

The “Meso-Model” of Liberalization: A Salvation for Ghana’s Cocoa Industry?

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Abstract

Ghana implemented bold economic reforms in 1983 and cocoa sector reforms in 1993 but refused to dismantle its cocoa marketing board (COCOBOD) as was recommended by the International Monetary Fund and World Bank. It rather adopted a “meso-model” of partial liberalisation of the cocoa sector. This paper analyses the impact of the “meso-model” on Ghana’s cocoa sector and the practices and opportunities for smallholder cocoa farmers. The theoretical framework for the study is the neo-structuralist paradigm. Qualitative and quantitative methods were used to collect and analyse the data. The key findings of the study are firstly, the output of cocoa farmers is a function of the overall environment created for production by COCOBOD and not only the price paid to them. Secondly, the “meso-model” Ghana adopted challenges the “one-size-fits-all” Washington Consensus development model because it enhanced cocoa farmers’ output and income as well as Ghana’s cocoa export and foreign revenue.

Keywords: liberalisation, globalisation, smallholder, cocoa farmer, neo-structuralism

1. Introduction

The four leading West African global cocoa producing countries (Cote d’Ivoire, Ghana, Nigeria, and Cameroon) had their internal markets profoundly regulated in the 1980s and 1990s (Gilbert and Varangis, 2003). However, when these countries sought financial assistance from the International Monetary Fund (IMF) and World Bank, they were asked to liberalise their cocoa sector by dismantling their cocoa marketing boards as part of the Structural Adjustment Programmes (SAPs) recommended by the Breton Wood institutions (Toyi, 1991; Konadu-Agyemang, 1999; Todaro and Smith, 2009). The overarching objective of the cocoa market liberalisation was to ensure that the smallholder cocoa farmer received a greater share of the world cocoa price. Liberalisation allows market forces the freedom to determine prices instead of being regulated by state institutions (Gilbert and Varangis, 2003). Cote d’Ivoire, Nigeria, and Cameroon consented and fully liberalised their cocoa sector. Nigeria did so in 1986, Cameroon from 1989–1995 and Cote d’Ivoire in 1999 (Gilbert and Varangis, 2003). However, Ghana adopted a mid-way approach of partial liberalisation in 1993 and retained its marketing board (COCOBOD) (Asenso-Okyere et al., 1997), making Ghana the only cocoa producing country with a marketing board (Anthonio and Aikins, 2009; Laven, 2007). This form of partial liberalisation is what this paper terms the “meso-model.”

The aim of this paper, therefore, is to examine the impact of the meso-model, particularly in terms of the well-being of smallholder cocoa farmers, Ghana’s cocoa industry, and its economy. Smallholder cocoa farmers play a significant role in Ghana’s cocoa industry, producing 90% of the country’s total output. According to COCOBOD the estimated total number of smallholder cocoa farmers in Ghana is 1 million, with 500,000 cocoa farm units and a cultivated area of 1.6 million hectares (2006 Farmers’ Census: Ghana Cocoa Board, 2009). These smallholder cocoa farmers provide a livelihood for over 6 million people (25–30% of the population) (Anthonio and Aikins, 2009). Cocoa exports account for about 40% of Ghana’s foreign earnings and between 8–12% of its gross domestic product (GDP). Cocoa is the second biggest foreign exchange earner after gold in Ghana (Ansah et al., 2017).

The paper is structured as follows: Section one focuses on the introduction and backdrop to the study. Section two reviews the relevant literature and discusses the methodology of the study. Section three dwells on the analysis and discussion of the results and Section four concludes the paper and presents some recommendations and key policy implications.

2. Literature review and theoretical framework

The theoretical framework for this study is neo-structuralism, a paradigm, which blends the core tenets of structuralism (state-led industrialisation) and neoliberalism (free operations of market forces) (Fajnzylber, 1994). This paradigm was chosen because it provides a useful framework for analysing and interpreting the roles of the state and COCOBOD, a parastatal in Ghana's cocoa sector. The neo-structuralist paradigm encourages the state to play a prominent role in the market and to guide a country's integration into the global economy—especially a developing one. This is a developmental approach, which aims to establish a new relationship between institutional reform, modernity, social cohesion, and globalisation in the twenty-first century (Fajnzylber, 1994; Lahera et al., 1995). The meso-model also favours free operations of market forces but with the state governing the market (Wade, 1990), and embracing globalisation at the same time. Neo-structuralists argue that politics and government are vital for constructing a “systemic competitiveness” in the wider society, which is essential for successful competition in global markets (Kay and Gywanne, 2000; Leiva, 2008; Kirby, 2009). Hence, to the neo-structuralists, political and institutional interventions are “essential for generating the synergy, coordination, and social harmony indispensable for fluid and speedy integration into the globalisation process” (Leiva, 2008: 3). Neo-structuralists argue that globalisation, which is facilitated by the free market forces of neoliberalism can be given a human face through a conceptual and policy framework, which ensures that economic growth, equity, and democracy mutually reinforce each other (Lahera et al., 1995; Fajnzylber, 1994; Stiglitz, 2002). According to Kay and Gwynne (2000), neo-structuralism is “the only feasible and credible alternative to neoliberalism” in our current globalised world (Kay and Gwynne, 2000: 62). Stiglitz (2002) also states that the free market ideology of neoliberalism underpins the Washington Consensus, a framework advocated by the International Monetary Fund (IMF) and World Bank to reform the economies of countries, which turn to them for assistance, particularly developing ones.

