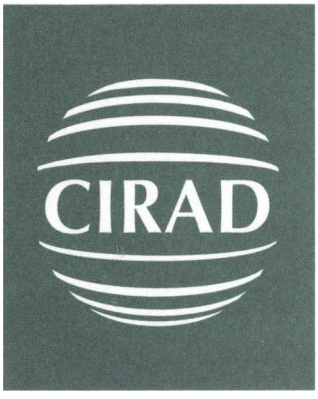
Documents de travail en économie des filières
N° 29

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## Some insights from the recent West African experience in cocoa marketing

E. Hanak Freud, C. Freud

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Communication à présenter au symposium international :
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# Devaluation and liberalization as tools for enhancing competitiveness? Some insights from the recent West African experience in cocoa marketing

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**Abstract:** In the face of a pronounced drop in the world price of cocoa beginning in the mid-1980s, producing countries were incited to devalue their currencies and liberalise their marketing systems in order to regain international competitiveness. Would this policy prescription, enacted in 1994 in West Africa, be crowned with the same degree of success as in South-East Asia, where it had been applied beginning in the mid-1980s? This paper attempts to answer this question by analyzing the changes which occurred in the cocoa subsectors of three West African countries--Cameroon, Côte d'Ivoire and Ghana--in comparison with Indonesia. The results do not meet the expectations. African countries have difficulty using the currency tool to lower intermediation margins in favor of a higher producer price. Nor does liberalization appear to have been a better means to this end than price regulation. Rather, the most important policy parameter for raising producer incentives is the level of state levies. To stay competitive, producing countries which rely on export tax revenues need to assess whether these levels are consistent with an adequate level of producer returns.

**Key words:** cocoa, competitiveness, devaluation, liberalization, West Africa, Indonesia.

**Résumé:** Face à la baisse importante du prix du cacao sur le marché international dans les années 80, les pays producteurs ont été incités à dévaluer leur monnaie et libéraliser leur économie, pour redevenir compétitifs sur les marchés extérieurs. La question qui se posait était de savoir si ces réformes, qui ont été appliquées en 1994 en Afrique de l'Ouest seraient couronnées du même succès qu'en Asie du Sud-Est, où elles avaient été expérimentées au milieu des années 80. Cette communication essaie de répondre à la question en analysant les changements intervenus dans le secteur du cacao dans trois pays de l'Afrique de l'Ouest: Cameroun, Côte d'Ivoire et Ghana, en les comparant à l'Indonésie. Les résultats ne confirment pas les attentes. Ils montrent que les pays africains ont des difficultés à utiliser l'outil de la dévaluation pour faire baisser les marges des intermédiaires au profit des producteurs. La libéralisation, non plus, n'a pas fait la preuve qu'elle était plus performante que la régulation des prix par les offices d'Etat. Dans ce contexte, le paramètre politique le plus important pour augmenter l'incitation à produire est le niveau des prélèvements de l'Etat. Pour rester compétitifs, les pays producteurs dont les revenus dépendent des taxes à l'exportation doivent s'assurer que le niveau de ces taxes laisse aux producteurs un revenu suffisamment rémunérateur.

**Mots-clés:** cacao, compétitivité, dévaluation, libéralisation, Afrique de l'Ouest, Indonésie.

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## 1. Introduction.

Faced with historically low real world prices for tropical agricultural commodities in the late 1980s and early 1990s, producing countries were encouraged to adopt two economic policy measures intended to enhance competitiveness by reducing the weight of marketing activities and increasing the price available for growers: currency devaluation and liberalization. According to theory, devaluation should achieve this by lowering the foreign exchange cost of marketing, to the extent that domestic inflation is below the rate of the change in the price of foreign exchange. Liberalization of marketing systems should in turn reduce margins by increasing competition among buyers. The South-East Asian example has frequently been cited as an illustration of the theory's validity in practice. In this region, a combination of flexible exchange rates and minimal state intervention in marketing have been accompanied by high producer prices and strong output growth in a number of export-oriented commodities (World Bank; Etienne et al.; Daviron and Fousse).

