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Agricultural Policy Research in Africa

THE POLITICAL ECONOMY OF THE COCOA VALUE CHAIN IN GHANA

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Working Paper

WP|53

March 2021

CONTENTS

Tables

Figures

ACKNOWLEDGEMENTS

We would like to acknowledge the support of the APRA programme, funded by the UK Foreign Commonwealth and Development Office (FCDO).

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This working paper is funded with UK aid from the UK government (Foreign, Commonwealth & Development Office – FCDO, formerly DFID). The opinions are the authors and do not necessarily reflect the views or policies of the Institute of Development Studies (IDS) or the UK government.

ACRONYMS

APRA	Agricultural Policy Research in Africa
APRA	Agricultural Policy Research in Africa
CHED	Cocoa Health and Extension Division
CMB	Cocoa Marketing Board
CMC	Cocoa Marketing Company
COCOBOD	Ghana Cocoa Board
CPC	Cocoa Processing Company
CRIG	Cocoa Research Institute of Ghana
CSR	Corporate Social Responsibility
ERP	Economic Recovery Programme
FOB	free on board
GDP	Gross Domestic Product
LBC	licensed buying company
NDC	National Democratic Congress
NGOs	non-governmental organisation
NPP	New Patriotic Party
PBC	Produce Buying Company
PNDC	Provisional National Defence Council
QCD	Quality Control Division
SAP	Structural Adjustment Programme
SPD	Seed Production Division

EXECUTIVE SUMMARY

This paper relies on literature review and primary data collected through interviews to examine the political economy of the cocoa value chain in Ghana, since the colonial era. The analysis, which was based on the political settlements framework, has shown that policies implemented in Ghana's cocoa value chain have gone through several shifts in relation to changing agrarian political economy and distribution of power among various interest groups. Various policies and institutional arrangements have created different costs and benefits (rents) for different interest groups in the cocoa sector.

Policy development in the cocoa sector went through four periods. First was the colonial period which experienced a fairly corporate governance system and struggle between European traders and farmer cooperatives for monopoly over internal marketing of cocoa. This was followed by the early post-independence era (1957–1980), which witnessed a state-controlled economy, characterised by neopatrimonialism and over-taxation of cocoa farmers through the fixing of producer prices far lower than the world market prices. The third period (1980–2000) marks the introduction of economic reforms and liberalisation which were adopted in response to international pressure and economic crisis. Although the economic reforms contributed to the revival of the cocoa sector, it also increased the cost of production to farmers and created further rents for political elite and their clients. The fourth period (2000–present) saw increased public-private partnerships aimed at reducing rural poverty, empowering women and youth in the cocoa sector, protecting the rights of children, and promoting environmentally friendly farming activities. However, only entrepreneurs in the patronage networks of the ruling governments are benefiting from such public-private partnerships. There is also no evidence that the recent public-private partnerships have resulted in better outcomes for women, children, and the youth.

We conclude that, although liberalisation of the value chain was enforced onto Ghana by international development partners, the government of Ghana has relied on policy ambiguities to maintain its autonomy and control over the lucrative cocoa marketing sector. Successive governments have justified the state's monopoly over internal marketing of cocoa and cocoa export in terms of the need to ensure the continuous supply of high quality of cocoa products. While over-taxation of farmers was the main mechanism of creating rent in the early post-independence era, recent governments have been distributing such rents through the procurement and distribution of subsidised inputs, and by awarding donor grants to crony capitalists. The paper also concludes that, while Ghana's cocoa sector is in a good position and has the potential to continue to contribute to economic development, there is a need for the government to work with various stakeholders to address various challenges, which include: tenure insecurities, inadequate labour supply, lack of accessible credit, shortage of farm inputs, high levels of poverty among smallholder farmers, climate change, and COVID-19. Given that rent-seeking behaviour is also a threat to the sustainability of the sector, we also urge international development partners and civil society groups to demand greater accountability and transparency from the political elite and state institutions in the cocoa sector.

Keywords: Cocoa, value chain, political economy, political settlements, Ghana

1 INTRODUCTION

This paper examines the political economy dynamics of the cocoa value chain in Ghana, the world's second largest producer of cocoa (Glavee-Geo *et al.* 2020; Roldan *et al.* 2013). Commercial cultivation of cocoa in Ghana has a long history, dating back to 1879 when Tetteh Quarshie, a Ghanaian blacksmith, brought the *amelonado* cocoa pod from Fernado Po in Equatorial Guinea (Amoah 1995). Tetteh Quarshie planted the cocoa seed, at Mampong Akuapem in the Eastern Region of the then Gold Coast, and later started selling the early pods from his trees to other farmers who cultivated cocoa on their lands. Within a few years, the cultivation of cocoa spread to other villages in the Eastern Region and then to other regions by word of mouth. Farmers' interest in the cultivation of cocoa was shaped by declining world market prices of oil palm which used to be one of the main export crops cultivated in the then Gold Coast (Amanor *et al.* 2020).

While the initial cocoa production was largely driven by personal investments made by individual farmers, the British colonial administration made a modest contribution to the development of the cocoa sector through the provision of extension services to farmers, and expansion of road infrastructure to the cocoa growing areas of the then Gold Coast (Amoah 1995). Ghana became the world's leading cocoa producer in 1910/11 and held this position until 1976/77. While the Ghanaian cocoa sector experienced a significant downturn from the late 1960s to the early 1980s as a result of a combination of factors, including a decline in cocoa prices on the world market, effects of pests and diseases, and political instability (Löwe 2017), the cocoa sector recovered again in the mid-1980s after the adoption of Economic Recovery and Structural Adjustment Programmes (Amanor *et al.* 2020; Kolavalli and Vigneri 2017).

The cocoa sector has, historically, been the backbone of the Ghanaian economy. Several households in Ghana depend directly on the cocoa sector for livelihoods, and aspects of the cocoa industry, such as input supplies to farmers and cocoa pricing, have historically featured prominently in national and local politics (Teye and Torvikey 2018). However, there are very few studies on the interests and benefits that accrue to various actors of the cocoa value chain in Ghana. As part of the Agricultural Policy Research in Africa (APRA) Programme, this paper relies on the political settlements framework (Khan 2018) to examine the basic underlying political economy dynamics of the cocoa value chain, with particular focus on how the interests, powers and interactions of various actors along the value chain have contributed to agricultural commercialisation in Ghana. The paper also explores the challenges affecting the cocoa value chain, social difference within the chain, and how various segments of the cocoa value chain have been affected by the COVID-19 pandemic in Ghana since March 2020.

The paper is structured into five sections. Section 2 presents theoretical perspectives that will be relied upon for the analysis as well as the methods of data collection. Section 3 presents the political importance and performance of the cocoa sector. Section 4 maps the various actors in the cocoa value chain and discusses the outcomes of policies in the cocoa sector, within the framework of the political settlements theory. The section also discusses current and emerging challenges facing the cocoa sector, including COVID-19. Section 5 presents the conclusions and policy recommendations.

2 THEORETICAL PERSPECTIVES AND RESEARCH METHODOLOGY

This section discusses the approach to *value chain analysis* adopted for this study, and explains the political settlement theory which will be used to discuss the findings of the study. The section also describes the method of data collection.

2.1. Value chain analysis

The concept of value chain, which is attributed to Porter (1985), simply describes the set of activities within and around production to create value for an organisation (Asamoah and Annan 2012). The concept assumes value addition as a product moves from one stage of production to another (Zamora 2016). Value chain analysis is a useful tool for assessing the role that specific value chains can play in achieving specific policy objectives, such as promoting economic growth, alleviating poverty, and reducing inequality (Bellù and Pansini 2009). According to Bellù (2013:1), Value Chain Analysis (VCA) is "the assessment of a portion of an economic system where upstream agents in production and distribution processes are linked to downstream partners by technical, economic, territorial, institutional and social relationships".

A value chain begins with the production of a commodity, and ends with the consumption of the final product (Asamoah and Annan 2012). According to Bellù (2013) value chain analysis is expected to focus on the following domains: (a) Socio-economic context of the value chain; (b) demand for value outputs to identify the threats and opportunities associated with the value chain; (c) analysis of the institutional set-up to understand interactions among various agents; (d) examination of input and output markets; (e) functional analysis of the value chain to understand the sequence of operations relating to commodity production, processing, marketing, and final consumption; and (f) economic analysis of the value chain to understand the value added creation and distribution processes.

In this paper, some of the domains that are similar will be combined. We start with an examination of the socio-economic context of the value chain, followed by an analysis of the final market and demand for value outputs. The next section of the assessment will focus on evolution of policies in the sector, and the institutional set-up and functional analysis of the value chain. This is based on the political settlement conceptual framework, which is outlined in the next sub-section.

2.2. The political settlements framework

The political settlements framework emerged as a critique of theoretical perspectives that do not pay attention to the formal and informal relations that characterise policy development. The framework suggests that the distribution of power among various interest groups determines the outcomes of public policies (Whitfield *et al.* 2015). Any public policy generates different costs and benefits (rents) for different groups (Khan 2018). Different groups may therefore employ various strategies to influence policy formulation and allocation of rents. Various groups may support or resist policies depending on their own interests and capabilities (Whitfield *et al.* 2015). Actual policy outcomes may thus depend on several factors, including the distribution of power among various interest groups. Policies that threaten the rents of powerful interest groups are unlikely to be adopted, even if they are socially desirable (Khan 2018). The framework also suggests that political parties tend to capture resources for their clients who can help them remain in power, even though such activities may damage the economy (Behuria *et al.* 2017). The political settlement theory therefore suggests that any analysis of policy outcomes must focus on the interests and distribution of power among competing groups. The theory further explains that the holding power of interest groups is based on a combination of economic capabilities, capacity of their leadership to mobilise resources, and their skill in rewarding the right policy actors through formal or informal networks (Khan 2018; Whitfield *et al.* 2015). Groups that lose out during the formulation of stated policy may continue to mobilise resources, and adopt several strategies to influence subsequent policy changes in their favour.

Policy changes are usually the outcome of interactions between policymakers and interest groups. The theory also suggests that while interest groups in developed countries often try to lobby policymakers to change formal rules which are enforced by legitimate governance agencies, powerful interest groups in developing countries tend to adopt informal violations of formal rules to capture benefits informally (Khan 2018). Patronage networks and corruption, which distort policy outcomes in developing countries, are therefore explained as part of the political settlement. In summary, the theory argues that instead of only focusing on formal rules, there is a need to examine how the interests of policymakers and powerful actors shape the formulation and implementation of policies (Behuria *et al.* 2017; Whitfield 2015). Based on this framework, we will examine the performance of the cocoa sector through a historical analysis of the changes in interests and distribution of powers of various actors in the cocoa value chain in Ghana.

2.3. Research methodology

The paper is based on a combination of secondary and primary data. The study commenced with a comprehensive review of literature on the cocoa value chain in Ghana. Apart from providing useful background information on the performance of the cocoa sector, the literature review provided information that is useful for the mapping of the cocoa value chain. The review also enhanced our understanding of the interests of various policy actors as well as the policies and regulations that govern the cocoa value chain. The review of the scientific literature was complemented with secondary data sources which provided information on the performance of the cocoa value chain. The secondary data includes data on annual output of cocoa and contribution of the cocoa to the economy. Primary data was collected to complement the secondary data. The approach to primary data collection and data analysis was largely qualitative. In all, 21 knowledgeable actors in the cocoa value chain were interviewed as key informants. They were selected from the private sector, government, cocoa producer associations and academia. Flexible interview guides were used to interview all respondents. The topics covered in the interviews include the structure of the cocoa value chain; performance of the cocoa sector; evolution of policies in the cocoa value chain; interests and holding power of different actors, and how these influence policy and outcomes. Some of the key informants who are involved in the cocoa value chain also answered questions on the impact of COVID-19 on their agribusinesses. These interviews were based on a rapid market survey questionnaire jointly designed by the leaders of the APRA and Commercial Agriculture for Smallholders and Agribusiness research teams.

3 IMPORTANCE AND PERFORMANCE OF THE COCOA VALUE CHAIN

This section examines the political and economic importance of the cocoa value chain in Ghana, and discusses history of the performance and economic importance of the cocoa sector.

3.1. Economic and political importance of the cocoa value chain

The agricultural sector contributes about 20 per cent to Ghana's Gross Domestic Product (GDP) and employs 42 per cent of the economically active population (GSS 2016). Of the four major sub-sectors – crops, animals, fisheries, and forestry – the crop sub-sector is the most economically important (Yaro *et al.* 2017). The cocoa sector contributes significantly to socio-economic development in Ghana, especially in terms of its contributions to GDP, foreign exchange, and employment. Although the sector's contribution to GDP has declined in the last decade (see Table 3.1), it is still the most important commercial crop, contributing an average of 2 per cent to GDP in the last decade.

