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Ethical issues in Cocoa purchasing and transportation. Perspective of social consumerism with Christian blending from Proverbs 11:1

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Abstract

Pragmatically, there has been a hot debate on the way the cocoa industry is managed in Ghana. These problems, mostly ethical in nature relate to cocoa purchasing and transportation. Social consumers have argued these out from Christian and Biblical perspectives such as Proverbs 11:1. The objective of this study is to assess the ethical issues and current innovations on cocoa purchases in relation to the controversial scale and to understand the reasons for lack of value-added creation activities. The methodology involved data collection (a survey) and the use of the theoretical framework. Secondary data on cocoa purchases for the 10 years period between 2001 and 2010 were used for the analysis. In addition, responses from 87 marketing clerks representing two major Licensed Buying Companies were collected as a basis for generalisation and thirdly, experts' opinion from two members of COCOBOD were gathered to provide descriptive analysis on the current condition in the COCOBOD.

Keywords: Licensed Buying Companies (LBCs), weighing scale, innovations, tempering with, ethics.

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1. Introduction

1.1. Background of the study

The saying 'Cocoa is Ghana, Ghana is Cocoa' portrays the important role that cocoa plays in the economy of Ghana. Cocoa (Theobroma cacao L.) is the third largest export commodity of Ghana and represents the most important source of revenue for numerous small-scale farmers (Daily Graphic, Thursday, 10 March 2016, p. 72). In Ghana, exports account for 30% of Ghana's gross domestic product with agriculture contributing around 40% of export earnings. Cocoa is the largest contributor to these earnings. Ghana remains the world second largest producer of cocoa with the best quality which earns a premium price from its sale on the international market. There is, therefore, the need for extensive research into the cocoa industry in Ghana to provide enough secondary data for future researchers.

Research into cocoa is very paramount in our opinion, especially in the period where Ghana is mentioned as the seventh most corrupt country in West Africa. Though the research results from transparency international may be taken with a pinch of salt, it communicates clearly to the external world. The actual importance of this research is to discuss ethical issues in the cocoa industry in Ghana from the perspective of social consumerism with Christian flavour from Proverbs 11:1 '**Dishonest** scales are an abomination to the Lord, but a **just** weight is His delight' (King James Version-KJV). Other translations use different expressions 'A **false** balance is an abomination to the Lord but a **just** weight is His delight'.

1.2. Problem statement

A problem might be defined as the issue that exists in the literature, theory or practice that leads to a need for the study. Intellectually gifted scholars in Ghana argue out that cocoa purchasing in Ghana poses a lot of problem according to public complaints and that value-added chain should be created to enable Made-in-Ghana products to be affordable to both the producers and consumers. Besides, many farmers and producers have complaints that they cannot afford to purchase cocoa products for their wards in schools and colleges. Moreover, many Christians have pondered over the reason why religious bodies have not fully participated in the cocoa procurement as prevailing in the financial and educational sectors. Therefore, there remains a gap in the research to assess the issues of ethical practices in the cocoa industry to provide enough and reliable data for future research.

The purpose of this research, in a nutshell, is to examine the key ethical issues from procurement of cocoa, the management of the controversial measuring instrument, the scale and the monopolisation of cocoa exports in Ghana and lack of value creation activities on the raw products. Many honest Christians have refused engagement into cocoa industry due to the controversial measuring scale and the fact that their integrity will be questionable when it comes to receiving the just weight for the cocoa purchased as required by their private Licensed Buying Companies (LBCs) vis-a-vis the weight specified by government agencies. What (extra) margin should be put on each weighed bag of the agreed 64 kg to ensure the figure stay the same for the marketing companies after the bags have been tempered with at the ports to test for their quality? Integrity, in this context, is used to mean the consistency and reliability of the measuring scale. It is upon this purpose that this research is being undertaken.

1.3. Objective of the study

The objective of a research provides a specific rationale and accurate synopsis of the overall purpose of the study. Critics argue sharply and blame purchasing clerks of both the private and public LBCs on the inappropriate adjustment of the measuring instrument used in weighing cocoa beans. Therefore, the objective of this study is to assess the impact of these scale adjustment and other ethical issues pertaining to the transportation of cocoa.

