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Ghana

Cocoa

Semi Annual Cocoa Report

2000

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Report Highlights:

Weather conditions in cocoa growing zones continue favorable. Post is maintaining its forecast of Ghana's 1999/2000 cocoa harvest at 450,000 tons. Grower sales to the Cocoa Board have been slowed by the Board's inability to finance purchases. The GOG agrees to partially privatize the external sale of cocoa beginning in October 2000. Foreign exchange earnings from this year's cocoa exports will drop sharply.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
GH0001

Executive Summary

Due to continued favorable weather conditions in cocoa growing areas of Ghana (plentiful rains during the night, followed by adequate sunshine during the day), we anticipate that Ghana will record another good harvest in the 1999/2000 cocoa crop season. Post is maintaining its initial cocoa production forecast for the 1999/2000 season of 450,000 tons, consisting of a main crop harvest of 400,000 tons and a mid-crop of 50,000 tons..

The incidence of Black Pod disease in cocoa growing areas in Ghana usually rises during seasons when rainfall is plentiful. This year, however, adequate daytime sunshine in the cocoa growing zones following evening rains has limited the outbreak of this destructive disease. Cocoa trees are seen bearing good and healthy cocoa pods.

The world market price for cocoa beans has continued to drop since the 1999/2000 cocoa season began last October. As of late February, the world market price for Ghana's cocoa bean exports has fallen to approximately \$736 per ton. In contrast, Ghana's cocoa bean exports in 1998/99 fetched an average price of about \$1,850 per ton. The resulting drop in cocoa foreign exchange earnings is having a marked impact on the overall Ghanaian economy. Despite the fall in cocoa export prices, the Government of Ghana (GOG) is holding this year's producer price for dried cocoa beans at the 2.2 million cedis per ton which was originally set for the 1998/99 season. Because a Presidential election is scheduled for later this year, industry observers do not anticipate a downward revision in this season's producer price. Local cocoa analysts believe that prospects for price recovery for cocoa are good and suggest that chocolate manufacturers will eventually take measures which will provide support to the international price of raw cocoa beans which could become evident during the latter part of this year.

The GOG has announced the divestiture of the Produce Buying Company (PBC) which is the internal marketing unit of the Ghana COCOBOD. PBC shares have been floated on the Ghana Stock Exchange. However, the rate at which the shares are being purchased by the general public is not viewed as adequate by the GOG. This precipitated an extension of the closing sales date from January 31, to March 31, 2000.

The GOG finally agreed to the privatization of the external marketing of Ghana's dried cocoa beans. Beginning October 2000, privately owned and licensed cocoa buying companies will be allowed to export approximately 30 percent of their domestic purchasing volumes.

Exchange Rate: \$1 = 3,600 Cedis

PSD Table: 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	1075	1075	1075	1075	1180	1180
Area Harvested	1065	1065	1065	1065	1070	1070
Bearing Trees	1508000	1508000	1508000	1508000	1650000	1650000
Non-Bearing Trees	80000	80000	80000	80000	82500	82500
TOTAL Tree Population	1588000	1588000	1588000	1588000	1732500	1732500
Beginning Stocks	0	0	2930	2930	2930	2930
Main Production	362930	362930	380000	380000	400000	400000
Mid & Other Production	60000	60000	50000	50000	50000	50000
TOTAL Production	422930	422930	430000	430000	450000	450000
Bean Imports	15000	15000	15000	15000	50000	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	15000	15000	50000	50000
TOTAL SUPPLY	437930	437930	447930	447930	502930	502930
Bean Exports	370000	370000	350000	350000	400000	400000
Liquor & Paste Exports	25000	25000	30000	30000	19000	19000
Butter Exports	25000	25000	40000	40000	60000	60000
Powder,Cake,Choc. Exp.	10000	10000	20000	20000	10000	10000
TOTAL Exports	430000	430000	440000	440000	489000	489000
Domestic Consumption	5000	5000	5000	5000	10930	10930
Ending Stocks	2930	2930	2930	2930	3000	3000
TOTAL DISTRIBUTION	437930	437930	447930	447930	502930	502930

Production

The GOG recognizes the important role that cocoa plays in the Ghanaian economy. Cocoa exports account for about 40 percent of total foreign exchange earnings. The GOG embarked upon a price-driven incentive program in the mid-1990's to encourage Ghanaian farmers to manage their cocoa farms as "business enterprises" in order to obtain maximum returns from their farming investments. Under this program, the GOG has consistently increased the producer

price for dried cocoa beans from about 180,000 cedis per ton in 1990 to 2.2 million cedis for the current season.

