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Ghana

Cocoa

Ghana Cocoa Annual Report

1999

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Report Highlights:

Cocoa production in 1999/2000 is forecast to increase to 450,000 tons. The GOG intends to direct a large illegal inflow of cocoa beans to the processing sector. Cocoa bean exports in 1999/2000 are forecast at 400,000 tons, up from 350,000 tons a year earlier. Despite recent weakness in cocoa export prices, the GOG is maintaining grower prices for the upcoming harvest at 1998/99 levels.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

GH9002

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Executive Summary

Ghana enjoyed favorable weather for cocoa production in 1998/1999. Although the cocoa season has not ended officially, cocoa industry sources estimate a total harvest of 430,000 metric tons of dried cocoa beans. This consists of a main crop of 380,000 metric tons and a mid crop of 50,000 tons.

As a result of timely precipitation, starting in early April 1999, and continuing through September, the Government of Ghana (GOG) and the Ghana Cocoa Board (Ghana COCOBOD) are anticipating good cocoa harvest for the 1999/2000 cocoa season. Post estimates a total harvest of 450,000 metric tons in 1999/2000, made up of 400,000 tons from the main crop and 50,000 tons from the mid crop for the 1999/2000 season. These estimates are based on the fact that rainfall for the months of July and August 1999, have been adequate for cocoa pod development. Cocoa pods in the cocoa growing communities of Western, Ashanti and Brong Ahafo regions of Ghana are well developed; they look healthy and full for a good cocoa harvest.

Despite the fall in world cocoa prices, the GOG and the Ghana COCOBOD have decided to maintain the 1998/1999 producer price of 2.2 million cedis per ton of dried cocoa beans for the coming 1999/2000 season. With the fall in the world market price of cocoa to \$935 per ton in September 1999, the GOG estimates that foreign exchange earnings from the export of cocoa will drop from \$770 million in 1997/1998 to \$650 million in 1998/1999.

The industry believes that prospects for price recovery in the 1999/2000 cocoa season are good. Foreign exchange earnings from cocoa exports in 1999/2000 are expected to rebound to about \$850 million largely due to an increase in bean export volume to 400,000 tons.

Despite pressure from various international bodies urging that Ghana privatize the external marketing of dried cocoa beans, the GOG is reluctant to move in this direction. The GOG is concerned about possible damage to the "premium" quality image of Ghana's cocoa beans. It argues that cocoa buying companies are likely to sacrifice quality in an attempt to maximize export tonnage. In support of this argument, the GOG points to the recent smuggling of about 50,000 tons of low-quality cocoa beans into Ghana. The GOG maintains that these beans will be processed locally and will not be exported in

bean form. The GOG also emphasizes that all companies involved in the ‘smuggling’ of the low grade cocoa beans will be sanctioned.

Exchange Rate : US\$ 1.00 = ₵ 2,680.00 as at September 13, 1999

Note: Post is unable to access the data feedback system at this time. We are submitting this report showing a beginning stock level of zero for the 1997/98 season. We are unable to enter the correct figure of 2,930 tons into the PS&D table because the cell address is protected and therefore cannot be modified within the GAINS lotus spreadsheet. To ensure that total supply equals total distribution, we have added this amount to main crop production. Post hopes to modify this in future reports once access to the feedback system is obtained.

