# EXPORT MONOPOLY MARKETING BOARDS IN WEST AFRICA - A REVIEW OF PERFORMANCE

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# A REVIEW OF PERFORMANCE

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The operation of the West African export monopoly boards has probably been one of the most intensively debated topics in the general area of the statutory marketing of agricultural products. In this short paper we do not seek to provide a complete review of the points of detail which have arisen in the debate.[1] Rather, we attempt to provide an insight into the scope and performance of the Boards. In this we draw primarily upon three examples:

(1) the Gambia Produce Marketing Board, whose principal product is groundnuts;

(2) the Ghana Cocoa Marketing Board which, as its title suggests, is primarily concerned with the marketing of cocoa; and

(3) the Western State Marketing Board (Nigeria) which is mainly concerned with cocoa and to a lesser extent oil palm products.

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[1] A fairly comprehensive bibliography is provided by Aladejana (1971). The flavor of the debate can be gauged from Onitiri and Olatunbosun (1974).

## The History of the Export Monopoly Board in West Africa

The origin of statutory marketing of agricultural export commodities in West Africa lies in the emergency control measures instituted by the United Kingdom in her then colonies during the Second World War. Prior to this period, produce was exported by private merchant firms run mostly by expatriates. The commodities concerned, primarily cocoa and oilseeds, were produced within a system of small-scale peasant agriculture and their purchase was undertaken by clerks of the exporting firms, or local intermediaries (middlemen) who subsequently dealt with the exporters.

A high degree of concentration of trade was present amongst merchants in the pre-war period and on occasion market-sharing agreements existed within an oligopolistic structure. Cocoa marketing, in particular, had a turbulent history in the years preceding the War and in 1937 growers in the Gold Coast (Ghana) refused to market their cocoa for a period of five months because of dissatisfaction with prices and suspicion of the activities of exporters. A British Royal Commission of Enquiry (the Nowell Commission, named after its chairman) was set up in 1938 to review the situation and blamed most of the apparent ills of the marketing system upon the large numbers of middlemen.[2] This conclusion has been criticized, particularly by Bauer (1954), but the sentiment that marketing should be regulated and simplified, voiced in the report, gained popular credence and was significant for later developments in the British Colonies.

At the outbreak of war in Europe in 1939 the British Government, fearful of a collapse in the price of cocoa and its socio-political effects, introduced a single buying-exporting agency administered by the Ministry of Food in London.

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[2] Great Britain (1938).

By 1942 the scope of control had been extended and an organization designated the West African Produce Control Board (WAPCB) was granted monopoly powers over the export of groundnuts and oil palm produce, in addition to cocoa.

The purpose of control essentially had three aspects:

1. to deny supplies of produce to the enemy and to secure them for the Allies;
2. to prevent a collapse in prices; and
3. to maintain or increase exports.

The WAPCB established fixed seasonal minimum prices for purchased produce and regulated the costs of purchasing and handling. Purchases were made by licensed buying agents (the merchant firms) on the basis of a quota system relating to pre-war market shares.[3]

During, and immediately after the War, the future of statutory marketing in West Africa was outlined in two British Government publications, the Cocoa White Papers of 1944 and 1946.[4] These are of some significance since they present a fairly detailed statement of the role envisaged for statutory marketing in the post-war period.

In the 1946 White Paper the conclusions of the Nowell Commission are advanced as an argument for not returning to pre-war arrangements in the export trade. However, the major advantage claimed for a statutory system is its ability to stabilize the price paid to producers and hence their income. This is reflected by the statement

> 'the remedy for many of the evils afflicting the West African Cocoa industry lies in imposing a buffer between the producer

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[3] For a review and criticism of these arrangements see Bauer (1954).

[4] Great Britain (1944, 1946).

> and the international market which will protect him from short-term fluctuations of world prices and allow him a greater stability of income.'[5]

The method by which this was to be achieved was through the use of existing and future accumulations of reserves as a 'buffer fund'. In addition, it was envisaged that such reserves might be used for a variety of other purposes, for example

> 'research, disease eradication and rehabilitation, the amelioration of indebtedness, the encouragement of co-operation and the provision of other amenities and facilities to producers.'[6]

The statutory marketing agency was envisaged as an organization operating largely on commercial principles, acting on behalf of producers. However, unlike their British domestic monopoly counterparts, their decision-making bodies would be government, rather than producer controlled since,

> 'It is considered...that it would be impracticable to expect the African cocoa-farmer to operate such a scheme unaided at present.'[7]

Nevertheless the nature of representation and the proposed development of the structure of decision-making is unambiguously stated

> 'The Government majority will represent the interests of the producers and will act as trustees for them until such time as the producers' Co-operative societies have developed sufficiently to enable them effectively to provide their own representation. It is contemplated

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[5] Great Britain (1946).

[6] <u>Opus cit</u>.

[7] <u>Opus cit</u>.

> that representatives of the producers should eventually constitute the majority in the proposed organization.'[8]

Hence,

> 'there will be no question of their making a profit at the expense of the West African Cocoa producers. The Boards will act as agents or trustees of the producers.'[9]

The Cocoa White Papers therefore present a clear picture of the intended nature of statutory marketing in West Africa: a system of semi-public agencies acting on behalf of producers in a stabilizing role, bringing order to the marketing process and eventually moving towards a producer-dominated structure on the British model. The establishment of the system began in 1947 with the creation of two national commodity boards, in Ghana and Nigeria, to market cocoa. The WAPCB, in a somewhat reduced form, continued in existence until 1949 when the marketing of the remaining products within its control was adopted by individual commodity boards. In that year, therefore, the following EMB's were in existence in West Africa:

1. The Gambia Oilseeds Marketing Board.
2. The Gold Coast Cocoa Marketing Board.
3. The Nigeria Cocoa Marketing Board.
4. The Nigeria Groundnut Marketing Board.
5. The Nigeria Oil Palm Produce Marketing Board.
6. The Nigeria Cotton Marketing Board.
7. The Sierra Leone Agricultural Marketing Board.

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[8] Great Britain (1944).

[9] Great Britain (1946).

During its operating life the WAPCB had accumulated significant financial reserves from its trading activities. These amounted to £22 millions from cocoa sales, £11 millions from oil palm produce and £10 millions from groundnut sales. Upon the dissolution of the WAPCB these sums were distributed to the newly established boards on the basis of their regions' past exports, thus providing them with the basis of a reserve fund.

Since its inception the marketing board system in West Africa has undergone a number of structural changes, many of which were associated with the granting of national independence by Britain. Individual boards have changed both their titles and their scope of activities, particularly in terms of the number of commodities handled. For example the Gambia Oilseeds Marketing Board was re-named the Gambia Produce Marketing Board in 1973 and its powers of control extended to include cotton and rice, in addition to groundnuts and palm kernels which it has handled since 1949. The Ghana Cocoa Marketing Board, re-named after independence was granted to the Gold Coast in 1957, has since undergone no less than four changes in title and for a brief period in 1962-3 handled, in addition to cocoa, sheanuts, palm kernels, copra, coffee, bananas, timber, and a variety of domestic foodstuffs.