2.1 The Washington Consensus

The Washington Consensus consists of ten reform policies originally formulated by John Williamson for Latin American countries in 1989 in response to economic problems, such as fiscal deficit and high inflation, to stimulate growth and development. The policies were “a summary of what most people in Washington believed Latin America (not all countries) ought to be undertaking as of 1989 (not at all times)” (Williamson, 2002: 1). However, the IMF and the World Bank later applied the model to every country that came to them for financial assistance. According to Stiglitz (2002), the IMF and the World Bank regarded the Washington Consensus “as the one and true way for growth and development” (Stiglitz, 2002: 20). What follows is the original list of the Consensus: (1) Fiscal discipline, (2) Reordering public expenditure priorities, (3) Tax reform, (4) Liberalisation of interest rates, (5) A competitive exchange rate, (6) Trade liberalisation, (7) Liberalisation of inward direct investment, (8) Privatisation, (9) Deregulation and (10) Property rights (Williamson, 2002: 1-2).

Williamson (2005) however, later stated that the Consensus, which later became known as the “orthodox reform package,” failed to revive growth in the ailing economies of Latin America, as expected. He also admitted that “institutions and not just policies have the fundamental impact on a society's ability to grow” (Williamson, 2005: 11). For instance, an effective tax code will be of no benefit to a country if the tax administration is beset with corruption (Williamson and Kuczynski, 2003).

2.2 Liberalisation of Ghana's Cocoa Sector

In line with the above argument of the important influence institutions have on the growth of society, Ghana decided to reform its cocoa marketing board as part of the cocoa sector reforms in 1993 instead of abolishing it (as was recommended by the World Bank and the IMF). Austin (1996) argues that the much-criticised cocoa marketing board system should be reformed rather than abolished. This is because economic growth is a main political asset to African governments, and indeed most governments. Gilbert and Varangis (2004) state that the key benefits of liberalisation for the four leading global West African cocoa producers are cost reduction and an increase in cocoa output. Ghana's partial liberalisation of its cocoa industry has contributed to the revitalisation of its cocoa sector and cocoa producers have benefitted from the license buying companies' (LBCs') competition through an increase in prompt payment, cash rewards, and incentives (Zeitlin, 2006; Anang, 2011). Ghana's reformed cocoa marketing board also stimulated cocoa production (Ayinde, 2014). However, Laven (2007) argues that cocoa farmers are not fully benefiting from the partial liberalisation system and that the few benefits they enjoy are not equitably distributed. Ansah et al. (2017) also state that the competition benefitted the bigger LBCs with larger shares of the market and not the smaller LBCs with smaller market shares.

In the case of Nigeria, after fully liberalising the cocoa industry, the cocoa innovation system is still relatively weak, quality has declined and cocoa farmers are at the mercy of buyers (Adeoti and Olubamiwa, 2009; Ogunleye and Oladeji, 2007). See Table 1 below, which highlights a sample of studies dealing with the cocoa industry in Ghana and West Africa.

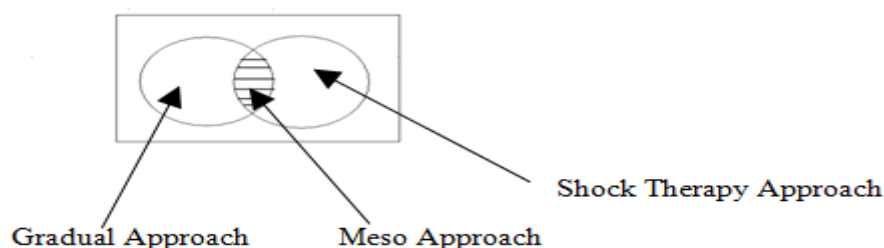
Table 1: A sample of studies relating to the liberalisation of the cocoa industry in Ghana and West Africa