Over the past several years, cocoa has been one of the test cases of this policy doctrine in Africa. Two of the major West African producers, Côte d'Ivoire and Cameroon, are within the CFA franc zone, which devalued its currency by 50% in January 1994, after decades of a stable parity with the French franc. Over the following two years, the currency of neighboring Ghana, which has been allowed to float since the late 1980s, also depreciated substantially against its reference currency, the US dollar. Although the marketing systems in Côte d'Ivoire and Ghana have undergone some reforms over this period, both continue to be regulated by public agencies, which establish a minimum producer price and the takeover prices at several points in the marketing chain. In Cameroon, by contrast, the devaluation coincided with a total liberalization of the marketing system, and a withdrawal of all vestiges of this type of "barème".

Would these reforms have the same degree of success in the West African context as in a country like Indonesia, where "sound" macroeconomic policies (flexible exchange rate and inflationary control) and the government's "hands off" policy in marketing (Akiyama and Nishio) has permitted growers to receive 80 to 85% of the FOB price for cocoa, thereby stimulating a growth trajectory which brought that country from a marginal position in the mid-1980s to become today's third largest producer? Prior to the reforms, the question was debated because of differences in the structure of the African economies. The currency tool is, a priori, more difficult to handle in Africa, because a higher dependency on imports leads to greater inflationary pressures. Concerning liberalization, the debate centered on whether or not the African economies had the basis for a competitive market structure without public sector involvement, given poorer physical infrastructure and a more limited private commercial sector than in Asian countries.

Not surprisingly, the initial reports, emanating largely from their donor agency backers, crowned the West African reforms with success. This was particularly the case for the devaluation of the CFA franc, the subject of several years of intense negotiations (Thill; Ministère de la Coopération; Goreux). Reports were generally positive, if mixed, on the liberalisation in Cameroon, seen by its promoters as a forerunner to similar changes in Ghana

and Côte d'Ivoire, where authorities have been more reluctant to relinquish state control.[1] It is important to bear in mind the essentially anticipatory character of these early reports. Drawn up too soon after the enactment of the reforms to be able to take into account the actual changes in economic parameters, they are essentially based on ex ante simulations or on scattered field reports.

With two post-reform marketing seasons now completed, it becomes possible to provide some more solid data on the nature of adjustments which have occured. This paper examines the record, drawing on data on the breakdown of the world cocoa price at various points in the marketing chain of the three West African producers over the period 1993/94 (the base year) to 1995/96, with data from Indonesia as a reference point for the comparisons. Following a brief description of the structure of cocoa marketing and the nature of the data, we discuss the evolutions in producer prices, marketing margins and government levies for the four countries over these three crop seasons.

## 2. The structure of cocoa marketing.

Cocoa marketing and handling operations are largely similar across the four countries. In all cases, the majority of production is in the hands of smallholders, whose average sales range from several hundred kg. to several tonnes per household. Almost without exception, farmers sell their cocoa through a chain of intermediaries, beginning with a primary collector, who purchases at the village or farmgate level and assures the transportation of the product (usually by small vehicles such as pick-up trucks) to an intermediate point of collection in a secondary town. A middle-level intermediary regroups the cocoa from surrounding villages (generally in a radius of 30 to 40 km) for evacuation to the port town, in West Africa usually in larger trucks (30 to 35 tonnes/load), in Indonesia with a combination of intra-island ferries and medium-sized trucks (8 to 10 tonnes/load). Average distances for tranport to the port town are similar in West Africa, at 250 to 300 km, and slightly higher in Indonesia (350 to 400 km). The quality of physical infrastructure is variable by zone in all countries, but clearly worse on average in Ghana, particularly for the rural roads used for collection. At the port town, the cocoa enters the exporter's warehouse, where it is prepared for shipment overseas.

