

Produce marketing co-operatives^{HC} in West Africa²⁶⁸⁴

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AFRIKA-STUDIECENTRUM
LEIDEN

Working papers No. 7/1982



African Studies Centre Leiden / the Netherlands

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IN WEST AFRICA

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BIBL. AFRIKA-STUDIECENTRUM
UDC. (6-15)
334.6 633.73 635.74
PL HC 2684
SPIN 22-7-82

CONTENTS

Summary	3
1. Introduction	4
2. Trade practices that result in under- or over-payment.	6
3. Conditions under which co-operatives function.	8
4. The relation between the price as paid to farmers and the conditions under which co-operatives function.	11
Notes	14
References	15

SUMMARY

In the West African countries of the Ivory Coast, Ghana, Nigeria and Cameroon, co-operative societies are involved in buying coffee and cocoa from farmers.

These co-operatives do not always pay exactly the producers' price as it is set by the respective governments. These deviations from the producers' price differ according to the conditions under which co-operatives function. Three conditions, that, taken together, have a negative effect on the prices paid to farmers, are the following:

- (a) When co-operatives are grouped in extensive, nationwide organizations, of which the management cannot be effectively controlled by the farmers;
- (b) When governments have failed to set up effective control over management or accountancy over the co-operative organization;
- (c) When governments have granted a buying monopoly to the co-operatives and have excluded private traders from buying produce.

1. INTRODUCTION*

During the buying season of 1979-80 I visited four countries in West Africa to study the extent to which produce buyers pay farmers the price as established by the governments of these countries, the so-called "producers' price".⁽¹⁾

From this research it became evident that produce buyers (i.e. co-operatives and private traders) in different regions pay farmers a net price averaging from 12.7 per cent below to 8.6 per cent above the official producers' price (Muntjewerff, 1982), bringing about an under-payment and over-payment, respectively.⁽²⁾

The present paper looks more closely into the prices that co-operatives pay to the farmers, in relation to conditions under which these co-operatives function.

We first offer, in section 2, a brief discussion of various trade practices, such as methods of processing, grading, weighing and payment, that directly cause under- or over-payment. The different conditions under which co-operatives function are presented in section 3. In section 4 the findings from sections 2 and 3 are combined to show whether, and in what way, these conditions have an effect on the price these co-operatives pay to farmers.

Table 1 lists the countries and regions that have been studied and also shows the share of the total production which is bought by co-operatives. In the Ivory Coast, Ghana and Nigeria, the manner in which co-operatives operate is standard throughout the country. In Cameroon, on the contrary, there are major differences from region to region, which is why six different regions have been studied.

Table 1. COUNTRIES AND REGIONS VISITED ^(a) , WITH TYPE OF PRODUCE, AND THE PERCENTAGE OF THE TOTAL PRODUCTION BOUGHT BY CO-OPERATIVES			
Country	Region	Product traded	Share (%) of total production bought by co-operatives
Ivory Coast ^(b)		Cocoa) Robusta coffee)	20 ^(c)
Ghana ^(b)		Cocoa	100 ^(d)
Nigeria ^(b)		Cocoa	40 ^(e)
Cameroon:			
French-speaking	Central:		
	Lékié	Cocoa	100
	Mfou-Mfoundi	Cocoa	100
	West	Arabica coffee	100 ^(f)
English-speaking	Littoral	Robusta coffee	18 ^(g)
	North-West	Arabica coffee	100
	South-West	Robusta coffee)	10 ^(h)
		Cocoa)	

- (a) For detailed information on the study locations see Muntjewerff, 1982.
 (b) The figures in the last column are the averages for the regions studied.
 (c) Lambers, 1978:2
 (d) The Ghanaian Marketing Board, being the sole buyer, makes use of local co-operatives for the collection of produce at village level.
 (e) According to the statistics of the Nigerian Cocoa Board, it appears that 27 per cent of the licences are supplied to centralized, secondary co-operatives. In addition, an estimated 10 per cent of production is bought up by primary co-operatives at the village level, which then sell the produce to a private licensed buyer.
 (f) Co-operatives are united in the Union Centrale des Coopératives Agricoles de l'Ouest (UCCAO). There are some dozens of large coffee estates not connected with the UCCAO which make up an independent co-operative organization that is not included in this study.
 (g) See also, Illy 1974: 287
 (h) From a co-operative annual report from 1979.

2. TRADE PRACTICES THAT RESULT IN UNDER- OR OVER-PAYMENT

The producers' price as established by the various governments applies to products of export quality. Occasionally, however, co-operatives buy produce that must still be processed and graded before it is suitable for export. The cost of such processing is sometimes borne by the co-operatives. Likewise, produce which is not up to export standards is sometimes bought and graded by co-operatives. In both cases, farmers receive more for their harvest than they should have received according to the official producers' price, which applies only to produce of export standard.

Sometimes, the co-operatives pay a premium on top of the producers' price in the form of balances that are divided among the members. Some co-operatives, furthermore, supply credit with the future harvest as security. The interest charged on such credit is only 6 to 8 per cent, which is quite profitable for farmers, compared with the interest rates on loans by local moneylenders.

