

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Ghana

**Post:** Accra

### Cocoa Report Annual

**Report Categories:**

Product Brief

**Approved By:**

Marcela Rondon

**Prepared By:**

Elmasoeur Ashitey

**Report Highlights:**

Post forecasts Ghana's cocoa bean production in MY 2011/12 at 1.0 million MT. In 2010/11, Ghana cocoa exports reached a record high of 1,004,000 MT, which is 35.7 percent higher than the last full-year record of 740,000 MT, hit in the 2005-06 season. Ghana continues to maintain its position as the world's second largest exporter of cocoa after Ivory Coast.

The main importers of Ghana cocoa beans and products are the USA, European Union, Asia (Japan, China, India), Brazil and South Africa. In MY 2010 U.S.A. imports of cocoa beans from Ghana was a record value at \$95.6 million up from \$55.2 million in 2009. Additionally, Ghana's exports of cocoa butter and paste to the U.S.A. increased from \$32 million in 2009 to a record value of \$86.2 million in 2010, probably due to quality cocoa products produced in Ghana.

**Executive Summary:**

The cocoa industry has been the mainstay of the Ghanaian economy and provides the second largest source of export earnings representing about 30 percent of Ghana's total export earnings. Ghana is presently the world's second largest producer of cocoa beans, after the Ivory Coast. According to the Bank of Ghana, cocoa bean and products export receipts for the first quarter of 2011 is \$859.4 million, accounting for about 61 percent of total export earnings as compared with \$682.5 million at 48.8 percent in 2010.

Post forecasts for Ghana's cocoa bean production in MY2011/12 will be at 1.0 million MT. This forecast is predicated based on favorable weather conditions, improved farming practices and the continuing support of the Government of Ghana (GOG) to the sector. The GOG has been increasing the producer price of cocoa bean each year to encourage farmers to increase production of cocoa beans. Currently, the producer price of cocoa is GHC3200 (\$2133) per MT, up from GHC2400 (\$1600) in 2009/2010. There is concern in the cocoa industry that the highly volatile international cocoa prices and the unwillingness of the GOG to accommodate any drop in price, leaves the country exposed to major external shocks. In a press release in September 2011 the GOG stated that the cocoa bean crop yield for the MY 2010/11 have reached over 1,000,000 MT, the highest record ever. This record is 35.7 percent higher than the last full-year record of 740,000 MT, obtained in the MY2005/06 season.

The cocoa industry in Ghana is fully controlled by the GOG, having monopoly over the purchase and export of cocoa beans. The GOG established the Ghana Cocoa Board (COCOBOD) which is mandated to monitor and regulate the operations of the cocoa industry in Ghana.

The political instability in the Ivory Coast and the higher cocoa bean price offered in Ghana has encouraged the movement of cocoa into Ghana. Some market analysts estimate that about 30,000MT-50,000MT of cocoa beans is being smuggled from the Ivory Coast to Ghana. Although GOG sources admit that, cocoa beans may be smuggled into Ghana but there are no official records. The Ghana cocoa beans are of very high quality than Ivorian beans. As such to maintain the high quality of Ghana cocoa beans over the years, the COCOBOD continues to be diligent in undertaking effective quality control practices and monitoring at the time of purchase. The influx of lower quality Ivorian cocoa if allowed could reduce the quality of the Ghana cocoa beans which may affect the premium price of the Ghana cocoa beans on the international market.

Exchange Rate: One USD is GHC1.70

**General Information:****Policy**

Cocoa is Ghana's main export crop which generates about 30 percent in export revenue. As such the GOG has monopoly over the purchase and export of cocoa beans. The buying price of cocoa beans locally and the purchasing season are determined by the GOG. The Ghana Cocoa Board (COCOBOD) is the GOG institution that has been mandated to monitor and regulate the operations of the cocoa industry in Ghana. As part of its mandate the COCOBOD controls the export and internal marketing of cocoa beans, oversees agricultural research, hybridization of seeds, sale of seed to the farmers, quality control, and extension services to the farmers. The COCOBOD operates under the Ministry of Finance.

However, the internal purchasing of cocoa beans from producers is carried out by private sector companies who have been registered and given license by the COCOBOD. As at MY 2010/11, the

COCOBOD has maintained twenty-six (26) companies as Licensed Buying Companies (LBC). Under such partial liberalization all LBCs pay the same minimum set price to cocoa producers. The LBCs purchase their cocoa through buying centers which are established in the cocoa production areas. All LBCs are thus obliged to sell their cocoa beans at a fixed price to the COCOBOD which in turn exports the beans or sells to domestic processors. The operations of all LBCs are closely monitored by the COCOBOD. To curtail smuggling of low-grade cocoa beans into Ghana from neighboring countries, LBCs will be surcharged for the delivery of low-grade cocoa beans by the COCOBOD. The GOG has a liberalization policy in which sales and distribution of cocoa inputs have been privatized. This is to encourage private sector companies to enter the input distribution and compete with the Farmers Cocoa Inputs Company (GOG) that is operating.