Following constitutional changes in 1954 a major structural change occurred in the organization of the Nigerian Boards. The four national single-commodity boards were disbanded and three regional multi-commodity boards were established with a common central sales agency. This system continues to the present day, although the number of boards has expanded with the progressive regionalization of government in Nigeria and the nature of the sales organization has been altered. The Western State Marketing Board, to which we shall subsequently refer, is one of the products of the re-organized system.

## The Statutory Framework and Board Objectives

The scope of operations of the Boards is defined by their enabling legislation. Although, in most cases, this has been subjected to change since their initial establishment it primarily deals with four areas:

1. the objectives of the marketing board;
2. the constitution - composition and status of the directorate and its ancillary decision-making structures (if any);
3. the functions and powers of the board; and
4. the financial provisions of the board.

The composition of the directorate is frequently not outlined in detail. For example, the legislation establishing the Western State Marketing Board (WSMB) in Nigeria merely specifies that it shall consist of a chairman and eight members, all to be appointed by the Minister of Finance of the State Government.[10] The current legislation of the Ghana Cocoa Marketing Board (GCMB) has a similar specification with a chairman and up to thirteen other members to be appointed by the Head of State.[11] A notable exception, however, is provided by the Gambia Produce Marketing Board whose legislation contains a detailed structural breakdown of its fourteen member directorate.[12]

In addition to structure, the terms of office, periodicity of meeting, quorum, and voting procedure are also features which are generally established in the legislation. Similarly, the existence and status of any sub-committees are generally specified, for example, representative committees relating to individual products in the case of the Nigerian Boards; an advisory and an executive committee in the case of the GPMB.

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[10] Western Region of Nigeria Government (1954).

[11] Ghana Government (1970).

[12] Gambia Government (1973).

The functions and powers of the boards are generally set out in detail and may include most, or all, of the following:

(a) provisions establishing the board as the sole purchaser and exporter of specified products and the duties involved therein;

(b) the ability to set producer prices and grades of produce to be purchased;

(c) the power to appoint (license) buying agents and their representatives to act on behalf of the board;

(d) the power to fix the margins of buying agents and others (for example transporters and processors) engaged in primary marketing;

(e) the ability to specify the locations at which purchases may be made and/or produce graded;

(f) the ability to define the period over which purchasing may be carried out and the mode of subsequent handling;

(g) the power to enter into national/international arrangements to facilitate the pursuance of board functions and objectives.

In addition to these powers and functions the legislation generally specifies the penalties which may be imposed for contravention of the rules and regulations laid down. For example, current GCMB legislation specifies a fine of up to N¢ 1,000 ($850-900) and/or a period of imprisonment of up to twelve months for the illegal purchase or export of cocoa.

The content of this list illustrates the very wide scope of the powers of the Boards and their potential significance as a regulatory device.

The financial provisions of the boards also receive wide coverage in their legislation. Generally these refer to:

(a) the ability (or obligation) of the board to make loans or grants to the government or its agencies;

(b) the ability of the board to borrow;

(c) the keeping of records and preparation/auditing of financial statements;

(d) the nature and structure of reserves, for example, their division into general or stabilization sections;

(e) the other uses of board finances, for example, staff welfare and pensions, product research and development, pest control.

The enabling legislation usually contains a very general statement of objectives, for example,

> 'It shall be the duty of the Board to secure the most favourable arrangements for the purchase, grading, export and selling of Gold Coast cocoa, and to assist in the development by all possible means of the cocoa industry of the Gold Coast for the benefit and prosperity of the producers.'[13]

This type of statement is significant both for its degree of generality and for its failure to mention stabilization, the intent of which had dominated the Cocoa White Papers. The statement of objectives in the legislation establishing the Nigerian Cocoa Board is similarly lacking in a stabilization commitment, although it should be noted that the WSMB legislation contains a directive to stabilize prices 'as required and as far as possible'.[14]

In terms of attempting to review the performance of the Boards with respect to their stated objectives, this type of statement clearly presents some difficulties. The generality of the statements of intent contained in their enabling legislation necessitates some judgment on the part of the observer as to the exact nature of 'most favourable arrangements' and 'benefit and prosperity'. There is no absolute or universal criterion by which these

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[13] Gold Coast (1947).

[14] Nigeria (1947) and Western Region of Nigeria Government (1954).

may be evaluated. Moreover the objectives of boards have seemingly not remained constant and immutable through time but have tended to evolve. We can gain further insight into the process of this evolution and the nature of specific objectives by examining the published statements of the Boards and the statements and actions of governments which occupy such an important position with respect to the export monopoly board and their policymaking processes.

In their published statements the Boards have frequently made reference to the stability question, for example,

> 'Sharp fluctuations in cocoa prices, whether up or down have serious effects by creating unstable conditions.'[15]

and

> 'the primary responsibility of the Board is to secure the most favourable arrangements for the purchase for export of the produce which it handles; to maintain stable producer prices and promote the economic development of the producers and the areas of production.'[16]

Insofar as the Boards have been concerned with stability it would seem that their efforts have been directed towards achieving a degree of stability of producer price. However, it is not always entirely clear over what period of time they have viewed stability and stabilization to be desirable. The Cocoa White Papers were themselves somewhat unclear on this point, referring alternately to 'day-to-day fluctuations' and to 'short and intermediate term price fluctuations'. At least in some cases the stability of price within a single season may have been accorded dominant if not sole priority, for

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[15] GCMB Annual Report, No. 2, page 3.

[16] WSMB Annual Report, No. 1, page 5. Note the curious use of the singular.

example, the GCMB

> 'The most important result of the establishment of the Board is that the farmer gets a stable price each season and he is no longer subjected to the vagaries of a widely fluctuating market.'[17]

In other cases, the stability of prices from season-to-season may have been accorded some importance. Hence,

> 'It was...considered very important that, in the interest of stability, prices should be fixed at levels which could be maintained not only from one season to another but for as long a period as possible.'[18]

While the stability question has almost certainly figured in the objectives of the West African Boards an important functional change has in many cases tended to shape objectives; the evolution of the Boards as a fiscal device. Although this was not envisaged at the time of their formation the Governments associated with the EMB's were not slow to realize their potential as revenue-raisers.

In the case of the GCMB, for example, the development of this function was associated with a series of amendments to the existing legislation. During the period 1951-57 no less than four amendments were effected to the Cocoa Marketing Board Ordinance.[19] These had the effect of:

(a) increasing the export duty upon cocoa to an extent that a maximum price was defined for the sale of cocoa by the Board;

(b) transferring the bulk of the policymaking function of the directorate to the Government;

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[17] GCMB (1968) page 6.