One major difference across countries concerns the conditioning of cocoa for export, depending on the state in which cocoa is purchased from farmers and the investment choices in conditioning equipment by exporters. In Ghana, farmers sell cocoa in an export-ready state, i.e. fermented, dried to 7.5% to 8% humidity, and sorted by hand to remove impurities and small beans, which are sold as subgrade. The only activity required for standard cocoa is rebagging (done at the collection stage), and redrying and sorting for the 10 to 20% of the crop which is damaged by rain under transport to the port. In Côte d'Ivoire and Cameroon, farmers also sell cocoa after fermenting and complete drying, but middlemen in Cameroon and exporters in Côte d'Ivoire do additional cleaning (a 1 to 2% weight loss) before rebagging, and it is common practice in Côte d'Ivoire to mix cocoas of different shipments to achieve desired average bean size. In all three West African countries, damaged and small beans are destined to the local

[1] For instance, an unpublished World Bank report from early 1996 argued that the efficiency of marketing in Cameroon had substantially improved, although at the expense of a deterioration in quality and the reliability of long-term export contracts.

processing industry, to maintain a quality label for export-grade beans. In Indonesia, farmers tend to sell cocoa in partially fermented, partially dried state. The lack of fermentation and a small average bean size are the main factors in the discount for Indonesian cocoa on world markets. Humidity levels are reduced to export levels by middlemen and exporters, who purchase wet cocoa with pro-rata reductions for subsequent weight loss. Exporters also do some cleaning before rebagging, but in contrast to Côte d'Ivoire, the Indonesian methods are almost entirely labor-based.

A second difference concerns storage times before export, which need to be covered by crop financing. The quickest turnaround appears to be in Indonesia, at 2 to 3 weeks once the exporter takes possession, followed by Côte d'Ivoire and Cameroon, at 4 to 6 weeks, followed by Ghana, where exports occur on average several months after the main buying season.

The third difference concerns maritime shipping practices. West African cocoa is shipped either by the classic "break bulk" method (loose bags packed on pallettes or in pre-slings) or in containers, and generally does not change vessels before arriving at the port of final destination in Europe or the United States. The recent trend in this region is toward shipping in bulk (without the jute bags), either in containers or bulk cargo hulls, which considerably reduces the per tonne costs.[2] Owing to a combination of longer transit times (7 weeks versus 10 to 15 days to major European ports) and quality problems (uneven humidity levels), Indonesian cocoa can only be shipped break bulk. It is most frequently transhipped from the major producing locations in the outer islands (Sulawesi and Sumatra) via the major Javanese port of Surabaya or via Singapore.

In all countries except Ghana, these marketing activities are exclusively carried out by the private sector, including, in Côte d'Ivoire, a cooperative movement which handles some 15 % of purchases. In Ghana, roughly two-thirds of the primary collection and evacuation is handled by the Produce Buying Company (PBC), a division of the state-owned crop authority COCOBOD, which since 1993/94 has had to compete with a handful of licensed private buyers. Exporting in Ghana remains the exclusive privilege of the Cocoa Marketing Company (CMC), another division of COCOBOD. Whereas exporters in the other countries subcontract with transit companies for the port handling activities required to bring cocoa to the FOB stage (export documentation, phytosanitary treatments, movement to the port and within the port to shipside), these are also done by the CMC in Ghana, which uses the Quality Control Division of the COCOBOD for phytosanitary controls. The actual physical handling of cocoa within the port is done by the port authority labor force in all countries. Maritime contracts in West Africa tend to be negotiated by the exporter, which sells on a CIF basis to international trading houses or directly to industrial end users. Indonesian exporters sell FOB to the trading houses, who contract the shipping.

Price formation along the different stages of the marketing chain varies as a function of the degree of intervention by a regulatory body. In Côte d'Ivoire, the Caisse de Stabilisation et de Péréquation des Produits Agricoles (CAISTAB) sets a pan-territorial minimum producer price, and takeover prices at several stages in the chain: primary collection, evacuation (reimbursed on a per tonne/kilometer basis), export handling, maritime shipment, agency fees

[2] The margin for martime shipping presented in Table 1 is based on the conventional break bulk rate, and does not take into account these productivity-based cost savings.