1.4. Research questions

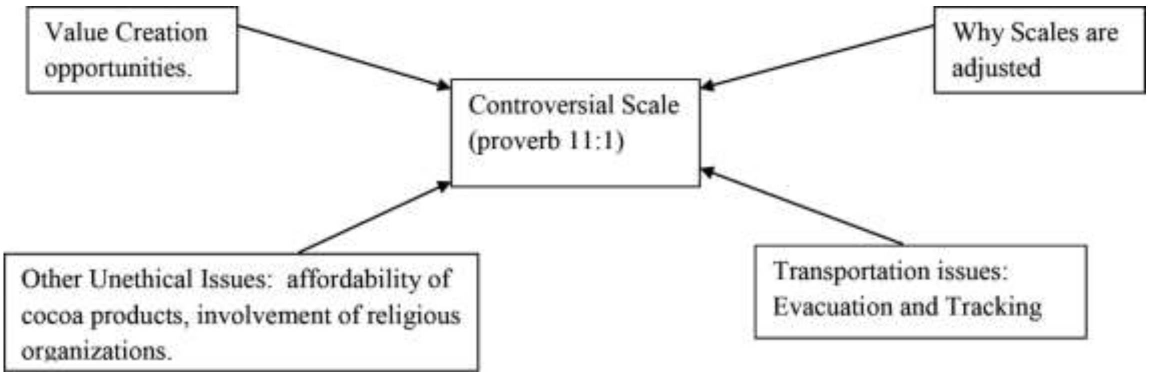
The main questions this research seeks to address include what is the allowable margin of errors in the controversial measuring instrument 'the Scale'. What are the best methods for handling shortages and shrinkages in the cocoa products delivered to the district managers and ports of exports? What are the transportation networks in major cocoa producing areas in Ashanti region? What is the information, communication and telecommunication or innovative tracking mechanism and various hindrances to the value creation to the raw cocoa beans?

1.5. Limitation of the study

The research is limited to the observations that were done in the selected areas. However, since the cocoa industry is controlled by one major entity in Ghana, (COCOBOD), secondary data on the quantities of metric tonnes produced were obtained from COCOBOD website. The results obtained can be carefully generalised to all other regions of Ghana. The time for the research was when the light crop was actually over. During the light crop seasons, many district depots are closed. An ideal time is during the main season when crops are on the trees for observation purposes and many depots are opened to gather large primary data.

2. Theoretical and conceptual framework

The literature review focuses on the theoretical concepts of the following elements of the framework:



It can be seen from the diagram that the main controversial scale is in the centre of the diagram. Annual Report from Cocoa Research Institute of Ghana (2009), which was conducted by the division of Cocoa Management Trust into problems on cocoa marketing revealed the measuring scale adjustment by purchasing clerks to be the main concern of farmers. The problem is widespread and appears institutionalised. Whilst liberalisation of the internal trade has helped in some communities, it has failed to stop or reduce the scale of the practice. Though the rationale of adjusting the scale is a valid one to ensure that the marketing companies do not lose out when the quality of the cocoa is sampled and tempered with at the ports, to ensure each bag still weighs 64 kg. But the question is what (extra) margin should be put on each weighed bag? Farmers suggested that weighing stones be introduced in all the buying centres so that they can verify whether the scales have been tampered with or not before having their beans weighed. Other unethical practices include high carting costs and pilfering of cocoa beans by neighbours. It is also stated that intercropping increased cocoa yield by 35.1%–70.0%. This implies intercropping is also biologically beneficial for cocoa cultivation even in the absence of fertiliser application. In the light of this study, the researchers still see the weighing scale as the most controversial issue in the cocoa industry preventing many hardworking but willing individuals to enter the industry.