[18] WSMB Annual Report, No. 5, page 4.

[19] These were the amendments of 1951, 1954 and 1957 (2).

(c) enabling Board funds to be used for any purpose specified by Government.

Hence, by 1958 the Chairman of the GCMB could write in its magazine

> 'the Board has fully lived up to the possibilities envisaged for it, for within the brief course of less than a decade, it has contributed decisively to the economic well-being of the country, has accumulated large reserves, and has now become the chief instrument of Government financial policy.'[20]

The increasing importance of the fiscal role in shaping objectives can be detected in the statements of other boards, for example, the WSMB

> 'The Board's responsibility for insulating farmers against temporary fluctuations in world prices for their produce and for maintaining stable producer prices as long as possible is of no greater weight than the statutory responsibility which it also has for promoting the development of the Region.'[21]

Helleiner (1966) presents a detailed review of the evolution of the fiscal role of the Nigerian Boards and observes that their sensitivity to producer complaints about this function is reflected by a lack of reference to it in their published statements.

We are therefore able to build up a picture of the scope and purpose of the West African Boards which crystallized with their formation and operation:

(1) to perform the function of marketing agency, promoting the efficiency of marketing and production in the industries under their control;

(2) to act as stabilizers;

(3) to act as fiscal agents.

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[20] GCMB Newsletter, January 1958.

[21] WSMB Annual Report No. 7, page 20.

The Marketing Role of the Boards

In assessing the marketing role of the Boards there are at least three functional aspects which merit consideration:

(1) product development;

(2) the design of the marketing system; and

(3) marketing performance.

In terms of product development the promotion of quality improvement has been a notable feature of board activity. The Nigeria Cocoa Marketing Board had four grades for cocoa in 1947/8 with a premium of 4% for Grade I over the price of Grade II; Grade I purchases were 47% of the total at this time. By 1951 the premium was over 9% and Grade I purchases constituted 95.1% of the total. In 1967 the proportion of purchases of Grade I quality was 99.8%.[22] A similar improvement occurred in Ghana where Grade I purchases rose from 14.4% in 1948/9 to 66.7% in 1959/60 and 98.7% in 1964/5.

The improvement in quality has been aided by the effort that has been undertaken in the control of disease. The WSMB, for example, expended a total of ₦13.8 millions ($19.34 m.) over the period 1958/9 - 1970/1 on the subsidization of spray chemicals for cocoa. According to Kriesel (1969) the use of such chemicals yields a six fold return on the money spent by the farmer and a two and a half fold return in terms of the total cost to farmer and marketing board. Disease-related expenditure has also been undertaken by the GCMB through its Cocoa Rehabilitation Scheme for areas affected by swollen shoot disease. During the period 1947/8 to 1960/1 a total of ₵65.2 millions ($56.7 m.) was spent through the scheme of which ₵24.6 millions ($21.4 m.) constituted direct grants to farmers for the purposes of cutting-out diseased trees, and retreating and rehabilitating affected areas.

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[22] Kriesel (1969).

Boards have also contributed to the financing of research and development of the products they handle. The WSMB, for example, contributed approximately ₦5.5 millions ($8.1 m.) to research organizations in Nigeria during the period 1954/5 to 1970/1. In addition, the Boards have, to some extent, fostered the development of producing industries through the supply of inputs, such as improved seeds and fertilizers in the case of the GPMB, and through the provision of rural credit, as in the case of the GCMB.

Some boards have also encouraged product diversification and the expansion of the value-added component in production. The GPMB, for example, has promoted the development of the production of confectionery groundnuts in the Gambia. In addition, during the first six years of its operating life it succeeded in transforming Gambia's exports of groundnuts from a raw to a semi-processed form through the introduction of decorticating(shelling) plant. During the decade of the sixties it fostered the development of the oil-crushing industry which grew from a 4% consumer of the raw product to a 53% consumer in 1971/72. Since 1973 the GPMB has been the operator of the Gambia's oil-crushing mills. Other boards have also been involved in the promotion of domestic processing. For example, the GCMB is the owner of one of Ghana's three cocoa processing plants which collectively utilize about 50,000 tons of beans annually in the production of cocoa butter, liquor, cake, and powder.

In terms of the design of the marketing system the essential characteristics of the primary marketing process have, in many cases, remained substantially the same since the inception of the Boards. A notable change has, however, occurred in the nature of the licensed buying agents (LBA's) who operate on behalf of the Boards. At the time of their establishment the majority of these agents tended to be expatriate commercial firms. For example, in the first year of the operations of the Nigeria Cocoa Board 75% of the LBA's were expatriates.

This had fallen to 50% at the time of the formation of its successor, the WSMB, in 1954 and by 1967 stood at a mere 3% of the total. In the GPMB system the major feature has been the growth of the co-operative movement whose market share rose from 6.6% in 1960/61 to 42.4% in 1971/72.

The WSMB system is interesting in that a substantial growth has occurred in the number of agents. As table 1 illustrates there was an increase of

Table 1: WSMB: Payments to and numbers of Licensed Buying Agents (Cocoa) 1954/5 - 1970/1

| | Index of Block Allowance To Agents* | Index of Total Payments | No. of Agents |
|---|---|---|---|
| 1954/5 | 100 | 100 | 37 |
| 1955/6 | 98 | 135 | 38 |
| 1956/7 | 89 | 144 | 41 |
| 1957/8 | 98 | 90 | 41 |
| 1958/9 | 87 | 152 | 45 |
| 1959/60 | 86 | 152 | 50 |
| 1960/1 | 85 | 172 | 72 |
| 1961/2 | 85 | 191 | 91 |
| 1962/3 | 68 | 173 | 128 |
| 1963/4 | 61 | 184 | 147 |
| 1964/5 | 63 | 250 | 199 |
| 1965/6 | 62 | 183 | 279 |
| 1966/7 | 62 | 234 | 337 |
| 1967/8 | 74 | 208 | 298 |
| 1968/9 | 75 | 172 | 246 |
| 1969/70 | 65 | 214 | 246 |
| 1970/1 | 66 | 310 | 305 |

* Refers to Grade I Cocoa

roughly seven or eight fold in the number of licensed agents during the period up to 1970/71. Although a general decline has occurred in the unit allowance paid to agents by the Board the volume of total payments has risen with increased production. The increase in the number of agents suggests that the remuneration of LBA's is relatively attractive in comparison with alternative occupations. The WSMB system, in fact, contrasts markedly with that of the GCMB. The data presented by Kriesel (1969) illustrates that over the period 1960/1-1966/7 purchases per agent of the WSMB ranged from less than 50 tons of cocoa to over 20,000 tons with a modal range of 500-2000 tons (about 1% of the crop). By comparison, in the period 1969/70-1971/72 the number of agents operating on behalf of the GCMB ranged from 8-14 with two agents (the Produce Buying Association and the Ghana Cocoa Marketing Association Limited) handling 80-95% of the crop.