The cocoa sector is also important source of foreign exchange for Ghana (Deans *et al.* 2018). In the 1970s, 65 per cent of the country's foreign earning came from export of cocoa. Today, Ghana is the second leading exporter of cocoa to the United States, Europe and Asia (Glavee-Geo *et al.* 2020; Monastyrnaya *et al.* 2016). Cocoa currently contributes 80 per cent of agricultural export earnings (ISSER 2017). As shown in Figure 3.1, the total value of export increased from GH¢ 878.86 million in 2000 to GH¢ 87,432.98 million in 2019. A greater proportion of the cocoa foreign exchange comes from export of cocoa beans. Table

Table 3.1: Contribution of cocoa and other sectors to gross domestic product

Year	Service	Industry	Agriculture	All crops	Cocoa only	Livestock	Forestry and lodging	Fishing
2000	48.81	21.25	29.94	19.96		2.63	4.37	2.99
2001	49.20	21.01	29.80	19.84		2.64	4.39	2.92
2002	49.26	21.04	29.70	19.77		2.65	4.41	2.87
2003	48.58	20.81	30.61	20.80		2.62	4.41	2.79
2004	47.88	20.37	31.75	22.03		2.58	4.34	2.80
2005	48.12	20.65	31.23	21.79		2.53	4.31	2.60
2006	48.80	20.80	30.40	21.30	3.02	2.45	4.13	2.52
2007	50.20	20.75	29.05	20.27	2.67	2.30	4.18	2.30
2008	48.61	20.42	30.96	22.45	2.46	2.12	3.74	2.66
2009	49.19	19.00	31.81	23.63	2.45	2.04	3.68	2.45
2010	51.13	19.12	29.75	21.71	3.21	2.01	3.72	2.31
2011	49.10	25.56	25.34	19.07	3.57	1.80	2.77	1.70
2012	49.13	28.02	22.85	17.17	2.56	1.59	2.58	1.51
2013	49.79	27.81	22.40	17.43	2.19	1.35	2.24	1.38
2014	51.94	26.56	21.50	16.75	2.22	1.22	2.34	1.18
2015	54.37	25.35	20.28	15.74	2.21	1.16	2.28	1.10
2016	46.90	30.20	22.80	16.2	1.93	3.3	1.8	1.4
2017	47.70	30.30	22.00	15.4	1.80	3.0	1.7	1.2
2018	48.20	31.40	20.50	14.5	1.60	2.7	1.5	1.0
2019	49.50	31.10	19.40	13.8	1.40	2.5	1.3	0.9

Source: Adapted by authors from data provided by Ghana Statistical Service 2020

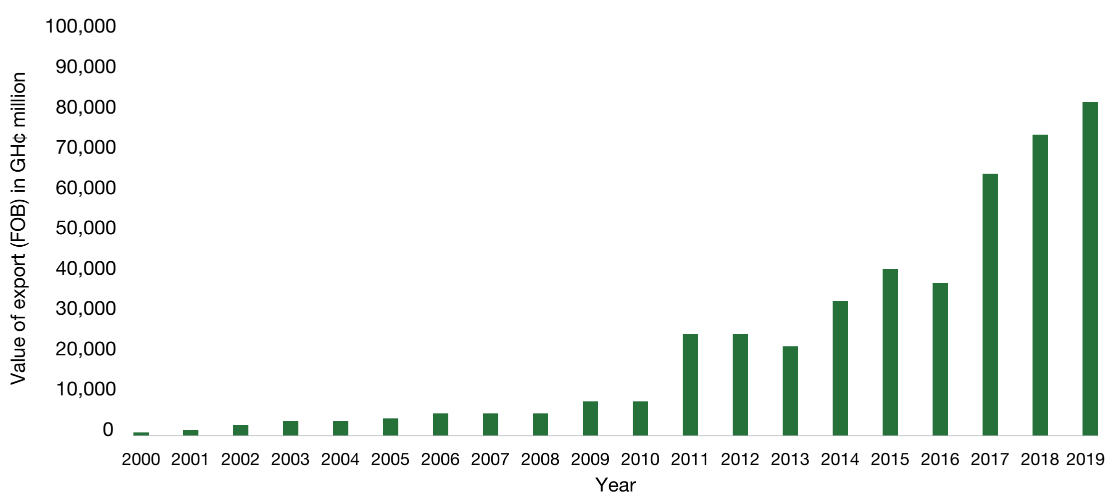
3.2 demonstrates the value of raw cocoa beans exported has increased from GH¢1,211 million in 2010 to GH¢10,147 million in 2015. Export of cocoa beans and cocoa products contributes more than 30 per cent of the value of merchandise export (GIPC 2017). Cocoa contributes to the livelihood of about six million people that are heavily dependent on the cocoa sector, including over 800,000 mostly rural households that derive 67 per cent or more of their household income (Asamoah and Owusu-Ansah 2017; ISSER 2014). Cocoa exports are subject to taxes which provides government with revenue from cocoa, while the tax rate on exports of cocoa beans is fixed annually by the government. Currently, about 5 per cent of government revenue comes from cocoa export tax alone.

Table 3.2. Ghana's major exports (in GH¢ million)

Mining	2010	2011	2012	2013	2014	2015
Gold (bullion)	3,341.1	5,111.7	8,947.7	8,155.8	12,416.8	14,605.0
Unwrought gold	539.4	1,395.2	2,338.3	2,106.8	416.9	1,183.6
Agriculture	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Cocoa beans	1,211.1	3,127.7	3,530.4	2,694.3	5,787.4	10,146.6
Cashew nuts	19.1	709.4	273.0	454.0	293.9	1,069.1
Cocoa products	986.6	1,324.8	1,320.4	1,149.3	1,897.1	

Source: Ghana Statistical Service (2016, as cited by GIPC 2017)

Figure 3.1: Value of exports in Ghana (in GH¢ million)



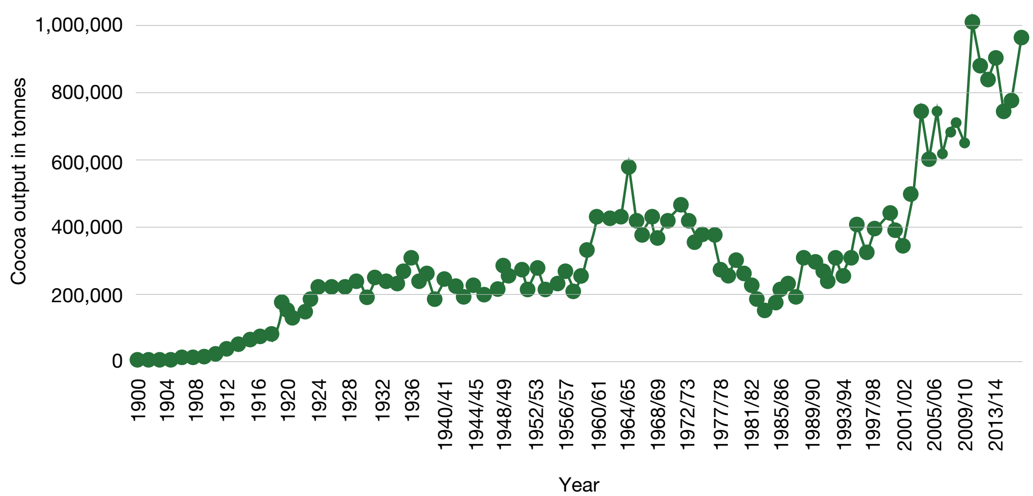
Source: Author's calculation

3.2. Historical analysis of the performance of the cocoa sector

Ghana's cocoa sector performed very well in the late nineteenth and early twenty-first centuries (Manu 1974). The evidence for this claim is the fact that Ghana became the world's leading producer of cocoa in 1910/11, barely 30 years after the commencement of commercial production of cocoa. While this early performance of the cocoa sector is often attributed to massive investments made by smallholder farmers and migrant capitalist farmers who have invested in land purchase and cocoa production (Hill 1963), the British colonial administration also played a small contribution to the development of the early cocoa industry in Ghana. For instance, in 1886, Sir William Brandford Griffith, the then Governor of the Gold Coast, supported the cultivation of cocoa by importing cocoa pods from Sao Tome and planting them at a newly state established botanical garden at Aburi. The seedlings produced at Aburi were subsequently distributed through the local chiefs and Basel missionaries to farmers in areas suitable for cocoa production (Amoah 1995). The colonial administration also contributed to the development of the cocoa sector through research and extension services. For instance, the administration established the Cocoa Research Institute of Ghana at Tafo in 1938 (Amanor *et al.* 2020). Another mechanism by which the colonial government promoted the growth of the cocoa sector was through the development of infrastructure, such as roads and railways, in the cocoa producing areas. According to Akwabi-Ameyaw (1973:183), four cocoa growing settlements, Asankare, Juaso, Konongo and Bomfa, in Eastren Ashanti had been linked by rail with the Accra and Sekindi coastal ports by 1923. The colonial government also promoted the marketing of cocoa by establishing a well-controlled marketing, input subsidy programmes and pricing regime for cocoa. Compared with other farmers, cocoa farmers were given better support in terms of inputs and guaranteed prices. As a result of early investments, Ghana's cocoa sector performed very well and cocoa output grew exponentially from 1900 to 1938 (see Figure 3.2).

The cocoa industry, however, became stagnant between 1938 and 1960, as a result of a decline in price of cocoa on the world market and an outbreak of diseases and pests, especially the swollen shoot virus (Frankel 1974). The early post-independence era (1961–1964) witnessed a rise in the performance of the cocoa sector again and this was attributed to high prices offered to farmers, and the fact that trees planted a few years earlier had now matured (Vigneri and Kolavalli 2017). However, this short period of good performance gave way to another long period of poor performance. Indeed, the period from 1964–1982 is often described as a downturn of the cocoa sector, as total annual output declined significantly (see Figure 3.2). While Ghana produced about 40 per cent of the world's cocoa in the early 1930s, it contributed just about 10 per cent of total global output in the 1970s and 1980s (Löwe 2017; Knudsen 2010). This poor performance of the sector was partly caused by a decline in cocoa prices on the world market, which prompted the Ghana Cocoa Board (COCOBOD) to

Figure 3.2 Annual total cocoa output in Ghana in tonnes (1900–2016)



Source: Polly Hill 1956; Kotey *et al.* 1973; Ghana Cocoa Board

Table 3.3: Growth rates in various sectors of the Ghanaian economy 2006 to 2019

Year	Service	Industry	Agriculture	All crops	Cocoa only	Livestock	Forestry and lodging	Fishing
2007	6.5	7.3	5.7	6.7	8.7	4.7	2.6	3.6
2007	7.7	6.1	-1.7	-1.3	-8.2	4.7	-4.1	-7.2
2008	8.0.	15.1.	7.4.	8.6	3.2	5.1	-3.3	17.4
2009	5.6	4.5	7.2	10.2	5.0	4.4	0.7	-5.7
2010	9.8	6.9	5.3	5.0	26.6	4.6	10.1	1.5
2011	9.4	41.6	0.8	3.7	14.0	5.1	-14.0	-8.7
2012	12.1	11.0	2.3	0.8	-9.5	5.2	6.8	9.1
2013	10.0	6.6	5.7	5.9	2.6	5.3	4.6	5.7
2014	5.6	0.8	4.6	5.7	4.3	5.3	3.8	-5.6
2015	5.7	1.2	2.4	2.0	-2.3	5.3	3.8	1.2
2016	46.7	30.6	2.9	16.2	2.2	3.3	1.8	1.4
2017	46.0	32.7	6.1	15.4	7.2	3.0	1.7	1.2
2018	46.3	34.0	4.8	14.5	5.8	2.7	1.5	1.0
2019	47.2	34.2	4.6	13.8	5.3	2.5	1.3	0.9

Source: Adapted by authors based on administrative data provided by Ghana Statistical services reduce the producer price given to farmers. Farmers responded to this situation of lower returns by reducing investment in cocoa production (Amanor *et al.* 2020). Political instability, high level of corruption, and diseases and pests also accounted for the decline in cocoa output during this period. The cocoa industry recovered again since 1983, as a result of the implementation of economic recovery and structural adjustment programmes (ERP/SAPs).

The main components of the ERP/SAPs which propelled the recovery and growth of the cocoa sector were increased producer prices, improved infrastructure, reduction of implicit taxation of farmers and improved extension services to farmers (Vigneri and Kolavalli 2013). Since the 1990s, the government and its development partners have promoted increasing use of hybrid crop varieties, fertilisers, and chemicals, and this has also contributed to the rising quantity of cocoa harvested in Ghana (Kolavalli and Vigneri 2017). The significant rise in cocoa output, especially since 2000, is attributed to rising world market prices of cocoa and COCOBOD's input support to cocoa farmers, including mass spraying of cocoa farms and provision of high subsidised fertilisers (Amanor *et al.* 2020). As shown in Table 3.3, the average growth rate in the cocoa sector has been around 4 per cent in the last 3 years. A very high growth rate of 26.6 per cent was recorded in 2010.

4 ASSESSMENT OF THE MAIN DOMAINS OF THE COCOA VALUE CHAIN

In this section, we examine the various domains of the cocoa value chain, based on the conceptual framework outlined earlier. The section will also examine social difference and challenges facing the chain, including the impact of COVID-19.

4.1. Final market and demand for Ghana's cocoa

As hinted already, Ghana supplies a greater proportion of its cocoa to the world market, and is currently the second leading exporter of cocoa to the United States, Europe and Asia (Glavee-Geo *et al.* 2020). The European Union market is by far the most important for the bulk of Ghana's cocoa products (COCOBOD 2016). The prices of exported cocoa are determined by global prices set on futures markets such as the London Cocoa Futures, the ICE Cocoa Futures and Euro Cocoa Futures (Grumiller *et al.* 2018; Oomes *et al.* 2016). The markets for cocoa export, cocoa processing, and chocolate production in the value chain are increasingly becoming highly concentrated, both at country and global levels (Callahan 2019; Ton *et al.* 2008), with ten chocolate manufacturing companies accounting for about 43 per cent of global sales (Glavee-Geo *et al.* 2020). This has facilitated the penetration of more coordinated 'value chains', with stronger linkages between retailers, chocolate manufacturers and cocoa processors. While market concentration increases the bargaining power of traders and processors and allows them to benefit from economies of scale, smallholder farmers barely benefit from any cost savings as they are often reduced to "price takers" (Callahan 2019; Ton *et al.* 2008). For instance, in 2008, cocoa farmers received only 4 per cent of the final price of an average bar of milk chocolate, potentially undermining the sustainability of quality cocoa production (Barrientos *et al.* 2008). Oomes *et al.* (2016), however, argue that market concentration is not the key cause of poverty among smallholder cocoa farmers, blaming instead low productivity among farmers and the lack of alternative livelihoods.

Notwithstanding, consumer tastes have become more nuanced and differentiated by price and quality with greater segmentation in the chocolate market, and increasingly many manufacturers and processors have become aware of growing consumer concerns with social and environmental issues through the purchase of higher price organic and Fairtrade-certified chocolate (Yihdego *et al.* 2019; Barrientos *et al.* 2008). This growing demand is raising concerns about the future resilience of the supply chains of the chocolate industry to secure sufficient quality cocoa to meet this demand, especially when industry specialists are forecasting a possible shortage of cocoa in 2020 (Barrientos and Bobie 2016). A potential disequilibrium is therefore emerging in the supply and demand of quality cocoa beans, particularly for the high-quality niche and mainstream-quality segments of the market. This prospect is complicated by adverse media pressure regarding the use of child and forced labour on cocoa farms in West Africa. Children's work on cocoa plantations went unnoticed by consumers and industry actors until The New York Times' publication on "bonded labour" in 2001 (Löwe 2017). The ensuing consumer protests and boycotts heightened industry concerns. In recent years, issues of forced labour and Worst Forms of Child Labour Conventions have featured prominently in the cocoa industry, especially in developing countries.