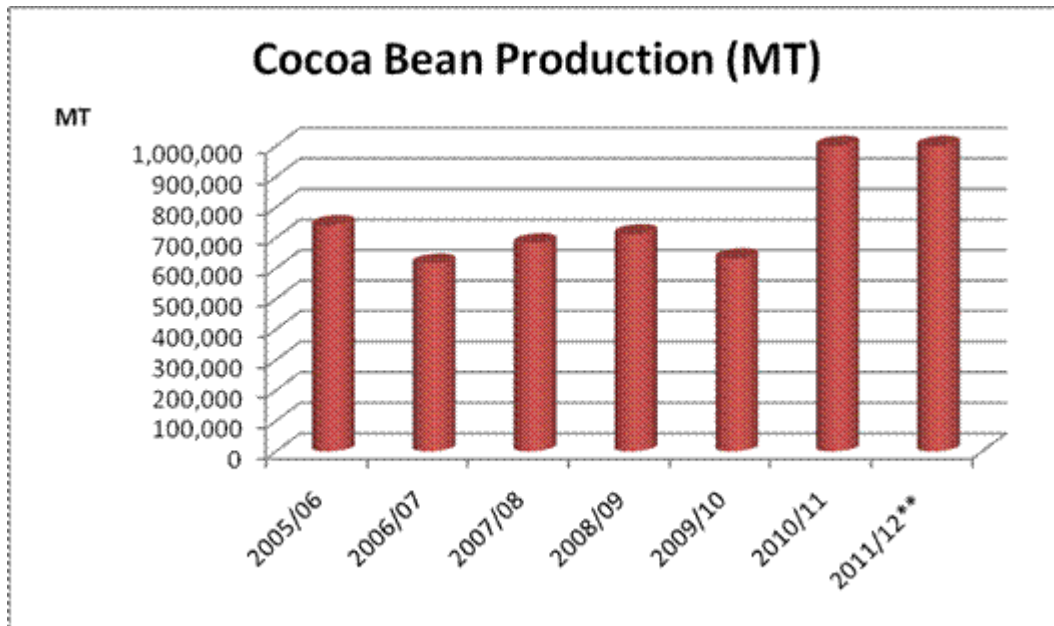
### **Government Intervention**

The GOG has been pre-financing cocoa purchases with syndicated loans. The COCOBOD secured a \$1.5 billion trade-finance agreement with a consortium of 12 foreign banks to finance the purchase of cocoa beans from growers in the MY 2010/11 season up from \$1.2 billion agreement signed last year. According to GOG sources the Standard Bank Group Ltd. of South Africa is the lead arranger of this trade-finance agreement. The increase in the loan is in anticipation of a higher volume of cocoa harvests during the 2010/11 seasons that started last October. The participating financial banks continue to provide this loan facility because the GOG honors its loan obligations. The funds are deposited with the Bank of Ghana, which disburses the monies to the LBC registered with the COCOBOD.

Ghana has also established itself as a center of excellence in the research and cultivation of cocoa. The Cocoa Research Institute of Ghana (CRIG) undertakes agronomic research related to the production of cocoa, such as, development of high yielding cocoa hybrids, disease and pest control. Additionally, CRIG research includes other uses of cocoa and its byproducts in making liquor, oil, soaps and creams.

### **Production**

Post projects the MY 2011/12 the Ghana cocoa bean production at 1 million MT. This forecast is due to favorable weather conditions (adequate and timely rains) and continuous Government of Ghana (GOG) commitment to support the sector. The Ghana cocoa bean production for the 2010/11 reached a record high of 1, 004,190 up from the 650,940 in 2009/10 according to COCOBOD sources.



Source: Ghana Cocoa Bard; \*\*Post Projections

The improved cocoa bean yield obtained in MY 2010/2011 season is due to the concerted effort of the GOG support to the cocoa sector, farmers, major stakeholders and favorable weather conditions over several years, according to GOG sources. These efforts include 1) pest and disease control that have reduced the incidence of pests and diseases especially black pod, swollen shoot disease and capsid insect attack; 2) fertilizer application; 3) adherence to improved agronomic practice; 4) higher cocoa bean prices paid to farmers, an incentive for high production; 5) rehabilitation and replanting of old farms; 6) the development of hybrid cocoa seedlings with higher yields and; 7) road rehabilitation works in cocoa growing areas that have eased movement of high volumes of the dry beans to the ports in good time for shipment. Additionally cocoa farming is largely rain fed and favorable rainfall during the night followed by sunny days has led to cocoa trees bearing good healthy looking, and fully filled pods. Cocoa is produced in Ghana in the forest areas of the country, (Ashanti, Brong-Ahafo, Central, Eastern, Western and Volta Regions), where the rainfall is between 1,000 and 1,500 millimeters per year.