Similar research done by the Cocoa Research Institute of Ghana (2010) indicated otherwise to the old unethical behaviour of ignoring women in the industry. Women are now actively involved in cocoa production as most of them are the owners of their cocoa farms. Though these women have a general positive attitude towards cocoa production, they face many constraints including inadequate access to capital and labour and poor extension support. The women, however, appear well informed on child labour issues. Scale adjustment once again was found to be the main marketing problem of farmers. The perception of farmers is that the liberalisation of the internal marketing of cocoa has not helped to address marketing malpractices in the cocoa sector. Government should put in place measures such as introducing standard weights in all the buying centres so that farmers can verify whether the scales have been tampered with or not before having their beans weighed. This research also perceives the scale adjustment as the main issue, therefore, our decision to put the controversial scale in the centre of our framework.

Lueandra and Andrew (2007) emphasised that cocoa is an export crop little affected by trade liberalisation. A sample of 123 cocoa farmers shows that only three were involved in pure stand cocoa cultivation. Of the remainder, 12% grew cocoa intercropped with coffee and bananas; 8% grew cocoa intercropped with coffee and citrus while the majority cultivated cocoa in combination with an array of other crops. The research identified 43 different combinations of cocoa with other crops. Cocoa yields are greatly affected by plant densities and the age of trees. Furthermore, Cocoa Research Institute of Ghana, annual report for 2011 indicated that general crop growth was excellent as a result of fairly good rainfall distribution pattern within the year. A total of 6.26 metric tons of dry cocoa beans were obtained from both experimental and non-experimental plots during the year, which was 14.38% higher than the previous year's records of 5.36 tons. This presupposes that to obtain higher yielding of cocoa, rainfall has to be steady and heavy for better production.

3. Methods/approach

For the purpose of this study, secondary data were obtained from the Ghana COCOBOD website. Secondary data have always proved to be the best and readily available source of reliable data for analysis. The secondary data include cocoa tonnes produced per year per each region in Ghana. For the purpose of primary data, two strong LBCs operating in Ghana with the branches at Obuasi were sampled through questionnaires. Eighty-seven purchasing clerks which have two districts managements were asked to provide their candid opinion to the questionnaire given. Since the cocoa industry operates with the same mechanism, the results obtained from these two strong LBCs can be generalised.

Apart from the quantitative data on cocoa production and the sampling of the opinion of 87 purchasing clerks, this research also tried further to enrich the data by contacting two top-level experts who are working directly with COCOBOD. Experts' opinions add extra details and distinguish results obtained from quantitative or qualitative data.

4. Results and discussion

The result and the discussion is on the controversial scale which raises ethical issues for honest and willing Christians who want to go into cocoa business. The statistics describing cocoa purchases and its relationship and its effect on scale adjustment in Ghana are depicted in Table 1.