(covering the CAISTAB's operating costs and stabilisation reserves), and a flat export tax. Exporters must receive CAISTAB authorization for actual sales contracts, and they either hand over or are paid the difference between that price and the guaranteed export price of the barème. In Ghana, there has been a similar system for setting the producer price, the primary collection margin, the evacuation fee, and the costs of export handling since the introduction of private internal buyers in 1993/94. Prior to the liberalisation exercise, Cameroon's system mirrored that of Côte d'Ivoire. Since then, the only price not set in the marketplace has been the export tax, levied on an ad valorem basis. In Indonesia, the government neither taxes the subsector nor sets prices.

**3. The data on subsector prices.**

Table 1 presents a breakdown of the international cocoa price (customs-cleared to Western Europe) along key points in the marketing chain. The data, from a combination of field surveys, published sources, and, where relevant, official marketing schedules, indicate as best as possible the "average" or typical situation for the crop year. In the cases where a marketing schedule applies, this average represents most individual situations except when the schedule is not respected. Field evidence from both Ghana and Côte d'Ivoire suggests that this has rarely been the case in the period under survey, although there were some discounts at the producer level in remote areas of Côte d'Ivoire (South-West) in 1993/94 (US$0.10 - 0.15/kg), and beginning in 1994/95, premia of up to US$0.05 in the better-served areas (East). In Ghana, which has suffered from rapid inflation, individuals earn more or less than the average in real terms depending on whether they get paid early or late in the crop season. In the absence of pan-territorial pricing, producer prices in Cameroon and Indonesia vary with transport costs (by up to US$0.10/kg) and with demand conditions. In Indonesia, this essentially depends on short-term movements in the world price, although at times there are "price bubbles" when speculation by exporters pushes producer prices to unsustainably high levels. In Cameroon, demand-related fluctuations (of up to US$0.20/kg within the season) appear to depend on the exporters' need to fulfill contracts, and have been inversely related to world price movements in the past two years.

A common methodological difficulty across all the countries is the establishment of the average ex post export price over the crop season. In liberalised countries, there is a tendency for export data to underreport either prices or volumes for tax purposes, whereas in the state-managed systems governments do not make public ex post values. The quotes on the London terminal market indicate the rough order of quality premia or discounts according to origin for a given delivery date, but in practice these are not always a useful guide to the terms of actual sales contracts, particularly when there are large proportions of advanced sales which benefit from forward premia (the case of Ghana and Côte d'Ivoire, and, prior to liberalisation, Cameroon). In relation to the rankings of the London market, the data presented here for Ghana in 1994/95 and 1995/96 are somewhat surprising. Either the "Ghana premium" in relation to Côte d'Ivoire has actually disappeared, or else the Ghanaian authorities substantially underprojected the export price, in which case the actual amount of state levies was correspondingly higher. By contrast, the data for Cameroon confirm industry reports of the disappearance of the quality premium in relation to Côte d'Ivoire in the wake of liberalization.

Since the data reported are "takeover prices", they generally include both operating costs and profit margins at each stage of physical handling. The post "exporter profits" is intended to

Table 1. BREAKDOWN OF THE CIF (EUROPE) COCOA PRICE ACROSS THE SUBSECTOR, 1993/94 to 1995/96, 4 COUNTRIES (US$/kg)