Author(s) and Titles	Summary of Key Empirical Findings
Adeoti and Olubamiwa (2009), <i>SAPP</i> “Towards an innovation system in the traditional sector: the case of the Nigerian cocoa industry”.	Cocoa innovation in Nigeria is still relatively weak and measures to strengthen it appear unarticulated
Anang (2011), <i>CRJSS</i> “ Market Structure and Competition in the Ghanaian Cocoa Sector after Partial Liberalisation”	Cocoa producers have benefitted from the market competition by prompt payment, cash rewards, and incentives
Ansah et al. (2017), <i>CB</i> “All because of competition: A bane or blessing for Smaller Licence Buying Companies (LBCs) of Ghanaian Cocoa Industry”	Competition in the domestic cocoa industry negatively affects the operations of the smaller LBCs
Ayinde, (2014), <i>GJDS</i> “Is Marketing Board a Barrier or a Stimulant of Agricultural Production in West Africa? A Comparative Study of Ghana and Nigeria Cocoa Pricing Eras”.	(1) The marketing board era and prices positively affected cocoa production; (2) the marketing board is only a barrier to production if it has an exploitative system; (3) a reformed marketing board like Ghana’s stimulates production.
Gilbert and Varangis (2004) “Globalisation and International Commodity Trade with Specific Reference to the West African Cocoa Producers”.	(1) Cost reductions resulting from liberalisation are the key source of net benefit; (2) cocoa farmers’ output increases.
Kolavalli et al. (2012), <i>IFPRI</i> “The Partially Liberalised Cocoa Sector in Ghana Producer Price Determination, Quality Control, and Service Provision”.	(1) The current pricing system lacks a mechanism to maintain high producer shares; (2) the introduction of LBCs has not reduced costs; (3) the operations of the LBCs are hindered by inefficiencies in the public sector; (4) partial liberalisation appears to have negatively affected quality; (5) large surpluses left with COCOBOD contribute to over-budget spending on services not delivered efficiently.
Ogunleye and Oladeji (2007), <i>MEJSR</i> “Choice of Cocoa Market Channels among Cocoa Farmers in ILA Local Government Area of Osun State, Nigeria”	(1) Cocoa farmers chose market channels for their products based on time of payment, mode of payment, product price, distance from the farm, transportation cost, and grading of the product; (2) the buyer determined the price or rejected the product based on his grading system
Zeitlin (2006), <i>JAE</i> “Market Structure and Productivity Growth in Ghanaian Cocoa Production”.	Liberalisation of domestic marketing has contributed to the revitalisation of Ghanaian cocoa

2.3 Ghana’s Meso-Model

Ghana adopted the “gradual” approach from the onset of the economic recovery programme (ERP) during its reform process in 1983 because its economy was fragile and highly distorted, beset with severe institutional constraints and the government’s limited technical administrative capacity. The trade liberalisation policy, on the other hand, was implemented speedily (i.e. “shock therapy”) and not sequenced (Aryeetey and Tarp, 2000: 348; Asenso-Okyere et al., 1997: 114).

This implies that trade barriers and subsidies set by the government were immediately and quickly removed. However, Ghana’s partial liberalisation of its cocoa industry, a mid-level approach of reform, was between gradual and speedy. It is a mid-way approach between gradualism and shock therapy, and what this paper terms as the “meso-model.” (See Figure 1 below).

Figure 1: Ghana's "meso" reform approach

This partial liberalisation took the following form: (i) the internal marketing of cocoa was liberalised and COCOBOD lost its monopsony as the sole buyer of cocoa; (ii) private LBCs were established to compete with Produce Buying Company (PBC), a subsidiary of COCOBOD; (iii) COCOBOD was assigned a regulatory role over the LBCs, and had monopoly in supplying cocoa beans to cocoa processing or value-adding companies; (iv) COCOBOD fixes the producer price of cocoa, which is pan-territorial albeit with government approval; (v) COCOBOD was to still control the quality, grading, and sealing of cocoa for export through its Quality Control Division (QCD) and Cocoa Marketing Company (CMC)¹; (vi) COCOBOD was to remain the sole exporter of cocoa beans, maintaining its monopoly power of cocoa exports; (vii) sales and distribution of inputs were privatised (COCOBOD Annual Report, 2007).

The limitation of the model is that since COCOBOD fixes the *floor price*, therefore the producer price of cocoa is not determined by the free operations of the market forces. However, market forces could have enabled cocoa farmers to earn higher producer prices in some instances than when they are being fixed by a marketing board (as was the case in Nigeria after the 1986 reforms) (Folayan et al., 2006).

The specific context of the paper is from 1993 (when the cocoa sector reforms began) through the Rawlings government (1993–2000) to 2008 (the end of the Kufor government). This period was chosen because it offered the opportunity to examine policies implemented by two different governments, which impacted on the general well-being of cocoa farmers after the cocoa sector reforms.