The difference in the degree of concentration between the GCMB and WSMB is a reflection of the contrasting development of the two systems. While the WSMB has permitted the expansion of agent numbers the GCMB structure developed in exactly the opposite direction and in 1961/2 a single agent, the United Ghana Farmers' Council (UGFC), was granted a monopsony in primary purchasing. As noted by Beckman (1973) the reasons for this move were largely political and the arrangement only lasted until the overthrow of the Nkrumah Government in 1966.

The establishment of the UGFC as sole purchasing agent seemed to represent, at least superficially, a movement towards the realization of the dominance of producer organizations envisaged in the Cocoa White Papers. However, as the subsequent enquiry into the affairs of the UGFC demonstrates the monopoly purchasing of cocoa promoted the spread of malpractices and the exploitation of producers.[23] The history of the GCMB system has been plagued by such problems. Such features as the over-declaration of purchases, mis-application of funds and the issue of 'chits' (I.O.U.'s) to cocoa farmers instead of cash payment have been pervasive.[24] Certainly these practices seem to have been less prevalent in the more competitive decentralized system of the WSMB. However, it would be too simplistic to suggest that such a system would necessarily provide an answer to the problems in Ghana. After all, the centralized buying system of the GPMB, involving no more than six or seven LBA's, has apparently worked smoothly for over twenty-five years.

There are two principal aspects of the marketing performance of a board:

(1) its success in maximizing sales proceeds; and

(2) its ability to minimize its costs.

Assessing the success of boards in maximizing their sales proceeds is a difficult matter, primarily because adequate data are difficult to obtain. The West African Boards commonly make their sales on a forward basis; the GCMB, for example, tends to sell its cocoa for delivery in three months. It has been suggested that the day-to-day sales policy of the Boards tends to be somewhat inflexible and does not relate to price trends or supply and demand prospects. Hence, the average sales price realized by the Boards may be expected to be lower than that which might otherwise be obtained.

In order to adequately assess the difference between actual and potential earnings we would ideally wish to relate the proceeds from the forward sale of a particular 'bundle' of produce to the actual equivalent spot proceeds at the time of delivery. Kriesel (1969) notes that such information is not

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[23] Ghana Government (1967).

[24] Malpractice is not only confined to buying agents but in some cases is found in the Boards themselves. See, for example, Nigeria (1962).

available for Nigerian produce and hence concentrates on comparing the average monthly sales proceeds of cocoa with the revenue obtainable from its hypothetical sale at the ruling spot price over the period 1956-67. However, he is unable to arrive at any clear conclusion as to whether proceeds during this period were reduced by the forward sales policy.

On the other hand Manu (1973), by comparing the average annual sales price of Ghanaian cocoa to the corresponding average spot price, has suggested that such a policy leads to a significant reduction of earnings in the case of the GCMB. He demonstrates that average realized price over the period 1961-70 was only 86.5% on average of the potential price. Overall, it is probably fair to observe that in the absence of in-depth research on the subject of sales policy it is not possible to give a general opinion on the success of the West African Boards in selling their products.

In terms of the second of these aspects, the costs of the marketing board, we present some illustrative information in table 2. This demonstrates that the administrative costs of the GPMB declined over the period 1960/1 to 1968/9. In 1965/6 they had fallen to 63% of their 1960/1 level, although they had risen to 94% of that level at the end of the period. By comparison, the index of administrative costs in the WSMB over the same period portrays a different picture. With the exception of 1961/2, administrative costs were higher than their 1960/1 level and had more than trebled by the end of the period. These figures are even more significant in the light of the fact that turn-over increased less in the WSMB than in the GPMB.

If we consider the trend of unit operating costs we find that in the case of the GPMB these have also tended to fall. In 1966/7 they stood at 49% of their 1960/1 level and in only one year, 1961/2, were they higher than that level. With respect to the WSMB the picture is more mixed, with some considerable variations in unit costs. In six of the eight years following the base year unit costs were greater and on two occasions they were more than double those of the base year.

Clearly this table can only present a limited insight into the problems of cost control in the West African Boards. In order to present a more

Table 2. Indices of administrative costs, operating costs, and turnover for the GPMB and WSMB 1960/1 - 1968/9

| | GPMB | | | WSMB | | |
|---|---|---|---|---|---|---|
| | Total Admin. Costs | Unit Operating Costs* | Total Turnover | Total Admin. Costs | Unit Operating Costs** | Total Turnover |
| 1960/1 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1961/2 | 94 | 130 | 106 | 94 | 159 | 96 |
| 1962/3 | 69 | 88 | 88 | 111 | 85 | 93 |
| 1963/4 | 67 | 65 | 88 | 141 | 83 | 121 |
| 1964/5 | 67 | 53 | 130 | 164 | 121 | 121 |
| 1965/6 | 63 | 50 | 160 | 175 | 229 | 65 |
| 1966/7 | 73 | 49 | 161 | 211 | 181 | 127 |
| 1967/8 | 85 | 63 | 130 | 280 | 252 | 117 |
| 1968/9 | 94 | 65 | 191 | 307 | 161 | 118 |

* Groundnuts

** Cocoa. Excludes costs of transport from buying stations to ports paid by the Board from 1967/8.

comprehensive picture we would need to consider in detail the changes which may have occurred in individual operating structures and conditions.[25] However, inasmuch as the WSMB probably has greater structural affinity to

[25] For example, some indication of changes in general cost conditions in the Western State is provided by the retail price index which increased by an average 3% per annum over the period considered in table 2.

other Western African Boards then it does suggest that cost control may be a problem in the Boards.

The problem of the control of expenditure is common to all large organizations and it is perhaps not surprising that the managers of the marketing board may seek to increase the size and the budget of the administrative structure in order to emphasize its, and their own, importance. This is reflected to some extent by the tendency for boards to engage in prestige projects such as the provision of their own office accommodation. Both the GCMB and the WSMB, for example, have been involved in such projects. In the case of the GCMB ₵1.8 millions ($1.6 m.) was spent on the construction of 'Cocoa House' in Accra during the late 1950's.

## The Stabilizing Role of the Boards

As we have already observed it is not always entirely clear what stabilization objectives have been pursued by the West African Boards. However, it seems reasonable to state that intra-seasonal stabilization of producer price has been accorded high priority and that many boards have also attempted to achieve a degree of inter-seasonal price stability.