| | 1993/94 | | | | 1994/95 | | | 1995/96 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cameroon | Côte d'Ivoire | Ghana | Indonesia | Cameroon | Côte d'Ivoire | Ghana | Cameroon | Côte d'Ivoire | Ghana | Indonesia |
| ***Producer price*** | ***0.54*** | ***0.71*** | ***0.31*** | ***0.76*** | ***0.85*** | ***0.59*** | ***0.64*** | ***0.65*** | ***0.63*** | ***0.60*** | ***0.95*** |
| ***Internal marketing:*** | ***0.49*** | ***0.21*** | ***0.16*** | ***0.15*** | ***0.34*** | ***0.18*** | ***0.19*** | ***0.41*** | ***0.19*** | ***0.24*** | ***0.15*** |
| collection | 0.10 | 0.06 | 0.07 | 0.05 | 0.06 | 0.06 | 0.11 | 0.08 | 0.07 | 0.14 | 0.04 |
| transport to port | 0.06 | 0.03 | 0.02 | 0.03 | 0.05 | 0.02 | 0.02 | 0.05 | 0.02 | 0.03 | 0.03 |
| conditioning/storage | 0.10 | 0.08 | 0.05 | 0.04 | 0.07 | 0.08 | 0.04 | 0.08 | 0.08 | 0.05 | 0.04 |
| port handling | 0.06 | 0.03 | 0.02 | 0.01 | 0.04 | 0.02 | 0.02 | 0.05 | 0.02 | 0.02 | 0.01 |
| exporter profits | 0.18 | 0.01 | 0.00 | 0.03 | 0.11 | 0.01 | 0.00 | 0.15 | 0.01 | 0.00 | 0.03 |
| ***Maritime shipping*** | ***0.13*** | ***0.11*** | ***0.11*** | ***0.14*** | ***0.14*** | ***0.14*** | ***0.12*** | ***0.13*** | ***0.14*** | ***0.11*** | ***0.14*** |
| ***State levies:*** | ***0.02*** | ***0.13*** | ***0.66*** | ***0.00*** | ***0.23*** | ***0.59*** | ***0.57*** | ***0.22*** | ***0.44*** | ***0.46*** | ***0.00*** |
| agency fees | 0.02 | 0.13 | 0.15 | 0.00 | 0.02 | 0.21 | 0.10 | 0.02 | 0.12 | 0.10 | 0.00 |
| direct taxes | 0.00 | 0.00 | 0.51 | 0.00 | 0.22 | 0.38 | 0.47 | 0.20 | 0.32 | 0.36 | 0.00 |
| entry taxes Europe | 0.00 | 0.00 | 0.00 | 0.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 |
| ***CIF price, Europe*** | ***1.18*** | ***1.16*** | ***1.24*** | ***1.09*** | ***1.55*** | ***1.51*** | ***1.51*** | ***1.41*** | ***1.41*** | ***1.41*** | ***1.29*** |
| ex. rate (US$1.00) | 280 fcfa | 280 fcfa | 999 cedi | 2100 rp | 530 fcfa | 530 fcfa | 1100 cedi | 500 fcfa | 500 fcfa | 1400 cedi | 2245 rp |

Sources:

(1) Cameroon: for 1993/94, the official marketing schedule, adjusted by the results of the study "les charges incompressibles des filières café et cacao" to determine the exporter margin above the level of "normal" profits incorporated at the other stages of marketing (SOFRECO, 1994). For 94/95 and 95/96, the prices at producer, FOB and CIF stages are averages of the weekly prices reported by the "SIMARC" (système d'information sur les marchés d'arabica, robusta et cacao), weighted by the flow of export volumes. The internal marketing breakdown between the producer and FOB price is based on hypothesized increases in the various cost components following the devaluation: 50% for tranport to port and port handling as of 94/95, 20% in collection and conditioning costs in 94/95 and 95/96. Producer prices are for the largest producing area (Central province), at an intermediate distance to the port town of Douala.

(2) Côte d'Ivoire: the official marketing schedule, supplemented by interview data on the breakdown between conditioning/storage, port handling, exporter profits, and CIF costs (Hanak Freud, Richard and Caporal, 1996).

(3) Ghana: the official marketing schedule, supplemented by interview data on CIF costs. FOB prices in 94/95 and 95/96 are based on COCOBOD projections; For 94/95, US$0.10 was added to bring the earnings in line with Côte d'Ivoire.The data are converted into dollars based on the "average" exchange rate for the cocoa year reported in the subsequent year's marketing schedule for 93/94 and 94/95, and on the Jan 96 market rate for 95/96. The breakdown between taxes and agency costs is approximate, based on detailed projected data for 94/95 and actual tax rates for 93/94 and 94/95 in unpublished reports.