2.4 Ghana as a study setting

Ghana, Cote d'Ivoire, Nigeria, and Cameroon are the four West African countries, which together produce about 72% of the world's cocoa. Cote d'Ivoire is the leading global cocoa producer, producing 40%, followed by Ghana (21%), Nigeria (6%), and Cameroon (5%) (ICCO, 2009–2010, 2014–2015; ecobank.com). Of these four leading West African cocoa producers, Ghana was the only country that did not fully liberalise its cocoa industry but rather carried out a partial liberalisation that reformed the cocoa marketing board (COCOBOD) instead of abolishing it (as was recommended by the IMF and the World Bank). This bold decision by Ghana—to adopt a middle approach or “meso-model”—gave COCOBOD the opportunity to implement intervening measures to regulate the cocoa sector, protect the well-being of cocoa farmers and to contribute towards the total transformation of the cocoa sector. These measures which are later discussed included regulating quality control; providing cocoa farmers with hybrid seedlings for planting; and ensuring free mass spraying of cocoa farms against pests and insects, among others.

2.5 Methodology

The main qualitative research method used for data collection was that of structured questions complemented with focus group discussions (FGDs) because most of the cocoa farmers interviewed were less educated or had no formal education (Osei-Akom, 1999; Ogunleye and Oladeji, 2007). The interviews and discussions were conducted in the respondents' own dialects, which gave respondents the opportunity to fully express themselves. The study was conducted in the Western, Ashanti, Brong Ahafo, and Eastern regions of the six cocoa regions in Ghana. These four regions were chosen because they are the leading regional cocoa producers in the country. The Western region is the leading producer, followed by Ashanti, Brong Ahafo, and Eastern.

Nine districts were chosen from the Western region because it produces about 60% of Ghana's output, while four each were chosen from the Ashanti, Brong Ahafo, and Eastern regions (Ghana Cocoa Board Annual Reports 2007–2015). A purposive sampling technique was used in selecting the cocoa regions, while the districts and communities were selected by using simple random sampling.

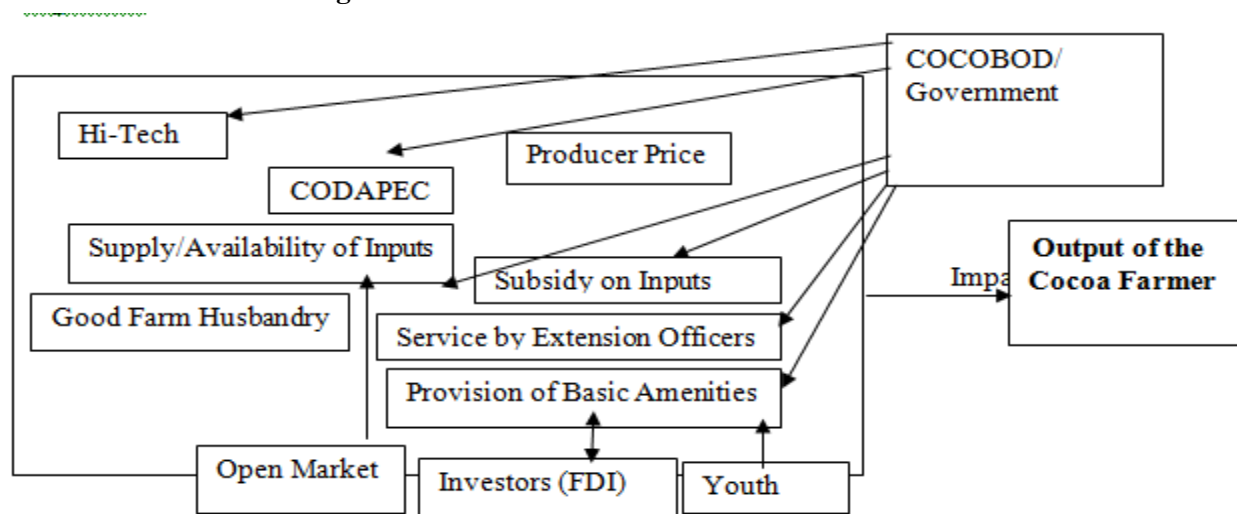
A total of 400 cocoa farmers were interviewed using questionnaires (i.e. structured questions): 100 respondents in each of the chosen four regions. Three hundred (300) respondents, who were not individually interviewed, took part in the FGDs.