Several certification schemes by the Universal Trade Zone, Fairtrade and Rainforest Alliance now ensure that farmers get premiums for higher-quality beans and buyers benefit from enhanced supply security, brand reputation, credibility of claims and transparency of the supply chain (Grumiller *et al.* 2018). In response, several companies have introduced corporate social responsibility initiatives, including the promotion of women's empowerment in support programmes for cocoa farming. Manufacturers are increasingly demanding high-quality cocoa produced in accordance with international social and environmental standards (Barrientos *et al.* 2008). Ghana is uniquely advantaged to continue to produce high-quality cocoa that meets these international standards (Asamoah and Annan 2012). COCOBOD, which functions as the state 'buyer of last resort', provides support to farmers and ensures the maintenance of the highest-quality standards of final exports (Knudsen 2010). This has helped to maintain the quality of Ghanaian cocoa which earns an international price premium (Sulaiman and Boachie-Danquah 2017; Monastyrnaya *et al.* 2016). More importantly, Ghana's high-quality cocoa, traceability and contract integrity has meant that it has been able to sell a larger percentage of its cocoa than other producer countries on forward markets. This helps to cushion farmers against price volatility in the markets, which ensures sustainability of high-quality cocoa production. The future demand for Ghana's cocoa will continue to be high. Ghana can expand within the mainstream quality segment of the cocoa market as an important exporter of Fairtrade cocoa (Joerin *et al.* 2018), with potential to expand niche markets such as Fairtrade and organic chocolate (Yihdego *et al.* 2019). For instance, Cadbury, which purchases most of its cocoa from Ghana, is rewarded for the premium it pays by occupying the mainstream-quality range of the consumer market. Cadbury thus has a strong interest in supporting Ghana's position as a high-quality cocoa producer in the future.

4.2 Mapping Ghana's cocoa value chain: institutional set-up and chain actors

Studies of the cocoa value chain in Ghana identify five to six stages, including input supply by both state and private agents; cocoa bean production by smallholder farmers; purchasing and transport of cocoa beans by state and private licensed buying companies (LBCs); cocoa bean processing to paste, butter and powder; further processing of the intermediate products by combining several inputs; manufacturing of chocolate products by chocolate makers, dairies and bakers; and distribution and sales by retailers (Tardzenyuy *et al.* 2020; Yihdego *et al.* 2019; Grumiller *et al.* 2018). According to Monastyrnaya *et al.* (2016), the actors in the cocoa value chain may be designated as public (with COCOBOD as a typical example); formal, or those regulated by the state through contractual agreements (e.g. LBCs, processors and big food retailers); and informal. These include unregulated actors consisting of small private businesses dealing in inputs, food retailing and haulage activities, and agribusiness, including the activities of smallholder farmers (see Table 4.1). Notwithstanding the intricate linkages between internal and external activities of the cocoa value chain, the majority of studies focus attention on the internal matters of the chain (Grumiller *et al.* 2018; Joerin *et al.* 2018; Monastyrnaya *et al.* 2016). Very few studies (Asante-Poku and Angelucci 2013) have captured both the internal and external dynamics of the cocoa value chain in Ghana and effectively linked the country to the global cocoa value chain.

4.2.1. Input supply

The cocoa value chain in Ghana begins with inputs, such as seedlings, agrochemicals and farming equipment supplied by both state and private suppliers (Hütz-Adams *et al.* 2016; Monastyrnaya *et al.* 2016). The management of input supply has changed over the years, and while the state provided subsidised fertilisers and agrichemicals in the early post-independence era, the subsidies were withdrawn in early 1980s when the state adopted ERPs. They were, however, re-introduced in the mid–2000s partly as a result of the desire to use input supply to win political votes (see Teye and Torvikey 2018).

Table 4.1: Main cocoa value chain actors in Ghana

Activity	Actor	Outputs	Type of sector
Input supply	Private Input dealers	Seeds, fertilisers, agro-chemicals	Mainly informal
	CHED, SPD (COCOBOD)		Public
Production	Farmers	Cocoa beans	Agribusiness
Internal marketing	LBCs	Purchasing of cocoa beans from farmers and delivery to COCOBOD	Formal
Transportation	LBCs	Transportation of cocoa beans	Formal
	Hauliers	Transportation of cocoa beans	Mainly informal
Exports	CMC (COCOBOD)	Exporting of cocoa beans	Public
Processing	Processors	Chocolate, cocoa powder, cocoa butter, liquor, cakes, beverages	Mainly informal
Marketing of cocoa waste	Cocoa waste companies	Exporting of inferior cocoa and cocoa waste	Formal
Retail	Big supermarkets	Delivering products to consumers	Mainly formal
	Small retailers		Formal
	Individual distributers and table-top businesses		Mainly formal

Source: Monastyrnaya *et al.* 2016

Several studies have shown that increasing cocoa yields in Ghana are attributable to the adaptation of new technology in the industry that involved the use of chemical fertilisers, hybrid cocoa trees and greater pests and disease control (Löwe 2017; Kolavalli and Vigneri 2017). For instance, compared to the 1980s when only 10 per cent of trees were of high-yielding varieties, and 1990, when only 10 per cent of farmers applied fertiliser, in 2002, 57 per cent of farmers used high-yielding varieties and 50 per cent applied fertiliser (Löwe 2017). The state acting through COCOBOD's Seed Production Division (SPD) and the Cocoa Health and Extension Division (CHED), supplies inputs such as seedlings and fertilisers to cocoa farmers, and conducts mass spraying on cocoa farms (Manteaw *et al.* 2018). Meanwhile, many small-scale private input dealers, typically located in various urban and peri-urban areas in each region of Ghana, sell inputs sourced from wholesalers primarily based in Accra or Kumasi, generally on a cash-and-carry basis. Although inputs from the state are subsidised, farmers still bear most of the cost (Boansi 2013). In view of the high incidence of poverty among some cocoa farmers and cocoa 'buyers' desire to exert control over farmers to keep them 'faithful', there are instances whereby private traders provide in-kind support to farmers or pre-finance their inputs (Hütz-Adams *et al.* 2016). More often, farmer-based organisations also step in with inputs for their members (Gayi and Tsowou 2016).

4.2.2. Production

Cocoa production has undergone several changes. While cocoa production has largely been undertaken by individual farmers, the Cocoa Marketing Board which was established in the 1940s has managed cocoa production issues (Löwe 2017; Ton *et al.* 2008). Following the SAPs in the 1980s, production processes became a joint-state and private participation venture, with the state-owned COCOBOD dominating the process. As noted already, while cocoa production increased from the 1930s, making Ghana the leading producer of cocoa for several decades, output declined in the 1970s. The country has since become the second largest producer after implementing SAPs and many reforms that partially liberalised cocoa production and marketing in the mid-1980s (Knudsen 2010; Ton *et al.* 2008).

Ghana's high-quality cocoa production involves an army of approximately 800,000 smallholder farmer households (Ghana Statistical Service 2014; Knudsen 2010) utilising land sizes up to 5ha (Yihdego *et al.* 2019; Hütz-Adams *et al.* 2016). While about 80 per cent of these farmers own their own lands for cocoa production, the remaining landless 20 per cent, depend on the abunu and abusa systems of sharecropping for this purpose (Monastyrnaya *et al.* 2016). The abunu sharecropping system entitles the sharecropper to half of the harvest, but makes the farmer responsible for the whole production process. The abusa on the other hand entitles the sharecropper to 30 per cent of the harvest for managing the farm but inputs, which may sometimes be inadequate, are supplied by the landowner (Yaro *et al.* 2018; Löwe 2017; Monastyrnaya *et al.* 2016). Land ownership is a source of social differentiation among cocoa farmers. Compared with landowners, sharecroppers mainly experience less tenure security, with the least secured being those in abusa and caretaker agreements. Farmers are classified by the Cocoa Research Institute of Ghana (CRIG) into high, medium and low producers, with the highly productive group achieving yields close to 1400kg/ha but producing only 5 per cent of total output. Medium-level producers, however, are achieving yields of 650 kg/ha and producing 45 per cent of Ghana's output, while the low productivity group obtaining yields of 350kg/ha producing the most cocoa (Löwe 2017). Several self-help cocoa farmer associations called nnoboa have developed as part of the production process because of the intensity of labour required (Yihdego *et al.* 2019), challenges with credit access and compliance with various certification schemes (Abbey *et al.* 2016; Monastyrnaya *et al.* 2016). In most cases, the leadership of these associations are men.

4.2.3. Internal marketing and transportation

The World Bank backed economic reforms in the cocoa sector in the 1990s meant that the purchase and transport of cocoa beans from points of production to the ports in Ghana was no longer the preserve of the state-owned Produce Buying Company (PBC) of COCOBOD (Oomes *et al.* 2016) which had historically undertaken these activities. Local and international LBCs (Knudsen 2010). Although the PBC, which is now listed on the Ghana Stock Exchange, remains the largest LBC and retains monopoly over external marketing, close to 30 licenced private national and international LBCs also take part in internal cocoa marketing (Manteaw *et al.* 2018; Monastyrnaya *et al.* 2016). COCOBOD provides 'seed funds' to LBCs to purchase cocoa beans. Singapore-based Olam and UK-based Armajaro are major international LBCs, while Kuapa Kokoo is the only producer-based cooperative LBC in Ghana (Barrientos *et al.* 2008). Given the fixed amount LBCs earn from COCOBOD, which has the mandate to fix the domestic floor price for specific quantities of cocoa (Knudsen 2010), the viability of LBCs depends on how much cocoa they turn over to the Cocoa Marketing Company (CMC) (An *et al.* 2016). To improve their odds, LBCs rely on several local community district managers and purchasing clerks to buy,transport and deliver cocoa from remote communities to their warehouses (Abbey *et al.* 2016; Monastyrnaya *et al.* 2016). While some LBCs such as Armajaro and Kuapa Kokoo are able to pay bonuses and premium respectively, because they have more capital at their disposal, most LBCs provide inducements such credit facilities and extension services to attract and retain farmers (Barrientos *et al.* 2008).

LBCs benefit from a controlled internal marketing system of cocoa but they can only resell to the CMC, despite the intent of partial reforms to also liberalise cocoa exports (Monastyrnaya *et al.* 2016; Oomes *et al.* 2016). Rather than outsourcing the haulage of their certified, graded and bagged cocoa to private transport operators, in recent times LBCs perform this function themselves (Abbey *et al.* 2016). Beside the LBCs, there are a few unlicensed private cocoa buyers that purchase from farmers and sell to LBCs or smuggle the cocoa outside the country for sale (Monastyrnaya *et al.* 2016). A study by Ansah *et al.* (2018) shows that LBCs play a significant role in ensuring sustainable supply of quality beans by constantly educating and training farmers on fermentation, drying, packaging, and storage practices.

4.2.4. Exports

The export of cocoa is the exclusive responsibility of CMC, which is a subsidiary of COCOBOD (Oomes *et al.* 2016). CMC takes delivery of the cocoa from LBCs and stores them at three centres in Tema, Takoradi and Kaase. Given the challenge of cocoa price volatility, the CMC is also assigned with hedging all pre-harvest forward sales and contracts at a fixed price with international merchants and cocoa processors (Monastyrnaya *et al.* 2016). COCOBOD's seed fund for LBCs is derived from funds borrowed from an international syndicate based on up to about 80 per cent forward sales of cocoa (World Bank 2013).

4.2.5. Processing

Efforts at processing cocoa before export date back to the 1960s, with the establishment of the West African Mills Company as a private entity to convert raw cocoa to paste, butter and other products (Sulaiman and Boachie-Danquah 2017). Ghana only processes 20 per cent of its cocoa into semi-finished or consumer products domestically. Over 95 per cent of the ensuing powder, butter, liquor, and cake is also exported, with only 5 per cent used domestically for confectioneries and other cocoa-based products (Monastyrnaya *et al.* 2016). The five large processing companies in Ghana including Cocoa Processing Company, Barry Callebaut, Afrotropics, Cargill and Archer, and Daniels Midland, operate at different levels and engage in both primary and secondary processing of cocoa into pastes, butter, nibs, confectioneries, and chocolates (Sulaiman and Boachie-Danquah 2017). The government of Ghana has offered several incentives, including extended payment credit and tax-free zones, to attract investment for domestic processing and these led to over 300,000mt increase in domestic grinding of cocoa in 2013 (World Bank 2013). Efforts are underway to give incentives to entrepreneurs to establish more processing units in order to increase domestic grinding capacity to 60 per cent of the total cocoa harvest for export (Asante-Poku and Angelucci 2013).

4.2.6. Cocoa waste marketing

Five licensed cocoa waste companies procure cocoa waste such as shells, husks, skins and inferior quality cocoa from farmers and processors in cocoa growing areas in Ghana. These are shipped abroad after checks by COCOBOD to ensure that quality cocoa is not inadvertently exported abroad by these means (Monastyrnaya *et al.* 2016).

4.2.7. Retail

Many small informal open-air retailers and groceries and very few supermarkets serve several local and imported cocoa-based products including cocoa powder beverages, chocolate, and creams in Ghana. These products, however, make up a tiny fraction of the cocoa value chain (Monastyrnaya *et al.* 2016; Knudsen 2010).

4.2.8. Consumers

Demand for cocoa depends, to a large extent, on chocolate and other cocoa products. These however face competition from other snacks, giving the consumer options if the price of cocoa products increases (Oomes *et al.* 2016). However, compared to chocolate which is perceived as unaffordable, except perhaps on special occasions, powdered beverages are mostly considered affordable cocoa-based product and commonly consumed in Ghana. The government of Ghana has been making efforts to encourage domestic chocolate consumption by rebranding Valentine's Day as National Chocolate Day since 2006 (Monastyrnaya *et al.* 2016). The highest demand for cocoa products remains in Europe and North America, but demand is also rising in China and India. Countries in Central and South America, especially Brazil, also have a long cocoa-consuming tradition (Sulaiman and Boachie-Danquah 2017).

The actors discussed so far may, in many ways, be considered the main actors of the cocoa value chain. Several other actors that play supportive roles (Monastyrnaya *et al.* 2016) to facilitate key aspects of the activities discussed above include extension services and research, quality control, financing, insurance and social protection and disaster management.

4.3. Evolution of agricultural policies relevant to cocoa value chain

There have been significant changes in the agrarian political economy of Ghana since the colonial era. The British colonial administration (1874–1956) promoted the production of export crops, notably cocoa, oil palm, and coffee to feed British industries and also to raise revenue for the colony. The colonial administration was in favour of production by peasant farmers rather than state plantations due to fears that the large-scale land acquisition required for plantations could create local resistance, which could then undermine the colonial government. In this situation, the colonial administration's support for smallholders in the cocoa sector was due to its calculation of the risks associated with any attempts to intervene in the existing land tenure arrangements. The major winners were the cocoa farmers, landowners, European cocoa traders and the colonial administration.

The early post-colonial government, led by President Nkrumah (1957–1966), continued to promote the production of commercial crops such as cocoa, oil palm, tobacco and rubber to feed Ghanaian industries, as part of wider import substitution strategy. The Nkrumah government made efforts to promote state-owned large-scale plantations, in line with its socialist ideology. While the government's promotion of large-scale plantation was justified by the argument that small-scale agriculture was difficult to modernise (Yaro *et al.* 2016), efforts to promote state-owned large-scale plantations, however, did not work in the cocoa sector and over 80 per cent of cocoa are still produced by peasant farmers. After the overthrow of the Nkrumah regime in 1966, the military governments that ruled Ghana did not make any significant changes to the cocoa sector, as there was high level of political instability and cocoa sector performed very poorly.