The cropping /purchasing period for cocoa beans is determined by the COCOBOD; the main crop season is October-February/March while the smaller/light mid-crop cycle is April/May-mid September. In recent years the COCOBOD introduced longer crop seasons for the main crop (October to May) and reduced light crop season (June-September) in order to maximize foreign currency earnings through greater main crop yields. Light crop beans are smaller in volume than the main crop variety, although they are the same quality bean grown on the same trees in different growing seasons.

However, unofficial reports have indicated that the political instability in Ivory Coast and the higher cocoa bean price offered in Ghana may encourage the movement of cocoa beans from La Ivory Coast into Ghana. Although there is no official data it is anticipated that about 75,000Mt-100,000MT of cocoa beans may have been smuggled into Ghana during the MY 2010/11 season. Ghana cocoa is of a higher quality than Ivorian cocoa. The influx of lower quality Ivorian cocoa into Ghana could reduce the quality of the Ghana cocoa beans and this can cause a reduction in the premium price of the Ghana cocoa beans in the international market. The trend has reversed because in the past, cocoa beans were smuggled from Ghana to the Ivory Coast, because of the price difference.

## **Crop Quality**

Ghana cocoa beans have long been known for their quality and depth of flavor. According to the International Cocoa Organization (ICO) Ghana cocoa is richer in Theobromine and Flavonoids which have given the beans the unique, mild and rounded flavor. As such the quality of Ghana cocoa beans have become the world's standard against which all cocoa is measured. The International Cocoa Standards require cocoa of merchantable quality to be fermented, thoroughly dried, free from smoky beans, abnormal or foreign odor and free from any evidence of adulteration. It must be reasonably free from living insects, broken beans, fragments and pieces must be seasonably uniform in size. Manufacturers want beans that are fully fermented, not brown break, slaty or purple.

Cocoa from Ghana continues to enjoy high premium on the World's Commodities Markets because of its unsurpassable high quality and the COCOBOD grading mechanism has done much to ensure it remains so. Buyers of cocoa pay a premium ranging \$50-\$100 because of the high quality of the beans. Quality control of cocoa beans is very rigorous. The high quality of Ghana cocoa beans has been diligently maintained over the years, through the effective quality control practices and monitoring at the time of purchase by the Quality Control Division (QCD) of COCOBOD. As part of their responsibility the Quality Control Division undertakes fumigation and disinfection of beans to ensure that only insect free cocoa beans are exported; rodent control is also carried out in all cocoa storage premises to prevent damage to the beans in storage; and inspection, grading and sealing of cocoa for the international and local markets. Ghana cocoa is subjected to a minimum of three stages of quality inspection prior to shipment. This gives added assurance and confidence to the customers to buy Ghana Cocoa at all times.

## **Price**

Ghana cocoa price is not liberalized. The GOG fixes the producer price upwards by making adjustments to the price of cocoa each time there is an improvement in the world market price. The aim of the GOG is for the farm gate price of cocoa beans to be at least 70 percent of the Free On Board (FOB) price. At the beginning of every season (October 1), the GOG announces a new producer price of cocoa beans (table 2). The farm gate producer price of cocoa beans per metric ton in MY 2010/11 is GHC 3,200 (\$2,133) up from GHC2,400 (\$1600) in MY 2009/10 (about 70% of fob). This price incentive has encouraged cocoa producers to increase production and to manage their farms as a business enterprise with the requisite gains.

## **Consumption**

The bulk of the cocoa bean output in Ghana is exported either as dry bean or processed form. The COCOBOD usually sells the smaller size light crop cocoa beans to processing industries in the country at a discount. Light crop beans are smaller in volume than the main crop variety, although quality of the bean is the same. There are four major cocoa processing companies in Ghana that process the cocoa beans into primary products, such as, liquor, butter, powder and cake. About 90% of all processed cocoa is exported whilst the remaining ten percent is used in the production of confectionery products. Locally there are about ten (10) companies that produce cocoa confectionery products, such as, chocolate, cocoa beverages, cocoa powder and other chocolate candies, ice cream, and chocolate drinks.