Cocoa farmers responded by adopting cultural practices introduced by the Cocoa Services Division, the extension wing of the Ghana COCOBOD. Some old and abandoned cocoa farms have been reclaimed and re-planted with high-yielding, early maturing cocoa hybrids. New cocoa plantations also are being established with improved hybrid varieties. This has led to an increase in total acreage under cultivation, which largely accounts for the increase in production witnessed in Ghana in recent years. Production also has benefitted from favorable weather and a reduced incidence of Black Pod disease.

Rainfall during the 1999/2000 cocoa season has been plentiful during the night followed by sunny days. This has led to cocoa trees bearing good, healthy looking, and fully-filled cocoa pods. Post is maintaining its forecast of cocoa production in 1999/2000 at 450,000 tons. Our figure is based upon a main crop harvest of 400,000 tons and a mid-crop of 50,000 tons.

Despite the fall in the world market price of cocoa, the GOG continues to pay Ghanaian farmers 2.2 million cedis per ton of dried cocoa beans for 1999/2000 deliveries. This price was first established for the 1998/99 season. Concern exists that the maintenance of this price level will encourage increased smuggling of lower-grade cocoa beans from neighboring countries which have experienced a drop in producer prices as a result of the decline in the world market price for cocoa. With 2000 being a Presidential election year, most industry observers comment that a downward adjustment in grower prices is not viewed as politically acceptable wise for the Administration. To curtail smuggling of low-grade cocoa beans from Ghana's neighboring countries, the Ghana COCOBOD has announced that licensed cocoa buying companies will face a surcharge on low-grade cocoa beans delivered and an additional transport factor covering costs of moving beans from reception depots in producing areas to export warehouses in the ports of Tema and Takoradi.

Inputs

The Ghana COCOBOD obtained a syndicated bank loan of \$300 million from a consortium of foreign banks led by Barclays Bank, Ghana/UK to finance its cocoa purchases from the 1999/2000 harvest. With support from the Central Bank of Ghana, the Ghana COCOBOD should have had sufficient capacity to manage its 1999/2000 purchasing program. However, this has not been the case. The Ghana COCOBOD maintains that it is "cash strapped." and therefore is unable to adequately handle this year's cocoa purchasing. Private cocoa buying companies are attempting to arrange credit with local banks to ensure that growers have outlets for selling this season's crop. Most banks, however, have indicated that they are unable to advance additional credits to these companies until payment schedules on previous loans are brought up-to-date. The pace of grower deliveries this season has been adversely impacted, with some farmers still not having received payment for their cocoa bean deliveries.

Policy

The Produce Buying Company (PBC) of the Ghana COCOBOD which is the domestic marketing arm of the Board has been listed on the Ghana Stock Exchange for the sale of its shares. The GOG has announced that it plans to divest a portion of its shares in the PBC. Once the PBC positions the beans in the ports of Tema and Takoradi for export,

the Cocoa Marketing Company of the Board handles export sales. The general public, however, has been slow in buying PBC shares reflecting a realistic valuation of its assets. Trucks and other vehicles used by PBC to transport beans, scales and other equipment used in buying, along with cocoa purchasing depots in the growing areas and warehouses at the ports all legally belong to the Ghana COCOBOD and not to PBC. Even the funds that the PBC uses to buy the crop do not belong to it, but rather to the COCOBOD. In an attempt to facilitate the privatization of PBC, the GOG has extended the sales date for PBC's shares from January 31 to March 31, 2000.

The GOG has agreed to privatize the external marketing of Ghana's cocoa, beginning in October 2000. Initially, privately-owned and licensed cocoa buying companies will be allowed to export 30 percent of their total cocoa purchases. The Quality Control Division of the Ghana COCOBOD will continue to regulate and certify the quality of cocoa bean exports in order to maintain the market price premium enjoyed by Ghana's cocoa in world markets.

Consumption

Total installed processing capacity in Ghana remains at 110,000 metric tons and is distributed as follows:

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

The Malaysian-owned company, Caridem Company Limited, which was registered in Ghana as a cocoa processing company three years ago remains non-operational. Recently, President Rawlings announced that a new processing company will be licensed later this year. This new company will be authorized to process up to 40,000 tons of beans per year.

Cocoa Trade

The world market price for Ghana's cocoa beans in late February was approximately \$736 per ton. In contrast, the average export price received for bean shipments in 1998/99 is estimated at about \$1,850. As a result of the drop in cocoa export prices, total foreign exchange earnings this year are not projected to exceed \$350 million compared to official statistics which show \$770 million recorded in 1998/99.

Because of the disparity in grower price levels between Ghana and its neighboring countries, we estimate that as much as 50,000 tons of low-quality cocoa beans will enter Ghana illegally this season despite efforts of the GOG to curtail this trade.