Production

Cocoa Beans

PSD Table						
Country:	Ghana					
Commodity:	Cocoa Beans					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	1060	1075	1075	1075		1180
Area Harvested	1060	1065	1065	1065		1070
Bearing Trees	150500	150800	150800	150800		165000
Non-Bearing Trees	7000	8000	8000	8000		82500
TOTAL Tree Population	157500	158800	158800	158800	0	1732500
Beginning Stocks	0	0	3930	2930	2930	2930
Main Production	353930	362930	360000	380000		400000
Mtd & Other Production	5000	6000	6000	5000		5000
TOTAL Production	406930	422930	420000	430000	0	450000
Bean Imports	15000	15000	14000	15000		50000
Liquor & Paste Imports	0	0	0	0	0	0
Butter Imports	0	0	0	0	0	0
Powder, Cake, Choc. Imp	0	0	0	0	0	0
TOTAL Imports	15000	15000	14000	15000	0	50000
TOTAL SUPPLY	421930	437930	437930	447930	2930	502930
Bean Exports	351500	370000	370000	350000		400000
Liquor & Paste Exports	17000	25000	25000	30000		19000
Butter Exports	30000	25000	25000	40000		60000
Powder, Cake, Choc. Exp	14500	10000	10000	20000		10000
TOTAL Exports	413000	430000	430000	440000	0	489000
Domestic Consumption	5000	5000	5000	5000		10930
Ending Stocks	3930	2930	2930	2930	2930	3000

TOTAL DISTRIBUTION	421930	437930	437930	447930	2930	502930
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The GOG recognizes the important role cocoa plays in the Ghanaian economy. In view of this, the GOG and the Ghana COCOBOD organized a taskforce in January 1999 at which time representatives from the various groups involved in the cocoa industry were tasked to study the sector and make recommendations on how best to proceed with its restructuring. This restructuring is aimed at ensuring a long range expansion program which will take cocoa production to 500,000 tons by the year 2005 and to 700,000 tons by 2010.

With these targets in mind, the GOG initiated a price-driven incentives program earlier this year. Ghanaian cocoa farmers will be paid a minimum of 60 percent of the export price of cocoa, with annual increases set to push grower prices to 70 percent of export value in the 2009 / 2010 season. The GOG has demonstrated its commitment to this price-driven expansion program by maintaining the 1998/1999 producer price for the 1999/2000 cocoa season despite the recent decline in the world market price of cocoa.

The merger of the COCOA SERVICES DIVISION (CSD), the extension service delivery unit of Ghana COCOBOD, and the main extension service department of the Ghanaian Ministry of Food and Agriculture (MOFA) has been initiated. The new extension body will offer a comprehensive package of agricultural extension services to Ghanaian cocoa farmers, including poultry, livestock and vegetable production.

The Ghana COCOBOD is encouraging Ghanaian farmers to re-activate abandoned and diseased cocoa farms. The aim of this reclamation program is to increase acreage in the face of dwindling "virgin forest lands" for new plantations as a result of competition from commercial forestry and demands for urban development. The COCOA RESEARCH INSTITUTE OF GHANA (CRIG) of the Ghana COCOBOD has developed new cocoa varieties which are high-yielding and early maturing. These new varieties take three years to reach maturity instead of five years. CRIG and CSD are encouraging Ghanaian cocoa farmers to adopt recommended agronomic practices of the Ghana COCOBOD for cocoa production in order to raise yield levels.

CRIG estimates that Ghana's cocoa production could expand ten-fold if fertilizer application levels were increased to ideal levels. However, the average small cocoa producer, constituting 90 percent of all Ghanaian cocoa farmers, does not apply fertilizer due to its high cost. Fertilizer usage by "large-scale" producers also falls significantly below recommended levels. Application of other chemical inputs also falls far short of a COCOBOD recommended levels.

The rainfall pattern in cocoa producing zones in Ghana since the rainy season began in mid-April 1999 has been favorable for cocoa production. Evening rainfall has been generous, followed by adequate sunshine during the day. Outbreaks of cocoa black pod disease, usually associated with excessive rains, have been reduced. Timely rains have led to healthy cocoa trees, which in turn has produced healthy and good looking cocoa pods in most cocoa growing areas of Western, Brong Ahafo and Ashanti regions of Ghana.

Ghana's cocoa tree stock is aging. A recent study by Ghana's COCOBOD indicates that only 13 percent of cocoa trees in Ghana are within their peak producing range of 15 - 25 years. More than 25 percent of the total tree population exceeds 30 years of age. Additionally, the average age of the Ghanaian cocoa farmer is 65 years, indicating that young Ghanaians are shying away from cocoa cultivation.