3. Results & Discussion

The study found that after the cocoa sector reforms in 1993, the government annually increased the producer price with the objective of increasing the farmer’s share of the FOB (free on board) price. As a result, the cocoa farmer’s share of the FOB price was found to have increased from 53.3% in 1992/1993 cocoa season to 73% in 2007/2008 and remained the same in 2015. The difference between nominal and real producer prices narrowed, declining by 30.7% after the reforms. Cocoa farmers’ incomes improved from 308,000 old Ghana cedis (\$281) per ton in 1993/1994 to 12,000,000 old Ghana cedis (\$1,290)ⁱⁱ in 2007/2008. It further increased to 3,392 new Ghana cedis (US\$1,256)ⁱⁱⁱ per ton in 2012/2013 and 2013/2014 seasons and rose to 5,520 new Ghana cedis (US\$2,044) per ton in 2014/2015 (ISSER, 2014; Cocoa Board Annual Report, 2015). Cocoa farmers were for the first time paid a bonus of \$28.34 per ton for the 2000/2001 season. Since then, the bonus has ranged between \$28.34 and \$60.52 per ton in 2014/2015, which also enhanced the cocoa farmer’s income. The bonus is dependent on the FOB price obtained by COCOBOD on the international market. As a result of the enhancement of their income, the majority (72.4%) of the respondents indicated that they were able to meet their basic needs after the reform.

The government instituted many intervening measures through COCOBOD to help smallholder cocoa farmers enhance their output: (i) COCOBOD implemented the Cocoa Diseases and Pests Control (CODAPEC) Programme in 2001 and sprayed the cocoa farms free of charge (“mass spraying”); (ii) the cocoa Hi-tech programme implemented in 2003 encouraged farmers to use fertilisers and to plant hybrid cocoa varieties; (iii) inputs were subsidised and supplied to cocoa farmers; (iv) cocoa farmers were educated about proper farm husbandry; (v) extension officers provided service to the cocoa farmers; and (vi) some basic amenities were provided in cocoa growing areas, see Figure 2. These measures created a favourable environment for the cocoa farmers to enhance their output.

Figure 2. The Environment for Cocoa Production in Ghana



CODAPEC= Cocoa Diseases and Pests Control; COCOBOD= Ghana Cocoa Board; FDI= Foreign Direct Investment. *Source: Author*

The cocoa Hi-tech program promoted the planting of the hybrid, which has a shorter maturity period (about 3 years) and a greater yield. This enhanced the cocoa farmers’ output and income. Out of the 400 respondents surveyed, 62.3% had planted hybrid cocoa varieties, while 30.5% had a combination of the hybrid and the local “amazonia” and “amelonado”^{iv} older varieties.

Just 7.3% of the cocoa farmers had still planted only the local amazonia and amelonado. The CODAPEC program of annual mass spraying addresses the cocoa farmers’ concerns of diseases and insect pests, which adversely affect their output.

The quality of cocoa beans also depends on the absence of living insect pests in addition to fermentation and drying. Almost all the farmers (99%) complained about insect pests and said two or more pests/diseases plagued their cocoa farms at a time (see Table 2). As a result, 90.5% ensured the government sprayed their farms, while 86.25% said they sprayed their farms to complement what the government did.

Table 2. Insect Pests and Diseases that afflict cocoa farms of Respondents

	Capsid (Akate)	Bathycycoella (Atee)	Black Pod	Stem Borer	Termites	Squirrel	Mistletoe
Frequency	382	86	99	91	20	17	8
Percentage	95.5%	21.5%	24.75%	22.75%	5%	4.25%	2%

Source: Author (field study)

The majority of the respondents (90%) considered the mass spraying of their cocoa farms by COCOBOD as an incentive. The spraying gangs formed to spray the cocoa farms also created jobs in cocoa communities. The spraying gangs on a temporary basis had employed a total of 52,639 people at the time of the study. Through its research unit, the Cocoa Research Institute of Ghana (CRIG), COCOBOD ensures that the right pesticides and fungicides are recommended to the cocoa farmers to meet the globally accepted residual limits and avoid the rejection of the cocoa beans in the world market. COCOBOD's stringent quality control measures ensured that cocoa farmers used the requisite chemicals. CRIG also develops the hybrid seedlings supplied to cocoa farmers. All of the above supports a key finding of this study: the cocoa farmer's output is influenced by his/her environment and not only by the annual increase of the producer price.

The above intervening measures by COCOBOD enabled Ghana to produce 1,024,600 tons in 2010/2011 cocoa season, achieving its target a year earlier than expected. However, this declined to 945,100 tons in 2012/2013 season and further declined to 896,200 in 2013/2014. To address the decline, the government directed COCOBOD to ensure that the mass spraying was done on time. Additionally, the government decided to distribute 20 million hybrid seedlings free of charge to cocoa farmers under a cocoa rehabilitation scheme to be administered by COCOBOD with the objective of replacing the aged stock.