In line with a general economic crisis, the cocoa sector nearly collapsed in the 1970s and 1980s. In order to deal with economic challenges, the Provisional National Defence Council (PNDC) government, let by President Jerry John Rawlings, adopted an ERP in 1983 and SAPs in 1988 (Teye and Torvikey 2018), with support from the IMF and World Bank. The programme aimed to remove subsidies, privatise state businesses and liberalise trade. The SAPS also sought to increase production of export crops through enhanced technology. In response to arguments by international donors that economic crisis in Ghana was partly due to low value of unprocessed primary products, value addition was also a major component of the SAPS (Brooks *et al.* 2007). The ERP/SAPs had some positive effects on the growth of the cocoa sector. First, the government made efforts to increase the producer prices for cocoa for farmers and this achieved good results as cocoa production began to rise in 1984SAPs also contributed to efforts to add value to Ghana's cocoa. Incentives were introduced to entice foreign firms to establish agro-processing companies in Ghana. Firms operating in the tree crop sector (cocoa, coffee, shea butter, coconut, etc.) have 10 years of tax holiday. Agro-processing was promoted by both the government and its development partners on the ground that such value addition efforts will create jobs, increase tax revenue and increase foreign exchange (ISSER 2014).

The government also revamped cocoa production through a rehabilitation programme that entails increased use of technological inputs, including fertilisers, chemicals for controlling pests and diseases and introduction of hybrid cocoa (Amanor *et al.* 2020; Vigneri 2008). The devaluation of the Ghanaian cedi also contributed to increased exportation of various commodities, including cocoa. Despite these benefits, SAPs had some negative effects. For instance, the removal of subsidies on inputs affected all farmers, including those in the cocoa sector. It is also argued that SAPs brought differential benefits. In the agricultural sector, landowners and large-scale farmers benefited significantly as they increased rents, increased production for export, and enjoyed higher producer price for export commodities, such as cocoa. On the other hand, landless people, including migrants and women, were the losers because the removal of subsidies on public utilities and inputs affected them negatively (Teye and Torvikey 2018; Sawyer 1988). Some civil society groups contested the removal of subsidies, reasoning that it made life more difficult for poor households.

Since 2000, major agriculture sector development policies, which sought to modernise agriculture, have moderately contributed to the development of the cocoa value chain. For instance, FASDEP I, which was adopted in 2002, and FASDEP II, which was adopted in 2007, sought to enhance the technical capacity of farmers to use improved equipment and agro-chemicals. Similarly, and partly the response to neo-liberal arguments that state control of input distribution was not sustainable, national fertiliser and seed policies were implemented in 2010 to promote private sector participation in the production and distribution of fertiliser and improved seeds. Also, in line with arguments by development partners that other tree crops, apart from cocoa, should be promoted to diversify the economy, the state implemented a Tree Crop Policy in 2012.

Another key narrative that has shaped agriculture policies and programmes in recent years was the argument by development partners (e.g. World Bank, USAID, GIZ) and rural development scholars that agricultural commercialisation must be linked to broader rural development and poverty reduction strategies (Teye and Torvikey 2018). The strategies implemented to link agriculture to broader development include the Ghana Shared Growth and Development Agenda (GSGDA) (2010–2013; 2014–2017) which aimed at modernising agriculture to deal with poverty related issues. Similarly, the 'Medium Term Agriculture Sector Investment Plan' (METASIP I and II 2011–2015; METASIP III 2017–2021), which sought to facilitate investment in the agricultural sector, created various forms of incentives, including input subsidies, training and technical assistance to farmers, enhancing access to finance, and sharing investment risks through challenge funds and matching grants. Although these programmes were not specifically created for the cocoa sector, some cocoa farmers benefited from the subsidies and technical assistance. Additionally, some large-scale cocoa farmers have also benefited from recent private-public partnerships programmes in the agriculture sector. For instance, some large-scale farmers who produce several crops, including cocoa, have benefited from the Ghana Commercial Agriculture Project, which aims at reducing poverty and ensuring food security through private-public partnerships and promoting linkages between smallholders and large-scale agribusinesses. The project also seeks to enhance access to land and promote private sector financing of agriculture. However, these programmes have not significantly contributed to enhanced access to lands and credit among women and poor farmers. The programmes tend to benefit only large-scale businesses who have access to financial grants.

Another agricultural sector programme, which has benefited some cocoa farmers is the current government's flagship programme namely "Planting for Food and Jobs" (PFJ), under METASIP III (2017–2021). The programme, which is being implemented as part of campaign promise of the ruling New Patriotic Party (NPP) government, provides subsidised inputs, such as fertilisers and improved seeds, to smallholder farmers involved in the production maize, rice, sorghum, tomato, onion, chilli pepper, and soya bean (MoFA 2017). As many cocoa farmers are smallholders who also produce food crops, they also benefit from this policy. The programme has been heavily politicised, with the aim of using it to get political votes from smallholders who are the main beneficiaries. The implementation of this programme is consistent with the assertion that a government can support smallholder farmers in situations where it believes that such investments can enhance its chances of remaining in power (Chinsinga and Poulton 2014). In April 2019, the government launched the Planting for Export and Rural Development (PERD) programme as part of the Tree Crop Module of the Planting for Food and Jobs. The PERD programme seeks to promote the production and marketing of nine tree crops, namely mango, cashew, coffee, oil palm, coconut, mango, citrus, cotton, shea, and rubber. The purpose of this programme is to diversify the tree crop export sector from cocoa, which has been the main export crop. As many large-scale cocoa farmers are now increasingly involved in the production of other crops (e.g. mango), this policy can enhance their access to resources and technology for their agricultural activities.

4.4. Political settlement analysis of the cocoa value chain in Ghana

While the government of Ghana has, historically, played a pivotal role in the development of the cocoa value chain, the institutional arrangement and policies implemented in the cocoa sector have gone through several changes in relation to altering agrarian political economy. This includes the distribution of power and shifting interests of the various interest groups, such as farmers, cocoa processing companies, political elite, and international donors. Given that cocoa is the most important cash crop in Ghana, the government has a major interest in maintaining control over the cocoa revenue and using it to fund economic development as well as sustain its patronage networks that are important for remaining in power. Again, as the future of Ghana's cocoa sector is quite good in view of the high demand for Ghana's high quality cocoa beans, the government of Ghana has interest in maintaining power in this sector rather than switching attention elsewhere.

Traditional authorities who own land also have a vested interest in getting adequate share of their royalties from the production of cocoa. Cocoa farmers' main interest is how to get access to factors of production (e.g. land, labour, and credit) and higher prices for their produce. While international cocoa processing firms have historically been concerned with how to ensure that Ghana continues to supply high quality of cocoa, international development partners are interested in how the performance of the cocoa sector could be improved to contribute to broader sustainable development goals.

Consistent with the political settlement framework (Khan 2018), the interaction by the various interest groups, with different sources of holding power, has led to the evolution of various governance systems and policies which created different costs and benefits (rents) for different interest groups in the cocoa sector. Following the work of Ton *et al.* (2008), we discuss the history of the corporate governance system in the cocoa sector under four broad periods. The first period (1920–1957) represents the colonial era, which is characterised by a fairly corporate governance system and struggle for control of cocoa marketing. The second period (1957–1980) is the early post-independence period which represents a heavily state-controlled economy, characterised by neopatrimonialism. The third period (1980–2000) brought the start of reforms in the cocoa sector and strengthening of the position of the state. The fourth period (2000–present) witnessed further liberalisation of and increased politicisation of programmes in the cocoa sector. This last period also witnessed increased partnership between state and non-state actors in various subsectors of the cocoa value chain. We discuss how these changes in corporate governance system and policies created different costs and rents for different people.

4.4.1. Colonial corporate governance system and struggle for control of internal marketing of cocoa (1920–1957)

The main interest groups in the cocoa value chain during the colonial era were the colonial administration, which sought to promote and maintain the production of cocoa beans for export and for raising revenue which was needed to promote development of the colony (Teye 2008). Traditional rulers who were, and still are, in charge of the allocation of land, an important factor for cocoa production, were interested in maintaining control over land ownership and royalties from cocoa production, while farmers were interested in high cocoa prices. European traders and their local agents were also interested in maintaining control over the internal marketing and export of cocoa (Amoah 1995). Of the local groups, land control and their active role in the 'decentralised despotism', which was the main governance strategy adopted during that era (Teye 2008), ensures that traditional rulers remained a very powerful group.

One of the key issues that the colonial administration was required to decide on was whether to promote state-owned cocoa plantations or allow peasant farmers to continue to produce the new cash crop. Unlike the situation in East Africa, where large-scale plantations were promoted, the British colonial administration favoured production of cocoa and other cash crops by peasant farmers (Teye and Torvikey 2018), because of fears that any large-scale land acquisitions for plantations could alienate the peasant farmers, therefore creating local opposition to colonial rule. These fears were based on that, even prior to the introduction of cocoa in Ghana, attempts by the colonial administration in 1894 to create Crown Lands (i.e. state lands) were heavily resisted by traditional authorities and land owning families (DeGrassi 2008). The colonial administration's decision to allow smallholders to continue to dominate the cocoa production landscape was a key policy choice that resonates with the political settlement theory, which suggests that governments are not likely to adopt policies that threaten the rents of powerful interest groups, even if such policies are socially desirable. The economic rent from the early cocoa industry benefited smallholder farmers involved in the production, traditional rulers who sold lands and received royalties and European traders who controlled the cocoa trade. The colonial administration also benefited in terms of tax revenue.

From the 1930s, there were serious tensions over the control of cocoa marketing, and particularly cocoa prices. At this early phase of the cocoa industry, the local purchasing and exporting of cocoa was largely controlled by European firms, such as Cadbury, which was the leading British cocoa processing company (Ton *et al.* 2008). The foreign companies relied on middlemen, many of whom were prominent farmers, to purchase cocoa beans from farmers (Beckman 1976). The local farmers were not happy with the prices being offered to them by the European traders. To deal with some of the conflicts over prices in the cocoa marketing segment of the value chain, the colonial administration encouraged the formation of cooperative enterprise in the cocoa sector. This was based on the assumption that organising farmers into cooperatives could go a long way to ensure the continuous supply of high-quality cocoa for export. Additionally, it was the belief of the government that cooperatives could have a strong bargaining power to demand higher prices. Apart from pushing for higher prices, the cocoa societies also played important role in the provision of credit, agricultural inputs (e.g. chemicals) and consumer goods (Ton *et al.* 2008).

The European traders were, however, not happy with the government's promotion of cooperatives, as they feared that the cooperatives would eventually eliminate them from the cocoa trade (Department of Cooperatives 1990). On the other hand, the local farmers who believed that European traders were not offering them good prices, occasionally made unsuccessful attempts to organise themselves to bypass foreign firms to secure higher prices on the foreign market. Both the European traders and local farmers adopted several strategies to ensure that they get a better share of the cocoa cake. From 1930 to 1931, the farmer cooperatives embarked on 'hold-up of sales of cocoa' to press their demands for higher prices. This forced the European traders to increase the price of cocoa, and subsequently the cocoa supply increased.

In response to a fall in the prices of cocoa on the world market, the European firms, in 1937, entered into a partnership agreement for the purpose of reducing competition and ensuring low prices of cocoa. The farmers responded to these actions by staging another hold-up and boycotting imported goods (Frankel 1974). In order to resolve these hold-ups, the colonial administration established a Commission of Enquiry to investigate topical issues in the cocoa economy. The report of the investigation, which confirmed that farmers were being offered prices far lower than the market value of cocoa, recommended that the state should support cocoa marketing operations in order to reduce exploitation of farmers by foreign firms. Based on this recommendation, the West African Produce Control Board was created in 1940 and it was given the power to set cocoa prices for all West African countries. This board was dissolved shortly after the Second World War, and the Cocoa Marketing Board (CMB) was established in 1947 and mandated to market cocoa and stabilise its prices. The foreign firms, however, continued to be involved in the local purchase of cocoa while the CMB was responsible for export. In 1952, the Cocoa Purchasing Company was established by the state and was also involved in the purchasing of cocoa. The competition and tensions among the various interest groups in the cocoa marketing sector continued into the postcolonial era (Ton *et al.* 2008).

4.4.2. State-controlled economy and neopatrimonialism (1957–1980)

When the Nkrumah government came to power in 1957, policy and institutional changes were introduced based on a calculation of the holding power and interests of various groups. While the colonial administration favoured production of cash crops by peasant farmers, Nkrumah's government generally supported large-scale state plantations based on the argument that small-scale agriculture was difficult to modernise. In the cocoa sector, however, efforts to promote state-owned plantations did not achieve results due to the dominance of customary land tenure systems. Also, while the colonial administration was interested in promoting export of cocoa and other commodities to feed British firms, Nkrumah's government was interested in promoting production to feed local agro-based industries in line with export substitution policy (Teye and Torvikey 2018). As a result, the state invested heavily in cocoa processing capacity, thereby furthering state-led chain integration. The government established two cocoa processing factories in 1963 which were owned by COCOBOD (Ton *et al.* 2008).

As hinted already, the struggle for a monopoly of the cocoa marketing sector, which started in the colonial era, continued in the early postcolonial era. While the Cocoa Marketing Board maintained a monopoly over export of cocoa beans, European companies were still largely controlling the local cocoa trade. However, as result of a number of factors, including agitations by farmers against the monopoly that European companies had over the local purchasing of cocoa, increased government financial support to cooperatives, and further strengthening of the Cocoa Purchasing Company, the market share of European companies in the cocoa trading sector declined from nearly 100 per cent prior during the Second World War to 57 per cent in 1959/60. On the other hand, the market share of the cooperatives and the Cocoa Purchasing Company increased significantly to 24 per cent and 17 per cent respectively in 1959/60. In the same year, the Farmers' Association purchased only 3 per cent of the cocoa produce (Beckman 1976). Meanwhile, in order to use them for political support, Nkrumah's government co-opted the leaders of the powerful cooperatives into its patronage networks (Teye 2008). The United Ghana Farmers' Cooperative Council, established in 1953 as the General Farmers' Cooperative, became a political wing of the CPP which was headed by President Nkrumah (Ton *et al.* 2008; Beckman 1976). Due to its patronage networks with the ruling government, the Farmers Council gained control over local cocoa purchasing and they even later stopped other local buyers and European firms from active purchasing of cocoa. These policy changes which gave much power to the cooperatives were the outcome of the agency of the leaders of cooperatives and political interests of the CPP government. Consequently, the institutional changes created new rents for the cooperatives and their leaders. The increased control that the cooperatives gained over internal marketing of cocoa is consistent with the postulation of the Political Settlements theory that the holding power of interest groups is based on a combination of economic capabilities, resource mobilisation capacity of their leadership, and their skill in rewarding the right policymakers through formal or informal networks (Whitfield *et al.* 2015).