Table 1. Effect of 2.5 scale kilogram adjustment on cocoa purchases

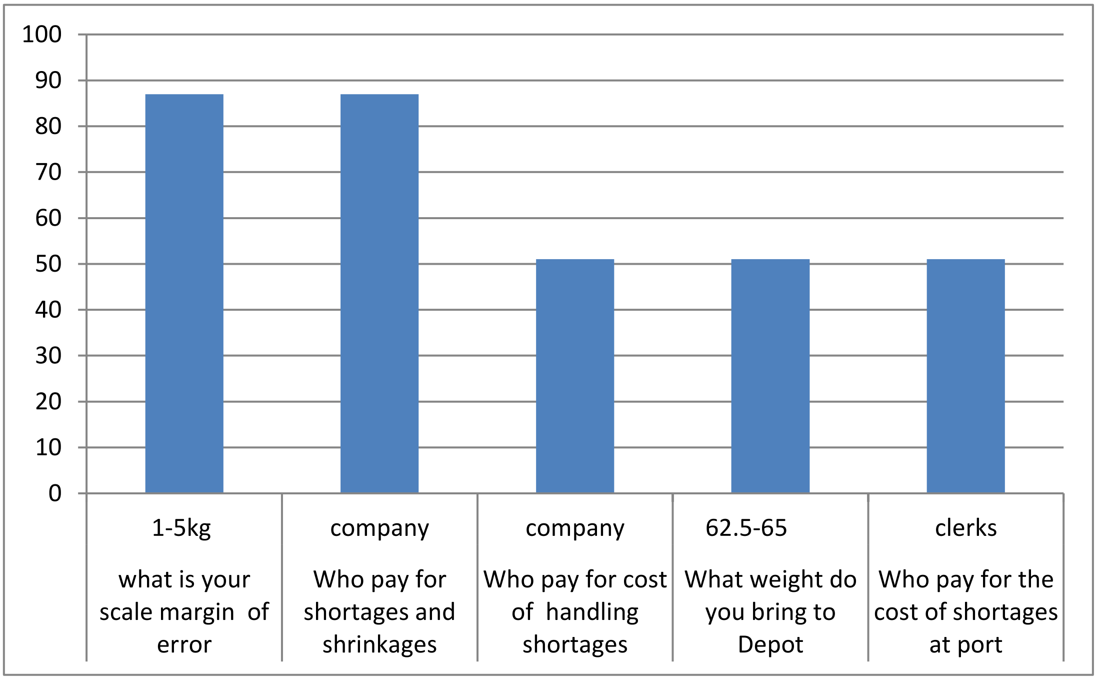
Crop year	Tonnes	Price per Tonne	Price per bag = price per Tonne/16	Price per kilogram = Price per bag/64 kilos	Amount earned by 2.5k adjust = Tonne *2.5k* price per kilo
2000/2001	389,772	438	27.375	0.427734375	6,668,755.313
2001/02	340,563	438	27.375	0.427734375	5,826,820.078
2002/03	496,846	850	53.125	0.830078125	16,496,839.84
2003/04	736,976	900	56.25	0.87890625	25,909,312.5

2004/05	599,318	900	56.25	0.87890625	21,069,773.44
2005/06	740,458	900	56.25	0.87890625	26,031,726.56
2006/07	614,533	915	57.1875	0.893554688	21,964,753.71
2007/08	680,781	1,200	75	1.171875	31,911,609.38
2008/09	710,642	1,632	102	1.59375	45,303,427.5
2009/10	6,50,941	2,400	150	2.34375	61,025,718.75

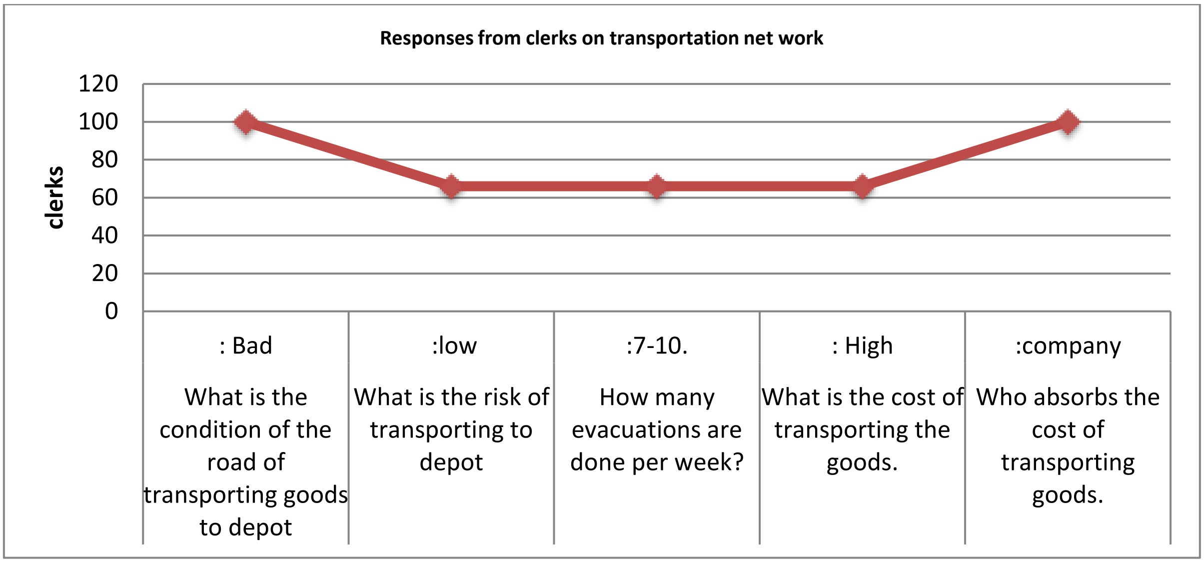
Table 1 shows the calculation of total amount realised due to controversial scale adjustment of 2.5 kg on 2001–2010 purchases. Ethically, it can be argued out that a standard weight is required so that farmers can test the weighing scales as these measures are subjective. The key ethical issues is that tempering with scales generate additional high income but these incomes are only used by the marketing clerks and their managers; therefore, the farmers have strongly supported the idea that the cocoa industry promotes unfair practices and exploitation, because farmers who are the producers have no means of checking the weights of their products before they are sold out. This raises a lot of ethical issues, especially if the marketing clerk is a religious figure who must ensure objectivity and integrity in the measuring instrument to win the peoples trust. The problem raises future research concern that if the influence of these religious and honest individuals in tempering with the scale is false, that may be one of the reasons deterring churches to enter the industry as churches don't want their names to be associated with unjust measurement of products.

