposed a marketing regime, which was supposed to clear all the abuses and strengthen the position of the farmers in relation to the European buyers.

The commission advocated an entirely new system whereby farmers and firms should be able to deal directly with each other, dispensing the services of the middlemen. It proposed a government controlled organization, a Cocoa Farmers Association that should sell cocoa on behalf of farmers (Nowell Committee Report, 1938). This proposal was unacceptable to the firms. The outbreak of the Second World War brought discussions to a halt. The disruption in the Atlantic shipping Company, the main shipping line of the cocoa trade, prompted the British government decided to purchase the whole Gold Coast cocoa produced that year, to keep the producer price paid to the producers from tumbling when the world market was cutoff (Beckman, 1976:55). In the 1936 cocoa season, the colonial administration instituted a policy of engaging with the foreign firms to purchase cocoa on its behalf. The trade was then shared out among the foreign firms, namely, Cadbury and United African Company (UAC), which were already engaged in the cocoa trade in the Gold Coast in accordance with their performances for the previous cocoa season. This meant that the restraints on competition these firms wanted were now given the colonial government backing.

This was the beginning of the British Produce Control Board, a statutory monopoly policy that was applied to most West African crop exports (Frankel, 1974:43). This wartime arrangement, rather than the one proposed by the Nowell Commission became

[8] A practice where in a rising price of cocoa, a broker declares a quantity smaller than what he has purchased from the producer for the European firms. The broker declares a higher quantity to his employers in times of falling prices. In whichever way, the broker profits.

the model for post-war marketing. The argument for the new system of the cocoa marketing Board was the elimination of price competition through statutory control of producer prices. The undesirable effects of price fluctuations formed a cogent argument for not returning to the pre-war situation.

By setting, a stable purchasing price in advance of the sale of each season's crop, the Boards normally cut the connection between the price of cocoa in West Africa and the daily price on the world market. Hence, in seasons where world market prices of cocoa are high, the producer price paid to the farmer is lesser than the average earned on sales out of the country. The Boards, in such cases, record a surplus. There will, however, be other seasons in which the average world price is lower than the producer price. In such cases, the marketing board losses, the lost is then financed using surpluses that occurred in years of high world prices. The motive is that, revenues realized as surplus will be used mainly to provide stability in the producer prices (Frankel, 1974:45).

The Gold Coast Cocoa Marketing Board established in 1947, consistently paid producer prices lesser than what it got from cocoa on the world market, even after letting for the expenses of operations on export duties, and thus amassed huge surpluses. This inclination could at first have been somewhat inadvertent on the part of the Marketing Board, since its strategy of stabilizing producer prices was of slight use at a time when the price of cocoa in the world was increasing quickly. Nevertheless, the Board swiftly developed a administrative posture of a profit-making body, rather than a marketing agent making a surplus of well over £76 million in 1950/51 crop season, well over the entire value of the crop. The first time that the Board recorded a slight loss in reserves (1% of revenue in 1948-49) because it had raised the producer price almost to the world level, it immediately reduced the producer price again in order to maintain its surplus (Frankel, 1974:45).

The immediate beneficiary of the massive surplus was the British economy. These surpluses were invested into the British government securities. This is the hidden purpose of all the colonial marketing boards established in West Africa. Britain was anxious to control the flow of hard currency earnings of the colonial producers for the resuscitation of its backward driven economy, which had been ravaged by the Second World War (Beckman, 1976:55).

The Africans vigorously attacked the existence of the marketing boards in cocoa and other West African commodities in the early 1950s. They argued that, the British evaluation of the pre-war marketing system had been prejudiced against the middleman as corrupt and had not appreciated the economic importance of these men whose existence sustained the industry at its infant years. The defense given for the existence of the Cocoa Marketing Board (CMB) gradually shifted from stabilization of producer prices to mobilization of savings for the development of the cocoa industry (Alence, 2001:400). The CMB at first had invested its surplus revenue in British bonds, but soon it began to spend some of the accumulated capital on storage, transport, and processing facilities, loans to poor farmers, education, research, and campaigns against the swollen shoot disease and Capsid pests, which had been taking a great toll among the cocoa trees (Beckman, 1976:55). It was argued that these projects were for the long-term benefit of the industry, and would have been beyond the capabilities of the cocoa farmers if left to them. This arrangement still did not go down well with the farmers considering the producer prices paid them vis-à-vis the world market price of the cocoa bean. Nationalistic pressures soon affect the operations of the board only a few years after its inauguration. The board was gradually transformed into a vehicle of national aspirations as membership of the board was reconstituted with Ghanaians replacing the manufacturers and cocoa trading companies who were mostly foreigners (Gocking, 2005:300). With the intensification of the political struggle, farmers increasingly become critical of the rising surplus of the board and redirected their anger towards the colonial government drifting away from the traditional conflict with the foreign firms, which eventually culminated, into the hold-up of 1937.

4.2 The Nkrumah Regime (1957-1966)

Ghana's attainment of political independence in 1957 marked a momentous milestone, not just for the people of the Gold Coast, but also for the vast majority of people in Africa and those in the Diaspora. It helped to deepen the struggle by the people of Africa for the complete liberation of the continent from the yoke of colonial domination and equally launched an irreversible march towards the vision of the pan-African leaders of the time (Gebe, 2008:12). The leaders envisioned the political unification of the entire African continent, the end of the exploitation of the continent's resources, accelerated economic development and the redemption of the image of the African people (Gebe, 2008:12). While this pronouncement set an important springboard for Ghana to pursue the agenda of African liberation, continental unity and economic development, the government of Kwame Nkrumah was confronted with a rather complex international system with repercussions for both internal politics and Ghana's external relations. The crucial point was reached in 1966 when his government was overthrown and the country had to undergo drastic changes in its foreign policy as well as domestic priorities.

One key decision Nkrumah took during his early days in government, which arguably proved to have far-reaching consequences on his rule and eventual overthrow was the decision of government to nationalize the cocoa trade (Alence, 2001:401). The colonial arrangement instituted during and after the Second World War continued to function in the post-independence era. However, in the current arrangement, the government directed the termination of the licenses of all foreign firms in the cocoa trade and ordered that the United Ghana Farmers Council (UGFC), which later became United Ghana Farmers Council Cooperative (UGFCC) in 1966 be given the sole responsibility for organizing the purchase of all cocoa produced in Ghana on behalf of the CMB. The UGFC thus became a vehicle for commercial and political domination by the state, via the Convention Peoples' Party (CPP), of the agriculture sector with the cocoa sector as the principal contributor. The establishment of the local cocoa-buying monopoly was a step in the right direction of a new political and economic order where the policies of the state became consistent with the pan-africanisation program of Kwame Nkrumah and his CPP (Armah, 2004:48).

At independence in 1957, Ghana was the world's largest cocoa producer. It was also a relatively prosperous nation compared with the rest of Africa, largely because of its strong cocoa production and the relatively high world prices for cocoa. However, Ghana's political elites chronically exploited the cocoa industry and its revenues from independence until the 1980s to pursue industrialization, redistribute resources, and bolster political patronage networks (Varangis et al, 2001:24). Over taxation and politicization of the cocoa sector began under Ghana's first president, Kwame Nkrumah. Nkrumah justified over taxation on the grounds that cocoa wealth should benefit the entire population, by providing government revenue for industrialization, stemming inflation, and promoting economic diversification (Frimpong-Ansah,1991:56). Hence, emphasis shifted from using the CMB revenues for the development of the cocoa industry to using them for the development of the national economy. President Kwame Nkrumah relied heavily on revenue from the CMB surpluses and the cocoa duties to finance his schemes for national development, culminating in the Seven-Year Development Plan of (1963/64 to 1969/70) (Frimpong-Ansah, 1991:56). Nkrumah's radical approach to development through diversification, industrialization and import substitution was given impetus by the forced savings in the cocoa sector. Nkrumah was of the view that, by using funds from cocoa for development and for providing amenities, it would be possible to improve the general standard of living in the country as a whole. In general, Kwame Nkrumah's 9-year rule experienced a general upsurge in the world prices of cocoa. Coupled with the excessive taxation which made Ghanaians highly taxed by the standards of developing countries made sure Nkrumah had enough to spent on his erratic projects.

The dollars earned from the export of cocoa held the country together for most part of Nkrumah's reign. However, in 1965, the world price for cocoa, the backbone of the country's economy at the time, either due to international manipulation to subvert the economic programs of the Nkrumah government or due to an inter-play of market forces (supply outweigh demand), plummeted so sharply that the country needed a large dose of external support to maintain financial solvency (Gebe, 2008; 18). By 1960, a ton of cocoa beans on the London Exchange was estimated at £240 on average; by August 1965, it dropped to an unprecedented low of £91 (Chazan, 1983:89). This price fall in the world market made it imperative to reduce the price paid to farmers. However, this reduction in the price paid to farmers did not keep pace with the persistent fall in the price of cocoa on the world market, which meant that the government's share of cocoa revenue also began to decline. It became difficult for the Government of Ghana to guarantee an acceptable price for the sizeable percentage of Ghanaians who depended on the cocoa industry for their livelihood. To compound the difficulties in agriculture production, the 1965/66 cocoa season was a disaster. Production was down from 572,000 tons in 1965 to slightly over 400,000 tons in the succeeding year, and producer prices were halved. At the same time inflation increased by over thirty percent (Chazan, 1983).

Nkrumah's overtures with the Eastern bloc of countries begin to manifest, as these group of countries become the major trading partners of Ghana. However, the help from this group of countries was only marginal and could not prevent the CIA orchestrated coup against Nkrumah's government in February 1966.

4.3 The National Liberation Council (NLC) Regime (1966-1969)

The 1966 overthrow of Nkrumah by the National Liberation Council (NLC) marked the beginning of a long period of political and economic insecurity in Ghana. The soldiers and police who staged the coup defended their actions on the grounds that Nkrumah's autocratic use of power had led to the abuse of individual rights and liberties, ruled in whimsical manner, the rule of law has been desecrated to the benefit of political cohorts and the profligate nature of the government's expenditure of the cocoa resources (Chazan, 1983:89). As a matter of urgency, the new government pursued a vigorous economic diplomacy soliciting support from friendly governments to inject life into the ailing economy. Western nations extended assistance with food and basic medical suppliers with the IMF providing over 36million in credit to pay short-term trade loans (Mikell, 1989:95). The NLC government was also able to reschedule the payment of the short-term loans and debts of the country with the western countries and creditor nations. This meant that the new government radically shifted allegiance to the Western Bloc, and relations with the socialist bloc were discontinued.

The new government also followed a policy of economic austerity. Apart from abandoning the Seven-Year Development Plan, it cancelled work on the prestigious projects like the Tema Motorway and the projected Nkrumah tower, which was supposed to be the centerpiece of the planned Trade Fair site in Accra. The Number of Ghanaian foreign missions were reduced to about 40 percent. The cocoa sector was also affected by the austerity policies of the government. Though there were periodic attempts by the government to improve conditions in the cocoa–growing areas by increasing the price paid to farmers, it was impossible to do this in the face of continual fall in the price of cocoa in the world market. Lack of incentives to farmers by way of increase in prices paid to them and increased cocoa smuggling to Togo and Ivory Coast meant overall production of cocoa in Ghana declined from a high of 410,000 tons in 1966 to 334,000 tons in 1969 (Woods, 2004:236).

4.4 The Busia Regime (1969-1972)

On september 3, 1969, after three days of election, Dr. Busia took over as the prime minister of what officially become the Second Republic. Economic conditions generally improved and problems abated as rural and urban incomes rose. Producer prices given to farmers had increased. Cocoa production begun a modest expansion from 334,000 tons in 1969 to 457,000 tons in 1972 (Gocking, 2005:98). There was however, one emerging problem. Busia's supporters were primarily young middle class professionals who were mostly from the Akan areas, where cocoa is predominantly grown. His government was stereotyped as favouring the cocoa growers and it was judged incapable of achieving consensus neccessary to hold the different shades of political and ethnic groups in the country together (Mikell, 1989:104).

Faced with a growing economic crisis due to the continued fall in cocoa prices, the Busia administration then precipitated an international political incident by attempting to use immigrants as scapegoats. In order to gain political support from the *Zongo* community – the inhabitants of predominantly immigrant areas in Ghana's towns – the predecessor of Busia's government, the NLC passed the Nationality Decree of 1967, which granted citizenship to everyone born in Ghana (Addo, 1969:103). However, due to the growing anti-immigrant sentiment in the country, the government repealed this law within less than a year. The repeal of this law and the rise in anti-immigrant sentiments led to an 'indigenization' of citizenship, as 'indigenous' became the defining characteristic of being a 'true Ghanaian', a transformation that was accelerated by the decline of Ghana's economy in the 1960s (Kobo 2010:15).

The issue of immigration and citizenship reached new heights in November 1969 when the Busia government issued the Aliens Compliance Order, a policy that is inconsistent with the Pan-African aspirations of the founding father of the country (Addo, 1969:103). The law required all aliens without residence permits to either obtain these permits or leave the country within two weeks. A period of chaos ensued, as the period was much too short for the appropriate authorities to produce the necessary paperwork. The actual 'success' of the deportation policy is unclear, as many aliens ignored the order. Many employers – especially cocoa farmers – also ignored the order, as they often required the services of these seasonal workers. However, the new policy had a deleterious impact on the cocoa sector. Although the order was not intended to target workers in the cocoa sector, it resulted in a mass exodus of workers, who were mostly from neighboring countries of Ivory Coast, Nigeria and the Sahel region (Woods, 2004:230). Although the National Redemption Council encouraged the return of migrant laborers from the Sahelien zone following the overthrow of the Busia's government, these efforts were rejected by the rural youth who strongly opposed the return of these laborers due to the long-standing feud between the rural youth and the foreign workers. Moreover, many of these laborers had already relocated to neighboring Ivory Coast where the cocoa frontier was still expanding and conditions were much better (Amanor, 2010:120).

The political and economic situation worsened during the post-Aliens Compliance Order period as the country was plagued by economic crises and a series of coups. To make matters worse, Ghana's cocoa industry was overwhelmed by problems during the 1970s and early 1980s. Virgin forest, which provided lands for cultivation of cocoa, was exhausted and labor was in short supply. Farmers were forced to turn towards the rehabilitation of their old cocoa farms, which were depleted because of years of growing cocoa without the use of fertilizer. However, rehabilitation was arduous, expensive and a risky undertaking, and many of the local youth demanded high wages in order to work on these farms (Amanor, 2010:120).

The political and economic uncertainty during the late 1960s and 1970s further strained relations between indigenous and migrants in the cocoa regions. Many of the indigenous youth began to feel resentment against northern migrant laborers, whose availability for employment gave elders advantage over the youth and created increasing land scarcity for the youth, since the migrants occupied the established plantations as caretakers. Yet despite the growing frustration on the part of these communities, this situation did not result in widespread outbreaks of conflict between indigenous and migrants in the cocoa regions.

In fact, the worst confrontations during this period pitted the government against local farming communities, as the government had attempted to appropriate community lands for the creation of state cocoa plantations (Amanor, 2005:122). Cocoa production in Ghana having reached its nadir due to low productivity and low prices in the world market, government decided to establish a cocoa plantation to boast the sector and increase government revenue. This meant that, lands belonging to the community were to be taken for the plantation and this did not go down well with the community who thought their right to ownership of farmlands that has served as a source of income to them would be taken away. In the end, government had to succumb to pressure from the cocoa folds and abandoned its plantation program.

Busia’s second republic also failed to improve the cocoa marketing institutions. New private cocoa buying agencies like the Cocoa Purchasing Company (CPC), which came into existence after the dissolution of the Farmers’ Cooperative in 1966 also failed to improve cocoa marketing in the country. These firms resorted to collecting higher bonuses from the government for their activities. A combination of low cocoa prices and political fragmentation within Busia’s power base created problems for Ghana. The country was in a state of crisis. The austerity budget the government introduced in 1970 had gambled on increasing government expenditure to stimulate exports and with the expectation of a rise in the price of cocoa in the world market. In spite of these increases, imports continue to outrun exports, and by the end of 1971 with hardly any reserves, Ghana was on the brink of bankruptcy.

In an attempt to save the economy in the face of a continued decline in the prices of cocoa, IMF recommended to government a stringent of fiscal measures with devaluation of the national currency (Cedi) as the immediate measure needed to make imports expensive and increase exports. By December 1971, the government devalued the cedi by 43.8percent, but sought to avoid crisis by granting producer price increases to cocoa farmers (Mikell, 1989). This however was not enough to save the Second Republic from a coup d’état in 1972.

4.5 The National Redemption Council (NRC)(Supreme Military Council SMC I and II) (1972-1979)

The National Redemption Council (NRC) of Acheampong assumed power in 1972. They made the bad situation of the country worse. The council reinstated the previous unitary policy of CMB purchasing cocoa; it dismantled the open-market policies of the Busia government; and it expanded the money supply to finance its budget deficits

(Alence, 2001:401). The immediate effect of these policies was to depress the already stagnant or declining incomes of rural producers. Two things happened to Ghana's cocoa economy. First, the already tight labor situation and the ageing plant and producer population led to the abandoning of many cocoa trees. Second, smuggling increased significantly across the border to Ivory Coast (Chazan, 1983:86). Due to the factors outlined above, Ghana found itself at a comparative disadvantage in relation to its competitor, Ivory Coast. New pioneer fronts in Ivory Coast were just starting to accelerate when Ghana's ended. Ivory Coast benefited from the northern migrant labor that abandoned Brong-Ashanti cocoa areas and from the smuggling of cocoa produced in Ghana, estimated at 40–60,000 metric tons (Chazan, 1983:86). The cocoa boom that had once made Ghana the richest nation in West Africa had gone shamble; production fell by 72 per cent over the next 20 years, to a low of about 129,000 tons in 1983 (Mikell, 1989:120). Ghana's share of world cocoa exports also declined by about 18 per cent, leaving Ghana in third place behind Ivory Coast and Brazil by the late 1970s. A study of the socio-economic data of the period between 1966 coup and the early Acheampong years (Mikell, 1989:120) reveals the economic plight of the cocoa farmers. Her analysis reflected the fluctuations in farmers' economic wellbeing as the country shifted from the economic approaches of the National Liberation Council (NLC) to those of Convention Peoples' Party (CPP) and the National Redemption Council (NRC).

One policy that turned to have a far-reaching implication for the cocoa sector during this period was the Operation Feed Yourself (OFY) implemented by the government (Chazan, 1983:86). The decline in domestic food production necessitated the increased importation of food that amounted to additional strain on the scarce foreign exchange from cocoa. Operation Feed Yourself was instituted to ameliorate the situation with emphasis on the growing of food crops. This was tragic for Ghana in that the program came into existence at the same time (1970s) there were perennial fluctuations in the price of cocoa and a sharp decline of cocoa production in Ghana. The emphasis on food-crop production affected cash crop production particularly cocoa, which remained the country's main source of foreign exchange. With the fall in world cocoa prices in the mid 70's, the general macroeconomic picture began to worsen: the government budget deficit rose to 127 percent of total government revenue and inflation accelerated to 116 percent (Frimpong-Ansah, 1991:56). The strong overvaluation of the cedi implied that little was left of export revenues to divide between the government and the farmers. Cocoa revenue went from 46 percent in 1974 to 23 percent in 1979 and into negative figures between 1980 and 1981 because of the exchange rate misalignment (Rado, 1986:566). The rising cost of operations and lack of surplus of the CMB further reduced government revenues. In July 1978, the Cedi was devalued again. An austerity budget was introduced, and interest rates and cocoa producer prices were raised. Cocoa production sunk to its lowest level ever in 1980–81; the world price at the official exchange rate was lower than the producer price plus marketing costs. The domestic conditions that led to the downturn in Ghana's cocoa sector took place against an international backdrop of increasing supply of cocoa from new producers such as Indonesia and Malaysia and expanded production in Ivory Coast and Brazil (Buah, 1998). By the early 1970s, Ghana had also lost much of its cheap labor supply from Burkina Faso and Ivory Coast, as migrant farmers, reluctant to work in the old cocoa-producing areas that had become less productive, were attracted to the neighboring Ivorian regions, where policies granted migrants access to land at favorable terms (Mikell, 1989).