As a way of addressing the effects of neopatrimonialism and corruption, the military government which took over from President Nkrumah in 1966, dissolved and banned the Farmers Council (Beckman 1976). The military government further established a Committee of Enquiry to investigate the issues around internal marketing of cocoa. The committee considered the potential benefits and challenges of adopting three key alternative models for internal marketing of cocoa in Ghana. The models considered were a competitive market whereby any person or group could participate in the internal market; a farmer-based cooperative marketing system; and direct state-controlled marketing system. Consistent with the view that policymakers tend to adopt policies that would help them realise their political interests (Khan 2018), the last model, which would simply extend the export monopoly of the state-supported CMB, was adopted as it was in line with the government's main interest of controlling revenue generation and use in the cocoa sector (Amanor *et al.* 2000; Beckman 1976). The single cocoa buying system created was restructured in 1977, when the PBC, a subsidiary of the Cocoa Marketing Board (now COCOBOD), took over the internal marketing of cocoa. It purchases cocoa beans from farmers at fixed prices. Important services to farmers were provided by various divisions of the stated controlled CMB. For instance, the Cocoa Services Division maintained a monopoly over the procurement and distribution of inputs, such as agro-chemicals and fertilisers. It was also responsible for providing extension services which include the distribution of planting materials and advising farmers on mechanisms for controlling pests and diseases. The Quality Control Division was responsible for strictly ensuring high quality of cocoa, while the CRIG was responsible for conducting research on all aspects of cocoa cultivation (Ton *et al.* 2008).

Successive post-independence governments relied on the state-controlled Cocoa Marketing Board and its subsidiaries to exploit farmers and distribute rent to their clients in the cocoa sector. In all the regimes, the clients have been private entrepreneurs who are able to fund political parties. Although the need to stabilise cocoa prices was used to justify the creation of a state-controlled marketing board, the post-independence governments generally exploited farmers and used cocoa revenue to maintain patronage networks with private entrepreneurs, which would enable them to remain in power. In most parts of this era, cocoa farmers were heavily over-taxed through the fixing of cocoa prices far below world market price (Bates 2005). For instance, from 1957 to the early 1990s, cocoa farmers were offered between 30 and 50 per cent of the free on board (FOB) cocoa price, which is far lower than the producer prices of between 60 and 80 per cent of the FOB price received by cocoa farmers in other cocoa-producing countries, including Brazil and Côte d'Ivoire (Bulíř 2002; Dzorgbo 2001). Meanwhile the cocoa management guidelines, which justified 'over-taxation' of cocoa farmers on the grounds that the surplus revenue would be used to stabilise producer prices in the event of declining world market prices, were never implemented. Meanwhile, rural farmers did not benefit significantly from development projects funded by revenue generated through over-taxation, as many of these projects were located in urban areas (Bates 2005). Through over-taxation, the Cocoa Marketing Board simply functioned as a tool for collecting and distributing patronage resources (Hubbard and Smith 1996) that would allow the governments to remain in power. As part of the patronage networks, supporters of the ruling governments were usually offered juicy jobs and employment contracts in the cocoa marketing sector (Herbst 1993: 63). This is a clear situation of political settlement whereby political parties capture resources for their clients who, in turn, help them to remain in power, even though such activities can damage the economy (Przeworski *et al.* 2020).

Poor weather conditions, as well as pests and diseases, contributed to the declining cocoa output in the 1970s and 1980s. However, there is enough evidence to suggest that over-taxation, which resulted in low producer prices, was a major factor that resulted in low cocoa output in the 1970s and early 1980s (Dzorgbo 2001; Amoah 1995). Additionally, as a result of the patronage networks and mismanagement, the state Produce Buying Company was unable to make prompt payments to cocoa farmers. According to Khan (2018), in any policy engagement, interest groups whose access to rents have been denied by the government may adopt informal violations of formal rules to capture benefits informally. This is exactly what happened in the Ghanaian cocoa sector. As agitations by farmers against low cocoa prices were not addressed by the ruling government, some farmers living in border areas responded to the combined effects of delays in payment and lower prices by smuggling some of their produce to neighbouring Côte d'Ivoire. This further affected Ghana's cocoa export earnings and revenue generation. By the late 1970s, Ghana's cocoa industry was on the brink of collapse (Amanor *et al.* 2020).

4.4.3. Economic reforms and liberalisation (1980–2000)

Between 1980 and 2000, reforms were enacted in the cocoa sector in response to political changes, economic crisis and increased international donor pressures for economic reforms needed to prevent the country from collapsing. These changes created new costs and rents for different actors. The Cocoa Rehabilitation Project (CRP) and the Agricultural Sector Adjustment Programme (ASAP), which were implemented in the

1980s and early 1990s by the PNDC government as part of ERPs and SAPs, helped to prevent the cocoa sector from total collapse (Ministry of Finance 1999). In the production sector, the reforms enabled large-scale farmers to receive grants and loans from international donors for expansion of their farms. Small-scale cocoa farmers, however, did not benefit from these loans as they lacked collateral security to secure them.

In the cocoa marketing sub-sector, the reforms were geared towards increasing producer prices by reducing the cost of inefficient marketing and cocoa pricing systems. The reforms started with a restructuring of the Cocoa Marketing Board, which was renamed COCOBOD in the early 1980s. The restructuring resulted in a 90 per cent reduction of COCOBOD staff (Kolavalli and Vigneri 2017). The number of employees of COCOBOD reduced from 120,000 in 1980 to only 5,500 in 2006 (IMF 2007). Expansion of processing activities for the purpose of value addition and privatisation of input distribution were other key reforms, and processing capacity was increased in 1982 when the state acquired a cocoa processing factory. Foreign and local private firms were also encouraged to establish processing firms, in line with the government's industrialisation and privatisation drive. The entire privatisation programme was, however, associated with crony capitalism. Privatisation created new rents for the ruling elite and actors in their patronage networks, who purchased state agricultural production and processing assets at prices far lower than their real values. This then created new costs to farmers as subsidies were gradually removed. For instance, the cumulative effects of currency devaluation and removal of subsidies led to a rapid rise of fertilisers by over 360 per cent between 1982 and 1994 (Teye and Torvikey 2018). This policy change was contested by some civil society groups and non-governmental organisations (NGOs), who argued that the removal of subsidies would negatively affect smallholder farmers. However, the government did not restore subsidies as their removal was part of IMF and World Bank conditionalities for providing support. Meanwhile, both farmer and civil society groups did not have strong holding powers to influence policy changes, as the country was under military rule and leaders of groups that embarked on open protests were even sometimes arrested and tortured by security agencies.

Another key reform was the liberalisation of the internal marketing sector during the 1992/93 season. As noted already, this significant change came through an introduction of private LBCs to compete with the state-supported PBC. Again, this reform was in response to international pressures for increased private sector participation in the cocoa sector. Although private participation in the sector was still quite limited, the economic reforms achieved some good results as production increased significantly. Additionally, the 'producer price' that farmers received from the sale of cocoa has risen significantly since 1980 and it has continued to be above 70 per cent of the FOB price (Bulíř 2002). While farmers benefited from the increased cocoa prices, the removal of subsidies on input suggested they gained little from the reforms, as they spent significant proportions of their incomes on input that was previously free.

4.4.4. Public-private partnerships and cocoa politics (2000-present)

Since 2000, the cocoa sector witnessed further liberalisation and increased public-private partnership in response to donor's pressures for private sector participation, the reduced role of the state-supported COCOBOD, as well as efforts to rely on non-state actors to deal with intractable challenges, such as poverty, child labour, modern slavery, and environmental change. Institutional and policy changes have been adopted to improve the performance of all the segments of the cocoa value chain. While the peasant farmers still dominate the production segment, efforts have been made to enhance their capacity through training programmes and provision of inputs by both the state and development partners. These programmes are in line with the desire to modernise the agriculture sector. The production segment has also experienced increased use of fertilisers and agro-chemicals, partly as a result of the combined effects of environmental degradation and efforts by the government and international partners to increase productivity. The use of hybrids has also increased, with more than 50 per cent of the land area under cocoa being cultivated with hybrid varieties (Kolavalli and Vigneri 2017).

The production segment has also witnessed increased partnerships between the government, international donors, international cocoa buyers, and NGOs aimed at increasing productivity of smallholder farmers and reducing poverty in cocoa growing communities. For instance, the Cadbury Cocoa Partnership, established in 2008 in conjunction with the United Nations Development Programme, CARE, Voluntary Service Overseas and World Vision, has been empowering cocoa farmers through support programmes, including the provision of planting materials and technical assistance, to cocoa farmers in over 100 communities in Ghana as part of a ten-year GB£30 million commitment to secure the future of cocoa farmers and their communities. Building on the Cadbury Cocoa Partnership initiative, the Cocoa Life partnership, launched in 2012. Involving several partners, including

CARE, World Vision, Cargill, FAIRTRADE, Olam Cocoa, Save the Children, and Solidaridad, the initiative is investing US$400 million by 2022 to empower at least 200,000 cocoa farmers and one million community members in Ghana, Côte d'Ivoire, Indonesia, India, the Dominican Republic and Brazil. In Ghana, Cocoa Life programme seeks to empower the men, women and youth in cocoa communities to lead their own development and improve their livelihoods through entrepreneurship. The Cocoa Life programme also has a component that focuses on empowerment of women in the cocoa sector, reduction of climate change and protection of children in cocoa-producing communities. Similarly, the government is collaborating with donor organisations and NGOs to implement young cocoa farmers' programmes which seek to create employment opportunities for the rural youth as well as sustain the future of the cocoa industry. For instance, the youth in cocoa programme was established by the Ghana COCOBOD in 2016, which led to the formation of several youth associations in cocoa-growing communities. The beneficiaries have been given both technical support and farming equipment to enable them to start cocoa farming. Similarly, Solidaridad, a leading development based NGO, is behind the implementation the 'Next Generation Youth in Cocoa Programme' which is also empowering the youth to realise the potentials in the cocoa industry (Mabe *et al.* 2020).

The partnerships between government, international cocoa buying companies, NGOs, and smallholder farmers, are driven by mutual interests. The government is interested in maintaining power over the cocoa sector as a tool for political power. It also relies on international donor funds to distribute rent to its crony capitalists. Indeed, the political elite and their clients continue to gain through irregularities in the handling of donor grants and awarding of contracts for training and supplying of inputs in the cocoa sector. On the other hand, international companies, like Cadbury, are interested in maintaining this source of high quality cocoa beans without any aspersions being cast on its sustainability and human rights record. International donors and NGOs also want to achieve political goals by advocating for the rights of farmers. Smallholder farmers also are interested in getting higher cocoa prices as well as financial and technical support to improve their livelihoods.

In addition to partnerships that seek to enhance productivity of farmers, there have also been partnerships between the government and international donors for the purpose of controlling environmental degradation that is linked with cocoa production. Ghana has received large sums of money from various development partners to implement environmental management programmes which seeks to control climate change through reduction in emissions from deforestation and degradation (Teye 2013) and climate smart agriculture programmes. Some of these programmes involved public-private-civil partnerships like the Sustainable Tree Crop Program-STCP (Ton *et al.* 2008). These environmental programmes are largely initiatives of international partners and the Government of Ghana is interested in implementing them, not only because of the desire to solve those problems, but also because such activities attract huge international grants which provide patronage resources for the government and actors in its networks (see Grainger and Konteh 2007; Teye 2013). As hinted already, there have also been partnerships with international organisations to implement certification mechanisms to eliminate child labour and all forms of modern slavery from the cocoa sector. Some international buyers, pressured by the NGOs, media and consumer organisations are now playing pivotal roles in the development of national certification schemes, with a focus on labour practices (Ton *et al.* 2008).

In the marketing segment of the value chain, the state-supported PBC is still the major cocoa purchasing company, purchasing about 30 per cent of the total annual cocoa output. The PBC was partly privatised some years ago, with COCOBOD being the company's major shareholder (Ton *et al.* 2008). Since the liberalisation, a greater proportion of the 30 LBCs operating in the sector were Ghanaian, with only two (i.e. Olam and Armajaro) being foreign-owned. One of the LBCs (i.e. Kuapa Kokoo Union) was owned by farmers and was created with the support of international NGOs (Ton *et al.* 2008). This means that farmers' role in the cocoa marketing segment is still very limited. Farmers have still been selling their cocoa to LBCs at a guaranteed nationwide price fixed by the government. The LBCs transport the cocoa they buy to 'takeover points' to sell at a fixed price to the COCOBOD, which is responsible for exporting cocoa beans (Laven and Boomsma 2012). The state-owned COCOBOD still controls the cocoa industry through its subsidiaries: CMC, Cocoa Quality Control Company (QCC), CRIG, SPD, and CHED (Amanor 2020) COCOBOD has managed to stabilise the cocoa prices, while relying on the Quality Control Company to consistently supply good quality cocoa, for which it received a premium on the world market (Kolavalli and Vigneri 2017; Ton *et al.* 2008). Given that all LBCs purchase cocoa at nationally fixed prices, farmers do not benefit from the differential pricing that goes with complete liberalisation. However, as a way of enticing farmers to sell cocoa to them, some LBCs offer farmers complementary services and inputs in order to build trust and social capital. LBCs are given a yearly fixed 'buyers-margin' which is set by the government. The LBCs rely on this margin to pay their purchasing clerks on commission basis, and this motivates them to buy more cocoa. While LBCs were initially given permission to export up to 30 per cent of the cocoa they purchase, this practice was discontinued in 2007 on the grounds that the current system is better at ensuring high quality of cocoa. LBCs are unhappy about such a total control of the cocoa export sector by COCOBOD, but they lack the holding power to openly complain about this and other issues related to their relationships with COCOBOD, for fears that such complaints will create tensions between them and COCOBOD, as highlighted in the statement below by an official of one of the LBCs:

> *"There are some challenges here and there. If you look at the sector, we would have liked to directly do more export just as businessmen can export other crops. You know in the trade sector, it is the export part that one can get huge profits. However, there are some restrictions now….We try our own ways to manage our frustrations without complaining so much about the restrictions imposed by COCOBOD. You know it always has the support of the government and its leadership changes any time there is a new government. So if any cocoa buying company confronts them [COCOBOD] on any issues, they can even stop that company from operating in the sector."*

The above statement shows that unequal power relations between COCOBOD and LBCs make it difficult for the latter to challenge the monopoly that COCOBOD has over the internal and market of cocoa. The statement also demonstrates how COCOBOD's leadership is usually linked with the ruling government. Given that the ruling government appoints members of the management board of COCOBOD, successive ruling governments have been using COCOBOD as a tool to create and distribute rents in the cocoa sector. Indeed, there have been complaints by the opposition parties about high level of corruption and state capture perpetuated by some officials of COCOBOD. Meanwhile the ruling governments have so far been able to employ policy ambiguities to maintain autonomy and contest donor pressure for complete liberalisation of cocoa export sector. The ruling governments have often argued that the current role of COCOBOD helps to maintain high quality of Ghana's cocoa. Also, the discontinuation of the plan to allow some LBCs to export cocoa was justified by the supposed unreadiness of LBCs. As Grainger and Konteh (2007) noted, the executive may intentionally use deception and policy ambiguity to handle demands from powerful actors, such as international donors. Given that the rational for allowing COCOBOD to control the cocoa marketing segment is linked to rent distribution opportunities rather than political ideology of the ruling government, both the NPP and National Democratic Congress (NDC) governments are not in favour of complete liberalisation.