To obtain further responses from the marketing clerks who deal with the farmers directly, questionnaire was sent to 87 marketing clerks in the two major selected companies in Obuasi and their responses are depicted in the diagrams below:

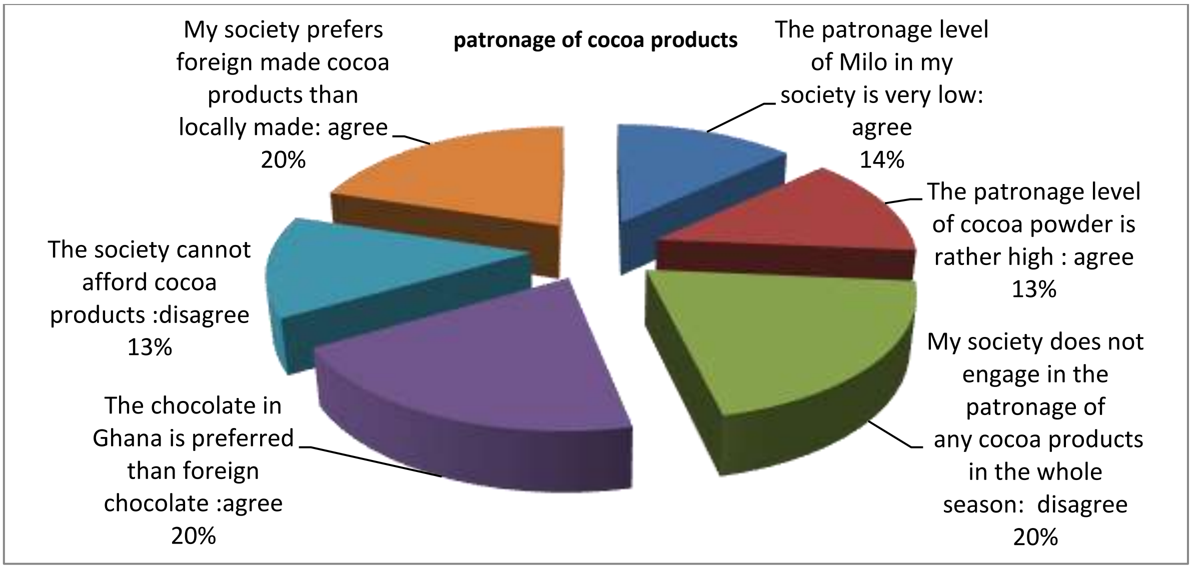
Responses from 87clerks on measuring scale