4.6 The Third Republic

On september 24, 1979, Dr. Hilla Limann was inaugurated as the president of Ghana's Third Republic. He faced a daunting task of reviving the economy which was still in shambles. General production of goods and services have declined steadily to the point where industry operated 10-15 percent below their capacity (Frimpong-Ansah, 1991:69). The production of cocoa in particular sunk to an unprecedented 189,000 tons in 1979, the lowest since independence. Timber exports suffered a similar decline, as did gold and diamond. Between the period 1971 and 1982 the GDP fell by 12 percent, while the population grew by more than 30 percent (Chazan, 1983:112). To sum up the problem of the cocoa industry, Limann declared in a speech to parliament after inuguration:

> We have lost our enviable position as the world's leading cocoa producing country. The factors which have contributed to this situation are many and complex. They include aging cocoa farmers and trees... and unavailability of imputs. The most crucial factor however, has been the decline in the number of cocoa farmers actually working the land... we cannot pin our hopes indefinetly on migrant labor to maintain our role as the leading cocoa producing country. We must therefore institute measures immediately to ensure that we tend cocoa farms ourselves. This requires an integrated approach to the whole concept of rural development which will encourage our own labor and manpower in the rural areas.

Limann's Peoples' National Party (PNP) government immediately proclaimed its major goal to be the economic and social reconstruction of the country, and chose agricultural reform as his top priority. His government also emphasised increased mining and mineral exploration as a way of attracting foreign investors and supplementing cocoa income.

For all its rhetorics about the revival of the economy, Limann's policies did not come to grips with the problems of Ghana's rural sector and the cocoa in particular (Mikell, 1989:202). Limann could not device approppriate policies and programs to deal effectively with the labor problems he identified which handicapped the cocoa industry. However, as widely speculated, the PNP raised the producer price of cocoa to beyond the international market price level, so as to encourage production. Nevertheless this could not be sustained, given the lack of income-generating activities within the economy, and because it did little to halt the social structure decay that depleted the rural labor force (Chazan, 1983:184). By failing to rehabilitate the economy, the PNP had failed to find an alternative to cocoa, thereby save the country. It was only a matter of months before the Provisional National Defense Council coup on December 31, 1981.

It must be noted that, all these events in Ghana was not independent of what was happening at the time in the world arena. Until the middle of the 1970s, world cocoa production was only about 1.5 million tons per annum. Ten years later, production increase to 2 million tons. This increase in production was largely the result of the high cocoa prices in the 1970s. In 1977, the price climbed to over £3,000 per ton on the

London futures market (Gocking, 2005:301). In the 1980s, however, prices fell. The high profit margins of the 1970s had served as an incentive for cocoa farmers to produce more beans. It was within this context that the Ghanaian cocoa sector saw a reform in the 1980s. We shall see in the ensuing chapter, what this reform will mean to the industry and the actors in the business of cocoa.

CHAPTER 5

PERIOD OF RECOVERY AND SECOND PHASE OF EXPANSION (1983-2012)

Having discussed the evolution, growth, organization, development and near collapse of the Ghanaian cocoa sector from the historical perspective in chapter 1 and 2, chapter 3 focuses on the revival of the industry in the early 1980s, which begun with the implementation of the Economic Recovery Program (ERP) under the sponsorship of the World Bank and IMF. We discuss the reforms and partial liberalization of the sector, its impact on production and what it means for actors and whether the reform has altered any power configuration among the actors in the sector. The new look Ghana Cocoa Board (COCOBOD), a key institution, which has evolved over time and remains a principal actor in the cocoa sector in Ghana will also be discussed. Undoubtedly, the reform has brought about a change in the internal marketing structure of the cocoa sector with the external marketing remaining largely unchanged. We argue in this chapter that, the reform has contributed to the revival of the cocoa sector and the partial liberalization adopted by the country under the reform program has contributed positively to the remarkable performance of the sector in recent years.

To better appreciate the Ghanaian experience, a brief overview of liberalization reforms in cocoa producing West African countries will be presented in this section. Until the implementation of the reforms, these countries had similar internal and external marketing set up especially with the commodity board adopted by the colonial masters in the post-world war era in the name of ''stabilization''.

5.1 Cameroon

Cameroon presently produces 5 percent of the total production of the world's cocoa bean. Production in Cameroon has been characterized as steady, tumbling beneath 100,000 tons a couple of times ever since 1977/78; annual production since 2008 has always exceeded 200,000 tons mark (Helena, 2009:42). The implementation of liberalization in Cameroon in 1991. Under the new reform, cocoa traders and exporters were allowed to export directly into the world market. Nevertheless, all marketing limitations were still upheld to guarantee the stabilization of producer prices farmers. A stabilization fund named the *Office National du Cafe' et du Cacao (ONCC)* was then set up to regulate the new system.

Nevertheless, the new system was subjected to increasing pressure, which led to the bankruptcy of the stabilization fund and the increasing operation cost of the ONCC's. In 1994/95, the marketing system was again liberalized and the stabilization fund was given up. Now, the market is fully liberalized with exporter criteria in place, these are rarely adhered to and exporters are free to conduct business with little intervention from the body politic. Notwithstanding the requirements for an export license, in practice the exporters provide a bank guarantee to the grading companies such as SGS and SAGA in order to ensure the movement of cocoa through the stages of storing, marking, and loading onto the ship. The grading companies take the procedure through to the loading stage on behalf of the exporter and claim the charges from the exporter at a later point. Export contracts are not commanded to be filed. Preceding liberalization, quality controls were imposed by the State both up-country and at the port (Varangis et al, 2001:32). Following liberalization, up-country checks were stopped and the ONCC retained responsibility for quality control at the port (and certification). The ONCC's responsibility for quality control was removed in 1997/98 crop season and three private firms were assigned the duty of issuing quality certificates before export (Varangis et al, 2001:45, Helena, 2009:25). An additional four companies were licensed to issue quality certificates in November 1998. It is for the exporters and international buyers to decide which company to use for quality control.

Ensuing liberalization, the domestic market opened and the number of licensed exporters increased to 300 from the previous number of 60. The domestic market became messy and speculative: untested operators entered the market with minor sums of capital and for restricted periods bought any grade of product offered to them. Both domestic exporters and internal buyers lost money only to be supplanted by other inexperienced buyers, with the result that export contract default levels were high. By 1997/98 the number of active exporters had declined to around 50, but 10 foreign companies account for over 70 per cent of exports (Varangis et al, 2001:26). Four of the five largest exporters are foreign owned, although two of these companies were exporters prior to liberalization. The increased competition between these exporters on share of cocoa and lower taxation on cocoa resulted in an increase in grower prices as a proportion of the export price. The quality deteriorated at both the farm and export levels. The increased competition has meant that farmers have effectively received a guaranteed domestic buyer for their crop whatever the character, and so attention to quality has fallen.

Trade finance has been a major problem for Cameroonian exporters. Following liberalization the private sector has demonstrated a system of warehouse warrants in Douala, the cap, whereby exporters could store the cocoa in registered warehouses and be issued a certificate according to the total of memory, which would work as collateral for funding. This system continues to be the basis of crop finance in Cameroon; however, when an effort was made to extend the schema to allow for funds held in warehouses up-country, a number of problems were highlighted, as warrants were issued against stocks that has not hitherto been presented to the warehouses. The font of an up-country warehouse warrant scheme in Cameroon illustrates how the scheme can quickly become undermined. While the example of warehouse warrants in Cameroon should not deter its use elsewhere, it puts up a valuable lesson as to the importance of proper policing of the organization. At present, exporters who are subsidiaries of the multinationals are primarily financed from abroad, while the more established local exporters (who existed before liberalization) use a combination of their own finances, local finance, international finance and pre-finance for overseas buyers (Helena, 2009:28).

5.2 Nigeria

Nigeria produces 5.6 percent of the world's total cocoa production. In spite of the significance of the crop to the agricultural sector and rural folks, its contribution to the country's export earnings is very little. Nigeria's foreign exchange earnings is predominantly from petroleum products. The falling volumes of cocoa production from a high of 300,000 tons in 1970/71 crop season to 200,000 tons in 2010/2011crop season can be attributed to a host of reasons, namely: an ageing tree, lower producer prices paid farmers before the liberalization ensued in 1986, smuggling and diseases and pest attacking crops (ICCO, 2010).

Before liberalization, the Nigerian Cocoa Board (NCB) fixed the producer price en to producers, superintended quality control, extension services, controlled the internal marketing through agents and was the cartel purchaser and exporter of cocoa bean. As part of a general move towards liberalizing pricing systems and the marketing of commodities, the Government of Nigeria, in 1986, separated the NCB and completely and liberalized the internal and external marketing of cocoa(Varangis et al, 2001:27). One of the purposes of liberalization was to make the producer's quickest to respond to world prices. Given their previously low-income farmers earned from cocoa, the reform was anticipated to result in an increase in farmers' earnings and an increase in cocoa production.

At the start, liberalization increased production and exports; however, the quality of cocoa produced fell later when the liberalization process was in full swing. A number of local new traders come into the cocoa sector most of whom had little or no knowledge of the cocoa sector, competed with processors and chocolate manufacturers to secure cocoa directly from the producers (Gilbert, 2009:295). As the quality of Nigerian cocoa, reduced, so did the premium price Nigerian cocoa earned. The problem associated with the deteriorating quality of Nigerian cocoa is experienced both at the farm and at the point of export. At the farm, producers, challenged with various potential buyers offering significantly greater amounts for their cocoa, become conscious of the fact that most of these buyers had no idea of what they were buying, and accordingly frequently sold anything to them, for the simple reason that many undependable exporters wanted to take delivery at the earliest possible time(Gilbert, 2009:298). Numerous exporters adulterate the quality of cocoa with the poorest grades resulting in an uneven blend.

Many of the middlemen, who form the Licensed Buying Agents (LBAs), are now conversant with the quality concerns than they were at the start of liberalization. This is partly due to the understanding that poor cocoa shipments will go unsold, particularly in the face of current surplus stocks on the world market, and also because they appear able to negotiate a better price for deliveries of high quality cocoa (Helena, 2009:45). Accordingly, a number of the licensed agents grade the cocoa, they buy from producers before it is even transported to the state and federal officials for thorough inspection. Nevertheless, no exporter relies heavily on the grading by licensed agents or the state authorities, which is a major reason why international buying firms have setup in Nigeria (Helena, 2009:45).

The producers' part of the Free on Board (FOB)[9] price has increased considerably ever since the liberalization was undertaken. Nigerian cocoa farmers now earn close to 80 per cent of the world market price of cocoa. This is improved to some extent by the absence of an export duty. Liberalization led to the removal of restrictions on who could engage in cocoa trading or exporting in Nigeria. Presently there are close to 15 main local and international cocoa exporters working in Nigeria (Varangis et al 2001:56). Out of these numbers are two main international cocoa processing and trading companies dominating the sector in the wake of liberalization**,** namely Cargill and ED & F Man. Yet, Cargill closed its purchasing operations in up country in 1999; cocoa beans are now buying through its Lagos office with cash against document basis from shippers.

[9] Free On Board (FOB) indicates that the supplier pays the shipping costs that usually also include the insurance costs from the point of production to a specified destination, at which point the buyer takes responsibility.

5.3 Ivory Coast

Cocoa production in Ivory Coast has escalated from 227,000 tons in 1975/76 crop season to 1.5 million tons in 2010/11 crop year (ICCO, 2011). This represents 35 percent of the total world production of cocoa making the country the largest producer of the crop. The extraordinary scale of planting new crops between 1975 and 1985 to replace the old trees was a key reason for the great expansion. Prior to liberalization, exports were handled by the private sector, while the *Caisse de Stabilization (Caistab)*, a state institution was in charge of export contracts and issued permits to the private sector for export (Gilbert, 2009). Without an export permit, an exporter could not export cocoa out of the country. The Caistab was also in charge of quality control and made checks both up-country and at the port.

In the initial phase of liberalization, the declining world market price at the time placed pressure on farmers who received producer prices, which were more than 50 percent less than the period prior to liberalization.

The Ivorian case study highlights the issues of concern already raised by Ghana with regard to the strains which liberalization can place on a sector that has previously relied on a stable system of pricing and marketing.

5.4 The Structure and the Reforms of the Ghana Cocoa Sector

The long decline in cocoa production in Ghana was experienced in the mid-1960s until the early 1980s. The decline was related to programs and policies that overvalued the national currency, and the embedded taxation policy on cocoa exports.

Secondly, the COCOBOD instituted to manage the country's cocoa is a suspect as an African governance organization linked with a parade of unsavory tags which are variants grounded on the same subject, including, clientelism, corruption, patrimonialism (and its progeny, neopatrimonialism) and political patronage (Williams, 2009).

The boards became means for accumulating and distributing resources to cronies. Jobs in the agricultural marketing sector converted into rewarding avenues for party faithful's, and the boards soon became overstuffed, and costly to manage. Within this setting, the boards established reputations for being organizations of egregiously inefficient, which oppressed and exploited cocoa producers and discouraged production (Alence, 2001:405).

Nevertheless, the World Bank and IMF at first embraced the state-run boards in their earlier days, their backing diminished by the consolidation of the free market economy in the global stage and the increasing indication of the inefficiencies of the marketing boards. As part of a program of adjustment, the World Bank and IMF wanted to eradicate the marketing boards and shape up an energetic, competitive private agricultural marketing sector, with direct state intervention only in cases of clear market failure (Alence, 2001:405).

Today, the cocoa sector in Ghana is experiencing a complete turnaround with the implementation of the Economic Recovery Program (ERP) under the auspices of the World Bank and IMF program in 1983, which encompassed of the Cocoa Rehabilitation Project, a distinctive program to resuscitate cocoa production in the country. Policy variations comprised increasing the producer prices paid farmers relative to those paid in Ivory Coast and Nigeria, consequently reducing the motivation to smuggle. Also included in the Cocoa Rehabilitation Project, is a scheme targeted at compensating farmers for cutting down disease-ridden trees and replacing them with new ones (Vigneri, 2011). These initiatives led to a considerable restoration of the cocoa sector, with a greater number of farmers cultivating higher-yielding tree varieties developed by the Cocoa Research Institute of Ghana.

With the global production of cocoa hitting a record high of 4.3 million tons in 2010/2011 cocoa season rising from a previous record of 3.6 million tons in 2009/2010 (ICCO, 2011), Ghana's contribution to global production is overwhelmingly in excess of a million tons (*Figure 5*). Making it the largest producer of cocoa in the world next to Ivory Coast.

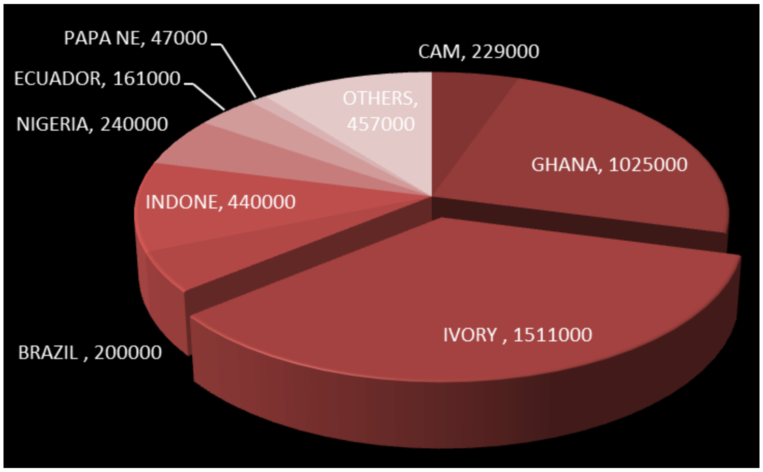

Figure 5. World Production of Cocoa in 2010/2011 Crop Season ***Source: ICCO Quarterly Bulletin of Cocoa Statistics, Vol. XXXVIIi, No.2***

The vicious cycle was shattered in 1983, when Ghana, under Jerry Rawlings' Provisional National Defense Council (PNDC), introduced one of the most widespread structural adjustment programs carried out anywhere in Africa, known as the Economic Recovery Program (ERP) to address the general inconsistencies and irregularities in Ghana's macro economy and spelled key changes for the cocoa sector (Vigneri, 2011).

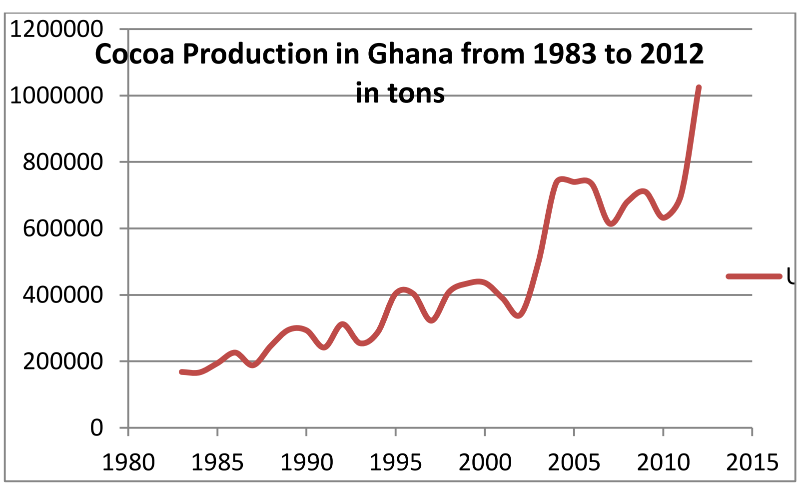

Figure 6. Cocoa Production in Ghana (1983-2012) ***Source: FAOSTAT online database.***

The core aim of the cocoa recovery program was to increase producer prices by releasing resources from the bloated cocoa sector. This led to the retrenchement of the staff and a reduction in costs of operation of the CMB, renamed Cocoa Board (COCOBOD for short) in 1984. The retrenchment eliminated tens of thousands of workers and needless staff, as well as some high-ranking public officials. Under the reforms, the COCOBOD's wage bill went from over 100,000 employees in 1985 to 60,000 in 1986. This figure dropped drastically in 2003 to 5,140 (Cocobod Annual Report, 2000). Savings generated from the COCOBOD system were passed on to farmers in the form of higher producer prices to cocoa farmers. Additional reforms also aimed at creating a competitive domestic cocoa marketing system were implemented by the government to further decrease marketing costs and ultimately improve producer incentives by way of good producer prices thereby increase output and exports.

5.4.1 Internal Marketing after Reform

Licensed Buying Companies (LBCs)

In the course of the 1993/94 cocoa season, private firms under the Licensed Buying Companies (LBCs) were licensed to participate and compete with the Produce Buying Company (PBC), a subsidiary of COCOBOD in purchasing cocoa from producers. Under the reforms, LBCs were expected to (as stated on the COCOBOD website)[10]:

1. Look for capital from the local financial market to buy cocoa from farmers; and
2. Transport them to selected points for the Cocoa Marketing Company (CMC) to take over for repayment.