As far as the former of these objectives is concerned the Boards have achieved wide success. Most boards have, throughout their operating lives, set pre-season guaranteed prices, although in the case of the GPMB prices have customarily been set prior to harvesting rather than the growing period. There has, however, been one notable example when such a 'guaranteed' price was not maintained. In the 1960/1 season the WSMB cut its cocoa producer price by 30% in mid-season due to a sudden fall in world prices. Helleiner (1966) suggests that the reserve position of the Board had been weakened by grants to the Regional Government and would have been further undermined by the maintenance of the guarantee, hence its abandonment.

As Bauer (1954) has observed the Boards do not utilize formal price-setting models or schemes in order to achieve stabilization although, as Blandford (1974) has demonstrated with respect to the GPMB, there may be a significant degree of implicit consistency in the pricing behavior of boards. While it is fairly expensive in terms of time and effort to examine the inter-temporal behavior of boards we can fairly easily ascertain the results of their behavior in terms of its effects upon the stability of relevant price/revenue series. Such an analysis has been carried out by Helleiner (1966) for the Nigerian Boards. He concluded that while the inter-seasonal stability of producer price was greater with the marketing boards during the period examined, the inter-seasonal stability of producer revenues was generally less. In order to present a somewhat broader picture of the stabilization issue we present a comparable analysis for three of the West African Boards, the GPMB, GCMB and the WSMB.

The measures of instability of price or revenue which we employ are: 1) the average absolute percentage period-to-period change; and 2) the average absolute percentage period-to-period change computed with respect to a moving average. The former is defined as

$$I_1 = \frac{\sum_{t=2}^{n} X_t}{n-1}$$

$$\text{where } X_t = 100\text{x} \left| \frac{V_t - V_{t-1}}{\max\ (V_t,\ V_{t-1})} \right|$$

n = the number of observations in the price/revenue series

V = the variable under analysis

The latter, with respect to a five period moving average, is defined as

$$I_{25} = \frac{\sum_{t=3}^{n-2} Y_t}{n-4}$$

where $Y_t = 100x \left| \frac{V_t - A_t}{A_t} \right|$

$$A_t = \frac{\sum_{t-2}^{t+2} V_t}{5}$$

This measure is important in that it demonstrates the degree of instability with respect to trend and may therefore detect any attempt to achieve longer-period stability. The problem involved in its use, however, is that there is no obvious choice of moving average period. In our analysis we choose to employ both three and five period forms. Although this is arbitrary, it is no less so than the alternative of employing the average deviation from a regression equation of 'appropriate' functional form.

In table 3 we present the results of applying these measures to price and revenue series of the three Boards. Two of the prices employed are self-explanatory but the 'break-even' producer price requires some explanation. This is a price series which is formed by adding the per unit surplus/deficit realized by the marketing board on sales of the product in the current period to producer price in the same period. Hence, on the basis of a broad *ceteris paribus* assumption it represents the price which the board could have paid and have approximately broken-even.[26] Such a price, and the revenue series which can be obtained from it, was employed by Helleiner (1966). However, it is especially important to note the stringency of the assumption that

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[26] It is especially interesting in that it indicates, above all, the post-tax instability faced by the marketing board.

output and marketing board costs and receipts would have been unaffected to the payment of the 'break-even' price. Due to the rather severe nature of this assumption we also include average export price and total export earnings as sources of comparison.

The table illustrates that all the Boards listed achieved a reduction in the inter-seasonal instability of producer price both with respect to the break-even price and the average export price. With respect to the simple period-to-period change ($I_1$) the instability of producer price is only 65-70% of that of the export price for the Boards. However, in terms of the instability of producer receipts only the GPMB demonstrates reduced instability, which is marginal with respect to the export price and somewhat more significant with respect to the break-even price. The figures for the other two boards indicate that producer payments have apparently been destabilized by their pricing policy. Payments to producers prove to be approximately 50% more unstable than the corresponding series of export earnings and approximately 25% more unstable than those of 'break-even' payments.

These results are consistent in their general character with other studies on the stabilizing performance of the Boards. The overall picture is one of general stabilization with respect to producer price but with respect to payments a neutral effect, at best, and a destabilizing effect at worst.

Analysis suggests that stabilization proves a difficult problem for the Boards. Where fluctuations originate exogenously then stabilization of domestic producer price will, in the long-run, necessarily stabilize revenue. However, several of the products handled by marketing boards in West Africa may not conform to this pattern. This is particularly true in the case of cocoa since the demand facing Ghana and Nigeria jointly is probably

Table 3. Instability indices for the principal products of three West African Boards

| | Gambia Produce Marketing Board Groundnuts 1952/3 - 1970/1 | | | | Ghana Cocoa Marketing Board Cocoa 1947/8 - 1966/7 | | | | Western State Marketing Board Cocoa 1954/5 - 1970/1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mean | $I_1$ | $I_{23}$ | $I_{25}$ | Mean | $I_1$ | $I_{23}$ | $I_{25}$ | Mean | $I_1$ | $I_{23}$ | $I_{25}$ |
| | Dalasis | | | | Cedis | | | | Naira | | | |
| Producer Price | 140.9 | 6.56 | 3.39 | 5.36 | 277.3 | 11.41 | 7.26 | 6.51 | 257.0 | 13.45 | 9.45 | 13.33 |
| 'Break-Even' Producer Price | 150.9 | 14.77 | 7.71 | 10.77 | 321.8 | 17.34 | 8.58 | 12.52 | 308.2 | 20.53 | 12.42 | 15.92 |
| Export (F.O.B.) Price | 312.3 | 10.12 | 6.05 | 7.29 | 511.9 | 18.14 | 10.72 | 17.32 | 417.8 | 19.47 | 10.78 | 13.94 |
| | '000 Dalasis | | | | '000 Cedis | | | | '000 Naira | | | |
| Producer Payments | 11,962.0 | 16.10 | 10.04 | 17.18 | 82,854.0 | 18.98 | 13.88 | 12.22 | 42,644.0 | 25.91 | 16.07 | 20.27 |
| 'Break-Even' Producer Payments | 13,038.0 | 19.00 | 13.38 | 20.93 | 92,057.0 | 15.06 | 9.43 | 11.98 | 50,710.0 | 20.64 | 15.44 | 18.95 |
| Export Earnings | 19,060.0 | 16.56 | 11.16 | 18.06 | 147,534.0 | 12.72 | 8.24 | 12.10 | 70,502.0 | 16.86 | 11.91 | 15.42 |

inelastic and due to their geographical proximity output fluctuations tend to be correlated.[27] In the absence of a pre-seasonal guaranteed producer price producer revenue might therefore be stabilized, to some extent, by the normal processes of supply and demand adjustment.

The analysis of the problem is further complicated by the lack of general agreement amongst economists and other advisers about the technical desirability of stabilization. Although it is frequently maintained that stability is preferable to instability it has been suggested, for example, that instability may promote investment and innovation and that stabilization may prevent the maximization of export earnings by encouraging production when world prices are low and discouraging it when they are high.