(4) Indonesia: data based on field visits to Sulawesi in October 1993 and October 1995 (Hanak Freud, 1996). Producer price levels are the average between South and South-East Sulawesi, the average export price for 1993/94 is based on the actual discount in relation to Ivorian cocoa in 1995/96.

capture the additional profits accruing to exporters for the negotiation of sales contracts, although differences among countries have necessitated a treatment which is not entirely parallel. In Côte d'Ivoire, it represents the actual takeover price for the roughly 20% of cocoa shipped by exporters who do not do their own physical handling. In Cameroon, it includes a considerable amount of "excess profits" on internal marketing activities. In Indonesia, where it was not possible to make a separation between exporter profits on internal marketing and those related to the exporting function per se, we have reported all profits at this stage, and reported only costs in the conditioning/storage post. Since Ghana's CMC is not a profit-making organization, the conditioning/storage post there is again strictly cost-based.

**4. Cross-country comparisons of price levels.**

In 1993/94, the last crop season before the devaluation, world prices remained, in real terms, at a post-war low, having only slightly improved after a seven-year slide. The prolonged crisis had led both the Côte d'Ivoire and Cameroon to withdraw export taxes several years earlier in order to avoid further reductions in producer prices, leaving only Ghana with explicit taxes on cocoa. The combination of COCOBOD overheads and high direct taxes in that country meant that its cocoa farmers were the worst-paid, receiving less than half the price of their Ivorian and Indonesian counterparts.[3] The other striking figure is the weight of internal marketing in Cameroon, at two to three times the level of the other countries. Not only were charges higher there at every individual stage of handling; exporters also accrued high additional profits, at US$180/tonne. These high marketing margins are the determining factor in the relatively low prices received by Cameroonian farmers, since by this time agency fees had already been reduced to a minimum to cover quality control supervision by the regulatory body and participation in international associations. Indonesia comes out as the lowest-priced for internal marketing, although the gap is almost nonexistent with Ghana and relatively small with Côte d'Ivoire. By contrast, the allowance for external marketing (freight, interest, insurance and weight loss franchise, grouped together under the heading "maritime shipping") is similar across the four countries, the West African countries compensating for higher per tonne freight rates with shorter carrying times and lower weight loss allowances (a factor related to cocoa quality) than is possible with shipments from Indonesia. For sales to Europe, Indonesia is penalized a 4% duty from which the ACP countries are exonerated; this is due to expire in early 1997.

The subsequent two seasons saw a mild rise in the world price of cocoa, as well as the changes in exchange rates and marketing systems in West Africa. The repercussions of these changes were quite different across countries. In Ghana, where a concerted effort was made to bring producer prices up to levels of neighboring Côte d'Ivoire, farmers benefitted from the entire increase in the world price as well as a reduction in taxes and COCOBOD overheads, receiving double the price of the base year. However, the sharp increase in fees for primary collection have brought the internal marketing costs up by 50% in dollar terms, despite the sizeable depreciation of the cedi. Although at least part of this increase reflects adjustments to bring fees in line with actual costs (since private agents reported losses in their first two years

[3] Actual taxes in Ghana are generally higher than anticipated levels, since the state recuperates most of the losses incurred by producers due to higher than anticipated inflation and exchange rate depreciation over the crop year. In principle, an adjustment is made in favor of growers at the end of the season, but this has tended to take other forms than direct remuneration, such as subsidies on chemical inputs.

of operation), it is noteworthy that the end result finds Ghana with collection charges twice as high as the other West African countries.

Governments in both Cameroon and Côte d'Ivoire reacted to the devaluation by reintroducing export taxes. In Côte d'Ivoire, the CAISTAB also took the opportunity to raise its fees (by US$0.10/kg) in order to begin reimbursement of debts incurred to exporters for stabilisation debts from the late 1980s and early 1990s, when the subsector was in deficit. In Côte d'Ivoire, where the net weight of internal and external marketing remained unaltered,[4] these increases in state levies more than wiped out the gain in international cocoa prices, and left producers with a lower share of the international price than in the base year. By 1995/96, the 60% nominal increase in local currency terms had been completely eroded by the adjustment of local prices in the wake of the devaluation. In Cameroon, where state levies were lower and some net reduction was effected in marketing, farmers initially benefitted considerably from the changes, receiving the highest producer price in the region in 1994/95. But in the second year of adjustment, the combination of increased marketing margins (and notably exporter profits) and a decline in the world price put them back on par with other cocoa farmers in the region. Although the domestic price level had increased by the same magnitude as in Côte d'Ivoire, this still represented a net real gain for farmers of over 50%, since they had started out in a worse position in the base year. Indonesian farmers, meanwhile, benefitted fully from the world price rise, since marketing margins have remained constant over the period.