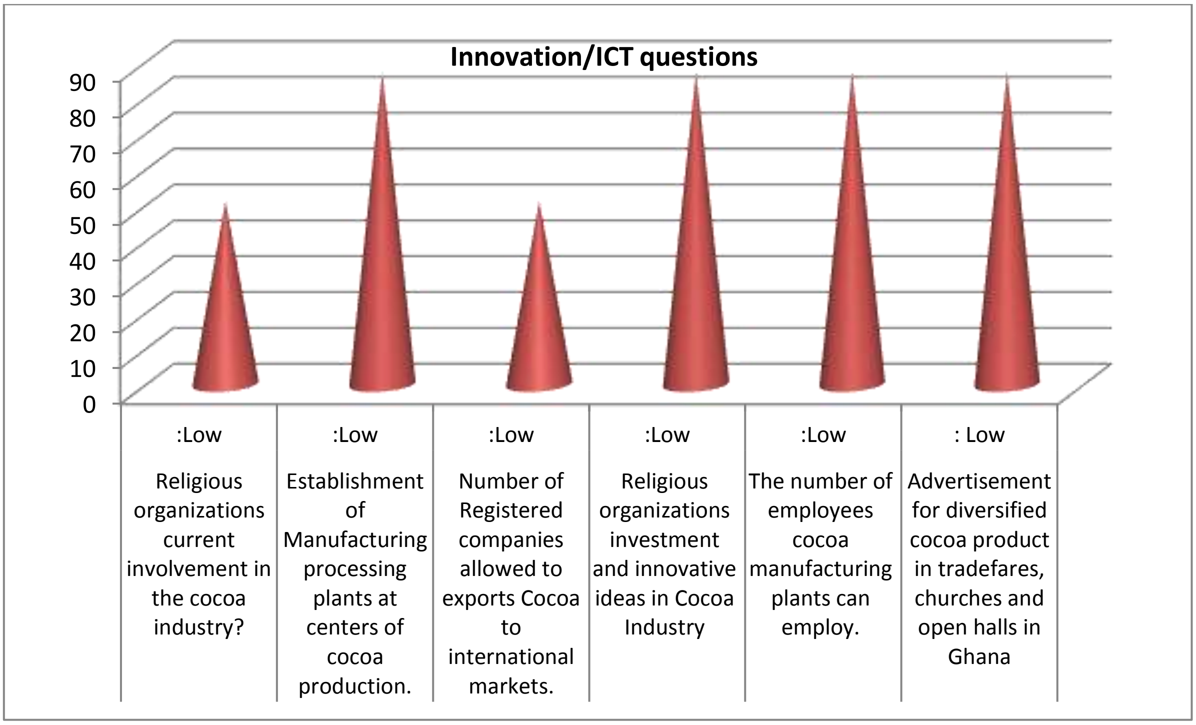
From the responses, it can be inferred that although tempering with scale is unethical, the cost of shortages at the ports is borne by marketing clerks. While this reason does not permit the clerks to unjustly temper with scales, it also raises serious unethical concern on why some LBCs ask their clerks to absorb the cost of shortages at the port.



While some of the marketing clerks see the risk of transportation of the products to be low, most admit that the conditions of the roads are very bad creating high transportation cost for the company. The major ethical issue is on the aspect of the frequent evacuation of 7–10 times per week on the bad roads which will compel the marketing clerks to send cocoa beans with high moisture content to the depots.



On the aspect of patronage of cocoa products, most marketing clerks agree with the farmers that foreign-made cocoa products are preferred because they cannot afford the local products even though the chocolate in Ghana is of a different taste than foreign ones. This raises a lot of ethical concerns that producers of cocoa products cannot afford their own products after some value has been added to them.



The innovative responses were very important as they reveal the level of involvement of religious organisations in the industry. Almost all the respondents answered that the innovation and investment from religious bodies are not extended into the cocoa industry and manufacturing facilities also very low. This raises key ethical concern why churches are not wholly entering into the sector to form their own registered LBCS as commonly seen in education, health and financial institutions. Social consumers have argued these out from Christian and Biblical perspectives such as Proverbs 11:1 but there might be more ethical reasons that warrant further research. Manufacturing industries at centres of cocoa production that can employ many people are also very few.