The buying of cocoa and its removal from the cocoa farms and villages is an overwhelming task. The role of the LBCs in embarking upon this determines largely the realization of Ghana's cocoa reaching the global market. The PBC used to be a subsidiary of the COCOBOD, which used to enjoy a monopoly in the purchasing of cocoa produced in the country. Nevertheless, the reform, which started in the early

[10] https://www.cocobod.gh/oursubsidiaries.php,downloadedon the 25th of August 2013

1990s, embraced deregulation of the sector and liberalized the internal cocoa purchasing. COCOBOD implemented the multiple cocoa purchasing schemes for internal marketing of cocoa in June 1993, as a means of introducing competition. The reforms were undertaken with restructuring of the key public sector institutions in the cocoa sector like COCOBOD and PBC as its goals. At the start of the liberalization, 6 companies were issued licenses to compete in the internal market and now there are over 20 active LBCs.

5.4.2 External Marketing after Reform

While the internal marketing of cocoa has been liberalized, the external marketing remained largely uncharged and under the preserve of Cocoa Marketing Company (CMC) a subsidiary of COCOBOD. Ivory Coast fully liberalized its external marketing system since 1996 and it was therefore needed that Ghana designed its own external trade liberalization possibility to equalize Ivory Coast’s reform, before it loses its competitiveness (Keeling, 1989:39).

Many possibilities were taking into consideration for liberalizing the external marketing of cocoa in Ghana but the Government settled on permitting LBCs to export not more than 30 per cent of their purchases. This meant that the remaining 70 per cent would be handled by CMC. This quota system did not materialize because the LBCs did not have the required capacity and the financial power to undertake the exercise (Varangis et al, 2001).

COCOBOD over the years has earned the reputation and influence, that has made rising of funds both locally and overseas for its operations very easy. Locally, the CMC has two distinct advantages over the LBCs in its transactions with the local banks:

1. COCOBOD is seen as an institution which has the full backing of government in its financial transactions, which have a tendency to to raise the standing of its borrowings to a sovereign debt level ; and

2. The CMC uses its good track record of forward sales of cocoa to secure syndicated (from a group of banks) loans using the forward sales documents as collateral[11].

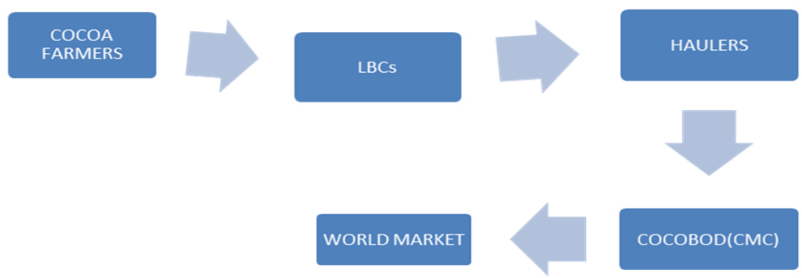

Figure 7. Supply-Chain in Ghana Cocoa Sector after Liberalization, ***source: The Author.***

The latest show of COCOBOD's ability to raise the necessary fund for forward sales of cocoa was when the board was awarded the African Deal of the year award in 2012, Syndicated Loans, and Leverage Financial Awards in 2012. An award given to the firms and organizations who have distinguished themselves in the area of capital and financial power. This came after the board successfully secured a $1.5billion fund for the forward purchase of cocoa crop for the 2010/2011 crop season[12]. In contrast, banks providing loans to LBCs is seen as exposing them to the risk of lending to private companies, with each firm having to be assessed based on the quality of its collateral and financial history. Hence, it becomes practically impossible for the LBCs to match the financial power of the COCOBOD to finance exports.

5.5 Producer Price Determination

Over taxation and wasteful marketing arrangements have over time deprived farmers of a decent part of the world market prices. Almost every single country with the crop as its major export in post-colonial Africa used marketing boards to openly tax farmers by setting producer prices below world market prices (McMillan, 2001). In addition to

[11] Interview with an official of the Cocoa Marketing Board on 4th April 2013
[12] http://www.cocobod.gh/coco_link.php downloaded on 14th August 2013

serving as suitable mechanisms to overtax farmers, the boards also became burdens because of their ineffectiveness.

One key objective of liberalization of the cocoa sectors is to increase producer prices through increased competition and lower costs. The experiences from other countries, which have liberalized their cocoa sectors, are that internal marketing costs and taxes are lower; suggesting a more efficient system and higher producer prices (Kolavalli et al, 2012:38).

Improvement in the cocoa sector started in 1983 with the implementation of the Economic Recovery Program. The policy variations, comprising a reduction in both direct and indirect tax on cocoa farmers, increased producer prices and the devaluation of the Cedi, as well as incentives to smuggle cocoa out of the country. The rehabilitation program led to substantial rehabilitation of a number of large farms replanting higher-yielding cocoa tree varieties developed by Crop Research Institute Ghana. Cocoa production recovered to 400,000 tons in 1995/96 and output increased from 210 to 404 kilograms per hectare (Varangis et al 2001:189).

It is an undeniable fact that, the liberalization of the cocoa sector in Ghana has contributed positively to the revival of the sector since its implementation in the 1980s. However, to create the impression that, the reform is the only factor, which has contributed to the success of the sector in recent times, is so simplistic. Cocoa production is highly sensitive to changes in weather conditions. The weather has been excellent for crop development and harvesting in Africa thereby producing the largest output on record in 2011 in particular. Thanks to ideal weather conditions, production held up very well despite the political crisis in Ivory Coast whilst in Ghana, the conducive weather conditions were supported by the continuous introduction of improved farming techniques (ICCO, 2011).

In 1987, as a part of the Agricultural Services Rehabilitation Project, the government devoted to increase producer price to 55 percent of world market prices, which it raised to 70 percent in the Cocoa Sector Development Strategy (Figure 8).

These pledges could have been steered by a number of studies that highlighted the role of producer prices in inspiring production. A World Bank (1983) study noted that a steady decline in real producer prices since the mid-1950s was the reason for the decrease in production. It suggested an upsurge in real producer prices of approximately 50 percent to stop the drop in production.

Program	Producer Price	COCOBOD expends	Taxes
Agricultural Services Rehabilitation Project (1987)	Increase from 30% of long-run world price to 55% by 1988/89	Reduce from 30% of FOB price to 15% net of retrenchment costs	-
Cocoa Rehabilitation Project (1989)	Maintain above 50% of FOB prices	Reduce COCOBOD operating costs	-
Cocoa Sector Development Strategy	Raise from 65% of FOB price in 1999/2000 to 70% by 2004/05	-	Reduce from 25% of FOB price to 15% of FOB price by 2004/05
Ghana Cocoa Sector Development Strategy	-	-	Taxes should be residual payments

Figure 8. Targets Established to increase producer share of FOB prices, *source: Government of Ghana (1999, 2000).*

Subsequent to World Bank's recommendation that producer prices are fixed higher as an incentive measure, the Producer Price Review Committee (PPRC) was established by government in 1983/84 which included representatives from the Ministry of Finance and Economic Planning (MOFEP), Institute of Statistical, Social, and Economic Research of the University of Ghana, of farmers, COCOBOD, licensed buying companies (LBCs), haulers and the Bank of Ghana (Williams, 2009).

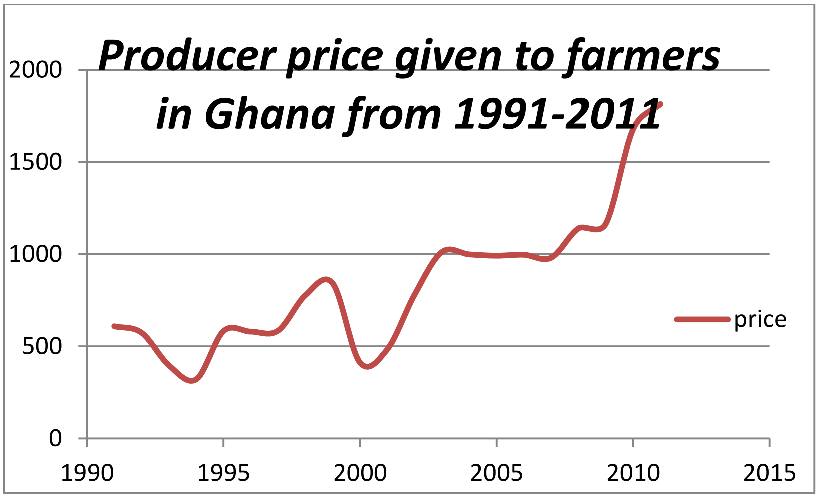

Figure 9. Producer Price in Ghana (1991-2011), source: *FOASTAT online database.*

5.6 The Reform and Quality of Ghana Cocoa

Like many other commodities, cocoa is frequently distinguished by its country of origin, and this in turn is related a reputation for quality. The reputation, a national public good has, aids the country to receive premium in the global market for the crop it is producing. Experience has revealed that liberalization often has led to a circumstance where the improved competition amid purchasers of cocoa has meant that farmers have a guaranteed purchaser for their cocoa, regardless of the quality (Vigneri, 2011:200). Moreover, in cases where purchasers give advance loan to farmers in return for a commitment to receive cocoa after harvest, it is always challenging for the buyer to refuse whatever is offered to him by the farmer. Hence, farmers often do not pay attention to quality (Varangis, 2001:189).

Quality checks, grading, and fumigation in Ghana is presently done by the Quality Control Division (QCD) of COCOBOD. Previously, five different levels of quality inspection existed before cocoa beans could be exported; however, the number has been condensed to three, namely: inspections at the up-country store, at the takeover point and at the point of export. In each of these locations, there are QCD personnel who check the

cocoa’s quality, and in the buying stations, the QCD places seals on the bags. The seals remain on the bags until they reach their final destination.
Ghana continues to uphold exports of high quality of cocoa for the reason that, farmers in Ghana have established practices based on quality. Without a doubt, it has been contended that 80 percent of the quality of cocoa is reliant on the correct growing, drying and fermentation procedures farmers adopt. Unlike his Ivorian counterpart, the Ghanaian farmer takes pride and care in the cultivation of his cocoa; that comprises sorting the bad beans out and rubbish being taken away.

The Rawlings government deserved the substantial credit it was given for the economic stabilization of the 1980s, especially through his moves to improve the cocoa sector and reduce budgetary deficits of the country. Ghana was not the only country that saw the implementation of the Economic Recovery Program (ERP). Many countries in Africa have espoused neoliberal policies in the 1980s, when their economies collapsed. They did this in return for IMF/World Bank grants and loans for the implementation of the SAP and ERP. The World Bank’s seminal work in 1981 found out that, a bias against agriculture, mistaken domestic policy mismanagement in the public sector, exchange rate and illiberal trade policies as reasons of Africa’s economic problems. The Bank in 1980s, however, developed a good policy for understanding the complexity of Africa’s economic challenges. The World Bank also argued that a ‘crisis of governance’ as an underlying developmental problem of Africa. It therefore recommended a ‘political renewal’ based on the creation of ‘pluralistic institutional structures’ (World Bank, 1989). The failure of communism in Eastern Europe in the 1990s caused Western powers like the US made democratization a condition for donor assistance. This triggered an upsurge in democratic transitions in Africa in the 1990s.

It was within this context that Ghana made a transition to a democratic rule in 1992 after over a decade of military rule. J.J. Rawlings, the leader of the military regime and the leader of government at the time metamorphosed both himself and his Provisional National Defense Council (PNDC) into a political party. The National Democratic Congress (NDC) a product of the PNDC was registered as a political party with

Rawlings as the presidential candidate. Rawlings and his party got a landslide victory in both the parliamentary and presidential elections largely because of the popularity of the ERP it implemented in the 1980s, which begun having a tremendous effect on the country's balance of payments. Rawlings continued to enjoy a good will within the Ghanaian voting population that saw him win the subsequent election in 1996. However, his party's candidate, John Atta Mills, who served as his vice president could not make it a treble for the NDC because of the worsening economic condition of the country when he lost to John Kuffour of the New Patriotic Party in the 2000 general elections. After successfully holding peaceful elections since its transition into a multiparty democracy in 1992, Ghana a well-administered country by regional standards is now seen as a model for political and economic reform in Africa.

Since Ghana made a transition into democratic rule with the adoption of the 1992 constitution, cocoa has been one of the cardinal issues that have attracted much attention due to its importance as the number one foreign exchange earner for the country. Politics and electioneering campaigns are therefore inextricably intertwined with cocoa (Ryan, 2011). Politicians use the economic conditions of farmers and the share of the FOB they receive as campaign messages to aid in convincing the voting population of cocoa household, which is estimated to be about 8 million out of the total population of 25 million. No political party would mess with a voting population, such as this and no government wants to be seen to ignore the demands of farmers.

The success of every government in Ghana depends on the success of the cocoa sector and its contribution to the GDP of the country. In addition, this depends largely on the global cocoa market, for whatever happens in the global commodity's market has a wider ramification for Ghana and its cocoa sector. For example, high prices of cocoa and gold played an important role in enabling the economy to offset the shocks caused by the high cost of crude oil in 2004 (Gocking, 2005). Ironically, instability in the Middle East, which affected the price of crude oil at the same time, had weakened the US dollar, and gold inevitably benefitted from this development. Similarly, instability in the Ivory Coast had driven up the prices of cocoa to a 15 year high of $2000 per ton (Gocking, 2005). This meant that the Ghanaian government was able to raise enough to undertake its developmental projects and increase the price paid to farmers to about 70 percent of the world market price.

I have discussed the reform of 1983 that took place in the cocoa sector in Ghana. To better understand why Ghana did not completely execute the total liberalization of both the internal and external marketing of cocoa the World Bank and IMF recommended in 1983, we elicited a case by case study of the consequences of the total liberalization of the cocoa sector in these countries (Cameroun, Nigeria and Ivory Coast) and the devastating effect the liberalization had on the quality of cocoa they produce.

Having undertaken the reform of the sector, the question remains that, has the reform achieved its purpose, i.e. has the reform improved the lot of farmers by way of the percentage paid to them?

The subsequent chapters discuss the power games in the sector among the key actors, the COCOBOD and the Farmers, the powers they possess, where and how they derive their power, and how the distribution of power reflects to an extend what, when and how actors benefit from the industry. We will try to answer the questions '*'Cui bonno*?'' *Or ''who benefits?'' And who loses?* It is the claim of the study that unequal distribution of benefits in the cocoa sub-sector is an outcome of unequal power relations between actors seeking to protect their interests.

CHAPTER 6

WHO LOSES

West Africa produces approximately 75 percent cocoa production in the world, almost 90 percent of which is cultivated by virtually 2 million peasant farmers, with the majority of them own 3 hectares or less of land**.** Ivory Coast alone provides one-third of global supply (ICCO, 2011). The linchpin of cocoa production in Ivory Coast is the peasant farmer who is among the 2.1 billion people in the world feeding on less than $2 a day (Ryan, 2011:43).

Like any part of West Africa, the smallholder farmers are the backbone of the cocoa industry in Ghana that holds the supply chain of the cocoa industry in function. Their principal activity is the production of cocoa, an action that maintains the whole supply chain, which millions of people depend for revenue. There are approximately 800,000 cocoa farmers in Ghana and 6.3 million (representing around 30 per cent of the population) people in Ghana depend on cocoa. While the global market share of cocoa and cocoa products is worth over $100 billion a year[13], Ghana's cocoa exports are worth 1.2 billion a year. This represents about 30% of the country's export earnings. Yet cocoa farmers wallow in the pool of abject poverty.

According to S. Strange, production is the foundation of every political economy in that; production creates wealth in a political economy. All organized societies are therefore built on the foundation of a productive structure, on the wealth produced by people at work by machines or helped by animals (Strange, 1988). This chapter discusses the reasons behind the low income among farmers, the key component of the production structure and their relationship with the government institutions, which wield enormous power and their ability to control and determine the fate of these farmers by way of

[13] http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-3.20.2012.pdf downloaded on 2nd March 2014

determining what farmers earn from a ton of cocoa. This chapter will aim at answering the key research questions of the thesis of who benefits/losses and the cocoa sector.

6.1 The Peasants

Africa produced 3.2 million tons of cocoa beans in the 2010/2011 crop season (ICCO, 2011). This makes the continent the foremost cocoa growing region in the world with a share of about 75 per cent in the total world production of around 4.3 million tons per annum. More than 95 per cent of the African cocoa production originates from Ivory Coast, Ghana, Nigeria and Cameroon. Ivory Coast is by far the largest producer in the world, with a production level of 1.5 million tons. Ghana is the second largest producer, with an annual production of about 1million tons. Nigeria is the fourth largest producer in the world (after Indonesia as the third largest) with a current production level of about 240,000 tons, while Cameroon, the fifth largest producer, has a production level of about 220,000 tons (ICCO, 2011).

In Ghana, cocoa exports amount to almost 30 per cent of total merchandise exports. The corresponding figures for Ivory Coast and Cameroon are more than 40 per cent and more than 10 per cent, respectively. In Nigeria, although cocoa is the most important export product after mineral oil, its share in total exports amounts to less than 2 per cent only (Ryan, 2011:86).

Production of cocoa is a daunting task for one person to do alone. Many hands are needed to execute the task of plucking pods, weeding and burning, pruning trees and carrying of the bean. However, Cocoa production in West Africa is characterized by a very high share of smallholders in total production; by a very small average farm size; and by low yields. It is estimated that about 95 per cent of the African cocoa production originates from small farms. There are virtually no plantations and only a small number of middle-sized or larger farms. A farm size of about 3 hectare is typical for smallholder cocoa farms in West Africa, with most farms in the size group of 2 to 5 hectare. Average yields are low on the smallholder cocoa farms and they have not changed much since the introduction of the crop in Africa in the 19th century. A typical yield is about 650 kg. of dry cocoa beans per hectare. Over time, yields have increased to some extent by planting of hybrid trees. On the other hand, in a number of areas yields have been going down, as the age of the trees increased. Average yields in Africa are probably slightly lower than the world average, estimated at around 700 kg. per hectare. Low productivity translates to low incomes for cocoa farming households. This means a smallholder farmer can make just up to $500 a year, an income that makes it virtually impossible to survive let alone buy fertilizer, hire laborers or invest in seedlings (Ryan, 2011:86).

A bereavement or ill health of a farmer can leave his family struggling for cash. Many of them have to resort to micro loans financing companies for loans for the up keep of the family. This however, comes with a devastating consequence in the case of default. Farmers are charged exorbitant interest on the loans they have procured and in case of default, the penalty for non-payment can be devastating. Assets of farmers are taken in place of the loan and in the absence of an asset; a part or a whole of a cocoa farm is taken for a number of years before it is returned[14]. Some even resort to the sale of their farms at ridiculously low prices to earn a living. The level of hardship being experienced in the cocoa industry is at an all-time high and that is driving force of the sale of farms at cheap prices[15].The level of destitution in Sefwi, one of the cocoa production areas is unbelievable. There are many who want to sell their farms but are not even getting buyers. They are selling their farms at absurdly low prices because of school fees for their children. In this kind of hand-to-mouth situation, family labor holds the family together. Without the use of the family as a source of labor, farmers will struggle to harvest their crop and process it (Ryan, 2011:87), and this will have an implication for the long-term sustainability of the sector. Low incomes, in turn, impede growth and threaten the sector's long-term sustainability, as farmers are discouraged from making productivity enhancing investments, including the use of fertilizers and pesticides.