Post estimates the main 1999/2000 cocoa harvest, which begins in mid-October 1999, at 400,000 tons, with the mid crop beginning in May/June 2000, yielding 50,000 tons.

Inputs

GOG subsidies for agricultural production inputs to cocoa farmers were removed during the 1996/1997 cocoa growing season. Despite numerous appeals by legislators, farming groups and others to the GOG to re-introduce these subsidies, the GOG shows no sign of moving in this direction.

Although adequate supplies of production inputs for cocoa cultivation are available in Ghana, usage by most Ghanaian smallholder cocoa farmers falls markedly below recommended levels. Chemicals for checking and controlling cocoa diseases and implements used in cocoa cultivation such as cutlasses and cocoa spraying machines have become too expensive for most cocoa farmers. A cocoa spraying machine, knapsack type, which previously was priced at 250,000 cedis is now being marketed at 3 to 4 times this figure.

For the past four years, cocoa purchases in Ghana have been financed by foreign loans. The GOG has arranged a syndicated foreign loan of \$350 million from a consortium of foreign Banks to finance the COCOBOD's 1999/2000 purchasing program.

According to the Ghana COCOBOD, supplies of cocoa sacks, twine and weighing scales are adequate to meet needs for purchasing and storing dried cocoa beans purchased in rural cocoa growing areas. The Ghana COCOBOD has awarded a contract for the construction of another warehouse at Takoradi harbor for storing dried cocoa beans. The construction of this additional warehouse will help minimize delays in exports of cocoa beans to grinding houses in Europe and the US which have resulted from inadequate port warehousing capacity and an inability to discharge arriving trucks carrying cocoa.

Crop Area

The Ghana COCOBOD has contracted a study to determine total acreage under cocoa cultivation in Ghana. The results are expected to be released before the end of calendar 1999. This will help in the proper management of the cocoa sector by the Ghana COCOBOD.

With the dwindling of "virgin" forest lands for new cocoa plantations, efforts are being intensified to reclaim abandoned cocoa farms. The GOG's price driven incentive policies, are placing additional money in the hands of the average Ghanaian smallholder cocoa farmer.

Yields

The average Ghanaian cocoa farmer usually is a small-scale poultry, livestock, or vegetable farmer. He receives extension services from both the CSD and MOFA. The GOG decided to merge the CSD and MOFA to better coordinate the delivery of a comprehensive package of services to growers. The number of extension staff also has been increased.

Efforts to reclaim abandoned and diseased farms, together with new plantations which have been established with high-yielding early maturing varieties, are having a positive impact on industry yield levels. Increases in yields due to fertilizer application, however, are not noticeable.

Grower Price Table

Prices Table					
Country:					
Commodity:					
Year:	1999				
Prices in (currency)	CEDS	per (unit)	MEIRION		
Year	1998	1999	% Change		
Jan	120000	180000	50.0%		
Feb	120000	180000	50.0%		
Mar	120000	180000	50.0%		
Apr	120000	220000	83.3%		
May	180000	220000	22.2%		
Jun	180000	220000	22.2%		
Jul	180000	220000	22.2%		
Aug	180000	220000	22.2%		
Sep	180000	220000	22.2%		
Oct	180000	220000	22.2%		
Nov	180000	220000	22.2%		
Dec	180000	220000	22.2%		

Consumption

The total installed processing capacity for cocoa in Ghana has increased from 85,000 tons to 110,000 tons. Ghana's cocoa processing capacity by company is estimated as follows:

CPC (PORTEM),	Tema	- 50,000 metric tons
WAMCO I,	Takoradi	- 20,000 metric tons
WAMCO II,	Takoradi	- 40,000 metric tons

CARIDEM Company Limited, a Malaysian-owned cocoa processing company, remain non-operational. Post views CARIDEM as a “political company” which was established about 3 years ago to “take over the assets of CPC (PORTEM).” CARIDEM lacks the financial, managerial and technical expertise to operate a cocoa processing plant.