The next approach was the contact made to two top-level (COCOBOD) executives to respond to some of the ethical issues in cocoa purchasing, transportation and monopolisation of cocoa export as well as the limited value-added creation activities in major cocoa growing areas. The executives were seen as experts and were asked to provide their candid opinion on the tracking mechanism of cocoa transported from various License Buying Depots to their ports of exports. This can be a single system or software in place that enables COCOBOD to track transportation of cocoa with the buying companies. The experts' responses to the first question were that Ghana COCOBOD does not have a system to track the transportation of cocoa to the Takeover Centres or ports of export by the LBCs. Even though COCOBOD has interest in the cocoa during transit, the beans are not yet COCOBOD's stock until they have been delivered by the LBCs at the Takeover Centre. Much as COCOBOD has interest in the delivery of the cocoa to the port of export, the LBCs equally have interest in ensuring the delivery of the beans to Cocoa Marketing Company (CMC) or COCOBOD at the port to ensure that they earn the margins for which they are in business. Therefore, the idea of tracking the transportation of the cocoa beans with software or any other means is not a priority consideration by COCOBOD.

On the ethical ground, we feel that the LBCs bear higher risk on transportation. We feel that there should be mutual support and care between COCOBOD and the 41 LBCs in transporting the products from district depots to ports of exports to deploy a single integrated tracking software that can provide real-time information on cocoa transports from depots as soon as they are dispatched from depots with the addition to the accompanying document.

The second important question is on the monopolisation of cocoa export by Cocoa Board. What are some of the qualifications required for an LBCs to qualify to export its own cocoa products to the international market?

The expert response revealed that the Government of Ghana is the sole owner of all cocoa produced in Ghana. By law, Government has mandated COCOBOD; the regulator of the cocoa industry in Ghana, to export all cocoa produced in Ghana or otherwise sells and delivers to local processing factories. This is to ensure that the Government has absolute control of the foreign exchange proceeds generated from the sale of cocoa to support the local currency.

Some LBCs have recently been granted approval to collaborate with the CMC to export a minimum of 30% of their traceability cocoa purchases to foreign buyers which they have contracted themselves. Such export must still be handled by CMC, which is a subsidiary of COCOBOD, with the requisite experience in cocoa sales or shipment dating back many years. The LBCs involved in the traceability of cocoa supply chain normally have special arrangements with their foreign buyers who require specific conditions such as minimum pesticide residue levels in the beans (organic cocoa), traceability of the cocoa to its source of production (the farm) and specific social responsibility requirements towards the farmers by the LBCs concerned. The fulfilment of such contractual agreements by the LBCs earns them a premium, part of which are paid to the farmers who produce such specialised cocoa and sell to the LBCs.

The ethical concern, in our opinion, is that few of the LBCs are granted such an opportunity to export even less than 50% of their own purchases. This brings unfair competition in the international market. Cocoa exports should be made in proportion to purchases by the various LBCs. Selling to COCOBOD should be the sole prerogative of the LBCs who have met the standard set by COCOBOD. COCOBOD should only provide oversight on the quality of the product exported by these LBCs. This will enable these qualified LBCs to expand and increase their competitive edge in the international markets.

The third and the most impotent question was on the aspect of value added to cocoa through manufacturing beans into other products which currently seem limited. Experts were asked to comment on the main reasons why the manufacturing sector is not expanding into major cocoa growing areas for the processing of beans and the employment of local people.