[14] Interview with a farmer in Nkwanta on 23th July 2013

[15] Interview with a farmer at Sefwi on 19th July 2013

The farmers have been and continue to create wealth in the political economy of Ghana through their all year round production of cocoa, an activity that has sustained the economy of the country for almost a century. For decades, the output of these farmers have fed western factories eager to fill demand for chocolate which for the past 3 decades has been rising in tandem with the global GDP. However, the question remains that, why are cocoa farmers poor?

Fluctuation in world prices of cocoa has been ascribed as one of the reasons for the low income of cocoa farmers. This price volatility is frequently blamed on speculative trade on world futures markets. Unlike cocoa processors and chocolate manufacturers, who want beans for their factories, speculators have no interest in the beans they buy, they simply gamble. Research suggests that, after the tightening of fiscal and monetary rules, hedge funds are turning to food commodities to make a quick profit[16]. Speculative movements have been linked to traders taking advantage of historically low interest rates and weak US$ exchange rates, which has allowed them to borrow 'cheap dollars' to fund short-term positions on cocoa beans[17]. Nevertheless, there is no assessment how much money in the cocoa market is from the industry and how much is from speculators. The increasing involvement of speculators in the cocoa trade often leads to the sudden price movements for no apparent reason. This sudden price changes have an impact on farmers’ income. It can make the difference between having enough to eat and struggling to get by, between keeping children at home and sending them to school. Producers are vulnerable to the decisions made by people and companies who have no interest in the bean they harvest. Cocoa producers have few worries about speculators, when market prices are rising. This is because; farmers in cocoa producing countries benefit and receive better remuneration and profits from their cocoa farming. Falling cocoa prices produce the opposite effect for farmers. The reality is; the cocoa market is

[16] Ben Bouchley (2010) Cocoa Bean Speculation is Causing Price Volatility, http://www.confectionerynews.com/Commodities/Cocoa-bean-speculation-is-causing-price-volatility-analyst 20th June 2013

[17] Ibid 10

complex and can exhibit wild swings in prices. Price swings make it difficult for farmers to receive stable income and to plan.

In periods of excessive price swings and rapidly falling prices, the effect on farmers is overwhelming. A cocoa farmer in Bibiani, in the Western Region of Ghana, lamented at the spate of the changes in the amount he receives from his cocoa and this how he summarized it. ''I wouldn't be surprised to return from the farm today to hear there has been a fall in price''[18].

Another reason for the declining relative price of cocoa is the increase of cocoa supplied on the world market; total supply has doubled today compared to the beginning of the 1980s. One of the serious developments in the production structure is an attempt being made by relatively new producing countries to increase their production and for some non-producing countries to start cocoa production (Ryan, 2011:108). Several cocoa producing countries entered the market during the 1980s because of relatively high price of cocoa at the time. In Africa, Benin is one of the new entrants in the cocoa industry. It adopted a hybrid plant from Ghana and Ivory Coast for plantation. Moreover, the likes of Ghana, Ivory Coast and Indonesia who have been in the business of producing cocoa for a long period also are always in the habit of wanting to produce more than they have done the previous year.

The absence of storage facilities on the part of farmers makes the storage of cocoa for a long period very difficult. Farmers are therefore compelled to offload all their harvest on to the market. More recently, cocoa supply has increased due to more efficient processing methods and favorable weather condition particularly in Ghana. World price of cocoa are inversely proportional to the supply of cocoa (Helena, 2009:60). Cocoa prices plummet on the world market if supply outstrips demand and the inverse is true. Thus, the volatility of cocoa prices on the world market is born out of the interaction between the forces of demand and supply.

[18] Interview with a farmer in Bibiani 18th July 2013

6.2 Cocoa Producers Alliance (COPAL)

The vulnerability of cocoa producing countries to the erratic free flow of prices of cocoa on the world market is quite astonishing. West Africa produces roughly two-thirds of the total annual production of cocoa in the world. Why can't they form a coalition of cocoa producing countries to wield control over the market just as Organization of the Petroleum Exporting Countries (OPEC) does on supply to influence price of oil on the world market? OPEC has membership of 12 countries widely dispersed across the globe. They meet regularly to coordinate and unify the petroleum policies of its Member Countries and ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers and a steady income to its members[19]. In spite of their geographical diversity, the group could make a decision on supply that will see price of oil rise in producers' favor. OPEC has been successful in this regard especially in the 1970s when they restricted the supply of oil to push for upward adjustment of prices. It is only logical that, West African governments producing cocoa should be able to agree a deal on supply. With roughly two-thirds of global production coming from the region and the geographical proximity between the countries, they should be able to wield power just as well as OPEC, which accounts for just a third of world oil production.

They have tried that before but failed in their bid to influence world prices of cocoa in their favor. The extremely low prices of cocoa in 1962 made exporting countries of Brazil, Cameroon, Ghana, Ivory Coast, Nigeria and Togo to meet in Abidjan in 1962 to create Cocoa Producers' Alliance (COPAL)[20]. COPAL aimed at coordinating policies, exchanging statistical information and coordinating individual member state position in negotiations with consumer countries. This culminated into the first international Cocoa Conference in 1963 in Geneva under the sponsorship of FAO (Amoah, 1998). The conference focused on possible price defense levels and quota-price mechanisms

[19] Mission statement of OPEC on website http://www.opec.org/opec_web/en/index.htm downloaded on the 15th March 2014

[20] COPAL website, http://www.copal-cpa.org/links.php downloaded on the 20th March 2014

without achieving any success due to lack of unity among member countries. Subsequent conferences and agreements signed in Rio de Janeiro in 1964 also suffered similar fate. The attitude among producing countries of wanting to produce more than the previous year in order to expand its market share irrespective of the effect on price is one of the problems faced by the sector. To producing countries, success of the industry lies in their ability to supersede the level of output they have achieved the year before. This makes it extremely difficult for producing countries to implement their decisions on controlling supply. Any attempt at restricting supply to influence prices of cocoa means, controlling the actions of hundreds of thousands of smallholder cocoa farmers. This could be complicated though (Ryan, 2011:102). While oil suppliers can control the flow of oil by the press of a button in a refinery, production of cocoa is much of a complicated exercise. Production starts once trees are planted and farmers who want to earn more money plant more trees. The perishable nature of cocoa unlike oil makes a clear case against supply control (Ryan, 2011:102). The problem of warehouse. Cocoa producing countries of West Africa have a long way to go anywhere near the power OPEC wields.

It is also worth noting that, OPEC as a cartel has its peculiar problems relating to controlling production and supply. Despite OPEC's efforts to manage production and maintain targeted price levels, member countries do not always comply with the production targets adopted by the organization. Oil prices can be affected by member countries' unwillingness to maintain production targets. The behavior of oil prices depends not only on current supply and demand, but also on projected future supply and demand. OPEC adjusts member countries' production targets based on current and expectations of future supply and demand[21]. Estimating future supply and demand, however, is especially challenging when market conditions are uncertain and are changing rapidly[22]. There can also be significant lags in OPEC production target

[21] http://www.opec.org/opec_web/en/914.htmdownloadedon the 18th of April 2014

[22] Interview with a farmer at Sefwi on 19th July 2013

adjustments in response to market conditions, which also can affect prices. Saudi Arabia is always in the business of increasing production in line with its current policy objective of preventing the prices of crude oil rising above the ceiling of $100 a barrel in order to mitigate the risk of higher prices pose on the global economy[23].

6.3 The Cocobod and the Plight of Farmers

The British set up crop marketing boards in West Africa during World War II, motivated by commodity price and access to financial capital. After the war, the preservation of marketing boards was justified primarily on the grounds of price stabilization for chronically volatile world prices, which has a devastating effect on farmers. In other words, the marketing boards were set up to provide producers with a stronger negotiating hand. The board deals with international buyers on behalf of farmers, selling their cocoa forward, a practice, which involves the sale of the cocoa bean before they are harvested. This enables the board to take care of all its financial obligations to the producers.

These systems came under significant pressure over the nineteen eighties, in particular from the two major donor institutions – the World Bank and the IMF. Major liberalizations in cocoa marketing took place in Nigeria, Cameroon and Ivory Coast. Ghana saw a more modest liberalization in 1992-93. Gilbert (2009) espoused a number of reasons that necessitated the liberalization:

1. Primary commodity prices were at historically low levels in the second half of the 1980s. The cocoa price had fallen from its 1977 peak to a low in the early nineties. Stabilization agencies which attempted to maintain cocoa producer prices at levels, which had been feasible in the seventies, and early eighties found that accumulated surpluses from earlier years had often been "invested" in

[23] Michael Giberson, ''Saudi Arabia and OPEC oil output'' posted http://knowledgeproblem.com/2013/10/21/saudi-arabia-and-opec-oil-output/ downloaded on 21st October 2013

illiquid and poorly performing assets or were otherwise unavailable. Consequently, the boards and *caisses* lurched towards insolvency.

2. Marketing board and *caisse* arrangements were viewed as non-transparent. Accounts were often late and opaque. It was difficult to distinguish taxes from marketing costs. There were accusations of favoritism and suggestions that corruption was tolerated.
3. The stabilization agencies became large organizations, often exercising significant political power, and absorbing a substantial share of countries' cocoa export earnings. Intermediation costs were therefore significantly higher in African producing countries than elsewhere and this reduced the prices received by farmers.

The Ghanaian case is not quite different from what happened elsewhere on the continent as far as management of cocoa is concerned. When Ghana started negotiations with the IMF and World Bank about reforms in 1980s, the institutions interrogated how Ghana ran the cocoa industry especially with regard to how the producer price of cocoa is determined (Ryan, 2011:46). Cocoa since its introduction has been a key component of government earnings contributing a significant share of the country's GDP. Yet farmers were destitute and continue to wallow in degrading poverty. Farmers were overtaxed by the board and received just a fraction of the world cocoa price (Beckman, 1976). The IMF and World Bank were of the views that if the board was abolished and allowed the forces of demand and supply operate without restrictions, farmers will deal directly with the buyers hence get a better deal (Grier, 1981).

However, this recommendation from the Bretton Woods institution did not resonate with the government and the board at the time. The reason advanced by the government for maintaining the monopsony structure of the sector is to guarantee high quality and contract fulfillment for which Ghanaian cocoa receives a price premium on the world market (Ryan, 2011:68). Since it is difficult to monitor purchasing activities, the government feared that quality will deteriorate and that Ghana will lose the premium it gets from its cocoa. The board employed people to check the quality of Ghana's beans, for which Ghana earned a premium and quality could drop if the board was abolished. Other reasons put forward by COCOBOD are that the Licensed Buying Companies (LBCs), which operate with limited capital are neither ready nor have the requisite capital to engage in exporting. It has also been argued that the government's reluctance to open the market to competition is due to Ghana's weak tax system; hence, with a deregulated system the government loses a large part of its revenues. The IMF and World Bank were quite convinced with the defense mounted by the Ghanaians but maintained that, the producer price paid to farmers should always reflect the current world market prices of cocoa.

For the fear of losing the board if it did not reward farmers, Ghana implemented a partial liberalization program that saw an increase in price paid to smallholders. With this new reform, buyers (LBCs) purchase cocoa from the farmers and sold it to the board. Nevertheless, the board retained its control of the export sector. COCOBOD now pays the Ghanaian farmer about 70% of the money it receives from its cocoa, excluding expenses of the board on mass spraying, disease control, fertilizer subsidies, scholarships and bonuses given to farmers when they exceed their targets.

The democratization processes in Ghana in 1992 assisted in keeping producer prices up. Government and political parties face pressure to reward farmers. In 2003, the National Democratic Congress (NDC), then an opposition party, argued for an increase in producer prices to 60 percent of the world market price by the government from 49 percent (Ryan, 2011:78). On the other hand, NDC assured cocoa farmers an increase of up to 70 percent of F.O.B price. Subsequent to NPP's loss in 2008, it urged the NDC government to increase producer prices in 2009, which it did prior to the 2012 electioneering campaign.

While progress has been made as regards increases in producer prices, Ghanaian farmers could clearly do better. The 70 percent of world market price of cocoa received by farmers are still subject of heavy tax from the government. Regardless of the rise in producer prices paid to farmers, they remain poor. Even with the annual rise of producer prices, a rural farmers' household income rarely exceeds a few dollars a day. Plots are small, so are yields. Producers struggle to invest in their farms. Many cannot afford fertilizers (Ryan, 2011).

Currently the government pays about 70% of the F.O.B to farmers; nevertheless, the farmers do not believe that the government is paying anything close to 68% of the F.O.B.

The COCOBOD as a government institution has a bad name in the eyes of the farmers. The farmers allude to the lack of investments in their farms mainly because of the low income they earn from cocoa. The farmers accuse the government of benefitting most from cocoa at their expense through the high rate of taxes on their produce (Woods, 2004). In addition, that, the beneficiary should be in charge of cocoa and invest more in cocoa farms by providing subsidized or free inputs. The farmers demonstrated their relationship with the government as an *abusa* system, where the government behaves like a landholder and taking two-thirds of the income, as is the normal practice with the *abusa* tenure system. Their allusion to this system symbolizes the feeling of being cheated by government and COCOBOD, which shirks its responsibilities as the main beneficiary.

Reacting to the issues raised by the farmers, the COCOBOD and the CMC in particular opined that the farmers do not have adequate knowledge of the complex nature of international trade in primary commodities like cocoa and therefore do not realize that they cannot easily sell their produce directly on the international market. The COCOBOD therefore acts as a conduit and a consultant to the farmers in that regard. The COCOBOD sees itself as an ''employee'' of the farmers. Mr. Moussa Ahmadou Lenboni, the Manager of London based CMC was quick to add that, the board supports farmers with 75 percent of the world price as producer price, a bonus on producing more than the previous year, a scholarship package for their wards and subsidized farm inputs such as fertilizers and cocoa spraying equipment[24]. He attributed the plight of the farmers to the poor management of resources on the part of some farmers and not necessarily, the producer price they receive on the cocoa they produce. Cocoa farmers who complain of being cheated by the COCOBOD are either noted for the farmers' extravagant life style some are perennial drunkards or married to more than one wife. Alcoholism and the practice of polygamy among farmers places a huge financial burden on their already overburden income[25].

The increasing mistrust among farmers about the COCOBOD is borne out of the way a manner the board goes about its activities. Traders who want to ascertain the prices of their beans need to have a strong grasp of the market fundamentals or the level of demand and supply; how much cocoa is available for sale and how many people want to purchase it. The balancing act of the supply and demand helps determine how much money the farmer earns for his cocoa (Ryan, 2011:106). To analyze supply, traders are always eager to find out what is on the ground. Information on the rainfall pattern or the cocoa pod disease in cocoa producing areas has a huge influence in determining the prices at which cocoa is bought on the international markets and this affects Ghana's earnings (Ryan, 2011:106). A quarter of government's annual revenue comes from the export of cocoa. The reliance on cocoa every year to keep the machinery of government performing their functions means mounting pressure on the COCOBOD to always meet their annual revenue targets. This fact made traders at the COCOBOD who sold cocoa on the international market incredibly panicky. The fear of moving prices made officials of the COCOBOD reluctant to provide information on cocoa. The COCOBOD officials are therefore very selective on the persons they speak to and the information they give out to whom they meet and grant interview to. Their wariness and suspicion seemed understandable after interacting with some officials of the board[26].

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[24] Interview with the Manager of CMC in London 10th April 2013
[25] Interview with a farmer in Bibiani 18th July 2013
[26] Interview with Eric Asumanin, Cocoa Marketing Company, COCOBOD, 20TH July 2013

However, upon series of interview with the officials on the ground, namely, the agents of the LBCs and the cocoa farmers, I came to the realization that, the fears of the board and its officials are farfetched. I felt that the COCOBOD used the fear of moving market prices as facade. The board was more concerned about hiding what goes on within its set up rather than getting a good deal for the country's cocoa. Much of the work of the board is shredded in secrecy. The lack of transparency with which the board carries out its activity breeds suspicion about its intentions for the farmers and the country at large. Few people in Ghana really know or understand what happens at the board, which bought and sold cocoa on behalf of the country.

It is not clear how the farmers' share of the world price is calculated. Farmers do not have any information regarding the pricing policy of the COCOBOD.

This lack of transparency in pricing policy makes the system prone to abuse. Few kilometers away from the hub of cocoa, production in Ghana lays the cocoa production zone of Ivory Coast. Cocoa farms between the two neighboring countries lays adjacent each other few kilometers away from the other. Farmers in Ivory Coast get the opportunity to negotiate directly with the buyers. This means farmers stand the chance of getting a higher price than their counterparts get across the border (Ryan, 2011:108). Ghanaian cocoa farmers smuggle cocoa to take advantage of the Ivorian ''open market'' system.

The COCOBOD is not oblivion to the fact that cocoa smuggling into Ivory Coast is a real phenomenon. To cub the menace, the board and the security agencies of the country have collaborated and instituted personnel at designated points marked as points of exit for smuggled cocoa out of the country[27]. Nevertheless smuggling cocoa into Ivory Coast goes on daily basis mostly on motorbikes that are very difficult to detect and control because of the numerous footpath linking the two countries. Mr. Ahmadou Lenboni of the CMC emphasized that, smuggling is a big problem in the cocoa industry and that the

[27] Ibid 25

board is making frantic efforts to bring the situation under control[28]. He pointed to the increase in the producer prices given to farmers and the bonus incentives as indicators of the board's commitment to fighting smuggling. He however pointed out that, smuggling of cocoa between the two neighboring countries is not always a one sided affair. Ivorian farmers smuggle cocoa into Ghana when prices in Ivory Coast tumble.

Activists of the COCOBOD such as Ahmadou Lenboni argue that the board remains the effective way to deliver benefits to farmers. He remains resolute that the Ghanaian system delivers the best deal to farmers comparing it to that of Ivory Coast. By continuing to sell forward, the farmers are guaranteed a certain kind of price, which cushions them from the erratic movement of world prices of cocoa.

Nevertheless, the effectiveness of this hinges on the ability of smallholders to organize themselves both locally and internationally. Locally, farmers need to have a voice, which can be heard by the COCOBOD and the government of the day. Internationally, the farmers and the COCOBOD need to have a voice that can be heard on the world market (Ryan, 2011). Unless that happens, the voices of over a million smallholders in Ghana will remain little more than a ''whisper''.

[28] Ibid 25

CHAPTER 7

’’CUI BONNO?’’ OR ’’WHO BENEFITS?’’

This chapter will be devoted to analyzing the organization of the global supply chain of cocoa, actors in the international arena and their roles in the market and how they influence the whole global supply and marketing of cocoa in Ghana and beyond through the lens of international political economy. It is the contention of this part of the thesis that, unequal distribution of benefits in the cocoa sub-sector of Ghana between the producers (predominantly Ghanaians) on one hand and the traders, processors and manufacturers (predominantly foreign companies and individuals) on the other hand is an outcome of unequal power relations between these groups seeking to protect their interests. The processors of cocoa and chocolate manufacturers gradually usurped the productive power of the smallholder farmer and continue to perpetuate themselves in the global supply chain of cocoa through their involvement at every stage of the chain.

7.1 Organization of the Global Cocoa Chain

The integration of smallholder farmers in developing countries in global markets cannot be underestimated. For producers of a number of agricultural commodities (such as coffee, cocoa and cotton) their inclusion into the global value chains is nothing new; however, the manner of organizing and governing these chains is new (Laven, 2010). In addition, the risks and opportunities for producers and other actors in the chain also changed due to changing dynamics of the global production and marketing. In terms of organization, the main shift has been from the use of forced labor on large plantations (beginning of the nineteenth century) in colonies to produce in a free society dominated by smallholder farmers. This also entailed a shift from a centrally organized production and marketing to open competition. New traders entered, new standards emerged, and a futures market developed.