Furthermore, this research found that the liberalisation of the internal cocoa market which led to the formation of LBCs has given the cocoa farmer options in selling his/her produce, prompt cash payment, and access to many incentives like loans and farm inputs (e.g. fertilisers, cutlasses). The number of LBCs increased from 4 in 1992–1993 to 26 in 2008–2009 and further increased to 46 in 2014–2015. The study also revealed that COCOBOD grants the LBCs license, regulates their activities, and provides them with seed money each year for operations from the syndicated loans it raises annually from both local and foreign banks. The syndicated loan contracted by COCOBOD increased from US\$260 million in 2000/2001 to US\$1billion in 2008/2009 despite the global financial meltdown of 2008. This further increased to the US \$2 billion in 2011/2012; the same amount was raised for the 2014/2015 season (COCOBOD Annual Report, 2002, 2010, and 2015; ecobank.com). Another finding was that although the LBCs could pay more than the floor price fixed by COCOBOD, all the respondents (100%) indicated that they were only paid the floor price. This means the LBCs competed only in *services* (such as providing cocoa farmers with inputs, credit, and prompt payment) and not in *prices*, which supported the findings of earlier studies (Laven, 2007; Vigneri and Santos, 2009). The majority of cocoa farmers (41.3%) who favoured the multiple buying system stated their main reason as having options to sell their cocoa to PCs (purchasing clerks) who were always available while 24.3% cited prompt cash payment as their main reason.

Concerning access to basic amenities, 67% of the 400 respondents had access to water, 33.75% to electricity, 12.75% to clinics/hospitals, and 41.75% to schools in their cocoa growing communities. In the case of roads, only 8.75% lived in cocoa growing communities (rural towns) which had tarred roads, while 30% lived in cocoa growing communities with feeder roads. The majority (61.25%) lived in cocoa growing communities with poor road infrastructure.

The study found that due to the poor nature of roads in cocoa growing communities, cocoa farmers used mobile phones and “space to space” communication centres to improve their operations and to stay in touch with the outside world, thereby reducing their budget on transport costs^v (Ofosu-Asare, 2011). They now only travelled when it was essential to do so.

A high proportion of farmers (61%) owned mobile phones and said they used it for “business activities,” especially to contact the PCs when they wanted to sell their beans and to arrange for inputs from the market or input store. Even the 39% who did not personally own a mobile phone said at least one member of their households had one (e.g. a spouse or child). COCOBOD, in collaboration with the Hershey Company and World Cocoa Foundation (WCF), has also launched the Cocoa Link project, which allows for sending important text messages like insecticide approvals to cocoa farmers who own mobile phones. Another significant finding was Ghana’s effort to embrace globalisation by creating the free - zone area in Accra and Tema in 1995. This was accompanied by free -zone facilities and incentives such as a 10-year tax holiday, repatriation of corporate profits, machinery, equipment, and duty-free imported inputs. These were provided to attract foreign direct investment (FDI). COCOBOD, for instance, grants the processing companies a discount of 20% of the FOB price of the cocoa beans it sells to them under the Beans Supply Agreement (BSA). As a result, three leading global cocoa grinding companies—Archer Daniels and Midland (ADM), Cargill, and Barry Callebaut, have established factories in Ghana. This led to the increase of cocoa beans ground in the country from 9.71% of national output in 1991/1992 to 25% in 2013/2014. This is in furtherance of Ghana’s value-added policy to add value to a minimum of 40% of its annual cocoa output before exporting. Consequently, Ghana’s export of cocoa value-added products increased from 134,654 tons before the reforms (1986–1992) to 389,600 tons after the reforms (2001–2007) and to 997,900 in 2014. The foreign exchange earnings also increased from US\$239 million (1986–1992) to US\$708.2 million (2001–2007) and to US\$3.5 billion from 2010 to 2014 (COCOBOD Annual Reports 1992–2007; ISSER, 2014).^{vi}

The study made another important discovery: COCOBOD has the ability to negotiate a better price for cocoa on the international market, particularly on the futures market. As a result, the achieved FOB price for cocoa per ton increased from US\$1,138.66 per ton in 1993/1994 to \$1,900 per ton in 2007/2008 and then to US\$3,500 in 2014/2015 after the reforms. This enabled COCOBOD to pay the cocoa farmers higher producer prices, which increased annually after the reforms from US\$281 per ton in 1993/1994 to US\$1,290 in 2007/2008 and to US\$2,267 in 2015/2016. The increase thus enhanced the farmers’ income (COCOBOD Annual Report 1995, 2008, and 2015, ISSER, 2014).