It is also important to state that although the government continues to fix the cocoa prices annually, prices offered to farmers since 2000 has been stable, as both the NDC and the NPP, which have governed Ghana since the re-introduction of democracy in 1992, have been using cocoa pricing to solicit political votes from farmers. The ruling governments have particularly been increasing the cocoa producer prices in the years preceding election and or within the election year. For instance, the cocoa producer price was increased by 81.5 per cent in the year 2008 which was an election year and 62 per cent in 2015/2016 which is a year preceding and election year. The percentage of increase in producer prices in non-election years have always been extremely low (Teye and Torvikey 2018). Similarly, even though the cocoa sector has been liberalised, subsidies on fertilisers and agrochemicals have become a key political tool for 'buying' votes in since 2000. This situation emerged during the 2000 elections, when the NPP, which was then the main opposition party, promised to re-introduce fertiliser subsidies if voted to power. In fulfilment of its campaign promises, the NPP Government re-introduced fertiliser subsidy programmes for all smallholder farmers in July 2008. Many cocoa farmers in Ghana continue to benefit from these fertiliser subsidy programmes. Teye and Torvikey (2018) have demonstrated that the amount of money that the state spends on fertiliser subsidies tend to increase significantly during election years, and this indicates that the policy is being used to solicit votes from farmers. The 'cocoa politics' also entails free mass spraying of agro-chemicals, which was introduced by the NPP in 2001 to control cocoa pests and diseases. Both the NDC and NPP governments talk about free mass spraying and input subsidies during electioneering campaigns. As indicated by an elderly farmer who was interviewed as part of this study, farmers are the winners of these cocoa politics as it enables them to get subsidies:

> *"The political competition between NDC and NPP has really helped us [farmers]. We [farmers] used to get fertilisers almost free of charge before JJ [Rawlings] came to remove all the subsidies. For several years, we did not get anything from the government. Even the cocoa price fell drastically. In some years, we had to carry cocoa in the night to the Ivory Coast border to sell because cocoa prices*

in Ghana were very low... Now farmers are getting some support with fertiliser subsidies and even free chemicals to spray the cocoa farms because the government [officials] know we will vote against them, if we don't get fertilisers."

The above statement clearly shows how democratisation has increased the holding power of cocoa farmers and increased their access to subsidised fertilisers. These findings support the assertion of Chinsinga and Poulton (2014) that a government may support smallholder farmers if it believes that such actions enhance its chances of remaining in power. It needs to be explained that, in reality, the management of fertiliser subsidy policy is high-jacked by ruling governments to create rents for its crony capitalists (mainly Ghanaian entrepreneurs). Under both the NDC and NPP governments, research commissioned by the Peasant Farmers Association of Ghana have shown that contracts for the supply of subsidised fertilisers, and other inputs, are awarded to supporters of the ruling governments. In some cases, poor quality fertilisers are provided by such party contractors (Teye and Torvikey 2018). There were also allegations in the media that in some cases contracts for supplying subsidised inputs have been signed between the government and its crony capitalists and millions of cedis have been paid to the capitalists, but the goods paid for (e.g. fertilisers) have never been fully supplied. Similarly, both the NDC and NPP governments have used farm mechanisation programmes to reward political supporters as subsidised tractors and other equipment, for instance, have usually been given to party supporters. Given that a significant proportion of the funding in agricultural sector is provided by donors (Teye and Torvikey 2018), one can argue the financial grants provided by donors to support smallholder farmers are partly being used by ruling governments to fund their patronage networks and remain in power. The situation resonates with the argument by Collier and Dollar (1999) that financial aid, when poorly coordinated, allows governments of developing countries to finance neo-patrimonial networks and hold on to power.

Since 2000, the cocoa processing segment has also been extensively liberalised, and a number of domestic and international actors have invested in the sector. For instance, Barry Callebaut, the world's third largest processing firm, has a processing factory operating with a capacity of 75,000t. Apart from the large-scale multilateral companies, some Ghanaians have invested in this segment and produce cocoa products for the Ghanaian market. One case that we came across during this study was that of Adubam, a 51-year-old Ghanaian woman, who returned to Ghana after 12 years of residence in the UK. While in the UK, she worked in a cocoa company where she acquired some skills in cocoa processing. She returned to Ghana and used the skills and money acquired from the UK to set up her processing company in Accra, which has six full time employees and several casual workers. She explained her motivations for coming back to invest in the cocoa sector in the following words:

"I was residing in UK where I worked in a cocoa company for a while. After acquiring all the experience, I told myself it was to return to Ghana to set up a cocoa processing company because, after all, the cocoa is produced in Ghana. So I came down with the little money I made there to start my own company. The company was established about 12 years ago and it is fully registered. We are into manufacturing and packaging of cocoa products for the public, both here and abroad. We also produce customised chocolate for institutions."

Similar to the case above, Nana Tura, a 55-year-old Ghanaian, reported that he established his cocoa processing company, which has so far employed 14 people. Nana Tura explained that he started as a cocoa farmer several years ago, and has now invested his savings from the sale of cocoa into the establishment of the processing factory:

"I have been producing cocoa for several years. A few years ago, I decided to use the money I had saved all these years to set up this factory, and I am happy that things have worked for me… In my factory, we are currently processing only cocoa from my own farms. This good because the income from the sale of cocoa products is much higher than the income from the sale of cocoa beans. Also, with the factory, I get regular income as we sell the processed goods throughout the year, unlike the cocoa beans that we could only sell during the harvest time."

Nana Tura's case is an example of 'stepping out' livelihood strategy, as savings accumulated from the production of cocoa was used as capital for moving into cocoa processing and marketing. His investment into processing provides him stable returns. The establishment of small-scale agro-processing firms is being actively promoted as part of the current NPP government's industrialisation initiative, referred to as One-District, One-Factory programme.

4.5. Social difference in the cocoa value chain

The preceding discussion clearly shows that significant social differences exist across the entire cocoa value chain. There is a 'vertical social differentiation' as actors in the production segment, mainly farmers and farm labourers, are generally poorer than actors in the marketing and processing segments. As stated already, while market concentration increases the bargaining power of traders and processors, and allows them to make huge profits, smallholder farmers are poor because they are often "price takers" (Callahan 2019). While employees in the marketing and processing segment work for formal organisations, which offer higher and more regular salaries or commissions, about 80 per cent of cocoa producers are smallholder farmers, considered to be self-employed. Employment and labour relations, even in many of the large-scale agribusinesses in the production segment, are highly informal, with low and irregular wages. The high level of poverty among cocoa farmers has, historically, been a source of worry to many policymakers and development partners (Amoah 1995). Some researchers and policy analysts attribute high incidence of poverty in the sector to internal and cultural factors, including tenure relations, small farm sizes and lack of technological innovations (Odijie 2018; Amoah 1995). However, other researchers attribute poverty to deep structural inequalities within the global cocoa industry, resulting from the domination of the industry by a few transnational corporations (Amanor *et al.* 2020; Pilling 2019). In recent years, the governments of Ghana and Côte D'Ivoire have asserted that low world market prices of cocoa is a major cause of poverty among cocoa farmers. The president of Ghana, Nana Akuffo Addo, recently stated that "Chocolate is a US$100bn industry and we [Ghana and Côte D'Ivoire] who produce 65 per cent of the raw material make less than US$6bn from the sweat and toil of our farmers" (Pilling 2019: 1). In 2019, the governments of Ghana and Cote d'Ivoire threatened to suspend sales of the 2020/21 cocoa harvest to buyers who are not willing to offer higher prices (Amanor *et al.* 2020). As shown in the statement below, farmers attributed their economic challenges to low cocoa prices, unreliable rainfall and diseases:

> *"We are poor because the price of the cocoa is low, and the government does not increase it except when it is time for elections…These days the rainfall regime is also not reliable. This affects our harvest. Diseases are also worrying us so in some years we don't get good harvest and all these problems make us poor."*

Apart from the 'vertical social differentiation', there are significant horizontal social differences between actors even within the same segment of the value chain. Much of the social differentiation occurs at the production segment, as a result of differences in scale of production, age, gender, and migration status. With regards to scale of production, large-scale cocoa farmers tend to be wealthier and have better chances of receiving technical and financial support from both the government and the private sector than smallholder farmers. Mr Aluva, who is now a large-scale cocoa farmer, told us that when he started farming cocoa 22 years ago, all his attempts to get credit from the financial institutions failed. He further explained that now that he is a 'big farmer' the same financial institutions are willing to give him loans:

> *"When I started [farming], it was not easy at all. I was working in Tema for 11 years and we were given money by the employer and asked to go home. My wife and I decided to come to this community to farm, as my uncle was already here. Things became difficult, so I went to some banks for loan, but I didn't get any support. A friend working in Tarkwa later introduced me to small-scale [gold] mining. So I was combining this with farming… Now that I am a 'big farmer, the banks are rather calling me to come for loans. So in this country, it is difficult for young farmers to get loan but the established farmers rather get support.*"

As clearly explained in the above statement, young farmers struggle to get sizeable financial grants because they generally do not have assets to serve as collateral. Young farmers also find it difficult to access farming land which is largely controlled by traditional authorities and family heads. As Amanor *et al.* (2020) noted, the youth are increasingly dependent upon elders for land, while elders compete among themselves for control of land. Consequently, many young persons are reluctant to work in the cocoa production sector. A recent study by Lowe (2017) indicates that cocoa farmers are ageing, with an average age of 50 years. Our interviews indicated that, apart from lack of credit and land scarcity, other reasons why young people are unwilling to engage in cocoa production include the perception that farmers are poor, and reluctance of young people to live in rural areas. As noted already, since 2016, NGOs and the government have implemented programmes aimed at equipping the youth with skills and resources necessary to effectively participate in the cocoa value chain. However, these programmes, including Planting for Food and Jobs, have not significantly brought about improved wellbeing of smallholder farmers and other vulnerable groups in the agricultural sector.

There are also social differentials which are related to migration status. While migrant labour has historically contributed significantly to the development of the cocoa industry in Ghana (Amanor *et al.* 2020), migrant cocoa farmers face various challenges, especially in their efforts to access land. Migrant farmers are more likely to adopt share-cropping system than native farmers. Such share-cropping arrangements make migrant farmers poorer, as they share the produce or cocoa income with the landlord. Additionally, migrant farmers who have bought lands that belong to communities from traditional authorities in some of the cocoa growing areas in Western and Brong Ahafo regions are required to pay an amount equivalent to 10 per cent of their annual cocoa output to the traditional authorities as royalties. There is also a degree of intersection between migration status and ethnicity. As the cocoa growing zone is traditionally the home of the Akan ethnic group, Akan farmers tend to be wealthier, due to increased access to lands, than non-Akan settler farmers or labourers. A majority of cocoa farm labourers are internal migrants from poor communities in the Northern savannah region or migrants from Togo, Mali, Niger and Burkina Faso.

Differences between gender groups are also significant in the sector. Even though both men and women work on cocoa farms, only a small proportion of women have their own cocoa farms. This is due to the fact that many male cocoa farmers tend to depend on wives and children for labour, and this limits the access of women to their own land. While 40 per cent of the work on cocoa farms is done by women, they own only 2 per cent of the land (Cocoa Life 2020). Also, as a result of patriarchal inheritance systems, women generally do not have access to land. When such women work with their husbands on family farms, only the husbands are regarded as owners of the farm. Similar to the situation reported by Yaro *et al.* (2017) in their assessment of labour relations on mango farms in Ghana, we found that there were situations where both men, and their wives, started working on cocoa farms. However, once the farms became larger and the men also became wealthier, the women were locked out of the family cocoa business. In some cases, such women were asked to concentrate on the production of food crops or engage in trading activities. For instance, even though Mr Aluva and his wife jointly worked on the farm for several years when he was poor, the wife, Madam Adjorgu, told us that she was no longer actively involved the management of the farm. The husband now hires labourers to do everything on the farm and she has even been prevented from visiting the farms:

> *"When we started farming, we worked together and ate in the same bowl on the farm. Even when things were not working and he went to Obousi to engage in gold mining, I was working on the farms. Since the farms expanded and he became a rich man, he does not give me any chance to know what is happening on the farms. He said I should engage in trading, but in this village trading is not lucrative."*

These forms of marginalisation appear to be widespread in the cocoa sector. According to Cocoa Life (2020), female cocoa farmers earn 25–30 per cent less than male farmers in Ghana. Female cocoa farmers also do not have access to training that can help them understand how to gain autonomy in their households and community. The women also tend to face several obstacles in their efforts to access finance and farm inputs. In view of these challenges, the Cocoa Life partnership and other public-private partnership projects are seeking to empower women in cocoa growing areas by enhancing their access to farm inputs and training them. The outcomes of these programmes have not yet yielded satisfactory results, as they are affected by structured inequalities in such patriarchal societies.

Our assessment also indicates that the employment and labour relations on cocoa farms are undergoing changes, due to intra-household conflicts. While sons and wives continue to provide free labour services on some farms owned by men, there were cases whereby sons and wives were either charging for their services or were working on their separate farms. For instance, Madam Ayuma had her separate cocoa farm, while her husband also had his own farm. She explained that occasionally she accompanies her husband to his farm, especially during the cocoa harvesting period. The husband also occasionally visits her farm but, in most cases, they work independently on their farm. Her two sons also have their own farms in the same community. She explained that if the sons work for their father, the father pays them just as he will pay other people. Ayuma noted that she and the sons are working on their separate farms because as a result of the matrilineal inheritance system, they fear that her husband's nephews will come and take over his cocoa farms when he dies one day:

> *"In the past we were all working on his farms, but now we are working on our own farms… We are afraid that if he dies now, his nephews will come and take over his farms and we will not have anything. We have seen a lot of disputes over farms when the owner dies and their relatives came to take control… He helped our sons to get the land but everything is in their names and he pays them when they work for him, which they also use to develop their own farms."*

The statement above is consistent with the assertion of Amanor *et al.* (2020) that, as a result of ejection of wives and sons from their deceased husbands and fathers' farms by powerful matrilineal relations, many wives and sons now seek to gain access to land through routes other than helping lineage relatives in exchange for expectations of future access to land. This has affected the supply of free labour to some cocoa farmers.