Clearly, there are several dimensions to the instability problem and a variety of advantages/disadvantages which may have to be weighed one against another. There are a number of different time periods over which stabilization may be pursued. Considerable benefits may result from simply reducing the uncertainty which may be generated by short-term instability and hence improving the allocative signals presented by prices.[28] Longer-period commitments to stability may prove beneficial but are certainly more hazardous since there exists the not inconsiderable risk of losing touch with the trend of world prices.

## The Fiscal Role of the Boards

We have observed that the use of the export monopoly marketing board as a government revenue-raising device was not envisaged at the time of the establishment of the West African Boards, although this function rapidly came

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[27] Utilizing the estimate of the world price elasticity of demand for cocoa of -0.42 to -0.43 presented by Blomqvist and Haessel (1972) then the elasticity facing Ghana and Nigeria jointly is in the range -0.75 to -1.1 (joint market share 40-55%).

[28] This is suggested by Blandford and Currie (1975).

to be prominent in many cases. Table 4 presents an indication of the relative magnitude of taxation levied directly upon the major products of these boards by presenting figures for the proportion of sales value realized by producers and government in a series of years.

As may be observed all the boards listed began their existence with a fairly modest tax burden of roughly 2% of sales value or less. However, by their fifth year of operation this had increased considerably to 28.5% for the GCMB, 20% for the Nigeria Cocoa Board and 11.6% for the GPMB. In the ensuing period the proportion of sales value taken in tax has remained high in the case of the GCMB (over 33%) and the WSMB (over 18%). The GPMB is something of an exception in having a comparatively low tax burden of 6.6% over this sub-period.

Although such statistics give an indication of the relative scale of export taxation they do not highlight its importance in absolute terms. For example, over the period 1964/5-1968/9 the average 26.7% of cocoa sales value accruing to the Ghana Government represented a total transfer of ₵483 millions (roughly $420 millions). This clearly represents a considerable contribution to Government revenue. In table 5 we present additional insight into the importance of export taxes for government revenue by documenting the percentage contribution of export taxes to total revenue, with respect to the three Boards, over the period 1967/8 to 1971/2.

It is also interesting to note from table 4 certain characteristics of the producer disposition of sales proceeds. For example, in eight out of the twenty-two years documented, the proportion of the total revenue from sales paid to cocoa producers was less than 50% in the case of the GCMB. In ten out of the twenty-two years less than 50% was paid to producers by the Nigeria Cocoa Marketing Board/WSMB. Although the average taxation of the former appears

Table 4. Comparison of the producer/government disposition of sales proceeds for three West African Boards.

| | Gambia Produce Marketing Board - Groundnuts | | Ghana Cocoa Marketing Board - Cocoa | | Nigeria Cocoa/Western State Marketing Board - Cocoa | |
|---|---|---|---|---|---|---|
| | percentage of total sales value accruing to | | | | | |
| | Producers | Govt. | Producers | Govt. | Producers | Govt. |
| 1947/8 | -- | -- | 37.4 | 1.0 | 23.5 | 2.1 |
| 1948/9 | -- | -- | 90.2 | 4.6 | 76.3 | 4.7 |
| 1949/50 | 59.1 | 1.9 | 46.1 | 7.8 | 47.6 | 3.4 |
| 1950/1 | 65.9 | 1.4 | 48.8 | 19.1 | 39.3 | 15.1 |
| 1951/2 | 76.6 | 5.6 | 61.1 | 28.5 | 66.3 | 20.5 |
| 1952/3 | 63.0 | 6.5 | 56.4 | 28.0 | 72.0 | 18.1 |
| 1953/4 | 63.2 | 11.6 | 37.9 | 45.5 | 45.6 | 33.7 |
| 1954/5 | 77.6 | 14.7 | 38.4 | 49.6 | 54.9 | 20.9 |
| 1955/6 | 60.0 | 10.2 | 65.4 | 27.9 | 89.2 | 18.4 |
| 1956/7 | 60.1 | 11.9 | 77.7 | 23.7 | 77.8 | 16.0 |
| 1957/8 | 67.5 | 12.2 | 44.0 | 41.8 | 49.8 | 20.3 |
| 1958/9 | 59.4 | 10.7 | 47.5 | 37.0 | 49.8 | 21.7 |
| 1959/60 | 59.0 | 9.3 | 50.8 | 37.6 | 68.6 | 18.9 |
| 1960/1 | 64.4 | 0.8 | 67.6 | 34.5 | 76.4 | 15.1 |
| 1961/2 | 68.2 | 0.9 | 59.8 | 39.9 | 60.3 | 13.7 |
| 1962/3 | 72.2 | 1.0 | 69.6 | 45.2 | 65.3 | 14.0 |
| 1963/4 | 70.6 | 1.3 | 55.1 | 28.2 | 57.7 | 16.4 |
| 1964/5 | 57.7 | 7.6 | 78.7 | 18.4 | 83.4 | 14.2 |
| 1965/6 | 64.5 | 6.1 | 52.1 | 23.9 | 41.9 | 14.5 |
| 1966/7 | 67.6 | 4.4 | 51.7 | 13.5 | 41.8 | 16.2 |
| 1967/8 | 74.3 | 1.6 | 55.1 | 33.6 | 43.9 | 17.4 |
| 1968/9 | 54.9 | 6.7 | 39.6 | 44.2 | 37.0 | 19.5 |
| Means | 65.3 | 6.3 | 56.0 | 28.8 | 57.7 | 16.1 |

Table 5. Proportion of government revenue contributed by export taxes on three marketing boards 1967/8 - 1971/2

| | GPMB | GCMB | WSMB |
|---|---|---|---|
| 1967/8 | 2.8 | 23.0 | 42.2 |
| 1968/9 | 10.5 | 25.0 | 6.9 |
| 1969/70 | 12.8 | 30.7 | 35.2 |
| 1970/1 | 9.8 | 35.8 | 39.9 |
| 1971/2 | 12.1 | 25.2 | 27.4 |

to be much higher than that of the latter (28.8% as opposed to 16.1%) producers received roughly the same proportion of sales value in both cases. This is because the WSMB, in common with other Nigerian boards, made extensive use of grants from accumulated reserves in order to supplement government revenue. Of the ₦221.56 millions ($325.03 m.) accumulated during the period up to 1970/1 the WSMB paid out ₦196.8 millions ($288.7 m.) in grants. Of this total, 68% went directly to the Western State Government and a further 19% to the Ministry of Agriculture.

Grants from the WSMB constituted no less than 35.8% of the total capital receipts of the Western State Government over the period 1955/6 to 1970/1 and the proportion of total government revenue provided by the WSMB (export, sales taxes and grants) was 34.5%. Further information on the contribution of the Nigerian Boards is provided by Helleiner (1964) who observes that of the ₦237 millions ($348 m.) accumulated by these boards up to 1961 approximately 70% was distributed in various forms of public expenditure.