In terms of control, an important shift was the transfer from ‘colonial planters’ (as central actor) to a number of private traders who had to negotiate with organized smallholders on price formation. Collective action of producers was a powerful force to reckon with. Later, the state became the main actor in the management of cocoa through its ’’price stabilization’’ policy (Ponte, 2005). The state fulfilled the role as intermediary, which made it possible for international buyers to buy cocoa without establishing any direct relationship with their suppliers. The introduction of reforms in producing countries again reduced the role of the state. With the diminishing role of the government in the provision of marketing channels and services, international manufacturers, traders and processors became the focal driver of the cocoa supply chains.

The multinationals concentrated their operations and economic power and became strong entities in global supply chain (Kaplinsky, 2004: Laven, 2010). This they did through the establishment of direct contact with the producers either through their agents or through the Licensed Buying Companies (LBCs). The COCOBOD, on the other hand, since its establishment in the 1950s has also gradually ceded some of its powers to these multinationals through the 1983 reforms. It is worth noting that, the COCOBOD though, has relinquished some of its powers to these multinationals, but it remains a huge player in the industry and perhaps the most powerful by virtue of being the overarching body, which superintends the cocoa sector in the country.

In terms of opportunities and risks for the multinational firms engaged in the purchase of cocoa, a number of changes occurred. The introduction of market reforms in producing countries made these multinational firms more vulnerable to the performance flaws of their producers (the cocoa farmer) (Laven, 2010:57). Cocoa consumption and production has seen an increase since the 1980s due to affordability brought about by the neoliberal policies of the drivers of the global economy (IMF and national governments). Their policies encouraged the production of cocoa massively in traditional cocoa producing countries and new cocoa producing countries also emerged with significant quantities of cocoa, new chocolate industries emerged and with a growing taste for cocoa and cocoa products, production of cocoa increased. With the increasing demand for chocolate and chocolate products, chocolate manufacturers are increasingly becoming concerned with the issue of a sustainable supply of cocoa to feed their factories and keep the global chain of cocoa in motion. Failure on the part of the producer to meet manufacturers target will have a devastating effect on the industry.

Another source of this vulnerability is the structural adjustment programs imposed by the World Bank, which resulted in the rejection of public quality systems. This occurred in an era when quality is becoming increasingly important as one of the parameters for competitiveness. Quality no longer simply refers to product characteristics, but encompasses a wider variety of ‘process’ criteria, including environmental and labor conditions. This is partly a response to the rising public concern and pressure from civil society (such as consumer organizations and NGOs) (Laven, 2010:57). They call upon processors and chocolate producers to take more responsibility for social and environmental issues, not only in own factories, but in the whole value chain (Boomsma, 2008; Dyllick and Hockerts, 2002)

In addition to pressure from civil society, Laven is also of the view that, the ethically motivated norms set by the employees and managers within the company are increasingly playing a role. The growing interest in long-term strategic planning is supporting this development. For global buyers, the fact that many producers of agricultural commodities are poor is becoming a threat to their future supply. As a result, the risk of supplier failure has become more dominant over the last few years. This partly explains why the multinationals became more insistent on controlling product and process specifications further down the value chain. This insistence was reinforced by the increasingly competitive global markets, which required companies to constantly look for new supply regions and to invest in developing new value chains, as a means of risk-diversification (Laven, 2010:59). On the other hand, the growing attention paid to sustainability issues in commodity sector policy demands of multinational buyers and traders to play a more active role in improving supplying conditions.

7.2 The Global Cocoa Value Chain and Ghana

In addition to the volume traded, and the importance of cocoa for the Ghanaian economy, Ghana's particularities make it an interesting case study. Ghana is known for growing 'world's finest cocoa' and is the only cocoa producing country in the region that has only partly liberalized its marketing and pricing system. Therefore, while cocoa producers in Ghana are integrated into the global chain that is increasingly being controlled by international buyers of cocoa, the Ghanaian government still plays a major role in the supply chain. In this section, I will analyze how the main interests of global actors who currently govern the cocoa chain manifest locally, both through their involvement in local upgrading strategies in Ghana and through their building of more direct relations with cocoa producers.

The global cocoa chain is gradually driven by purchasers of cocoa, namely the cocoa processors and chocolate manufacturers. From the mid-1950s until the 1980s, cocoa chains were driven by associations of direct producers. Now all are under the leadership of international buyers, with the exception of Ghana (Laven, 2010:58). The contemporary 'global cocoa chain' is often branded as one characterized by bi-polar governance (Fold, 2002; Kaplinsky, 2004)

One end is the grinders (processors/ traders), who now have operations in both consuming and producing countries. At the other end is the big chocolate manufacturers whose operations unlike the processors are limited along the supply chain, and their control is much weaker than that of the grinders (Kaplinsky, 2004:82).

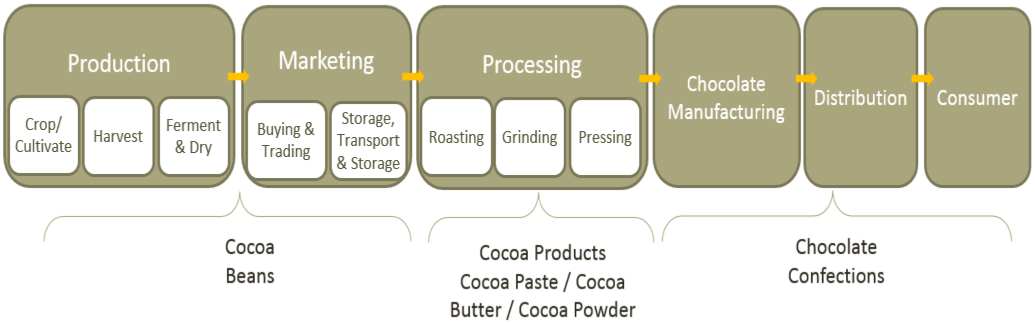

Figure 10. Global Cocoa-Chocolate Value Chain.

Source: (http://sites.duke.edu/adhoc_sitesdukeedusustainablecocoaso/methodology/28April 2014)

7.3 Cocoa Processors and Chocolate Manufacturers

Cocoa processors typically roast beans and convert them into nibs, liquor, butter, cake and powder[29]. A few of major cocoa processors also manufacture chocolate. Some processors do manufacture cocoa powder in finished form, yet as is the case with chocolate, few processors market consumer cocoa powder products. Two-thirds of all cocoa ground is processed in the Northern hemisphere, the largest processors being the Netherlands (15.2% of world supply) (UNCTAD/WTO, 2001:92).

The Netherlands has four cocoa-processing companies, namely, Cargill, Barry Callebaut and ADM, which include the world's largest cocoa bean grinders, situated along the river Zaan. More than 425,000 tons of cocoa beans are processed annually, which, on average, accounts for 15% of the world's production of cocoa (UNCTAD/WTO, 2001:93). This is the largest concentration of cocoa trading companies in the world and Amsterdam, with a storage capacity of well over 700,000 tons of cocoa beans (both in bulk and in bags), is the number-one cocoa importing port.

This particular region is extremely well suited for the processing of cocoa. Its mild climate reduces the need for air-conditioning. The country's natural gas resources

[29] http://worldcocoafoundation.org/about-cocoa/cocoa-value-chain/ downloaded on 30th April 2014

provide cheap energy. Good water transport facilities offer excellent access to processing facilities and allow cocoa beans to be moved from ocean steamer to processing plant at minimal costs (UNCTAD/WTO, 2001:93).

The geographical location and the extremely well developed infrastructure for water, rail and road transport make it possible for practically all of the European Union's cocoa butter and cocoa powder requirements to be supplied within 48 hours. This is always an important consideration, particularly as regards shipment of liquid butter in tanks[30]. Netherlands plants are therefore probably in a better position than any other country to be in the business of processing. Other countries processing cocoa include United States (14%), Germany (7%), UK (5.9%), and France (4.2%) with Mars, Hachez, Cadbury, and Michel Cluizel respectively in these countries. The rest of cocoa is ground in key cocoa producing countries, mostly in facilities owned by a multinational processor. The leading country is Ivory Coast (8%) with ADM, others being Brazil (6.9%), Malaysia (3.5%) and Ghana with only 2.5 % Garato, JB Foods and Cocoa Processing Company respectively in these countries (UNCTAD/WTO, 2001:95). It is natural to have the bulk of cocoa processing in cocoa producing countries due to the accessible and easy access to cocoa, however this is a trend we don't see happen and these percentages might even decline further if care is not taken.

In principle, adding value to a commodity is an economically attractive venture. In the case of cocoa, however, producing countries face some serious economic, geographic and commercial obstacles to processing competitively on a viable scale (Laven, 2010; UNCTAD/WTO, 2001). Being a fungible commodity, cocoa beans are sold without any great marketing effort. By converting cocoa beans into cocoa liquor, cocoa butter or cocoa cake, the fungibility is reduced or lost altogether and the intermediate product obtained becomes less easily marketed (UNCTAD/WTO, 2001:102). Customers for these products have their own special needs, which are frequently best met either by

[30] Emiko Terazono in http://www.ft.com/intl/cms/s/0/f06f00fa-3184-11e3-817c 00144feab7de.html#axzz30SJVCyjI downloaded on 25th of April 2014.

processing the cocoa beans themselves or by buying the products from vendors who meet their particular quality and delivery requirements.

A cocoa bean processing firm situated in the heart of the European chocolate market clearly has a much better chance of meeting customers' requirements i.e. technology, hygiene, taste than a processing plant located in, for example Accra, the interior of the African cocoa belt. Moreover, as cocoa bean processing equipment is expensive and requires a large tonnage throughput, it must be able to operate on a continuous basis. To make this possible, there has to be continuity of supply throughout the year. A processing plant operating close to the main consumer markets has access to cocoa beans from all sources, which ensures availability all year round.

Another factor crucial to the maintenance of a continuous operation is the availability of spare parts to repair cocoa processing equipment. A mechanical breakdown, all too common in cocoa processing, can shut down operations for as long as it takes to get the spare parts and to undertake repairs. In the major consuming countries, where the manufacturers of the processing equipment are also located, spare parts are readily available and can be supplied or manufactured at short notice. A plant located in a producing area would have to wait much longer for parts to be replaced (UNCTAD/WTO, 2001:101).

Cocoa beans must be stored in a relatively mild climate. The high ambient temperatures and high relative humidity typical of tropical regions offers unfavorable storage conditions, leading to deterioration and the need for increased pest control. Furthermore, these conditions also increase the free fatty acid level in the cocoa fat, making any butter produced from the pressing of these beans less desirable (ICCO, 2012).

Cocoa beans can be transported more easily than any of the intermediate cocoa products. They particularly lend themselves to bulk transportation because they can be shipped loose in containers or loose in the hold of the ship. Intermediate cocoa products, being processed foods, have to be packaged and handled more carefully.

The cost of energy is another factor. Cocoa bean processing is an energy-intensive activity, entailing both heating and cooling operations. Cooling is costly, and particularly so in a tropical country. Processors in consuming countries generally have the advantage of being able to operate at substantially lower energy costs than those in the major cocoa producing countries.

A typical cocoa bean presser in, say, the Netherlands, will store cocoa butter in liquid form and deliver it in tanks to customers on a just-in-time basis. This eliminates the need to cool the butter in order to solidify it for packaging. It also does away with the need for customers to strip the packaging and melt the butter back into liquid form(UNCTAD/WTO, 2001:108).

A cocoa bean presser in a producing country has to cool the butter and place it into cartons lined with plastic sheets. The butter must then be stored under controlled conditions in a cool environment to prevent melting. To provide the just-in-time service to customers that processors are able to offer in consuming countries, the butter must be shipped to a country of destination where it must be stored and melted down in a special facility. This aspect puts the origin processor at a significant cost disadvantage, which has to be met by discounting the butter to the importer.

Cocoa bean processing into liquor, butter and cake is not a labor-intensive activity. Thus, the additional employment created by a processing plant is minimal. As most operations are fully automated and computer operated, no special skills are necessary except perhaps those for repair and maintenance.

Given the above disadvantages, it is not surprising that virtually all cocoa-processing operations in origin countries depend on subsidies in one form or another. These take many different forms, such as government development loans, loans from donor governments of countries supplying equipment, and different types of local tax or cocoa bean price incentives (UNCTAD/WTO, 2001:105).

Overall, the cost of providing subsidies may well negate the little gains that can be made by selling processed product, rather than beans, into the international market. This is not to say that there is no place for processing in a producing country. Where there is a local market for the products, for example, it certainly makes sense to establish such facilities as long as great care is taken with the sizing of these operations. If there is a satisfactory local outlet for cocoa cake, the cocoa butter may be exported, even if it has to be discounted. For example, it is not possible to make cocoa cake without also making cocoa butter. The butter has to be used somewhere, and it can be used economically only in chocolate manufacturing (UNCTAD, 2001:108).

Another valid reason may be the removal of lower quality beans from the market in order to obtain a higher average grade of beans for export at an appropriate premium price. This approach could be beneficial to countries like Ghana and Ivory Coast who produce large quantities of cocoa, which, while perfectly wholesome, may not meet the stricter export grading standards expected in consuming markets. This may be due to high moisture content, small or irregular bean size or lower fat content produced during part of the crop year (UNCTAD, 2001b).

Again, much careful study is needed to determine the right capacity. Various experiences with cocoa processing at origin have demonstrated over the years that no country has been able to establish a processing industry, which can stand firm on its own without some form of financial support.

Cocoa processing in producing countries by producer-owned medium or small enterprises gives an opportunity for producers to add value to production. CONACADO (Dominican Republic), El Ceibo (Boliva), and the Cocoa Processing Company in Ghana are some examples of successful attempts by Small Medium Scale Enterprises (SMEs) to add value through processing. Generally, Asia and Latin America process a greater percentage of their cocoa in relation to Africa. This due to the perceived low quality associated with processing on the continent (Laven, 2010:69).

There is a significant concentration of market power in the processing sector among four key cocoa processors, namely ADM, Barry Callebaut, Cargill, and the Hosta Group account for 40% of processed cocoa products worldwide (Abbott 2004:25). All of these companies are involved in the trading, processing, and transportation of cocoa. Some, especially Barry Callebaut, are also involved in chocolate manufacturing as well (Menter 2005:32).

Chocolate manufacturers, on the other hand purchase cocoa liquor and butter from cocoa processors. Cocoa liquor and butter are combined to create specific chocolate flavor profiles. Typically, manufacturers will create recipes that incorporate cocoa from multiple origins. There is also considerable concentration of market power in chocolate manufacturing. Five manufactures (Hershey's, Mars, Kraft, Ferrero, and Cadbury) account for 50% of cocoa product use worldwide (Abbott 2004:43). Almost all these processors and chocolate manufacturers undertake some of their operations in Ghana and Ivory Coast. With concentration in Ivory Coast due to its position as the world's largest cocoa producer.

The extent of market power exercised by these multinational cocoa processors and chocolate manufactures is the subject of much speculation, but little hard evidence exists to verify or refute the importance of this market power (Fold 2002, quoted in Abbott 2004). However, upon a careful look at their engagements in cocoa production countries and the role they play in the value chain, we can speculate the source of their power, which is the key source of their growing margin of profit.

Global processors and manufacturers have become stronger actors in these chains due to takeovers and an increase in the scale of their operations both within and outside cocoa producing areas (Gibbon and Ponte, 2005; Kaplinsky, 2004). The rampant takeovers and mergers in the cocoa and chocolate industry have led to a high level of concentration among manufacturers and processors. For example, among chocolate manufacturers the seven largest companies constituted 40 per cent of the world market in 2006, with Mars as world number one, followed by Nestlé SA, Hershey Foods, Kraft Foods, Cadbury

Schweppes and Ferrero SPA (Tropical Commodity Coalition, 2008 quoted in Laven, 2010). In 1990s, some mergers and acquisitions took place, and as a result, by the mid-1990s, Archer Daniels Midland (ADM) became the world's largest cocoa processor with the take-over of Grace Cocoa and its purchase of the cocoa processing units of E.D. & F. Man in 1997. Recently ADM lost its leading position to Cargill. Barry Callebaut became the world's third largest processor in 1996, with the take-over of Callebaut by 'Cocoa Barry'. Together with Petra Foods and Blommer these three multinationals control over 52 per cent of grindings and liquid chocolate. The most recent takeover in the history of chocolate and cocoa production occurred in 2010 when Kraft foods, a USA based food company acquire Cadbury. These takeovers do not only increase the market power of these companies but also increases their sphere of influence in their key supply areas. These concentrated multinational corporations have a growing potential to limit competition and influence prices (Gilbert, 2000:23).

Like other commodities, annual fluctuations in cocoa bean prices are caused by changes in the world markets' supply and demand for the product. Historically, cocoa bean prices have fluctuated in tandem with the availability of stocks of cocoa beans in relation to the annual world grindings (which measure the world demand for cocoa beans) (ICCO,2012). When the 'stocks-to-grindings' ratio declines, the price of cocoa beans rises. Stabilization of the cocoa stocks used to be regulated by the International Cocoa Agreement, but this system was abandoned in 1994 due to a shortage of funds to finance the buffer stocks and lack of political will by producing countries. The private sector, however, has no shortage of funds and owns a giant stock of cocoa, equaling two third of total demand (Laven, 2010; 70). The main owners of these stocks are cocoa processing companies and international traders who hold cocoa in stock for the futures market. This action by the processing companies and traders of cocoa contributes to the fluctuation of world cocoa prices. Cocoa prices assume an upward spiral when processors increase their buffer stocks. The reduction in processors buffer stock on the other hand leads to a downward spiral of the world cocoa price. However, the increased control of global cocoa processors and manufacturers is not only related to increasing power, but can also be explained by increasing interdependency in the chain and the increased risks for supplier failure, which is visible both the local and international levels.

Prior to the Structural Adjustment Programs, the marketing boards (or stabilization funds) controlled the supply chain. The state determined who participated in the chain and to what standards they performed, and in activities designed to upgrade performance amongst chain members. These old national standards have now been replaced by grinders' reputation for compliance with the (demanding) specifications of chocolate manufacturers (concerning timing, volume and quality)' (Laven, 2010:70). While reforms are often evaluated positively (they abolished inefficient marketing boards and initially increased the producer price) (Gilbert and Varangis, 2003), their negative influences in terms of farmer income and conditions under which cocoa producers operate gives reasons for concern. For example, prior to the reforms the state was responsible for quality control procedures. After the reforms, most countries privatized their quality control system. This, together with the entrance of many unprofessional buyers, adversely affected the quality of the supply. The transfer of the quality control system to processors and traders meant that, cocoa beans from producers stand the risk of being rejected by these multinational processors and traders not necessarily due to lack of quality but as a way of forcing the producer to sell below the prevailing market price.

However, the power these processing and chocolate manufacturing firms wield is not sacrosanct to the performance flaws of the smallholder producer. The increasing interdependency in the chain and the increased risks for supplier failure, which is visible, both the local and international levels are challenges to the sustainable supply of cocoa to these manufacturers and processors (ICCO, 2010; Laven, 2010). At the global level, the risks for supplier failure increased due to changes in demand that favored sustainable cocoa production methods. Advocacy movements place quality standards high on the agenda and increasingly confront multinationals with demands for corporate social responsibility at local and international levels. The increased involvement of international buyers in ‘process upgrading’, as opposed to ‘product upgrading’, can be also attributed to the new International Cocoa Agreement (UNCTAD, 2001b), which gave the private sector a large role in supporting a sustainable cocoa economy. As a result, international traders and chocolate manufacturers have become more dependent on the local suppliers who operate at the bottom of a chain. This also entails greater responsibility to provide producers with the information as well as the new technologies they need to comply with the new production and process standards. Because such standards usually do not (yet) apply to local domestic markets, and/or require substantial investments (Keesing and Lall, 1992), producers need financial and other support to improve their operations. Although there is a trend among global buyers to increasingly become involved in sustainable cocoa production, this does not mean that they always appreciate the role of the advocacy movements, which often put more issues that are sensitive on the agenda, such as child labor.

