

# **Marketing reforms in Ghana's cocoa sector**

*Partial liberalisation, partial benefits?*

Anna Laven

AMIDSt-University of Amsterdam

19 November 2007

# Data collection

- Two farmer surveys (2003 and 2005): 200 farm-owners and 80 caretakers, from 34 different communities in Western region, Brong Ahafo, Ashanti and Central region;
- Focus group discussions;
- Semi-structured interviews: farmers, Cocobod, LBCs, International buyers, transporters, international institutions, NGOs and research community;
- Two multi-stakeholder workshops on sustainable cocoa production: Amsterdam (2003) and Accra (2005);
- Combination of quantitative and qualitative data.

# Partial reforms, partial benefits?

## Reforms of marketing and pricing systems

- Liberalisation of internal marketing
- No liberalisation of external marketing
- Price stabilisation system in place
- Forward sales

## Institutional reforms

- Privatisation of input distribution
- Unified extension services
- Quality control system in place
- Farmer organisation

Two questions:

- ✓ **IMPACT?**
- ✓ **HOW ARE BENEFITS AND COSTS DISTRIBUTED?**

## Outcomes

- Around 25 LBCs
- CMC is sole exporter
- Increase in producer price and volume of production
- Annually fixed producer-price
  
- *Availability and costs of input increased*
- *Weak service provision/fragmentation*
- *Premium quality cocoa*
- *Farmer organisation and representation is weak*

# Competition among LBCs

LBCs compete on volume instead of price!

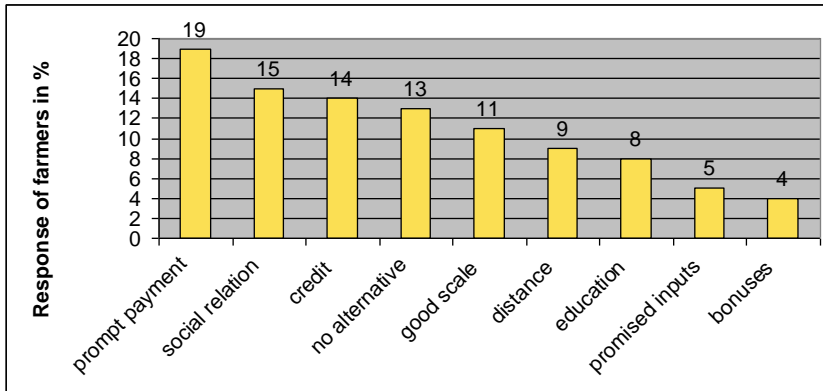
Main strategies of committing farmers to them:

- Investing in local purchasers of cocoa and making sure the PC is capable, trustworthy and motivated to serve farmers' needs
- Investing directly in farmers and providing them with prompt payment, bonuses, gifts, rewards, (subsidised) inputs, credit and training, and invest in maintaining durable social relations with their suppliers.



# Use and distribution of benefits

## Farmers' main reason for LBC selection in 2002/03



Source: Author, based on fieldwork in 2003

- Prompt payments
- Farmers' choice between LBCs is sometimes limited
- Few farmers receive bonuses/credit/input
- No bargaining for services
- Use and distribution of benefits depends on
  - ✓ ownership, location and bargaining power of farmer
  - ✓ Incentives for LBCs and PCs

# External marketing

- Officially, qualified LBCs are allowed to export 30%
- So far, LBCs have not received an export-license
- Status quo of partial liberalisation
- Is this the desirable end-stage?



## Composition of Net FoB price in 2002/03

Component	Mainstream Cocoa USD/tonne 1 = 8700 cedis (2002/03)	Distribution in % Net FoB
Producer price	976	68,11
Buyers' Margin	128	8,93
Domestic transport costs	32,2	2,26
Storage and shipping	18,4	1,27
Disinfectation costs	9,66	0,67
Crop finance costs	33,3	2,3
Government Tax	236	16,44
Net FoB price	1433,56	99,98 %
<b>Export value (gross FoB)</b>	<b>2200</b>	

<b>‘Reinvestments’</b>	<b>Main beneficiaries</b>
<b>Farmer Bonuses (in case world price&gt;FoB)</b>	The majority of the farmers receives bonuses. Farm-owners, farmers obtaining a strong position/status in the cocoa community and farmers living in Central and Western region had significantly more chance getting a bonus. In Brong Ahafo more than 30% did not receive bonus in 2002/03 and 2003/04.
<b>CODAPEC</b>  <b>*mass spraying programme</b>  <b>**fertilizer on credit</b>	*The majority of farmers are being reached. But only 6% the promised 4 times. Farmers with a strong position and farmers working together with other farmers (informally) receive more spraying than other farmers. Farmers in Brong Ahafo received more spraying. Logistical problems  **no data collected
<b>Research CRIG/CSSVD</b>	Farmers having access to extension, adopt technologies and can make investments.
<b>Subsidies on mid-crop (20% discount)</b>	Processing companies (under the condition that supply of mid-crop beans meets demand)
<b>School scholarships/rewards farmers and housing</b>	No data collected. But assumption is that not all farmers benefit equally.
<b>Infrastructure</b>	Farmers/Cocobod/LBCs



How can the benefits from  
the Ghanaian system be  
better utilised and  
distributed more equally?