## 5. Conclusions.

The results suggest a situation far less clear-cut than had been anticipated by policymakers. In 1995/96, West African producers received roughly half of the FOB price, a full US$0.30 per kg. below the producer price in Indonesia, despite an effective export price premium of US$0.17. The findings are consistent with an earlier study on adjustments in coffee subsectors, which found that African countries (and Brazil) had greater difficulty using the currency tool to reduce marketing margins (Freud and Hanak Freud, 1994). In Ghana, the weight of domestic marketing margins has increased by a third, despite the substantial depreciation of the currency. In the two franc zone countries, the devaluation has brought down these margins to a very limited degree.[5] Contrary to expectations, it is the regulated system of Côte d'Ivoire which has been more successful at managing the absolute magnitude of these margins. In Cameroon, despite a similar structure of handling and factor costs,[6] the overall share of domestic marketing is twice as high as in Côte d'Ivoire. Liberalization has not reduced substantially the wide profit margins of exporters, who appear to operate along oligopolistic lines despite the apparent increase in competition (a large increase in the number of licensed exporters). Apart from this one case of unusually high marketing margins, the main contrast

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[4] The small decrease in domestic margins, at the level of transport to the port town and port handling, was compensated for by an increase in CIF allowances, successfully negotiated by exporters and shipping lines even though these were, in principle, unaffected by the devaluation.

[5] The declines were larger in the reference currency, the French franc, which appreciated by 15% against the U.S. dollar over the period.

[6] In general, prices of vehicles, fuel, and labor are at similar levels; the one notable area of higher costs is for handling at the Douala port.

with Indonesia resides not in marketing costs, but in the weight of export taxes. In Ghana and Côte d'Ivoire, they more than make up for the gap in the producer price levels.

What this suggests is that a third policy tool may be far more important than either exchange rate management or liberalization in enabling West African producers to provide high prices to growers in the face of low international cocoa prices: the ability to adjust export tax rates. This raises quite different questions concerning competitiveness than those which have been at the forefront of recent policy debates: first, are countries that depend on fiscal revenues from primary commodities such as cocoa at a competitive disadvantage in relation to those, such as Indonesia, for whom these products are marginal for the overall economy? Relatedly, how accurate is the literature's tendency (e.g. Krueger et al.) to focus on the producer share of the export price as a sign of "good health" for the subsector, versus a concept of adequate remuneration which nevertheless permits taxation to occur? To answer these questions, it is appropriate to focus on the analysis of net producer gains, in both absolute terms and in relation to other income-generating opportunities. Evidence from work in progress (Hanak Freud, Petithuguenin, Richard; Hanak Freud; Hanak Freud, Richard and Caporal) suggest that even though Indonesian cocoa farmers earn more both per hectare and per man-day, the levels in Côte d'Ivoire have been "adequate" in this sense, permitting farmers to earn twice the market wage, under conditions more favorable than other available cash crops. Per man-day earnings were below market wages in Ghana before the price increases of 1994/95, a factor manifested in lower levels of maintenance and lower yields in that country. However, an improvement in real prices beginning in 1985, following a prolonged period of even heavier direct and indirect taxation, did generate a renewed interest in new cocoa plantings, the most reliable source of cash earnings.

The other striking aspect of the results concerns the state regulatory boards in Côte d'Ivoire and Ghana, whose primary roles, it must be recalled, are to stabilize prices intra-annually and to guarantee a quality label for exports. Paradoxically, the current costs of these agencies is not much less than the quality premium over Indonesian cocoa, one of the lowest grades on the market. It seems valid to question whether the objectives justify these costs, or whether, at the minimum, it is not possible to reduce their magnitude considerably.

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