There are also local and regional factors that are a threat for global buyers. For example, the concentration of cocoa production in West Africa is perceived as a threat, especially with the recent political crisis in Ivory Coast. Heavy rains, or conversely water shortages, adversely affected the volume of cocoa production. Particularly damaging are the outbreaks of pests and diseases, such as Witches Broom, Black Pod and the Swollen Shoot Virus Disease. Other local risks for supplier failure have to do with the old age of both farmers and their tree stock (Ryan, 2011:138). A serious problem for global buyers of cocoa is the low productivity levels, which make cocoa farming an unattractive business for current and future farmers (Ryan, 2011:138). While the global demand for cocoa increases, the supply tends to fall down. These developments have increased the interdependency among global buyers and local suppliers.

Performance risks would tend to be less where there are marketing boards or similar government marketing bodies, such as the former *caisses de stabilisation*. The government would purchase cocoa, directly or indirectly, at a fixed price from the farmers and sell it on to the world market at the price of the day. The quality would be controlled by government agencies at the point of purchase from the farmer as well as at the export point. The government either would be the outright seller, or would have a back-up guarantee of the export contract. Consequently, buyers would have to assume fewer, if any, performance risks. Such guarantees come at a high price, however. Farmers in Ghana, for example, which has marketing bodies, tended to receive a substantially lower percentage of the international FOB price than farmers in countries with free marketing systems, such as Indonesia (Laven, 2010:137).

7.4 International Actors and Upgrading the Cocoa Value Chain

In order to understand the risks and opportunities for producers, due to their involvement in a value chain increasingly driven by multinational buyers, I took a closer look at the involvement of global buyers in local upgrading strategies in Ghana and how these reflected the main interests of the buyers.

Involvement of global buyers in local upgrading strategies takes place at different levels. First, buyers are involved in setting production standards (traditionally fermented and dried cocoa receive a premium price) and in controlling the quality of exported cocoa against excess levels of pest residues (product upgrading). Ghana is the only country where cocoa beans are still consistently separated by national origin for grinding purposes (Gibbon and Ponte, 2005). These changes in demand, which are related to innovation processes, demonstrate that grinders are increasingly becoming the main gatekeepers of knowledge, thus setting production standards. Players who operate outside of the chain also have considerable influence on the development of production standards (Laven, 2010). For example, the shift in performance requirements for cocoa from product quality to the ‘quality’ of production processes shows the power of advocacy movements. The growing number of consumers interested in the production process is partly the result of a growing concern among consumers for sustainable development issues. Within this context, also the reputation and the legitimacy of multinational operations started to play a role, because they are considered responsible for local production conditions to some extent (Abbott et al., 2005:47).

In the cocoa sector, as a result of pressure by the media, critical consumers and NGOs, multinational buyers became involved in setting process standards (process upgrading), such as the (national) certification scheme on child labor and fair trade certification. The new certification scheme of *’’Utz Certified*[31] *’’*, which is being piloted in Ivory Coast, is another example of the trend towards mainstreaming of sustainable cocoa sourcing (Laven, 2010:86). The recent programs aiming at sustainable sourcing of cocoa by Cadbury and Mars also aims at addressing the direct engagement of buyers in cocoa-farming activities. According to Cadbury, their program will triple the sales of cocoa under fair trade terms for cocoa farmers in Ghana. Cadbury is investing £45 million over the next ten years to secure the sustainable socio-economic future of cocoa farming in Ghana, but also partly in India, Indonesia and the Caribbean. Mars builds mainly upon already existing and new certification schemes, so far its programs have not included Ghana.

In addition, the New International Cocoa Agreement adopted in is stimulating global buyers to become more involved in process upgrading. This agreement gave the private sector a large role in supporting a sustainable cocoa economy, by encouraging new and ongoing projects in the field: the creation of farmer cooperatives, research on more efficient farm practices and training farmers to sort and grade their own cocoa for export and eventually to market the cocoa themselves (ICCO, 2010). According to the Executive Director of the International Cocoa Organization (ICCO), the resulting value added could boost prices paid to farmers by up to 20% (ICCO, 2012). I have found no data on projects in Ghana that were connected to this initiative.

The buyers’ involvement in local upgrading strategies is also reflected in the increased grinding operations in Ghana; the main processing companies have established (or are about to establish) processing factories in Ghana. Barry Callebaut is already involved in cocoa processing in Ghana for some years now. In 2004, their installed capacity was

[31] UTZ Certified stands for sustainable farming and better opportunities for farmers, their families and the planet earth. The UTZ program enables farmers to learn better farming methods, improve working conditions and take better care of their children and the environment.

75,000 tons. In 2006, Cargill started to build a large cocoa processing plant in Tema, on the coast (Laven, 2010:86). In June 2007, ADM announced its plan to build a cocoa processing plant inland, in Kumasi, aiming at processing cocoa products from a single source origin[32]. In October 2009, that plant has opened. According to a representative of ADM, this investment illustrates Ghana's growing importance in the cocoa processing value chain. The Ghanaian government developed attractive conditions to stimulate international companies to settle down in Ghana. Cocoa processing companies use small (high quality) beans from the low season, which they are allowed to buy at a 20 per cent discount. Currently in Ghana, there are four operational processing factories. Outsourcing to Ghana is generally perceived as one of the main ways of adding value to Ghana's cocoa production.

The increasing presence of the foreign private sector is not limited to marketing activities and grinding; it is apparent in the provision of services and the strengthening of farmer-based organizations, mainly through the public-private partnership by Sustainable Tree Crop Program (STCP). In 2003, the STCP opened a country office in Ghana[33]. Currently it is experimenting with the provision of farmer-based extension services by founding Farmer Field Schools (FFSs) focused on fostering environmentally friendly and socially responsible farming practices[34]. The school activities deal with farmer-based extension services, training of trainers, diversification, environmentally friendly practices and improving labor conditions[35]. In other (fully liberalized) cocoa producing countries (such as Ivory Coast, Cameroon and Nigeria) buyers are likewise involved in setting standards, increasing grinding operations, community development and research. The SCTP is also, as in Ghana, active in these West-African countries by establishing schools, which actually have a more diverse set of activities than the schools in Ghana (Laven, 2010:87).

[32] http://www.adm.com/news/ layouts/PressReleaseDetail.aspx?ID=204 downloaded on the 15th of April 2014
[33] http://www.iita.org/web/stcp/country-activities/ghana downloaded on the 15th of April 2014
[34] Interview with a farmer in Bibiani 18th of July 2013
[35] Ibid 34

In addition to farmer-based extension services, training, the introduction of Integrated Pest Management (IPM) and labor conditions, the FFSs aim to improve farmers' marketing and entrepreneurial skills and systems of information and quality control. In addition, in these countries buyers are increasingly involved in providing services to producers, such as local transport and storage of beans, and establish more direct trade relations with cocoa producers. For example, in Ivory Coast the world's largest processors already claim to buy more than 50 per cent directly from farmer cooperatives. Furthermore, through 'civil-private partnerships', such as the 'Up cocoa project' in Cameroon, buyers are actively looking for ways to strengthen partnerships with cooperatives (ICCO, 2011; Laven, 2010).

7.5 Changing relations

In order to guarantee future supply and demand for cocoa, the main opportunities include 'working directly with farmer groups', 'trading with cooperatives' and 'strengthening relations with suppliers' (as identified by international buyers). To secure a sustainable supply of raw materials, processors and chocolate manufacturers search for new alliances with local suppliers, and start assisting their suppliers in optimizing their operations. However, at the same time, global buyers continually are searching for new suppliers, especially among Asian countries.

Processors look for direct ways of interaction (buying directly from farmer cooperatives), while manufacturers often engage with farmers in a more indirect way (through membership of ICCO, etc.). International buyers argue that farmer cooperatives produce better quality cocoa than individual farmers who produce and sell privately and that it is more efficient to buy directly from cooperatives (instead from middlemen)[36]. Although this development is taking place in Ghana's neighboring cocoa-growing countries, in Ghana it is difficult to establish direct relations with farmers. In Ghana,

[36] ADM Sustainable Cocoa Brochure downloaded from http://www.adm.com/ downloaded on the 10th of April 2014

farmers not only lack organization, but also direct marketing with farmer groups (or with a LBC) is prohibited by law. Consequently, buyers have limited their activities in Ghana to initiating (or supporting) small-scale programs aimed primarily at promoting the use of more environmentally friendly practices, at addressing the problem of child labor and at community development. Physically, in Ghana, international traders did move 'closer' to the farmers, but cocoa grinding in producing countries is yet to resulted in direct relations between buyers and cocoa farmers. The global cocoa chain has become increasingly buyer-driven. Global buyers are powerful entities in the chain, able to reshape institutions by lobbying and through their strong ability to innovate and to function as the main gatekeepers of knowledge (Laven, 2010:88).

Despite the strong position of global buyers, they have become more vulnerable to the behavior of their suppliers. International manufacturers, traders and processors respond to global threats by diversifying supplier networks across countries. Working together with other actors is also seen as a way of spreading risks and public-private partnerships have been launched as a result. The Sustainable Tree Crop Program (STCP) is an example of such a public-private partnership, which serves public as well as private interests. Recently, foreign cocoa processors and manufacturers have jointly started to form alliances with cooperatives in Ivory Coast and Cameroon. The 'risks' of supplier failure were the main driving force behind the shifts in governance that made the cocoa chain increasingly buyer-driven. The increasing risk of (local) supplier failure opened up a common field of interest in promoting the profitability of cocoa farming. The interdependency among the actors in the chain makes the establishment of more direct relations between buyers and suppliers very desirable. However, this holds not true for every country. For example in Ghana, the strong role of the state hinders direct relations with cocoa farmers (Laven, 2010:88).

7.6 Cocoa Organizations

There are many organizations in the cocoa trade and industry worldwide working directly and indirectly with consumers, producers, processors and chocolate manufactures. These organizations have different roles they play as regards the cocoa industry. However, one critical role all these organizations are seen to be performing in the political economy of cocoa today in that, they promote the sustainability of cocoa production and marketing through research and development of cocoa. Below are a few of the organizations and the roles they perform. There are a number of them however; those chosen below have a great relevance to Ghana, our case study.

Most of these organizations serve as platforms for cocoa producers, processors and chocolate manufactures to discuss and come out with policies when implemented will lead to the sustainable development of the industry. In other words, these international organizations serve as a linkage between an otherwise fragmented actors who are dispersedly scatted all over the world. Within the context of *''cui bonno''* these international organizations in the cocoa industry play major role in either maintaining the current power configuration of the industry dominated by the multinational cocoa processors and chocolate manufacturers or can alter the power configuration to the benefit of the dominated cocoa producers. They can achieve the latter through mechanisms such as the international cocoa agreements, training in research and development for cocoa producers and sustainable farm practices.

7.6.1 International Cocoa Organization (ICCO)

The International Cocoa Organization (ICCO) was existence in 1973 to see to the implementation of the first International Cocoa Agreements of 1972, 1975, 1980, 1986 and 1993. The Agreements were settled among Governments of cocoa-producing and cocoa-consuming countries, under the sponsorships of the United Nations (UNCTAD/WTO, 2001:402).

Membership of the 1993 Agreement comprises 40 countries and one inter-governmental organization (the European Union). Over 80% of world's cocoa production is represented and 70% of world cocoa consumption. Countries that are not members of the agreement often participate in meetings as observers. The Agreements and Protocols adopted by the organization focus on the following key areas as stated in (UNCTAD/WTO, 2001:402) and ICCO website[37]:

1. Developing and strengthening international cooperation in all sectors of the world cocoa economy and providing an appropriate forum for the discussion of all related matters.
2. Contributing to balance between cocoa supply and demand in the world market, at prices remunerative to producers and acceptable to consumers.
3. Promoting transparency in the world cocoa economy through the collection and dissemination of statistics and other data on cocoa.
4. Promoting scientific research and development on cocoa.
5. Developing the role of ICCO as an international commodity body (ICB) in relation to the preparation, submission and supervision of projects financed through the Second Account of the Common Fund for Commodities (CFC).

   ICCO is the main world forum for:
6. Gathering and disseminating information on cocoa.
7. Promoting cocoa research on, and studies of, the economics of cocoa production, consumption and distribution.
8. Encouraging development projects on cocoa.

An ICCO core activity is acting as a forum for discussion between producers and consumers. This dialogue has resulted in many further activities and projects. One activity that has evolved significantly under the fifth Agreement is support to development work in cocoa through the preparation, implementation and supervision of projects. This work was originally prompted by the availability of funds for project work from the Common Fund for Commodities (CFC) in the early 1990 (UNCTAD/WTO,

[37] International Cocoa Organization(ICCO), www.icco.org. 18th April 2014

2001:406). It has evolved since then and has a greater diversity of sources of funds and more coverage of areas outside the scope of CFC. Donor countries from among ICCO members, as well as private-sector donors comprising both associations and companies, have become increasingly important. Indeed, private-sector participation in projects is increasing[38]. Towards the end of 2000, eight projects were being implemented, or had secured financing, with a total budget of almost US$ 27 million (ICCO, 2001).

Some ICCO-sponsored projects are in support of the objective of the International Cocoa Agreement to increase consumption of cocoa. Examples are a particularly successful project on the generic promotion of cocoa consumption in Japan, and another on the utilization of cocoa by-products taking place in Ghana (UNCTAD/WTO, 2001:406).

Others address problems on the production side, such as the control of particular pests and diseases. For example, support for efforts in Brazil to reverse the serious decline in production in Bahia caused by the witches' broom disease is being provided by an ICCO project on the use of biotechnology. This project aims to develop planting material that is resistant to the disease. It aims to identify and propagate new varieties with increased resistance to common cocoa diseases, such as black pod and witches' broom, as well as to enhance the yield and sustainability properties of planting material.

Projects also address problems arising from recent developments in the world cocoa market. An extremely valuable project now being implemented is the improvement of cocoa marketing and trade practices in cocoa economies, aiming to smooth the transition from state-controlled to privatized systems in the major African cocoa-producing countries[39]. Other projects to develop aspects of cocoa marketing are also underway. Objectives include the improvement of the quality of marketed cocoa, identification of the properties that distinguish fine or flavor cocoa from basic cocoa, and development of price risk-management facilities for cocoa farmers through their cooperatives.

[38] http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-3.20.2012.pdf downloaded on 2nd March 2014

[39] Ibid 38

7.6.2 Cocoa Producers' Alliance (COPAL)

The Cocoa Producers' Alliance (COPAL) was formed in 1962 to exchange scientific information, to discuss problems of mutual concern to producers, to ensure adequate supplies at remunerative prices and to promote consumption[40].

COPAL has aimed at preventing excessive price fluctuations by regulating the supply of cocoa. By November 2000, COPAL had 10 countries as members producing more than 75% of world cocoa output. These countries are Ghana, Malaysia, Nigeria, Sao Tome and Principe, Brazil, Cameroon, and Côte d'Ivoire, Dominican Republic, Gabon, and Togo (UNCTAD/WTO, 2001).

7.6.3 World Cocoa Foundation (WCF)

The World Cocoa Foundation (WCF) founded in 2000 is an international membership organization, which consist of more than 100 member companies in the cocoa value chain. The focus of this organization is to create a sustainable cocoa economy with a prime focus on farmers' through promoting agricultural & environmental stewardship, and consolidation development in cocoa growing communities[41]. Their operations are targeted towards bridging the needs of cocoa farmers and their families with the needs of the cocoa trade and the environment.

One of their key programs is the WCF Cocoa Livelihoods Program (WCF/CLP) which is aimed at increasing income farmers' earn and strengthening the capacity of local service, through three objectives which include: Improving market efficiency and building capacity of farmers and other organizations engaged in the cocoa sector; improve production and quality of cocoa; improve farmers' competitiveness on diversified farms. Activities comprising of professional approach to farmer organizations such as operating and cash budgets, leveraging resources, recordkeeping;

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[40] COPAL website, http://www.copal-cpa.org/ downloaded on the 18th of April 2014

[41] WCF website, http://worldcocoafoundation.org/our-work/programs/ downloaded on 18th of April 2014

increasing access to inputs and improved planting material; providing finance for improved access to credit and farmers skills training[42].

7.6.4 International Institute of Tropical Agriculture (IITA)

The Sustainable Tree Crops Program (STCP) came into existence in the year 2000. This a public-private partnership and modernization platform aims at creating employment and generate growth among tree crop farmers in a socially responsible manner in West/Central Africa[43]. They achieve this through innovations aimed at enhancing productivity, market efficiency. These programs in the end will lead to the diversification of farmer's income and strengthen the institutional and policy environment. STCP, a program under the sponsorship of the International Institute of Tropical Agriculture (IITA), offers a framework for partnership and cooperation among farmers, the private sector, national governments, the global cocoa economy, research bodies, development investors and NGOs[44]. The member countries under the program include Ghana, Ivory Coast, Liberia, Cameroun and Nigeria.

By virtue of the various roles they seek to perform in the world cocoa economy, these international organizations in one way or the other alter the power configuration of the world cocoa economy. The multinationals engaged in processing and chocolate manufacturing undoubtedly wield great power dictating the pace of the world market of cocoa today. The producers of cocoa who continue to keep the supply and value chain of cocoa in motion languish in abject poverty. The international organizations continued work in sustainable cocoa economy through improving the quality of life of the cocoa producing folks ensures a gradual alteration of the power configuration of the cocoa economy.

[42] http://www.iita.org/web/stcp/home downloaded on the 20th of April 2014
[43] Ibid 42
[44] Ibid 42

CHAPTER 8

CONCLUSION

In not too distance past, cocoa farming in West Africa and in Ghana in particular was a desired profession, which attracted people both within and outside the forest zones of the country. The profession provided adequately for the farmer and his dependents and this was generally due to the open nature and better pricing policy farmers enjoyed at a time. Then, under pressure from the IMF and the World Bank in the 1980's, the state marketing boards in West Africa with the exception of the one in Ghana were dismantled. Since then, we have witnessed West Africa's smallholder cocoa farmers increasingly becoming vulnerable to volatility in cocoa prices and have more often than not being paid only a small fraction of the world market price of cocoa. While officials of the COCOBOD and influential traders get richer, the cocoa farmer is becoming poorer with each passing day. A typical cocoa farmer in Ghana whose farm yields an average of 650 kg. per hectare of land per year, approximately handles 50,000 pods of cocoa, which have to be harvested, fermented, dried in the sun, loaded into jute bags and transferred to the village, after a long year of maintaining the farm. This fetches the farmer approximately net revenue between US$ 2,000 to US$ 3,000 annually with a family size of six or more to feed, clothe and shelter (ICCO, 2010). According to estimates from the ICCO, the past decade, which was characterized by declining cocoa prices, has seen cocoa farmers in Africa and their families earn below US$ 2 per capita per day. Among the key actors within the cocoa sector in Ghana, namely cocoa processors and chocolate manufacturers, the COCOBOD and farmers, farmers are the list beneficiaries of the three. This can largely be attributed to the sort of relationship that exists between the farmers on one hand, the COCOBOD, and the cocoa buyers on the other hand.