3.1 Discussion

In relating the above findings to the analytical framework of the study, it could be argued that the state governs the market (Wade, 1990), in this case, the cocoa market through COCOBOD. Additionally, the state still superintends the market and production of cocoa (that is, the supply chain) through COCOBOD particularly the quality aspect. COCOBOD has instituted a stringent quality control system with the right to reject cocoa purchased by the LBCs that is below its set standard. It does this through its QCD (Quality Control Division) at the depots (see Figure 3), and the Cocoa Marketing Company (CMC) at the ports of departure at Tema and Takoradi. In effect, the state provides the rules and regulations in the domestic cocoa market and promotes good public-private partnership.

Figure 3. A QCD officer using an Aqua-Boy moisture meter to test the dryness of cocoa



Source: Author (field study)

However, a study by Ogunleye and Oladeji (2007) found that in a fully liberalised cocoa market without a marketing board, like that of Nigeria, quality was compromised and cocoa farmers were found to be at the mercy of itinerant buyers or middlemen who moved from village to village and bought cocoa dried or fresh. However, in Ghana, the study found that the cocoa farmers' share of the FOB price continuously increased after the reforms from 49.88% in 1993/1994 to 73% in 2014/2015 that is, from \$281 per ton to US\$2,044 in 2015 (Ghana Cocoa Board Annual Report, 1994; 2015). COCOBOD's implemented measures of continuous price increases, mass spraying of cocoa farms against diseases and insects, and the supply of hybrid seedlings and fertilisers under the CODAPEC and Hi-tech programs yielded great results. For instance, the national cocoa output increased from 312,123 tons in 1992/1993 to a then record output of 740,458 tons in 2005/2006; another record output of 1,024,600 tons was achieved in 2010/2011 as indicated earlier (Ghana Cocoa Board Annual Report, 1994; ISSER, 2014).

One could argue that the increases in output after the reforms could be attributed to the intervening measures by the state and COCOBOD. However, in Nigeria, though cocoa production increased from 148,000 tons in 1986 after the reforms to 360,000 tons in 1993, it declined to 165,000 tons in 1998 due to producer price fluctuations and lack of inputs such as seedlings and fertiliser for cocoa farmers (Folayan et al., 2006). The Nigerian government, therefore, set up the National Cocoa Development Committee (NCDC), similar to a marketing board, in 1999 to revive the cocoa sector (Folayan et al., 2006; Adeoti and Olumbamiwa, 2009). As result, Nigeria's cocoa production increased by an average of 389,272 tons per year from 2000–2010 (fao.org). In Cote d'Ivoire, producer prices fluctuated in response to world market conditions (i.e. prices offered on the world market), cocoa farmers were worse off economically, and the quality of cocoa declined. In January 2012, the government went back to the old system by establishing a central body, le Conseil du Café-Cacao (CCC), with representatives of all stakeholders responsible for the management, regulation, development, and price stabilisation of cocoa. It also established a new marketing mechanism (agritrade.cta.int). One could therefore argue that marketing boards play important roles in the cocoa industry because of the intervening measures they provide for cocoa farmers. In its report later in 2008, the World Bank admitted the need for a marketing structure to help link smallholders to markets and to assist in solving their problems, which is what COCOBOD provides in Ghana (World Bank Report, 2008).

The study revealed that due to COCOBOD's stringent quality control system, Ghana, over the years, has continuously produced the best quality cocoa in the world, which lends credence to the meso-model and COCOBOD. Ghana earns a premium on the global market for producing quality cocoa, traditionally an average of £90 per ton on the London terminal market prices. It has also earned a premium from US\$200 to US\$250 per ton over the prevailing global price, depending on the market conditions in some instances (see also Barrientos et al., 2008). However, in Nigeria, Cote d'Ivoire, and Cameroon, which fully liberalised their cocoa marketing boards, studies have shown that the quality of cocoa produced by cocoa farmers declined, making it difficult for them to earn any premium (Gilbert, 1997; Oxfam, 2002; Ogunleye and Oladeji, 2007). Additionally, full liberalisation led to declining supply and use of inputs, export coordination, as well as restricted opportunity in forwarding sales and tender sales.

However, COCOBOD has the strength, capability, and expertise to deal with forward and tender sales and major cocoa buyers and brokers in the global market—an advantage an individual smallholder cocoa farmer or an LBC does not have. In addition, because COCOBOD is the only body exporting cocoa, it is easier for the government to tax the exported cocoa. COCOBOD's ability to raise loans to give to the LBCs as seed money addressed the financial need of the buying companies and ensured that cocoa farmers were promptly paid. The LBCs were also not in the position to raise foreign loans to finance their activities, which made COCOBOD their main source of financing for their operations. The above benefits derived by cocoa farmers, LBCs, and the nation from the operations of COCOBOD amplify the positive role COCOBOD has played in the cocoa sector after the reforms.