With the fall in world cocoa prices, the GOG and the Ghana COCOBOD have agreed to try and add more value to Ghana’s cocoa beans. Approval has been given to CPC (PORTEM, Tema) by the GOG and the Ghana COCOBOD to process more cocoa beans locally in Ghana. CPC (PORTEM, Tema) has increased its installed processing capacity from 25,000 to 50,000 metric tons. Ghana’s total installed processing capacity has now increased from 85,000 to 110,000 metric tons. More cocoa beans will be processed locally in Ghana, generating increased foreign exchange earnings from cocoa exports.

Trade

With the current crisis in Indonesia, cocoa grinding houses in the EU, Japan and the United States are expected to increase their dependence on West African supplies. Ghana stands to gain in this event. For the 1999/2000 cocoa season, Ghana’s foreign exchange earnings from cocoa exports are estimated at about \$850 million. This figure is based upon the expectation that dry bean export volume will reach 400,000 tons and will receive an average sales price of \$1,250 per ton.

Despite the fall in the world market price for cocoa this year, the GOG and the Ghana COCOBOD will maintain the 1998/1999 producer price of 2.2 million cedis per metric ton for the 1999/2000 cocoa season. Ghana’s neighboring countries however, have reduced their producer price levels. This has led to the smuggling of low-quality cocoa into Ghana. Post estimates that about 50,000 tons of low-quality cocoa has been smuggled into Ghana during 1998/99.

The GOG has despatched armed soldiers to the western border of Ghana with Cote D’Ivoire to stem this illegal trade. The GOG has announced that any licenced cocoa buying company implicated in smuggling will be sanctioned. However, most industry observers believe that the GOC lacks the political will to take such action. The GOG/Ghana COCOBOD has created a “taskforce” to deliver the inferior cocoa which has been smuggled into Ghana to the CPC (PORTEM) processing plant in Tema for processing. Some private cocoa buying companies which concentrate their business activity on low-grade cocoa reportedly are purchasing this smuggled cocoa for export to cocoa processing plants in the EU.

Policy

Having set production targets of 500,000 and 700,000 metric tons by the year 2005 and 2010 respectively. In support of this policy, the GOG and the Ghana COCOBOD have maintained the grower price at 2.2 million cedis over the second half of the 1998/99 season despite a fall in export price levels. As a further signal of support, the GOG and the Ghana COCOBOD will continue to pay Ghanaian cocoa farmers this price for dry cocoa bean deliveries for the upcoming 1999/2000 season. However, with the prospect of export prices for Ghana’s cocoa projected to increase next year to

about \$1,250 per ton, and with next year also being an election year in Ghana, the GOG and the Ghana COCOBOD are likely to increase the producer price of cocoa to 2.6 million cedis.

The Governments of Ghana and Cote D'Ivoire have initiated plans to form a cocoa exchange in West Africa. With these two countries accounting for about 70 percent of world cocoa production, such an exchange could have a significant impact on cocoa prices. However, the disclosure of production figures by the GOG and the GOC will determine the extent to which their exchange impacts world market prices. Both Governments normally shy away from disclosing cocoa figures.

The privatization of PBC, CPC (PORTEM) and the QUALITY CONTROL DIVISION (QCD) of the Ghana COCOBOD is meeting strong opposition from members of Ghana's Parliament (MPs). The MPs argue that this will adversely impact on the high-quality image currently enjoyed by Ghana's cocoa exports. The MPs express concern that if the PBC is privatized, CASHPRO, the dominant private firm involved in the internal marketing of cocoa, is likely to obtain at least 40 percent of PBC's assets which is considered unacceptable. Acceptance of the arguments presented by the legislators is difficult. Industry observers point to the recent implication of QCD officials in the smuggling of low-quality cocoa into Ghana. Post views the privatization of these bodies as essential measures which will allow proper, effective and efficient competition in the cocoa industry. Ghana's growers, responsible for producing the "premium cocoa" that the industry is noted for do not meaningfully benefit from the additional income generated by Ghana's crop quality. At present, the Ghanaian cocoa farmer receives less than 55 percent of the export price compared to 75 percent in neighboring countries.