A Chief Executive Officer, a political appointee of the President with a four-year team, heads the COCOBOD, a state body that manages the cocoa industry in Ghana. Due to the huge contribution of cocoa in the country's export earnings, the COCOBOD is under the control of the Ministry of Finance[45]. The *modus operandi* of the board is to, among other things encourage the production of cocoa, promote research and development of cocoa, regulate the internal and external marketing and secure the most favorable arrangements for the purchase and grading of Ghana's cocoa[46]. The marketing of cocoa begins with farmers and ends at the point where government takes delivery for export, with the COCOBOD superintending each stage along the way. When farmers harvest their cocoa, they sell to the Licensed Buying Companies (LBCs) and these LBCs then arrange for transportation to take-over points to sell at a fixed price to the COCOBOD for export.

The relationship between the farmers and the COCOBOD is worth discussing here. It is largely within the context of the objectives and mission of the board that the relationship between the producers and the COCOBOD develops i.e. encourages production, development and regulates the marketing of cocoa through fixing of the producer prices given to farmers for their cocoa. In broad terms, the board (per the functions it seeks to perform) and the producers of cocoa have a common interest of producing the crop to sustain its contribution to the GDP and foreign exchange earnings of the country. The two therefore ought to see themselves as equal partners in the development of cocoa and the country by extension; nevertheless, the two are miles apart. The sort of relationship that exists between the two is that of a master and a servant one.

The cocoa farmer, by virtue of being the producer of cocoa is a "price taker". In that the COCOBOD fixes the price of cocoa, at which farmers are paid for their cocoa per season. The price is generally set low enough for the board to yield a profit, which is used to defray its cost of operations and to accumulate reserves in the event that the world market prices fall below the prices paid to the farmers (Ryan, 2011:130). Producer

[45] https://www.cocobod.gh/our_management.php downloaded on 9th of July 2014
[46] https://www.cocobod.gh/Objectives_Functions_Boardphp downloaded 9th of July 2014

prices are fixed as low as 50 percent of the FOB price, while under the fully liberalized and free market system, farmers get typically anything between 80 to 85 percent (ICCO, 2010). While cocoa farmers live on the meager sum of money they get from their cocoa, the COCOBOD and its officials get richer by the day. The marketing board system does not get the farmers the best deal for their cocoa. Cocoa farmers by virtue of their position as the chief actor in the cocoa value chain ought to benefit more from it than the officials of the board some of whom do not even know how to till a soil.

Further liberalization of the sector is the only option that can guarantee farmers a better deal. This because, liberalization leads to increase in producer prices by diminishing government's share in the world market price as well as decreasing costs of LBCs, increasing efficiency and enabling more efficient price competition. Production is also expected to rise due to an increase in producer prices and thus increased incentives for farmers to grow cocoa. However, the success of further liberalization of the sector hugely depends on a quality control apparatus, which will ensure that, the quality of the Ghanaian cocoa does not diminish as we have seen in other West African countries (Gilbert, 2010:45). This can be done through the establishment of a government or privately backed quality control and certification organization.

The COCOBOD per the internal marketing arrangement in the cocoa sector in Ghana does not have a direct relationship with the cocoa farmer. The only actors, which have a direct interaction with the farmers, are the Licensed Buying Companies (LBCs). The LBCs buy cocoa directly from the producers in the bush through either cash or bank checks. They arrange for transportation to takeover centers for the COCOBOD to purchase it from them at a price predetermined by the board. The LBCs are required by regulation to purchase cocoa with Akuafo (farmers) cheques system (Helena, 2009:48). A system introduced in the 1980s by COCOBOD with the aim of inspiring farmers to save more and reduce the risk associated with handling large amounts of money in cocoa villages. However, the system does not seem to be working well due to problems ranging from the remoteness of farms and farmers, farmers' relationship with banking and the major problem of liquidity in local banks (Ryan, 2011:137). For these reasons, in practice there has been a gradual departure away from the cheque system towards cash. Several factors determine the producer's choice of a buyer. He may decide to sell to LBCs who made prompt payments by avoiding does he deems less trustworthy. He may decide to sell to his cohorts or family members. He may decide to sell to a buyer who he is indebted to. For most of the producers of cocoa, "cash is the king" (Ryan, 2011:137). Farmers prefer selling to buyers who have cash, looking for cocoa to buy. Many farmers do not have bank accounts and even if they do, commuting to and from their villages to the banks is a huge task. With this in mind, some buyers carry bank notes in jute bags used to transport cocoa beans and go to the villages to buy cocoa.

The power of buyers at this level of the market should not be underestimated. In general, when purchasing power is very strong, the relationship between the buyer and the producer is reminiscent of a monopsonic system. A marketing system where there are many suppliers and one buyer. In such marketing systems, the buyer dictates the rules of engagement of the market, i.e. what to produce, how to produce and at what price should it be produced. Power appears to rest largely in the hands of the few cocoa buyers some of whom double as cocoa processing companies (Laven, 2010). They control the trade in beans and products and their purchasing power has become an important factor in determining the condition of the market. Due to competition, some buyers pressure cocoa producers to sell wet and unfermented cocoa to them. Farmers succumb to this pressure so easy in the process because they do not have any incentive of keeping the cocoa if they can sell it before it has been properly tried and fermented. This practice affects the quality of the Ghanaian cocoa since without proper drying and fermentation; the cocoa bean does not produce the best flavor that it is known for. What this practice also implies is that, farmers are not properly rewarded for maintaining and producing good quality cocoa (Helena, 2009:49). This yet again point out that it is largely COCOBOD that benefits from the high quality standard of the Ghanaian cocoa. There has also been an allegation of lack of respect among some buyers and fixing of scales by some of the buyers to deliberately cheat farmers. Nevertheless, some buyers command the loyalty and respect of the farmers. Some of the buyers organize the farmers into cooperatives so they can borrow money to buy inputs such as fertilizer. A good number of them (including Olam, Armajaro and Kuapa Kokoo are examples of the LBCs) also offer incentive packages to the farmers. These range from providing them with soaps, pens and schoolbooks to Wellington boots, torches and machetes, depending on the amount of cocoa the farmer sold to the LBC. For LCBs to continue to have a supply of cocoa to run their factories, they ought to do better to improve the life of the cocoa folds.

Years after the partial liberalization of the cocoa sector and the restructuring of the internal marketing system in Ghana, the debate over which actor in the cocoa economy in Ghana benefits more from the crop is still unabated. There are three main potential beneficiaries of cocoa, namely, the COCOBOD, a state body that has a monopoly of exporting cocoa and makes huge returns from the taxes they receive from farmers. The other potential beneficiaries are the farmers who engage in the production of cocoa and are paid a fraction of the FOB as their revenues. The traders or the LBCs some of which are subsidiaries of the big chocolate manufacturing and cocoa processing companies in the world. These LBCs compete with each other for the purchase of a high percentage of cocoa.

The COCOBOD, undoubtedly benefits immensely from cocoa. The board profits from the fact that it can sell cocoa in advance and fix a minimum price for farmers. The board is therefore able to access the premium that comes along with the sale of cocoa forward. Nevertheless, there is a risk. The board can be caught out if the price of cocoa rise after it has agreed a sale price for its cocoa beans. In this scenario, farmers in Ghana become the losers in that, their produce have been sold forward for an agreed fee below the current prevailing market price (Ryan, 2011:137). What this means is that, farmers in Ivory Coast and other neighboring countries that operate in a free market can sell their produce on the spot and make more money than those in Ghana. This classical case goes to explain the intermittent smuggling of cocoa into Ivory Coast that has bedeviled the country in recent times.

Undoubtedly, the cocoa processes and chocolate manufacturers are the main beneficiaries of the crop. Cocoa processors convert the cocoa beans into nib, liquor, butter, cake and powder while the chocolate manufacturers cover the blending and refining of cocoa liquor, cocoa butter and various optional ingredients, such as milk and sugar. They derive their profitability from their ability to use the cocoa bean in manufacturing different types of products ranging from cocoa butter, cocoa powder to liquor and cocoa cakes. Eight companies dominate the processing and manufacturing chain: three grinders (Cargill, Barry Callebaut and ADM) and five chocolate and confectionery companies (Mars Incorporated, Hershey, Kraft Foods, Nestlé, and Ferrero). The three grinders together control 40 per cent of the global cocoa processing and the five chocolate and confectionery companies together control about 57.4 percent of the chocolate market.

It is worth noting that in Ghana, there is an alliance being created between the international buyers and the COCOBOD and government for that matter (Fold, 2001:58). This alliance is fostered by the primary interest they both share i.e. an interest in maintaining the status quo, as it guarantees them a consistent supply of premium quality beans and profitability. In the joint alliance, the state plays an active role and the global traders and manufacturers play a more passive role.

While the global market shares of chocolate and cocoa products are estimated at $100 billion a year, Ghana's export earnings is worth close to $2 billion annually contributing is significant of part the country's foreign exchange earnings. Yet, cocoa producers in the country earn close to only 4 percent of the average price of a bar of chocolate on the market. Cocoa production is a massive work for a scanty return. It is estimated that a cocoa farmers in Ghana have a mean per capita daily income of $0.50 in villages where cocoa is produced, without electricity, potable water, poor roads, no schools and no health services (Ryan, 2011).

Bearing in mind the average age of a cocoa farmer in Ghana is around 50 years and with a life expectancy of about 60 years, the present generation of cocoa producers will soon be no more. Poverty and miserable farming circumstances have caused cocoa farmers to no longer believe them and their families have a future in cocoa. No child wants to follow the path of the miserable condition of his father or grandfather in to cocoa farming. Every child wants to go to school to enhance his better chances of getting a well-paid job in the future. As a result, a severe shortage of cocoa producers is realistic scenarios in no too distance future.

As Ghana becomes one of the newly oil producing countries in the world, threat to cocoa production posed by the migration of the youth from cocoa communities, is really about to heighten. The threat is more serious because it is on the offshore of the Western region, which happens to be one of the cocoa regions of the nation where drilling of the "fluid gold" will be happening. The fear is that the small number of young people still undertaking cocoa production in the cocoa growing communities may also be moving to the oil drilling areas in search of jobs, which will further threaten the sustainability of cocoa production[47]. If the cocoa industry is allowed to decline, with its attendant decline in revenue due to the returns in oil revenue, the economy would not see any major gain and Ghana's wealth will not be increasing but rather, Ghana would experience the classical state of replacing one income source with another.

Over the past ten years, there has been a developing trend by large and small market players individually and together taking steps towards a more sustainable cocoa economy.[48] There are a lot more that chocolate manufacturers, processors and the COCOBOD in Ghana can to improve the lot of the cocoa producers. There is the need for transparency and openness in dealing with farmers. Scientific research and training for farmers need to also be in place to improve the farming techniques of farmers. Ultimately, producers need to make more money from cocoa if they are to continue producing the crop.

[47] GTV Current affairs program, Talking Point on the 17th May 2013
[48] Oxfam International Research Report (2009), Towards a Sustainable Cocoa Chain downloaded on 10th July 2014

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TURKISH SUMMARY

Gana'nın tarihi, kakao endüstrisinin etkisi ve büyümesiyle ayrılmaz bir şekilde bağlantılıdır. Bu sebeple Gana, ülkenin tropical iklime sahip güney bölgesinde yaşayan bir milyondan fazla çiftçi ve ailesinin geçim kaynağı olan kakao sektöründen ayrı düşünülemez. Kakao, Gana'nın temel ihracat ürünü olmaya devam etmekte olup günümüzde ülke refahının temel kaynağıdır. Kakaodan önce, Altın Sahili, geniş altın yatakları ve diğer mineral kaynaklarıyla ünlüydü. Doğrusunu söylemek gerekirse, Batı Afrika'ya seyahate (Hill, 1963) benzer olarak altın, ahşap, fildişi ve baharat arayışı Portekiz, Hollanda ve İngiltere'yi cezbetmiştir. 17. yüzyılda Altın Sahili'nde ticareti yapılan en önemli mal altındı ve ihracat altının hakimiyetindeydi (Wolf, 1982). Ancak, bu yüzyılın sonunda Brezilya'da altın keşfedildi ve Afrika'dan gelen altın arzlarının önemi artan nakliye maliyeti sebebiyle azalmıştır.

Tüm Atlantik Köle ticareti düzeninde, Afrikalı köleler altından daha önemli hale gelmiş olup Whydah (Dahomey) ve Accra'daki Afrikalı esirlere Brezilya'dan gelen altınlar teklif edilmiştir. Bu noktada, kölelik 'Altın Sahil' ekonomisine zarar vermeye ve altın ticaretini tahrip etmeye başlamıştır. Köle hırsızlığı altından daha karlı olduğu ortaya çıktı.

18. yüzyılın başında, Afrika ticaretinin temel malını köleler oluşturuyordu ve bu ticarete İngilizler hakimdi. Afrika, Avrupa ve Amerika'nın Atlantik kıyılarını kapsayan farazi bir üçgen oluşturan köle ticareti büyük bir hızla büyüdü.

Altın Sahil, Trans-Atlantik Köle Ticareti'nin geçiş noktası olarak hizmet veren Elmina limanıyla birlikte ticaretin merkezi olma ününe sahip olmuştur. İlk olarak Portekizliler köleleri altın ile takas etmek için Benin'den Altın Sahil'e getirirken daha sonra Hollanda, Danimarka ve Amerika'dan gelenler gemilerini, Fanti, Akwamu ve Ashanti kıyılarına getirilen büyük miktarda yerli köle ile doldurdu.

Altın Sahil’de köle ticaretinin kaldırılmasından sonra, Britanya transatlantic köle ticaretini sona erdirmek için çok boyutlu bir girişimde bulundu ve palmiye yağı, fildişi, altın ve kauçuk gibi malların ihracatını teşvik etmiştir. 1807 yılından sonra köleye olan dış talebin yavaş yavaş gerilemesiyle birlikte 19. yüzyılın ortasında ticaret şefleri, seçkinler ve özellikle Afrikalı aracı köle tacirlerine katılarak güçlenmiş gruplar içindeki kesimler yedek ihracat ürünü olarak palmiye yağına talep göstermiştir. Yağa (makine yağlamada ve mum ve sabun imalatında kullanılır) olan talebin bu yüzyılda artması sebebiyle üretim başlamıştır. Krobo başta olmak üzere Akwabem palmiye yağı üretimi ve ticaretine yoğun bir şekilde dahil olmuştu. Geniş ölçüde palmiye ağacı dikmek için balta girmemiş ormanları kesmeye başlayanlar da onlardı (Hill, 1963).

1890 yılı itibariyle, palmiye yağı ve palmiye çekirdeği ihracatı, Altın Sail ihracatının tamamının yaklaşık üçte ikisine katkı sağlamıştır (Hill, 1963). 19. yüzyılın son çeyreğinde Britanya’da yaşanan ekonomik buhran ve dünyanın başka bir yerinde alternative sıvı ve katı yağların keşfedilmesi, palmiye yağı fiyatlarında 20. yüzyıl boyunca süren sürekli bir azalmaya neden oldu. Yaklaşık aynı dönemde, kauçuk ihracatının dünya fiyatındaki artışın sebep olduğu kauçukta büyük bir değer artışı yaşandı. Kauçuk ihracatı değeri, palmiye yağı ve palmiye çekirdeğinin değerini aştı. 1893’te dünyada kauçuk üreten ülkeler listesinde Gana üçüncü sırada yer aldı ve ihracat seviyesi 1914’e kadar aynı kaldı. Yönelim gereği kapitalist olan Altın Sahil üreticisi dünya piyasasındaki fiyat değişikliklerine önemli ölçüde hassas olmuştur ve mal ile ilişkili olarak ekonomik kazanımlar ile üretim sürekli tutarlıdır. Altın Sahil üreticisi kar motivasyonu tehlikeye girdiğinde üretim yapısı değiştirmek zorunda kalmıştır. Kakao üretilen topraklar, palmiye yağı ve kauçuk işletiminden satın alındığı için 1885’ten sonra palmiye yağı ve palmiye çekirdeğinin dünya fiyatında yaşanan düşüş ve akabinde 1890’da kauçuk ihracatında ani artış kaydedilen fiyatlarda yaşanan düşüş, kolonide geniş ölçüde kakao üretiminin temelini attığının kanıtı olmuştur .

Altın Sahil kakao ile 19. Yüzyılın ortasında “bu olumlu olayların birleşimi’ sayesinde tanıştı. Protestan bir papazlık olan Basel elçiliği, tarımı teşvik etmeye yönelik sistematik çabaları yoluyla Alton Sahil halkının yaşam standardını iyileştirmek amacıyla koloniye kakaoyu tanıttı. Doğu Bölgesi'ndeki Akwapim Mampong'daki deney çiftliklerinde kurulan elçilik Aburi ve Krobo Odumase civarındaki çiftçilere fide temin etmiştir, ancak 1860larda ve 1970lerin başında İngilizlere karşı yapılan Ashanti savaşları sırasında fide dağıtımı durmuştur. 1879'da, Christainborg'lu (günümüzde Osu, Accra'nın bir bölgesi) bir demirci olan Tetteh Quashie, işçi olarak çalıştığı Fernando Po'dan (Nijerya ve Kamerun sahili açıklarında) getirmiş olduğu tohumlardan Akwapem Mampong'da aynı kasabada bir kakao fidanlığı kurmuştur. Altın Sahil valise Sir William Brandford Griffith, Aburi'deki botanic bahçesinde özel bir fidanlık kurmuştur. Bahçeyi kurma nedeni, ihracat amacıyla sistematik olarak ekonomik bitki yetiştirmeyi yerel halka öğretmekti. 1895 itibariyle kakao yetiştiriciliği Krobo, Shai ve Akwapim ile birlikte Gana'nın güney şeritine kadar büyümüş ve birçok göçmen çiftçinin yeni ekin işlemek için daha geniş alanlar aramasını sağlamıştır. Güney Gana'daki kakao çiftçilerinin bu göçü Gana'nın kakao yetiştirme endüstrisinin oluşmasını hızlandırdığı görülmektedir ve bu Afrika Sahrası'nın güneyinin yakın ekonomik tarihindeki en büyük olaylardan biridir. Kakao üretimi Altın Sahil'i değerli bir koloni haline getirmiş olup geçimleri küresel ekonomik sistemin yapılanmasına bağlı olan sosyal sınıfların desteklenmesini kolaylaştırdı. Kakao rağbetinin bu ilk evresi sırasında çiftçiler seri dikimlere yatırım yaptığı, depolar ve çift katlı evler açtığı için üreticilerin yaşamı iyileşmiştir. Kakao çekirdeklerinin köylerden limanlara taşınmasına yardım etmek amacıyla yeni yollar inşa edildi.