Interviews with key informants and some farmers also indicate that there are differential impacts of expansion of cocoa farms on different actors. Similar to findings of Yaro *et al.* (2017) in the Mango farming areas of Ghana, the poor are largely not represented as owners of land but rather as farm labourers. While many cocoa farmers have not been forcibly dispossessed of their lands, traditional authorities and family heads sometimes take lands being used by poor migrants for food crop production and give them to more wealthy cocoa farmers. This is because there are better financial gains from the new leases for commercial agriculture than from sharecropping. Poor migrants who used to cultivate food crops under share-cropping arrangements, and women who use to cultivate food crops on family lands, are particularly finding it difficult to access lands, which are now generally being converted into permanent cocoa farms. In some cases, weaker family members and community members, usually women, who do not have power to defend their entitlements, have lost their lands to traditional authorities and family heads who sold such lands to wealthy farmers. These findings clearly show that the youth and women in agriculture empowerment programmes being jointly implemented by the private sector, government, international development partners, and NGOs, have not been able to significantly improve the wellbeing of the youth, women and migrant groups in agriculture, due to customary land tenure systems and patriarchal traditions.

Expansion of the cocoa industry also has adverse effects on food security in some cocoa growing areas. Given the general scarcity of land and the fact that traditional authorities expect 10 per cent of the value of cocoa in some communities, they resell land that has been given to farmers but has not been developed into cocoa farms. In order protect their lands, migrant farmers sometimes end up developing the entire land into cocoa farms, but therefore lack land for food production. Additionally, food insecurity is caused by the transfer of land under food crop production to wealthy cocoa farmers. Meanwhile, a 'market route to food security', whereby farmers could use cash from sale of cocoa to buy all food from the market, does not work because many of the smallholder farmers are quite poor and cannot afford to buy food for their large families.

4.6. Challenges with the cocoa value chain in Ghana

As highlighted already, all segments of Ghana's cocoa value chain are confronted with challenges that could significantly impact the sustainable delivery of cocoa to both domestic and international markets. To begin with, the growing pressure on land, alongside traditional tenurial arrangements, in which many smallholder cocoa farmers lack clear rights and land titles, contributes to reduced productivity (Callahan 2019; Yaro *et al.* 2018; Asamoah and Owusu-Ansah 2017). The unavailability of labour, and the resulting high cost of hiring labourers, also affects cocoa production. The cost of farm labour has increased partly because of the growing pace of rural-urban migration of young people (Barrientos and Asenso-Okyere 2009). As indicated by a farmer below, there is a perception that the Free Senior High School policy introduced by the NPP government in 2017 has worsened the labour supply situation:

> *"It is now very difficult than before to get young men to work on our farms because many of them have taken advantage of the Free Secondary School policy and have gone to school."*

A lack of available labour also partly contributed to the use of children on cocoa farms (Barrientos *et al.* 2008). Cocoa production in Ghana is also significantly challenged by pests and diseases such as mistletoe, capsid (insect), and black pod (fungus) (Bymolt *et al.* 2018; Kongor *et al.* 2017), which require timely spraying to mitigate their effects on crop losses estimated to reach about 30 per cent of annual cocoa production in some cases (Takyi *et al.* 2019). Lack of access to inputs, especially fertilisers and agro-chemicals, also affects cocoa production. Even with the introduction of mass spraying by COCOBOD, farmers still complain about the poor management of the spraying programme, as some sprayers engage in corrupt practices, such as illegally selling chemical consignments in neighbouring countries and spraying with ineffective solutions (World Bank 2017; Barrientos *et al.* 2008).

Climate change is also affecting cocoa production in Ghana. For instance, the relatively low harvests of 2014 and 2015 have been blamed on natural shocks amplified by the El Niño phenomenon, as well as excessively high temperatures and inadequate rainfall (Joerin *et al.* 2018). An alarming econometric analysis indicates that over 90 per cent of cocoa farmers have already been exposed to the adverse impacts of climate change, with severe implications for cocoa production and rural livelihoods (Afriyie-Kraft *et al.* 2020). Manifestations of the effects of climate change on cocoa farms are observable in the amplified prevalence of pest and diseases, wilting cocoa leaves, and high cocoa seedling mortality, which result in low yields (Asante *et al.* 2017).

Access to capital is another serious challenge in the cocoa sector. Prior to reforms in the cocoa sector, the PBC supported farmers with cash advances and recovered the money when cocoa was sold.

Following liberalisation, the LBCs have found it difficult to support this arrangement (Barrientos *et al.* 2008). Consequently, farmers fall on several other informal financing schemes including high interest loans from money lenders with their farms as collateral which are less dependable (Dabone *et al.* 2014; Barrientos and Asenso-Okyere 2009). Female farmers, in particular, tend to be disadvantaged by these factors and are therefore more likely to lack access to credit.

While the internal marketing segment is better organised compared with the 1970s, when the marketing system nearly collapsed, some cocoa farmers complained about low prices of cocoa beans. The monopoly enjoyed by COCOBOD and patronage networks between COCOBOD officials and the government also affects the performance of the cocoa value chain. On the other hand, the Government of Ghana believes that the world market cocoa price is quite low.

A key challenge among processors is the constrained supply of the cheaper light crop from COCOBOD, resulting in price fluctuation and keen competition with wealthier processors offering COCOBOD attractive terms for priority consideration (Roldan *et al.* 2013). Moreover, locally-owned processors are often cash-strapped and lack access to low-cost finance (Abbadi *et al.* 2019). Additionally, the cost and reliability of power supply has been a source of significant concern among local processors, as they must often generate their own power at a prohibitive cost to their operations.

4.6.4. Impact of COVID-19 on the cocoa value chain

Ghana has the second highest number of reported COVID-19 cases in West Africa, although COVID-19 related death rate has been quite low. Many of the restrictions on public gatherings, which were imposed by the government of Ghana on 15 March 2020, a few days after Ghana recorded its first two COVID-19 cases, have been eased. The closure of all Ghanaian land, sea and air borders, which took effect from 21 March 2020, is also still in force at the time of writing in March 2021. A partial lockdown, which the government imposed on the Greater Accra and the Greater Kumasi Metropolitan Areas, effective 30 March 2020 to reduce the spread of the coronavirus, was lifted on 20 April 2020. In this section, we discuss the effects of the health and safety measures and the restrictions implemented globally to contain the disease by public health officials on the cocoa value chain. The assessment shows that the pandemic affected labour supply and demand; input and raw material supply; transportation and distribution of cocoa beans and cocoa products; access to markets; and health and safety practices.

Labour supply and demand

The COVID-19 related disruptions affected both labour supply and demand. With regards to labour supply, managers of a few agribusinesses at all segments of the cocoa value chain reported that some employees were reluctant to come to work for fears that they could be infected, as highlighted in the statement below by a cocoa purchasing clerk:

> *"There have been instances where some workers did not come to work because they were scared of working in groups. Some workers also come to work but do feel reluctant to work in groups due to the fear of contracting COVID-19. This has slowed the work in some circumstances (Boni, purchasing clerk)."*

A farmer also reported that the pandemic affected farm labour supply, as both the labourers and the farmers were not comfortable working with each other. It was also explained that the border closures have affected the supply of migrant labour, and this has contributed to increased cost of labour:

> *"As a result of COVID-19, accessing labourers has become difficult because they fear to go to other people's farms, while we also fear to bring them to our farms. Migrant farm labourers from neighbouring countries also can't come to Ghana due to the border closures. The situation has led to an increase in the daily wage for labourers from GH¢30.00 to GH¢40.00." (Tlala, farmer)*

On the other hand, some agribusinesses have also reduced their demand for labour in order to observe health and safety protocols. For instance, a manager of one of the firms responsible for marketing cocoa and cocoa products indicated how they have cut employee numbers:

> *"We have reduced numbers of employees by about 59 per cent in order to abide by safety protocols that were put in place by the government."*

Similarly, some firms involved in the purchasing of cocoa or cocoa processing reported that they have reduced the number of employees, and also introduced shifts to ensure safety of workers:

> *"Labour supply within the business was reduced in order to observe safety protocols. Sometimes the workers run shifts [some stay home while others work] since we don't want them to be so close to each other." (Herii, cocoa purchasing clerk)*

> *"We undertook staff retrenchment. This was a painful decision for us looking at the current situation…Some staff also left voluntarily because*

production has been low and revenue generation has been affected. This goes a long way to affect the salaries of staff. It has not been easy for us, but we are doing our best to keep the few who are willing to stay and support at this difficult time" (Nana Tura, CEO of a cocoa processing company).

It is evident from the statement of Nana Tura that workers' salaries have been reduced while others h. This was a common response adopted by many small-scale businesses in Ghana. In some cases, the small-scale businesses closed down altogether:

"Employees had to stay home because I do not want to risk their lives. So for now we have stopped production." (Adubam, Cocoa processing company)

As noted below, by a respondent from an input distribution company, there were also situations where employees were working, but their salaries were not paid regularly, due to low sales:

"Labour supply has not been affected much as people still want to work. However, it has been difficult paying my employees their monthly salaries since the start of COVID-19. This is because sales have been very low during this period." (Indodo, input distributor)

The above situation shows how both employers and employees have been struggling to deal with the disruptions. Some of our interviewees told us that in some cases, the employee agree to work without full pay in anticipation that the situation will improve.

Inability to access input and raw material

The COVID-19 pandemic also seriously affected farmers' access to input, especially agro-chemicals and fertilisers. According to some farmers, the state supported input distribution agencies were not working during the lockdown period which coincided with the period they needed to spray their cocoa farms and apply fertilisers:

"This is the time we normally spray the farms. I am the leader of the community association which will take delivery of the chemicals and we have been waiting for the agency to bring our chemicals, but we have heard that they are not coming now because of the disease [COVID-19]." (Luty, cocoa farmer)

On the other hand, an input dealer reported that farmers generally do not want to travel to urban areas to buy input for fear of being infected:

"Patronage has been very low since COVID-19 started. Only few farmers come in to buy, compared to period before COVID-19. This is because people are being advised to stay home."

Similar to the situation of the farmers, some of the cocoa processing companies who depend on imported materials for packaging reported that, due to the closure of the borders, they were unable to access materials for packaging their products. They have, however, been managing the situation by relying on locally available packaging materials:

"Most of the material we use for packaging is imported and so we are unable even to obtain them because of the closure of our borders." (Adubam, manager of a cocoa processing Company)

"We have reduced our reliance on imported packaging items, for example pouch paper bags, which are difficult to access due to supply challenges. We have improvised with locally available packaging option." (Nana Tura, CEO of a cocoa processing company)

While lack of access to imported packaging materials is a challenge, the situation is also offering opportunities for companies to explore the use of local raw materials to create new packaging.

Challenges with transportation

The lockdown associated with COVID-19 also made it difficult for cocoa purchasing clerks to convey their purchases to the warehouses. Even though the transportation of food items was exempted from the lockdown, some of the drivers were unwilling to transport the goods to urban areas for fear of being infected. In some instances, the warehouses were full because of the closure of borders which affected onward shipment of the cocoa to the international market. These challenges are highlighted in the statement below:

"Although I don't personally sell cocoa beans, we are supposed to transport them to warehouses. However, due to the fear of the pandemic, some drivers that usually transport the cocoa for me were initially not willing to go [to Accra and Kumasi] and the lockdown also affected transportation of the cocoa, since drivers did not want to go to Accra and Kumasi which were under lockdown." (Bobi, purchasing clerk)

"Transportation was a major issue since some transport drivers did not work initially. So farmers in some communities could not bring their cocoa beans here [shed where farmers

sell cocoa] for sale. During the lockdown, we also found it difficult conveying cocoa to Accra as some drivers refused to carry cocoa due to the lockdown in Accra and Kumasi……… Due to the lockdown and initial closure of the port, it was difficult transporting the produce to the ports for on-ward shipment to markets. In some instances the warehouses were full because of this problem." (Herii, purchasing clerk)

The transportation challenges that affected purchasing clerks who work at places where farmers sell cocoa also affected some input distributers. Input dealers who obtained their supplies from Accra reported that some of their drivers could not go to Accra for new stock. In all cases, drivers charged higher prices during the lockdown.

Access to markets and distribution of products

The lockdown also seriously affected access to international markets and distribution of processed cocoa products. The cocoa processing companies noted that the closure of the borders made it difficult to transport their goods to other African countries, although in principle, food items to be allowed to cross the borders. The distribution of products within Ghana was also affected, as many people remained at home and did not go out to purchase items. As shown in the statement below, a major cocoa processing company reported that sales declined by 40 per cent during the lockdown.

"During the lockdown, it became quite difficult to export our products to some countries due to border closures and restrictions on movements. The local demand for cocoa products in Ghana also was generally affected by the lockdown, as many people stayed at home. The loss of jobs and associated economic hardships due to COVID-19 might have also contributed to reduction in sales, which dropped by about 40 per cent." (Nagatha, cocoa processing company)

The pandemic and associated lockdown also affected the implementation of marketing and product promotion campaigns by some of the companies. For instance, one company reported that it was forced to cancel all sale promotion exhibitions due to restrictions:

"Most of the monthly pop-up markets where we sell our products were cancelled. Some distributors who wholesale our products were also affected by this, and faced reduced demand leading to them to cancel orders. A large expo [exhibition] which we were due to hold this year [2020] has to be postponed to early next year. We were just about to commence an export drive with one large international order, but this was cancelled. Other ongoing discussions regarding export are all on hold. We find ourselves unable to access any foreign markets because borders are closed." (Nana Tura, CEO of a cocoa processing company)

Health and safety concerns and practices

In order to deal with COVID-19 health and safety concerns, many of the business enterprises adopted various health and safety practices. These include provision of handwashing facilities, observing social distancing protocols at work place, running of shifts, and asking some staff to work from home, among others:

"In line with the COVID-19 management protocols outlined by the government, we have put in several measures to protect our workers and customers. The wearing of masks is now mandatory. We have also provided sanitisers, water and soap for staff to wash their hands regularly. To practice social distancing and in line with government's workers rationalisation, the administrative staff has been halved and many people now work from home. Although we were exempted from restrictions during the lockdown, the technical staff, which was already divided into shifts, operated under strict health and safety protocols." (Nagatha, cocoa processing company)

"Our operations have changed because of the COVID-19. In response, we have emphasised hand washing and checking regularly on workers' health. An additional hand washing stations at our processing site has been provided. We have also revised the layout of the production area to incorporate appropriate distancing protocols." (Nana Tura, cocoa processing company)

"Compulsory wearing of masks has been instituted to help curb the spread of COVID-19…Also, constant using of sanitisers and washing of hands is in place. We also advise the workers not to sit or stand close to each other when working. However, doing these things is very difficult due to the nature of the work. If they are loading for, instance, it is impossible to practice social distancing. Some workers do not adhere to the safety measures, hence the risky nature of the job." (Boni, purchasing clerk)

The introduction of more health and safety protocols at many work places is not a bad initiative, but some of the respondents talked about the financial challenges associated with such protocols. As indicated by Boni in the statement above, it is also practically more difficult for those in the cocoa purchasing and packing segment to practice social distancing due to the nature of their work.