We may also note that loans derived from the 'surpluses' of the GCMB have contributed to government expenditure. During the period 1947/8 to 1959/60 ₵74.2 millions ($64.6 m.) was loaned by the Board to the Ghana Government. By the 28th February 1965 a balance of ₵17.2 millions ($15 m.) was left to be repaid, although arrears of ₵8.4 millions ($7.3 m.) are recorded in an unpublished GCMB statement of accounts dated 30th September 1970.

Marketing board reserves have therefore been extensively used as sources of grants and loans for public expenditure in the majority of the West African Boards. However, reserves have also been used for a variety of producer-oriented expenditures.[29] For example, the GCMB has operated a scholarship

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29 It should be noted that producers may also benefit directly or indirectly from general public expenditure.

fund to provide grants to students which has involved an investment of over ₵14 millions ($12.2 m.). In addition, it has spent ₵5 millions ($4.4 m.) on the construction of secondary schools.[30] It has also contributed to the construction of roads, clinics, village halls, a hospital and the University of Ghana. The WSMB has also utilized part of its reserves for similar expenditures.[31]

It is clear that the employment of the Boards as revenue-raising devices by government has been one of the most significant functional developments in their overall role. Given the ease with which such taxes may be imposed and collected and the difficulties which arise with other forms of taxation in less-developed economies it is not hard to understand why this function has developed. Differences in the incidence of taxes upon the marketing boards probably reflect both the relative political power of taxable groups and the strength of the desire to foster economic growth and development through public expenditure. The fiscal role can, however, be criticized on a number of grounds:

(1) it is not a function for which the Boards were intended;

(2) it tends to place an 'unfair' burden upon one particular group in the economy;

(3) the imposition of heavy taxation produces a 'distorted' allocation of resources and harmful long-term effects upon the industries concerned and upon national or regional economies;

(4) it may prevent the realization of other objectives, for example, stabilization.

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[30] GCMB (1968).

[31] It should be noted that the actual value of such expenditures is comparatively small by comparison with fiscal transfers.

On the other hand a number of advantages might be claimed for the use of a board in this way:

(1) it leads to a rapid mobilization of savings, reducing consumption in the export sector and permitting the diversion of foreign exchange to the purchase of capital goods which are employed in the growth process. Even if private investment is reduced it might be argued that the benefit to society of public investment outweighs that loss.

(2) by altering the relative attractiveness of export production and other activities it aids the promotion of diversification and provides a more favorable environment for the expansion of domestic food production in order to meet the demands of a growing urban/industrial population.

(3) it places the fiscal burden upon those who are most able to bear it and encourages a more equitable distribution of income.

We clearly do not have sufficient space to enter into a detailed discussion and elaboration of these arguments. Indeed the maintenance of any degree of 'objectivity' of analysis in this area is extremely difficult due to its strong ethical connotations. We may, however, make a few brief observations with respect to the West African situation.

It is now widely accepted that the peasant producers of export commodities are responsive to the prices they receive. The imposition of taxes which result in the payment of lower producer prices will *ceteris paribus* reduce output and probably export earnings. However, if demand for the product is inelastic then a higher average sales price will result and part of the tax burden will be passed on to consumers. From producers' point of view therefore, with the imposition of a specific or *ad valorem* tax, the most favorable circumstance is one in which product demand is inelastic.

Assuming that a reduction of domestic output does not increase foreign exchange earnings the objectives of increasing the amount of foreign currency earned and fiscal revenue will be in conflict. However, the objectives of increasing taxation and the contribution of the product to national income will be, to some extent, complementary.[32] Given a relatively high valuation on all three quantities - fiscal revenue, foreign exchange earnings and national income then probably the most favorable situation, from the government's point of view, is one in which inelastic supply is combined with inelastic demand. In these circumstances an export tax may be imposed with only a limited immediate effect upon foreign exchange earnings and the promise of an increase in the contribution of export production to national income as output contracts.

There are certainly very few agricultural products to which these circumstances apply. However, they may have some relevance in the case of West African cocoa. Given that the demand facing Ghana and Nigeria <u>jointly</u> is most probably inelastic then the parallel imposition of taxes which lead to a cut in output may, at least in the short-run, lead to gains from an increase in the contribution of their cocoa industries to national income. Hence, as a device for the mobilization of savings the imposition of export taxes may have some technical merit. However, it should be emphasized that the difficulties which may arise in maintaining domestic monopsony control and from the longer-term effects of a heavy and sustained taxation burden may make such a policy hazardous.

It is, in fact, difficult to determine the effects of the pricing policies

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[32] See Helleiner (1968).