The value-addition policies implemented by Ghana after the cocoa sector reforms led to the shift in emphasis on the low-wage labour of producing raw cocoa beans as the basis for competitive advantage to technical innovations of processing the raw beans to compete in the global market. Ghana's actions were therefore in line with those advocated by the neo-structuralists (Leiva, 2008; Kirby, 2009). As a result, Ghana's GDP grew from 2.8% in 1993 to 4.2% in 2014. Cocoa's contribution to GDP also increased from 2.79% in the 1992/1993 season (before the reforms) to 6.76% in 1994/1995 (after the reforms) and to 8.56% in 2008/2009.

By 2014/2015, this had increased even further to 11.23%, which demonstrated growth in the economy after the reforms (Ghana Statistical Service; COCOBOD Annual Report, 2015; ISSER, 2014). Hence, as a result of the implemented “meso-model”, the cocoa sector- which is key to Ghana’s economy, became enriched and this positively impacted on development. This paper, therefore, argues that the meso-model, which is considered unique, is a salvation to Ghana’s cocoa industry. It is also a challenge to the Washington Consensus and a contribution to the literature on development.

However, the downside of the model is the lack of adequate infrastructure and basic amenities like good roads, potable water, schools, clinics/hospitals, and electricity in cocoa growing communities (see Figure 4 below). This also impacted adversely on cocoa farmers access to inputs and the high cost they incur in transporting their produce to buying centres since lorry fares are higher in cocoa communities with poor roads.

Figure 4. A road in cocoa community beans at a depot



Source: Author (field study)

4. Conclusions and Implications for Policy

This study sought to investigate the impact of the partial liberalisation of the cocoa sector, which it terms a ‘meso-model’ on Ghana’s cocoa industry in general and the well-being of the smallholder cocoa farmers in particular. Though the internal market was liberalised to allow the LBCs to purchase cocoa, the meso-model Ghana adopted allowed the state through COCOBOD to play a prominent role in the cocoa sector, contrary to the IMF and the World Bank’s recommendations of full liberalisation in line with the Washington Consensus. Importantly the study found that the meso-model or mixed- method approach adopted by Ghana was the major factor that contributed to the profound transformation of the cocoa sector and the enhancement of the well-being of the cocoa farmers. The key finding was that the cocoa farmers’ output, which has a correlation with their income, was a function of their environment. It was also found that the meso-model adopted led to an increase in national cocoa output, cocoa value-added products, exports, and foreign exchange earnings.

The following policy implications are put forward as a result of the findings of the study for policymakers:

1. Policymakers should implement intervening measures to reform state institutions to develop greater administrative and managerial capabilities as COCOBOD did.
2. The government of Ghana and COCOBOD should provide basic amenities such as potable water, schools, clinics electricity and roads in the deprived cocoa growing communities, and cocoa farmers must be involved in the decision making to give them a sense of ownership.
3. Multinational cocoa companies in Ghana should be encouraged to invest in the provision of basic amenities in cocoa growing communities and as an incentive, have the option of buying a percentage of cocoa produced in those communities.
4. The government and COCOBOD should make conscious and consistent efforts to attract the educated into cocoa farming since educated farmers will be more receptive to innovations and modernisation of the sector.
5. Additionally, a *Pension Scheme Fund* should be established for cocoa farmers to take care of them in their old age. If cocoa farmers draw on the fund according to their contributions, this could motivate them to increase their output and will also stem the smuggling of cocoa to neighbouring countries like Cote d’Ivoire and Togo.

6. With the discovery of oil in Ghana, the pressure on cocoa revenue should reduce since the government would be able to easily access the oil revenue. Hence, the export tax on cocoa should be reduced to enhance the income of the smallholder cocoa farmers while part of the savings made should be invested or ploughed back into the industry by COCOBOD to sustain it.
7. The meso-model could also be replicated in the various sectors of the economy in promoting public-private partnership.

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Notes

¹ Even though it was agreed as part of the reforms that by October 2001 LBCs could directly export up to 30% of the volume of cocoa purchased, this had not been implemented at the time of fine-tuning this paper (2016)

² Using the prevailing official exchange rates at the time: 1,095.74 cedis = \$1 in 1993–94 and 9,300 cedis = \$1 in 2007–08

³ Using the prevailing official exchange rates at the time 2.7 cedis = \$1 in 2012–13 and 2014–15

⁴ Amelonado and Amazonia varieties are still prominent, forming about 30% and 40%, respectively, of cocoa tree stock in Ghana (COCOBOD Strategy II Document, 2009: 4)

⁵ Cocoa farmers were charged higher lorry fares because of the poor nature of the roads in the cocoa communities

⁶ The exchange rate at the time was N 2.02=1US\$ in 1986; N 4.02=1US\$ in 1987; N 7.39= 1US\$ in 1989 and 1990; N136=1US\$ in 2005; N171=1US\$ in 2009; N155=1US\$ in 2010