In MY 2009/10 cocoa beans supplied to local processing industries was 65,275 MT down from 99,559 MT in MY 2008/09 due to the scarcity of the light crop cocoa beans. The total installed processing

capacity of cocoa in Ghana has increased from 85,000MT to approximately 220,000 MT in 2005-2010.

This increase was in anticipation of increase in the light crop beans and its consequent supply of the beans to the processing companies. The current shortage in supplying cocoa beans from the light crop by COCOBOD has the entire cocoa processing industry in Ghana operating below capacity which is a major concern of the processing companies.

## Trade

Ghana exported 526,761 MT of cocoa beans in MY2009/10 up from 485,785 MT in MY2008/09. The busiest shipping season runs from November to April. Cocoa bean exports account for about 40 percent of the country's foreign exchange earnings and provide the second largest source of export dollars. However, according to the Bank of Ghana, export receipts of cocoa beans and products for the first quarter of 2011 amounted to \$859.4 million accounting for about 61 percent of total export earnings as compared with \$682.5 million for 2010 which was 48.8 percent.

The main importing countries of Ghana cocoa beans are the USA, Canada, the EU (Holland, UK, Germany, Belgium, France, Spain), Asia (Japan, Thailand, China, India etc), Brazil and South Africa. Ghana's export of cocoa beans to the U.S. in 2010 was a record value of \$95,600 million up from \$55,200 million in 2009, an increase of 42 percent due to the high quality of beans. Additionally export of cocoa butter and paste to the US increased by 62.8 percent from \$32,000 million in 2009 to a record value of \$86,200 million in 2010 probably due to quality cocoa products produced by the processing industries in Ghana.

Cocoa Beans	2009/2010		2010/2011		2011/2012		UOM
	Market year Begin: Oct 2009		Market year Begin: Oct 2010		Market year Begin: Oct 2011		
	USDA Official	New post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	1180	0	1180	0	1180	(1000 HA)
Area Harvested	0	1070	0	1070	0	1070	(1000 HA)
Bearing Trees	0	1800000	0	1800000	0	1800000	(MILLION TREES)
Non-Bearing Trees	0	60000	0	60000	0	60000	(MILLION TREES)
TOTAL Tree Population	0	1860000	0	1860000	0	1860000	(MILLION TREES)
Beginning Stocks	0	0	0	0	0	5000	(MT)
Main Production	0	557180	0	916800	0	915000	(MT)
Mid & Other Production	0	44850	0	87380	0	85000	(MT)
TOTAL Production	0	602030	0	1004180	0	1000000	(MT)
Bean Imports	0	30000	0	30000	0	30000	(MT)
Liquor & Paste Imports	0	0	0	0	0	0	(MT)
Butter Imports	0	0	0	0	0	0	(MT)
Powder,Cake,Choc. Imp.	0	0	0	0	0	0	(MT)
TOTAL Imports	0	30000	0	30000	0	30000	(MT)
TOTAL SUPPLY	0	632030	0	1034180	0	1035000	(MT)
Bean Exports	0	550000	0	900180	0	900000	(MT)
Liquor & Paste Exports	0	30000	0	35000	0	35000	(MT)
Butter Exports	0	15000	0	30000	0	30000	(MT)
Powder,Cake,Choc. Exp.	0	22030	0	35000	0	35000	(MT)

TOTAL Exports	0	617030	0	1000180	0	900000	(MT)
Domestic Consumption	0	15000	0	29000	0	30000	(MT)
Ending Stocks	0	0	0	5000	0	5000	(MT)
TOTAL DISTRIBUTION	0	632030	0	1034180	0	1035000	(MT)

Ghana Cocoa Board; International Cocoa Organization (ICO)

## POST CONTACT AND FURTHER INFORMATION

For further information contact FAS/ Lagos and Accra.

Russ Nicely, Regional Agricultural Counselor  
 Marcela Rondon, Regional Agricultural Attaché

Agricultural Affairs Office  
 American Consulate  
 2, Walter Carrington Crescent  
 Victoria Island, Lagos-Nigeria  
 Telephone: (234) 1 -460-3577  
 E-mail: [aglagos@usda.gov](mailto:aglagos@usda.gov)  
 Website: <http://www.fas.usda.gov>

Elmasoeur Ashitey, Agricultural Specialist

Agricultural Affairs Office (USDA/FAS)  
 American Embassy  
 24 Fourth Circular Rd., Cantonments, Accra, Ghana  
 Tel: 233-302-741421  
 Fax: 233-21-741478  
 Cell: 233-244-331507  
 E-mail: [Agaccra@fas.usda.gov](mailto:Agaccra@fas.usda.gov)  
 Website: <http://www.fas.usda.gov>