The response from the experts revealed that the cocoa manufacturing sector has expanded in the last 10 years, with processing firms currently numbering about 11 as opposed to about four 10 years ago. The increase is due to the setting up of multinational processing companies in Ghana such as Cargill B.V., Barry Callebaut, Cocoa Touton and ADM Cocoa. COCOBOD as the regulator of the cocoa industry does not have a specific mandate to go into manufacturing, apart from the current 57% stake it has in Cocoa Processing Company Limited. Government, through COCOBOD, encourages local processing of cocoa by giving a discount on the light crop sized beans sold to the local processing companies. Other motivations include tax incentives, and this accounts for the reason why many of the local cocoa processing companies, including the multinationals mentioned above are located in the free zones enclave to take advantage of the tax incentives. Government and COCOBOD are still encouraging the expansion of local processing. The only challenge is that the percentage of light crop sized beans in the total to annual production is decreasing; hence, local processors have sometimes experienced beans shortages, with Barry Callebaut importing about 15,000 metric tonnes light crop sized beans from Cote D'Ivoire in the 2014/2015 year to supplement its beans requirements. Also, COCOBOD requires more of the main crop sized beans which are the beans described as exportable, to collateralise the annual syndicated loan required for cocoa purchases. Thus, much as local processing is being encouraged for its many benefits including employment generation, COCOBOD is also mindful of sustaining its ability to obtain the exportable and collateral quantity required to source for the international syndicated loan for annual cocoa purchases.

In our opinion, this also creates an important ethical concern because even though the local manufacturing firms are increasing, they are being starved by the action of COCOBOD for lack of raw beans. It is evident that only the light crop beans are allowed to be offered to local manufacturers since main crop beans have been marked for exports. If this trend continues, smuggling of cocoa from neighbouring countries will increase as local manufacturers will be in shortage of raw materials and gradually this will reduce the quality and the taste for the Ghanaian chocolate.

5. Conclusions and recommendations

There are some important considerations in coming to conclusions and recommendations for future researchers. The most important thing is a strong policy formulation on measuring scale tempering, its implementation, monitoring and evaluation not only by a standard board but also from the producer's level. There are lots of institutional inefficiencies leading to exploitation of producers and unlawful gains by the marketing clerks and the LBCs in the industry. It is observed that most of the clerks were unwilling to disclose information on the tempering of their scales when it comes to the weight brought to the depot. It is, therefore, imperative for COCOBOD to implement policies that will provide an appropriate alternative mechanism for farmers to check and know the levels of scale adjustment of their clerks before produce are sold. The saying that 'Osofo Nto kookoo', 'a priest does not buy Cocoa' is an expression of how public view religious people going into the cocoa industry.

Ghana cocoa farmers survey (2004) which was reported to Ghana Cocoa Board also suggests that structural policies designed to reduce the monopolistic market power of LBCs may result in improved service provision and higher productivity levels in the villages.

Cocoa is an important agricultural commodity in the world economy. The bulk of output is concentrated in West Africa (approximately 70%), Asia (17%) and Central and South America (13%). In fact, eight countries, of which four are in Africa, are responsible for 90% of world production. Therefore, there should be mutual support and care, and strong network between COCOBOD of each country and the various LBCs to develop single tracking systems from the district depots to the port of exports and to establish a single database to provide accurate cocoa data on purchases and exports for research purposes in Africa.

Currently, COCOBOD has licensed 41 companies to engage in the internal marketing of cocoa. The PBC Limited continues to be the leading buyer of cocoa with a 33.15% share of the market. Akuafo Adamfo and Armajaro Ghana Limited followed in the second and third places with market shares of 13.13% and 10.94%, respectively. The other 29 companies together accounted for 42.78% of the market. These 29 companies need to be equipped in order to ensure fair competition or encouraged to merge with each other to ensure better performance.

Lastly, several efforts by universities, both private and public, training colleges and polytechnics must compliment the University of Ghana school of graduate studies effort to offer Ph.D. scholarships on cocoa agroforestry programme. The University of Ghana is currently giving a scholarship to the applicant with MSC/MPhil to pursue programme in cocoa agroforestry to improve agricultural innovations. These efforts are commendable as the applicant will do their Ph.D. research in cocoa fields in Ghana and will ultimately produce a quality research paper on cocoa for future research. It is hoped that other universities will follow suit in designing and running academic programmes leading to the award of degrees in cocoa agroforestry either at the undergraduate level or postgraduate level to supplement the example set by the University of Ghana, School of Agriculture.

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