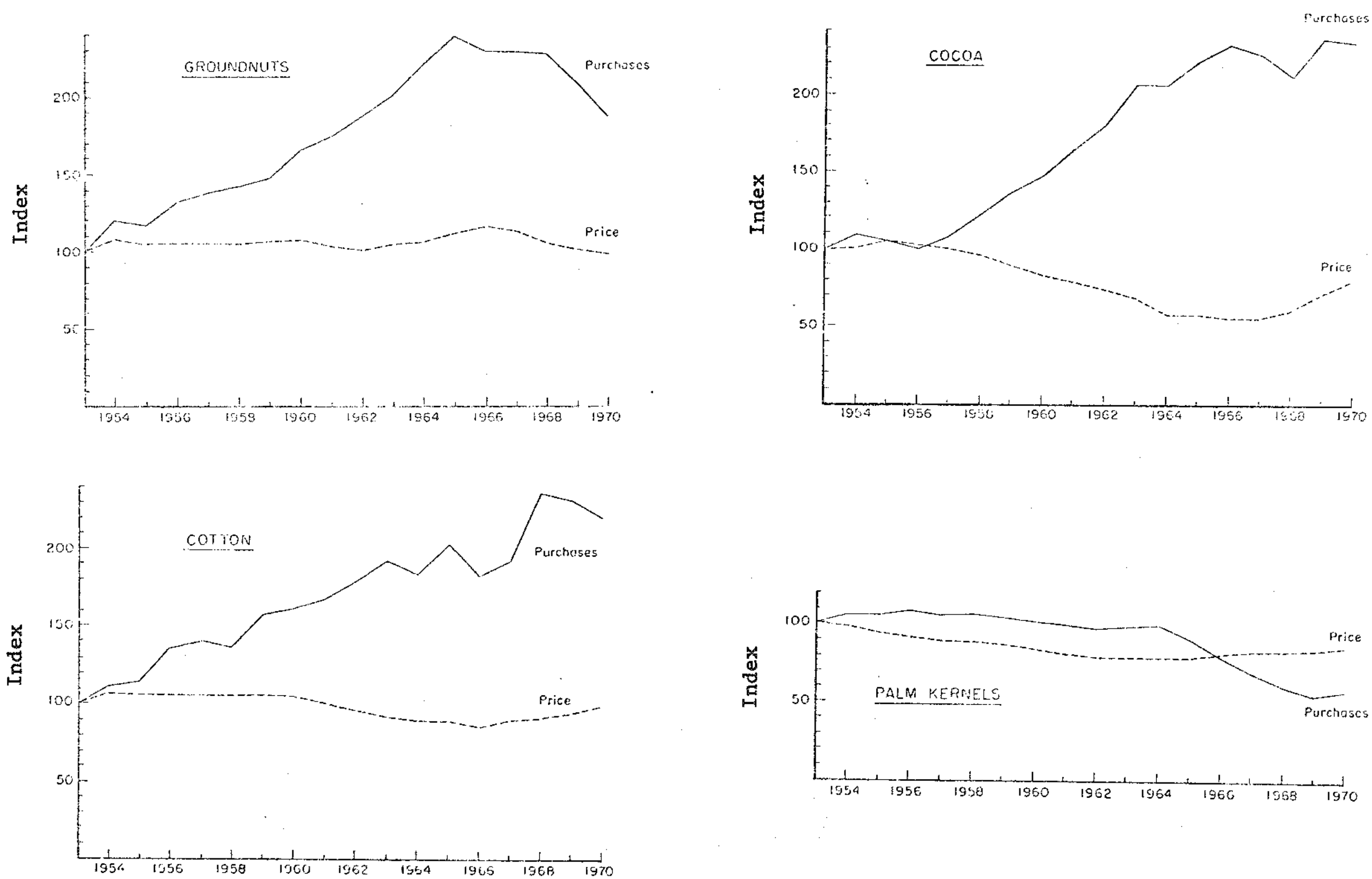
and hence, by implication, of the taxation policies upon the output of controlled commodities in West Africa. In figure 1 we present some indicative information of trends in producer prices and marketing board purchases of the four principal products handled by the Nigerian Boards. We may observe that, with the exception of palm kernels, the volume of deliveries of these commodities demonstrates a rising trend for the bulk of the period considered even though prices have tended to fall or remain roughly constant. There is certainly no clear-cut general positive relationship between price and output. This is most probably due to the effect of new technology (crop sprays and fertilizers) upon output, in addition to lags in production response (most notably in the case of cocoa).

There is, however, some evidence of a tendency for sales to stagnate or fall in recent years. The decline in palm kernel production was strongly influenced by the Civil War (1967-70) and the fighting which occurred in the major area of production in the eastern part of the country. However, the strong downturn in purchases of groundnuts, and the less marked downturn in cocoa and cotton may indicate that the limits of offsetting technological advance may have been reached and that activities other than the production and sale of controlled commodities are tending to become more attractive to producers.

## Concluding Remarks

The export monopoly marketing board appears to be an institution of some permanence in West Africa. However, its operations and the policies which have been pursued have proved extremely controversial. Since the original wide-ranging attack by Bauer (1954) many other economists have been highly critical of particular boards. And yet, the system essentially remains intact.

FIGURE 1. TRENDS IN THE PRODUCER PRICE AND VOLUME OF PURCHASES OF THE MAJOR MARKETING-BOARD CONTROLLED PRODUCTS IN NIGERIA*.




* GRAPHS DEPICT INDEXED FIVE PERIOD MOVING AVERAGES

It is certainly clear that the record of the Boards has proved to be somewhat mixed. Some, although by no means all, boards have experienced problems in the organization of the marketing process. Their record of achievement in the promotion of stability in the industries they control has not been an unqualified success. However, as a means of generating government revenue they have demonstrated singular usefulness.

Although it has proved fairly popular in some quarters to vilify the West African Boards on this account it is perhaps easy to condemn while failing to suggest a truly viable alternative. It is undeniable that the Boards have, in most cases, proved an effective vehicle for the mobilization of savings at a crucial point in time. Efforts to relax this function which, for example, are currently being undertaken in Nigeria are more a response to the growth of a viable alternative source of revenue, petroleum, rather than any sudden realization of the 'error' of previous policies. In other cases, for example Ghana, the absence of such an alternative renders the relaxation of the fiscal role a difficult, if not impossible, option.

Any attempt to provide an overall assessment of the 'success' of the West African Boards is complicated by the need to place a weighting upon the multiple objectives of marketing boards and their apparent benefits and costs. The use of the boards as fiscal agents would appear to represent a relatively high implicit weighting upon fiscal revenue. Their experience with stability would appear to reflect a relatively low weighting upon this function. The provision of a more definitive indication of the weighting involved would appear to confront the perennial problem of how to quantify the implicit or explicit values or 'objective function' of public and semi-public agencies. Moreover, an overall assessment on our part must implicitly or explicitly consider the validity or appropriateness of these values.

Recognizing the extreme difficulty of such an approach we make no attempt to provide an overall assessment of the performance of the West African Boards. However, we can perhaps make a relevant final observation. Given the central place of export production in West African economies and the increasing desire for rapid growth and development it is perhaps not surprising that an agency of such power and scope as the export monopoly marketing board is likely to change its role. The experience of the West African Boards perhaps more than anything demonstrates the lesson that agencies such as these must inevitably possess a strong potential for 'use' or 'misuse'. The marketing board can be used for a variety of ends. Their definition is unlikely to remain constant through time but will change as the purpose of the marketing board itself is seen to change by those who have the power to use it.

## NOTES ON TABLES AND FIGURES

The primary published sources of data for the tables and information cited in the text are:

(1) GPMB Annual Reports 1 - 1949/50 to current.

(2) GCMB Annual Reports 1 - 19 1947/48 to 1965.

(3) WSMB Annual Reports 1 - 15 1954/55 to 1968/69.

In addition these were supplemented by:

(1) GPMB - Statistical summary 1960/1 - 1971/2 published by the Statistics Section of the Office of the President.

(2) GCMB - unpublished statements 1966-70.

(3) WSMB - unpublished statistics 1969/70 - 1971/72. and Statistical Information on Controlled Produce.

Table 1: number of licensed buying agents is the number holding licenses not those who purchased cocoa in each year.

Table 4: GCMB figures include export duty and 'voluntary' contributions to the Second Development Plan.

Since the accounting year was changed in 1965 subsequent figures are apportioned estimates.

WSMB figures include produce and sales taxes.

Table 5: Sources: GPMB: unpublished report of the Ministry of Finance

GCMB: Bank of Ghana Quarterly Reports

WSMB: Estimates of the Western State

Figure 1: Sources: Helleiner (1966)

Central Bank Economic and Financial Reviews

Annual Abstract of Statistics

Digest of Statistics

Northern Nigeria Statistical Yearbook

Note: Changes of currency have been dealt with by converting previous figures at the rate ruling at the time of the change. Dollar conversions are at October 1975 exchange rates.

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