5 CONCLUSIONS AND POLICY RECOMMENDATIONS

The analysis in this paper has shown that institutional arrangements and policies implemented in Ghana's cocoa value chain have gone through several alterations in relation to changing agrarian political economy and distribution of power among various interest groups. These groups include the political elite, traditional authorities, farmers, international buyers, and international donors. As cocoa is the most important cash crop in Ghana, the government has a stake in retaining control over cocoa earnings for the purpose of raising revenue for development projects and funding its neo-patrimonial networks that are important for remaining in power. Consistent with the political settlement framework (Khan 2018), the interaction by the various interest groups, with different sources of holding power, has led to the evolution of policies and institutional arrangements which have created different costs and benefits (rents) for different interest groups in the cocoa sector.

The history of the corporate governance system in the cocoa sector went through four periods. The first period (1920–1957) was the colonial era which was characterised by a fairly corporate governance system and struggle between European traders and farmer cooperatives for monopoly over internal marketing of cocoa. The second period (1957–1980) was the early post-independence era with a state-controlled economy, characterised by neopatrimonialism. While stabilisation of cocoa prices was used to justify the creation of a state-controlled marketing board, the post-independence governments generally exploited farmers and used cocoa revenue to support patronage networks which would enable them to remain in power. According to van de Walle (2001), the structure of neo-patrimonial networks entails the "ins", the "outs" and the government. The government taxes the "outs", and to get financial resources for providing patronage to the "ins". Farmers in rural areas tend to suffer the "outs" because they are not well-organised and cannot contest the ruling government. Marketing boards are used to tax farmers in rural areas to raise money to fund urban consumption and fund neopatrimonialism networks (Teye 2008). This is exactly what happened during the early postcolonial period. Cocoa farmers were over-taxed, and yet, the cocoa rent distribution only favoured the ruling elite and their clients. The effects of neopatrimonialism nearly led to the collapse of the cocoa value chain.

The third period (1980–2000) marks the introduction of economic reforms and liberalisation which were adopted in response to international pressure and economic crisis. The institutional changes and heavy investments in the production and processing segments helped to revive the cocoa sector. However, while the reforms brought about a gradual increased in producer prices, it also contributed to rising costs of production to farmers as subsidies were removed. Again, even though ERPs and SAPs helped to revive the economy, they also provided financial resources, or what Gibson and Hoffman (2002) term "patronage resources" for the PNDC government. Most of the loans and grants given to Ghana for cocoa sector rehabilitation went into the hands of private businessmen with close ties with state officials (see Teye 2008). The fourth period (2000–present) is characterised by further liberalisation and public-private partnerships, involving both traditional and new development partners, and geared towards modernisation of cocoa farming, promotion of environmentally friendly farming activities, empowerment of women and youth to participate in the cocoa value chain, protecting the rights of children and funding community development projects in cocoa growing areas. In reality, however, these partnerships have not yet resulted in improved outcomes for youth, women, children and other marginal groups in the cocoa sector.

A dominant theme witnessed in all the periods is the ability of the government to maintain autonomy and control over cocoa revenue. While the liberalisation of the value chain was enforced onto Ghana by international donor organisations, the government of Ghana has, since the 1980s, managed to maintain its autonomy and chose a gradual introduction of reforms (Ton *et al.* 2008). Consistent with the literature on autonomy and policy ambiguities (Grainger and Konteh 2007), policymakers in Ghana rely on "ambiguity by deception" to resolve conflicts between their interests and the international donors, especially concerning liberalisation of the cocoa sector. Despite the liberalisation rhetoric by the government, the state still controls the lucrative cocoa marketing sector through COCOBOD, which is responsible for controlling LBCs and the export of cocoa. There is evidence that possibilities for political settlement and rent distribution are the main reasons why the COCOBOD has been granted such a monopoly over internal cocoa marketing, even in an era of liberalisation. An outcome of the political settlement is that the two major political parties (NDC and NPP) do not follow their own ideologies when it comes to managing the cocoa marketing sector. Although the NDC is a social democrat party that is said to favour state control, while NPP is said to favour market liberalisation, the governments of both parties have often mandated state institutions, especially COCOBOD, to control all lucrative activities in the cocoa sector. This substantiates the argument that political settlement is an important motivator when it comes to making institutional choices.

Meanwhile, the state-supported COCOBOD's monopoly over internal marketing of cocoa and cocoa export has been justified by the need to ensure the continuous supply of high quality of cocoa products. In reality, the state supported agencies have historically been used to distribute rents in the cocoa sector. While over-taxation of farmers was the main mechanism of creating rent in the early post-independence era, recent ruling governments distribute such rents through the procurement and distribution of subsidised inputs and management of international donor grants. Subsidies on fertilisers, agrochemicals, equipment had become a key political tool for 'buying' votes and rewarding actors in the patronage networks of the ruling government. At the same time political elite and their clients continue to gain through irregularities in the handling of donor grants and awarding of contracts in the cocoa sector.

The current situation clearly supports the argument that financial aid, if not well-coordinated, tend to provide the ruling government with resources to finance neo-patrimonial networks and hold on to power (Teye 2008; Collier and Dollar 1999). However, compared with the situation in the early post-colonial era (1957–1980), when rent distribution nearly led to a collapse of the cocoa industry, the magnitude of rent distribution in the contemporary era has been slightly restrained by the desire to ensure that the industry does not totally collapse. Thus, while political settlement has negatively affected the distribution of rent in the cocoa sector, recent governments are aware of the economic importance of the sector, and are therefore committed to ensuring that their political interests do not totally destroy the cocoa sector, which is important for maintaining power. As a result of the desire to use cocoa prices to win political votes, successive governments will continue to maintain relatively high cocoa prices compared with the situation during the military regimes in the 1970s and 1980s. On the other hand, even though smallholder farmers are not getting substantial profits from the cocoa sector due to low prices and land tenure issues, their situation is generally better than what it was in the 1970s and 1980s, and the situation of many other peasant farmers producing non-cash crops.

The study shows that, despite several years of government intervention, there are several challenges that confront the sector. These include land tenure insecurities, labour supply constraints, lack of credit, inability to acquire farm inputs, climate change, and corruption and neo-patrimonial networks. The sector is also characterised by marked social differences, with women, youth and migrants in cocoa production being poorer than their male counterparts. More recently, the emergence of COVID-19 has also negatively affected labour supply, access to markets and processing in the cocoa sector. The following policy recommendations are proposed to deal with some of these challenges. First, based on the findings that most smallholder cocoa farmers, particularly migrants, are forced into undocumented leasehold and sharecropping agreements which have several tenure insecurities (Callahan 2019; World Bank 2017), we recommend that relevant state agencies (e.g. MoFA and Land Commission) should design context-specific and appropriate land-use policy interventions that deal with these land tenure securities. The state agencies should also work with NGOS to provide targeted extension support services on land acquisition to farmers.

Furthermore, based on the observation that finding hired labour is increasingly difficult and expensive for many poor smallholder cocoa farmers, we urge policies to encourage the youth to enter and remain in agriculture. The current Free Senior High School programme should be modelled in such a way that it encourages young persons to engage in agriculture. Also, given that the price of rural labour has increased partly because of the growing pace of rural-urban migration of young people (Bymolt *et al.* 2018), there is a need to control rural-urban migration by promoting balanced spatial development. A modernised and technologically driven agriculture, and agribusinesses that offer stable and high paying job opportunities, also has high potential to stem rural-urban drift and discourage irregular migration of the youth abroad.

Although stakeholders in the cocoa value chain are already increasingly concerned about issues of climate change and its impact on sustainable cocoa production (Bunn *et al.* 2019; Joerin *et al.* 2018), efforts to address the environmental challenges are still not adequate. Given that expansion of cocoa farms tends to lead to deforestation, we call for climate-smart cocoa initiatives to increase shade trees on farms. Also, given the difficulties that farmers face in accessing loans from the banks, we recommend the formation of mutual community savings and loans schemes to support cocoa farmers. Challenges associated with inadequate and late supply of inputs could be addressed through better governance of the input supply distribution process, and by awarding input supply contracts only to companies that have the capacity to deliver. In view of the gendered and intergenerational inequalities observed in the cocoa sector, we urge policymakers to give more attention to gender issues within the cocoa industry, as part of efforts at reducing gender inequity and empowerment of women. While current programmes being implemented by NGOs to enhance participation of the youth and women in the cocoa value chain are good, there is also the need for conscious structural transformative public policies to support smallholder women farmers and businesses to address societal problems at the community level. Additionally, implementing need-based literacy classes for women and male farmers, and offering recurrent gender sensitive trainings to men could be useful for enhancing women's capacity in dealing with existing inequalities. Awareness creation serves the dual purpose of directly increasing the agency of marginalised individuals, and creating a better understanding of structural and everyday inequalities, as well as the need for a bottom-up approach.

Corruption, neopatrimonialism, and rent-seeking behaviour of crony capitalists and the political elite have, historically, affected the performance of the cocoa value chain and reduced benefits that could accrue to smallholder cocoa farmers. Given these findings, we urge international development partners and civil society groups to demand greater accountability and transparency from political elite and state institutions in the cocoa sector.

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APPENDIX

Evidence

For relevant crosscutting hypotheses

Hypothesis 1:

"If the country is coastal: Production and commercialisation of the crop in question are encouraged by rapidly growing urban markets. This may encourage medium- and large-scale farmers to grow the crop alongside smallholders. However, incentives for production and commercialisation have been undermined in part by unpredictable competition from imports."

This hypothesis is not supported by the evidence presented. Even though Ghana is a coastal country, urbanisation has not influenced the production and commercialisation of cocoa which has historically been largely cultivated by smallholders in rural areas. Although a few medium and large-scale farmers cultivate cocoa, about 80 per cent of the annual output is produced by smallholders. As cocoa is largely an export commodity, incentives for production and commercialisation has not been undermined by competition from imports.

Hypothesis 2:

"If the value chain is a major source of foreign exchange for the country (>25 per cent of merchandise exports): National elites seek to use the value chain as an important vehicle for distributing rents to supporters (powerful individuals and/or wider voting groups), but the magnitude of rent distribution is restrained by the importance of not "killing the goose that lays the golden egg."

This hypothesis is strongly supported by the evidence. Cocoa is still the most important export crop in Ghana. It contributes about 30 per cent of merchandise exports. As discussed, national elites have, since 1957 used the cocoa value chain as an important tool for distributing rents to actors in the ruling government's networks. In the early post-colonial era (1957–1980), rent was largely generated and distributed through over-taxation of cocoa farmers and offering of employment benefits to clients which resulted in low producer prices offered to farmers. The magnitude of rent distribution during this era was very high, nearly resulting in a total collapse of the cocoa industry. Since the 1980s when Ghana started implementing economic reforms, political elite have been distributing rents through the distribution of donor grants intended to revive the cocoa industry and promote rural development. The procurement and distribution of subsidised inputs (e.g. fertilisers) have also been used to distribute rents to crony capitalists, especially since 2008. The magnitude of rent distribution in the contemporary era has, however, been slightly restrained by the desire to ensure that the industry does not totally collapse.

Hypothesis 3:

"If production of the crop primarily takes place in sub-national regions with high population density (>200 persons / km^2): Production and sale for market are both dominated by smallholder farmers, despite the interest of larger players in entering the value chain. Conversely, if production of the crop primarily takes place in sub-national regions with low-medium population density (<200 persons / km2): medium- and perhaps also large-scale farms have expanded their production and marketing of the crop dramatically over the past decade."

This hypothesis is only partially supported by the findings of the study. Production of cocoa largely takes place in sub-national regions with low population density. However, there are a few cases where production takes place in places with high population density (e.g. Sefwi Area, Eastern Region etc.). In both cases, however, smallholder farmers dominate the cultivation of cocoa in Ghana. This is partly due to challenges with the acquisition of large tract of lands for large-scale plantations. The marketing segment is however largely controlled by the state agencies and a few large-scale enterprises.

Hypothesis 4:

"If traditional development partners have engaged actively with the value chain over the past decade: Policy interventions have both been designed to stimulate commercialisation in some form or another and to facilitate the participation of smallholder farmers in the resulting commercialisation processes. If new development partners (e.g. BRICS) have engaged actively with the value chain over the past decade: Policy interventions have been designed to stimulate commercialisation in some form or another, but there have been no specific efforts to facilitate the participation of smallholder farmers in the resulting commercialisation processes."

This hypothesis is also partially supported by the findings. Smallholders have historically been active in the production segment of the cocoa value chain. While traditional development partners have been promoting broader commercialisation and strengthening the participation of smallholders in the cocoa value chain since 1980, new development partners have also become very active in the coco sector development partnerships since 2000. Both the traditional and new development partners are currently involved in the designing and implementation of policy interventions to stimulate commercialisation and to facilitate the participation of smallholder farmers, especially women and the youth in the cocoa sector.

Teye, J.K. and Nikoi, E. (2021) *The Political Economy of the Cocoa Value Chain in Ghana,* APRA Working Paper 53, Brighton: Future Agricultures Consortium

ISBN: 978-1-78118-786-9 DOI: 10.19088/APRA.2021.007

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Agricultural Policy Research in Africa (APRA) is a programme of the Future Agricultures Consortium (FAC) which is generating new evidence and policy-relevant insights on more inclusive pathways to agricultural commercialisation in sub-Saharan Africa. APRA is funded with UK aid from the UK Foreign, Commonwealth & Development Office (FCDO) and will run from 2016-2022.

The APRA Directorate is based at the Institute of Development Studies (IDS), UK (www.ids.ac.uk), with regional hubs at the Centre for African Bio-Entrepreneurship (CABE), Kenya, the Institute for Poverty, Land and Agrarian Studies (PLAAS), South Africa, and the University of Ghana, Legon. It builds on more than a decade of research and policy engagement work by the Future Agricultures Consortium (www.future-agricultures.org) and involves more than 100 researchers and communications professionals in Africa, UK, Sweden and USA.

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This report is funded with UK aid from the UK government (Foreign, Commonwealth & Development Office – FCDO, formerly DFID). The opinions are the authors' and do not necessarily reflect the views or policies of IDS or the UK government.