Savaş arası dönem, fiyat ve talepte yaşanan azalmanın neden olduğu kakao üretimindeki gerilemenin altını çizmiştir. Devlet gelirinin yaklaşık yüzde 60'ına katkı sağlayan kakao ihracatındaki düşüş sebebiyle büyük buhran koloninin ekonomisini kötü etkilemiştir. Yeni vali Guggisberg'in büyük ilerleme planını finanse etmek için hükümet harcamasının kesme ve vergiyi artırma girişimi Afrika halkı tarafından tepkiyle karşılanmıştır. Kakao fiyatlarının kötüye doğru gittikçe, çıkarlarını teşvik etmek için Lever Kardeşler'e ait Niger şirketi, Afrika ve Doğu Ticaret Şirketi olmak üzere üç şirketin birleşmesiyle oluşturulan Birleşik Afrika Şirketi'ni (UAC) kurmak için Avrupa şirketler biraraya geldi. Kolonideki çiftçiler de Altın Sahil ve Ashanti Federasyonu adında bir ortaklık kurarak cevap verdi. Bu federasyon kakao fiyatlarını artırmak için koloni sahiplerine baskı yapmak için 1930larda kakao üretimine engeller koydu, ancak çok az başarıya ulaştı. Ancak, 1937'de yapılan engelleme daha başarılı olmuştur çünkü kakao yetiştiricileri olarak iki rolü birden oynayan şefler başta olmak üzere toplumun tüm kesimlerini kapsamaktaydı. Bu birkaç ay sürmüş ve koloninin ekonomisini duraksatmıştır.

1937'de konulan engellemelerin ertesinde kakao piyasasını incelemek üzerre bir komisyon oluşturulmuştur. 2. Dünya Savaşı'nın patlak vermesinden önce kurulan Nowell Komisyonu'nun raporunda Altın Sahil'deki kakao yetiştiricilerinin büyük çoğunluğunun karşı karşıya kalacağı kötü durumları açıkladı. Bu durum, ekonomik borcu dengelemek ve yatırım potansiyeli yaratmak için mevcut örgütsel ve kurumsal mekanizmaların olmaması sebebiyle kötüleşti. 2. Dünya Savaşı'nın baş göstermesi Altın Sahil'deki kakao piyasasının doğasını tamamen değiştirdi. Hükümet 1946'da ilk başta kakao fiyatlarını düzenleyen bir pazarlama komitesi kurdu ve daha sonra Kwame Nkrumah hükümeti döneminde komite, alt kurumları aracılığıyla yalnızca satın alma ve ihraç etmekten sorumlu hale geldi. 1951'e kadar, Kakao Pazarlama Komitesi'nin yaptığı kar miktarı, kamu yatırımı için kullanılan fonlara aktarıldı. 1961'de o zamana kadar iç pazarı kontrol eden özel temsilcileri, borsacıları, tacirleri ve aracıların şebekesinin yerine geçen kakaoyu satın almak için işbirlikçi halka tekel hakkı verildi. Kwame Nkrumah'ın kurduğu siyasal bağımsızlık yanlısı bir hareket olan Konvansiyon Halk Partisi (CPP) savaş sonrası son derece olumlu piyasa koşullarından fayda sağlamış ve 1950lerde yaşanan piyasa fiyatlarındaki ani artışı takiben büyük ölçüde kakao gelirini artırdı.

1965'de 500.000 tondan fazla üretim yapan Gana 1983 itibariyle yılda 160.000 tondan daha az üretiyordu. Tahminlere göre, 1970ler ve 1980lerin başında, Gana'nın kakao rekoltesinin yaklaşık yüzde 20'si Fildişi Sahilleri'ne kaçırılıyordu. Yaşlanan ağaç stoğu ve marazın aralıksız devam etmesi kakao yatırımını cezbetmedi. Satış fiyatlarının maliyeti ucu ucuna karşıladığını gören eski kakao tarlalarındaki çiftçiler hızla kakaodan gıda üretimine yöneldi. Bu faktörler 1960ların sonlarında dünyada kakao üreten ülkeler listesinde Fildişi Sahilleri'nin bir numaraya oturmaya itti.

Gana'nın kako sektöründeki bu geri dönüş, 1983 yılında sektörü canlandırmak için hazırlanan özel bir programı (Kakao Rehabilitasyon Projesi) içeren ve IMF ve Dünya Bankası'nın hazırladığı Yapısal Uyum Programı'nın (SAP) kapsadığı Ekonomik İyileştirme Programı'nın yürürlüğe girmesiyle başladı. Politika değişiklikleri; pazarlama komitesindeki reformlarını, komşu ülkelerde ödenenlere göre Ganalı çiftçilere ödenen üretici fiyatlarını artırmayı, böylece kaçakçılık teşebbüsünü en aza indirmeyi ve cedinin değerini düşürmeyi, böylece çiftçilere yapılan örtülü vrgi tahsilatının düzeyini azaltmayı kapsamaktadır.

1995/6 itibariyle, kakao üretimindeki 400.000 tonluk büyümeyle fırlayan üretim, 2001'den başlayarak daha belirgin hale gelmiş; bu durumu ise rekor seviye dünya fiyatlarının, çiftçilere ayrılan payın artışı ve çiftçilik uygulamalarını iyileştirmek için COCOBOD'un açıkladığı bir takım müdahaleler tetiklemiş olabilir: daha yüksek ve daha sık gübreleme uygulamasının kullanımını teşvik etmek için püskürtme programları ve yüksek teknoloji devlet ödeneği paketleri. 2011 yılında küresel üretime katkı payı 1 milyon metre tonluk rekora ulaşınca Gana'daki kakao endüstrisi eşsiz bir gelişme yaşamıştır.

Köylü

Afrika 2010/2011 hasat sezonunda 3.2 milyon ton kakao çekirdeği üretti. Bu da yıllık yaklaşık 4.3 milyon tonluk üretimiyle toplam dünya üretiminin yaklaşık yüzde 75'ini oluşturarak kıtayı dünyanın başlıca kakao yetiştiren bölgesi oldu. Afrika'nın kakao üretiminin yüzden 95'ten fazlasını Fildişi Sahili, Gana, Nijerya ve Kamerun oluşturmaktadır. Fildişi Sahili 1.5 milyon tonluk üretim seviyesiyle dünyanın açık ara farkla en büyük üreticisidir. Gana, yaklaşık 1 milyon tonluk yıllık üretimiyle ikinci en büyük üretici konumundadır. Nijerya 240.000 tonluk şu anki üretim seviyesiyle (üçüncü en büyük olan Nijerya'nın ardından) en büyük dördüncü üreticiyken beşinci en büyük üretici olan Kamerun 220.000 tonluk üretime sahiptir (ICCO, 2011).

Gana’da, kakao ithalatı toplam mal ihracatının yaklaşık yüzde 30’una tekabül etmektedir. Fildişi Sahilleri ve Kamerun’un tekabül eden rakamları sırasıyla yüzde 40 ve yüzde 10’dan fazladır.Nijerya’da kakao mineral yağından sonra en önemli ihracat ürünü olmasına rağmen toplam ihracattaki payı yalnızca yüzde 2’den azdır (Ryan, 2011).
Kakao üretimi bir kişinin tek başına yapması için zor bir iştir. Tohum zarflarını çıkarmak, yabani otları temizlemek ve yakmak, ağaçları budamak ve tohumları taşımak için birçok kişinin yardımı gerekmektedir. Ancak, Batı Afrika’daki kakao üretimi, toplam üretimde çok yüksek payı olan küçük toprak sahipleriyle; küçük orta boyutlu çiftlik ve düşük verimle ilişkilidir. Tahminlere göre Afrika kakao üretiminin yaklaşık yüzde 95’inin küçük çiftliklerden gelmektedir. Esas itibariyle ekili alan bulunmamakta, yalnızca az miktarda orta ve büyük boyutlu çiftlikler vardır. 2 ila 5 hektarlık birçok çiftlik bulunmakla birlikte Batı Afrika’daki küçük kakao çiftlikleri için çiftlik boyutu yaklaşık 3 hektardır. Küçük kakao çiftliklerinde ortalama verim düşük olup 19. yüzyılda Afrika’da ekimin başlamasından beri çok değiştirmemiştir. Normal bir verim, hektar başına 650 kg kuru kakao çekirdeğidir. Zamanla, melez ağaçların ekilmesiyle verim bir derece artar. Diğer taraftan, ağaçların yaşı büyüdükçe birtakım alanlarda verim düşmüştür. Afrika’daki ortalama verim, hektar başına tahmini 700 kg olmakla birlikte dünya ortalamasından kısmen daha düşüktür. Kakao üretimi yapan aileler için düşük verim düşük gelir anlamına gelmektedir. Bu da küçük bir çiftlik sahibinin yılda yalnızca $500 kazanabileceği anlamına gelmektedir. Bu gelir gübre almak, işçi kiralamak veya fideye yatırım yapmayı bir yana ailelerin geçinmelerini bile imkansız hale getirmektedir.
“Cui bonno?” ya da ‘’kim faydalanıyor?”

Gelişmekte olan ülkelerdeki küçük toprak sahiplerinin küreesel piyasalara katılması azımsanamaz. Birtakım tarımsal malın (kahve, kakao ve pamuk) üreticisi için küresel değer zincirlerine katılmaları yeni bir durum değildir; ancak bu zincirleri örgütleme ve yönetme biçimi yenidir (Laven, 2010). Üstelik, zincirdeki üreticilerin ve diğer aracıların riskleri ve imkanları da küresel üretim ve pazarlamanın değişen dinamikleri sebebiyle değişmiştir. Örgütleme açısından, esas değişim, kolonilerdeki geniş ekim alanlarında zoraki çalıştırmadan (19. yüzyılın başı) küçük toprak sahiplerinin hakim olduğu özgür bir toplumda üretim yapmaya geçişte olmuştur. Aynı zamanda merkezi olarak örgütlenen bir üretim ve pazarlamadan serbest rekabete doğru olan geçişi de zorunlu kılmıştır. Piyasaya yeni tacirler girmiş, yeni standartlar ortaya çıkmış ve geleceğe dair bir piyasa geliştirilmiştir.

Kontrol bakımından, önemli bir değişme ise “sömürgeci ekiciler”den (baş actor olarak) fiyat koyma konusunda orgütlenmiş küçük toprak sahipleriyle pazarlık etmek zorunda kalan özel tacirlere yapılan transfer olmuştur. Üreticilerin işbirlikli çalışmaları dikkate alınması gereken etkili bir güçtü. Daha sonra, “fiyat istikrarı” politikası aracılığıyla kakaonun yönetiminde en temel aracı devlet olmuştur (Ponte, 2005). Devlet bu rolü aracı kurum olarak tamamlamış, üreticilerle hiçbir doğrudan ilişki kurmadan uluslararası alıcıların kakao almasını sağlamıştır. Üreten ülkelerde reformların getirilmesi de devletin rolünü azalttı. Pazarlama kanalları ve hizmetleri hususunda devletin rolünün azalmasıylaa birlikte, uluslararası üreticiler, tacirler ve işletmeciler kakao tedarik zincirinin odak noktasıdır.

Kakao üreticileri ve çikolata imalatçıları küçük toprak sahiplerinin üretim yetkiye yavaş yavaş el koydu ve zincirin her aşamasına dahil olarak kakaonun küresel tedarik zincirine kendilerini bu suça dahil etmeye devam etti. Çok uluslu bu imalatçılar faaliyetlerine ve ekonomik güce odaklanmış ve küresel tedarik zincirinde yetkili kuruluşlar haline geldi (Kaplinsky, 2004: Laven, 2010). Bunu, aracıları veya Lisanslı Alış Şirketleri ile (LBC) üreticilerle doğrudan iletişim kurarak başardılar. Diğer taraftan 1950lerde kuruluşundan itibaren COCOBOD, 1983’teki reformlarla çok uluslu imalatçılara yetkilerin bazılarını yavaş yavaş bırakmıştır.

COCOBOD’un yetkilerinden bazılarını bu çok uluslu imalatçılara bıraktığını ancak endüstrideki büyük bir aracı olarak kaldığını ve ülkedeki kakao sektörünü denetleyen çok önemli bir kuruluş olması sebebiyle muhtemelen en güçlü aracı olduğunu da bahsetmek gerekir. Hem üreten hem de tüketen ülkelerde gittikçe faaliyette bulunan öğütücülere (üreticilere / tacirlere) ve zincirdeki birçok bağlantıya odaklanıldı. İkinci kutup, büyük çikolata imalatçılarıdır, ancak onların faaliyetleri zincirde çok daha

kısıtlıdır ve kontrol etme yetkileri öğütücülerden daha azdır. Çoğunlukla, yalnızca öğütücüler ve çikolata imalatçılara arasındaki ilişkiyi artırmıştır (Kaplinsky, 2004).
Bu spekülasyonun konusu, çok uluslu kakao üreticileri ve çikolata imalatçılarının uyguladığı piyasa gücünün artmasıdır, ancak bu piyasa gücünün önemini doğrulamak veya reddetmek üzere çok az kanıt vardır (Fold 2002, Abbott'dan alıntı yapılmıştır 2004). Ancak, kakao üreten ülkelerdeki yapılan ticari işlere değer zincirinde oynadıkları role dikkatli bakıldığında, artan kar miktarının temel kaynağı olan yetki kaynağı üzerine yorumda bulunabiliriz.

Küresel üreticiler ve imalatçılar, yetki devri ve kakao üreten bölgelerde ve bu bölgelerin dışındaki faaliyetlerin oranında yaşanan artış sebebiyle zincirlerde daha üçlü aracılar haline gelmiştir (Gibbon and Ponte, 2005; Kaplinsky, 2004).

Kakao ve çikolata sektöründeki kontrolden çıkan yetki devirleri ve şriket birleşmeleri, imalatçılar ve üreticiler arasında üst düzey odaklanmaya yol açmıştır. Örneğin, çikolata imalatçıları arasında yedi en büyük şirket 2006 yılında dünya piyasasının yüzde 40'ını oluşturuyordu. Dünya birincisi olan Mars'ı, Nestlé SA, Hershey Foods, Kraft Foods, Cadbury Schweppes ve Ferrero SPA (Tropikal Mal Koalisyonu, 2008 Laven 2010'dan alıntılanmıştır) takip etti. 1990larda, bazı şirket birleşmeleri ve şirket alımları gerçekleşti ve bunun sonucunda, 1990ların ortasında, Archer Daniels Midland (ADM) Grace Kakao'yu devr alıp 1997'de E.D. & F. Man'ın kakao üreten birimlerini satın alarak dünyanın en büyük kakao üreticisi oldu. Son yıllarda ADM lider konumunu Cargill'e kaybetmiştir. Barry Callebaut 1996'da 'Cocoa Barry'nin Callebaut'u devralmasıyla dünyanın üçüncü en büyük üreticisi oldu. Petra Foods ve Blommer ile birlikte, bu çok uluslu imalatçılar öğütücülerin ve sıvı çikolatanın yüzde 52'sinden fazlasını kontrol etmektedir. Bu devralmalar, yalnızca bu şirketin piyasa gücünü artırmakla kalmamış temel tedarik bölgelerindeki etki çevresini de artırmıştır. Bu yoğun çok uluslu şirketlerin rekabeti sınırlandırma ve fiyatları etkileme potansiyeli vardır (Gilbert, 2000).

1. Çiftçilerin seslerini artırmaya, örgütlemeye ve etkiye ihtiyaçları var

Küçük toprak sahiplerinin girdilere girişinin olmamasının temelinde topraklarda ve hizmetlerde yetki ve söz hakkının olmamasıdır. Devletin ve özel sektöründen son yıllarda yaptığı girişimlerde, küçük çiftliklerin üreticiliğini artırma etkisi görülmüştür, ancak çiftçilik yeniliklerini yapmak amacıyla kendi yerel kapasitesini geliştirmek için küçük kuruluşlara yetki veren bir modelden ziyade bu girişimlerin tepeden aşağı yaklaşım odaklıdır (Fairtrade, 2011).

2. Çiftçilere makul fiyatlar

Çoğu üründeki küresel piyasaya büyük önem gösterilmiş, birkaç uluslarötesi şirket ticareti yön vermiş ve uluslararası kakao tedarik zincirindeki büyük değerini güvenceye almıştır. Bu esnada, küçük toprak sahiplerine genellikle önem verilmemiş ve üretimlerinden düşük kazançları sağlamışlardır. Kakao üretimi elde edilen yetersiz kazanca göre zor bir iştir. Gana'daki kakao üretimi yapan ailelerin $0.50'lik mahsulden kişi başına çok düşük bir günlük gelir elde ettikleri tahmin edilmektedir. Kako üretilen bu köylerde elektrik, taşınabilir su, okul ve sağlık hizmetleri bulunmamakta, yollar kötü durumumdadır (Ryan, 2011). Gana'daki ortalama yaşam süresinin 58 olduğu ve kakao çiftçisinin ortalama yaşının 51 olduğu farzedilirse endüstrinin bir geleceğinin olmadığı görümektedir. Eğer endüstrinin bir geleceğinin olması isteniyorsa eğitim alan gençler için cazip kılınmalıdır.

3. Sermayeye erişim

Birçok küçük toprak sahibinin yaptıkları tarıma yatırım yapmak, girdileri veya teknolojileri satın almak veya yeni bitki türleri yada mahsullerle çeşitlendirmek için küçük kredilere ihtiyacı vardır, ancak genellikle küçük toprak sahiplerine kredi verilmemektedir yada onlar için çok pahalıdır. Aynı şekilde, küçük kuruluşlar, likidite sorunları yada ürünü üretim maliyetinin altında satmaya mecbur bırakılan dönemlerden kalma önemli borç yükleriyle mücadele etmektedir.

Maliyetleri azaltmak ve çoğu küçük toprak sahibine daha fazla finansal kurumun hizmet vermesini teşvik etmek için kredi verme konusunda acil yeniliklere ihtiyaç vardır.

Devletler, bağışçılar ve işletmeler, küçük toprak sahiplerinin gücünü artırma konusunda ciddi iseler krediye karşı olan yaklaşımlarını yeniden düşünmeleri gerekmektedir. Örneğin, sübvanse edilmiş kredi taslaklarına yatırım yaparak veya özel bankalara kredi garantisi sağlayarak, zamanında ödenen ve ulaşılabilir krediler, yüzlerce binlerce küçük toprak sahibi için fırsatlar yaratabilir.

Özellikle işletmelerin kendi uygulamalarını ve tedarik zincirlerindeki küçük toprak sahiplerinin özel ihtiyaçlarına yakından incelemeleri gerekmektedir. İşletmeler, teklif ettikleri tüm kredilerin (para, mal veya hizmet) miktar, zamanlama ve ulaşım yolları açısından tedarik zincirindeki küçük toprak sahipleri için makul olduğundan emin olmalıdır.

4. Sürdürülebilir tarım

Sürdürülebilir tarım, yalnızca çiftçilik verimini geliştirme beklentisi sağlamaz, aynı zamanda küçük toprak sahiplerinin iklim değişikliğine adapte olmalarına yardım etme beklentisine de sahiptir (Oxfam, 2009). Toprak koruma, hayvan gübresi veya yeşil gübre kullanımı, tarımsal ormancılık ve birlikte ekim, birleşik zararlı organizma yönetimi ve su toplama gibi uygulamalar önemlidir. Sürdürülebilir tarım yöntemlerinin yüksek verim sağladığı ve geleneksel tarıma göre çok sayıda avantajı olduğu kanıtlanmıştır.

Devletler, uluslararası bağışçılar ve çok taraflı kuruluşların sürdürülebilir tarımı teşvik etmek ve özellikle eğitim ve destek sağlamak için yayma hizmetlerine yeniden yön vererek çiftçilerin iklim değişikliğine adapte olmalarına yardım etmek amacıyla yatırımı epey artırmalıdır.

5. Hükümetin fon sağlaması: tarımda artış, hedef vatandaş ve yardımcı hükümet harcaması

Miktar, ulusun odak noktası ve devletin finansal bağışlarının gelişmesi gerekmektedir. Tarımın milli gelirin büyük payına katkı ettiği gelişmekte olan ülkelerin genel anlamda çiftçiliğe destek açısından daha fazla harcama yapması gerekmektedir.

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