On the other hand, there are also a number of practices that negatively influence the prices paid and that lead to under-payments. In some cases the co-operatives reduce the weight delivered by the farmer by several per cent - a policy which is justified by arguing that the commission paid by the government is not sufficient to cover all the costs of transport, storage and the like. Still other reductions of weight are incurred because the weight of the packaging (a jute bag) is calculated to be more than it really is, and also, because weight is rounded off to the lower kilo. And whenever payment is not in cash on delivery, co-operatives harm farmers financially, because farmers who need money immediately are forced to sell to moneylenders for a considerably lower price. This occurs in some regions where co-operatives have a buying monopoly.

Table 2 lists which of the above factors occur in which regions and how they affect the prices that are paid. These figures have been calculated in the same way as in a companion report (Muntjewerff, 1982) but in the present case the figures refer to transactions with co-operatives only. Taken together, profits and losses occur in different regions that range anywhere from 9.3 per cent above to 11.7 per cent below the producers' price.

Trade factors	Nigeria (a)		Ivory Coast	Ghana	Cameroon					
	primary co-ops.	centralized (secondary) co-ops.			Central		West	N.W.	Litt.	S.W.
					Lékié	Mfou				
Hulling and grading costs					+4.0	+4.0	+ 5.6	+ 5.6	+8.6	
Weight deductions	-6.1	-6.1	-0.3	-2.7	-0.7	-0.7	- 0.6	- 4.5	-0.3	-5.7
Interest loss (b)		-3.5					-14.0	-14.0		-0.1
Interest gain	+0.5		+0.4	+0.4	+0.2		+ 0.4	+ 1.2	+1.0	+0.5
Premiums	+2.4		+2.3	+0.1	+1.7					+3.4
Total (c)	-3.2	-9.6	+2.4	-2.2	+5.2	+3.3	- 8.6	-11.7	+9.3	-1.9

(a) The co-operatives in Nigeria are categorized according to an organizational criterion rather than by a geographical one, as the other co-operatives are.

(b) Or discount loss, due to delayed payment, etc.

(c) While reading the totals it has to be taken into account that the figures in this table are obtained through different methods: by observation, by interview, by calculation

3. CONDITIONS UNDER WHICH CO-OPERATIVES FUNCTION

3.1. Controls on Co-operative Management

For co-operatives to function well, it is firstly important that accountancy and management are supervised in an efficient way to limit the opportunities for dishonest and unsound practices. With regard to the co-operatives which we have investigated, two forms of control can be distinguished:

- (a) by members of co-operatives, or, democratic control;
- (b) by the government.

Democratic control can only function well when the members themselves take the initiative to set up a co-operative, and subsequently supervise and judge its various activities. This kind of co-operative only exists in the Ivory Coast and partly in Nigeria. These are the co-operatives at village level which are independent and not grouped into and led by a centralized co-operative organization at provincial or national level. Often however, co-operatives are founded and managed by the government. The initiative to set up a co-operative seldom comes exclusively from farmers themselves. The reason for the government to start a co-operative organization is usually to gain more influence over the trade in foodstuffs and export products. Another reason may lie in the wish to protect farmers against 'exploitative' private intermediary trade. The Cameroon government even strives after a co-operative monopoly, something which is already a reality in most regions of that country. In that case farmers are obliged to join this kind of co-operative. Developments of this kind quickly lead to rigid, bureaucratic, governmental institutions in which, for example, the board of directors is not selected by the members but by the government. (Van Dooren, 1978:19,41,43). Under these circumstances of compulsory membership, which clearly is against the co-operative principle, one cannot expect enthusiastic involvement on the part of member farmers, much less an efficient

check by the members on the co-operative management.

The scope of activities of co-operatives varies according to the region and is another reason why controls on co-operative management may vary. There are co-operatives that handle the entire trade process, starting with the collection of produce from the farmers and ending with the delivery of these goods to the importer in Western Europe or the United States. The primary co-operatives at the village level, in that case, are combined into regional (secondary) and national (tertiary) organizations. On the other hand, there are other co-operatives, at the village level (in the Ivory Coast, and some of the co-operatives in Nigeria, for example) that do nothing but collect the produce from the farmer, weigh it, pay the farmer, and sell the produce to a local private trader. The activities of such co-operatives are, of course, more easily supervised and controlled by the members than in the case of centralized co-operatives.

Where members' control over co-operative management left much to be desired, an independent organization has been set up by some governments to inspect and supervise management and accountancy of co-operatives. Organizations like this are ONPR (Office National de Promotion Rurale) in the Ivory Coast and CeNaDec (Centre National de Développement Co-opérative) in Cameroon. These organizations work with the World Bank, the United Nations (ILO) and/or western volunteer organizations - the last of which, among others, are called upon to supervise and train the board members of local co-operatives. The ONPR is effective in all regions in the Ivory Coast. The primary co-operatives are free to make use (free of charge) of the services of ONPR. In Cameroon, up till now, only two regions, Lékié in Central Cameroon, and S.W. Cameroon, are inspected by CeNaDec. The Cameroon Government determines the regions for inspection; local co-operatives have to accept this. ⁽³⁾

3.2. Competition versus monopoly

Co-operatives often have to compete with private traders and sometimes even with other co-operatives. But, as mentioned earlier, in some regions co-operatives have a buying monopoly for that particular region. This is the case in Ghana and in four of the six regions in Cameroon that we visited. In the Ivory Coast, Nigeria and the two other regions in Cameroon, the co-operatives have to compete with private traders.

Table 3 lists the prices paid for coffee and cocoa in four of the latter regions; it is interesting to note how close the prices of private buyers and co-operatives in each region are. Co-operatives in a competitive situation appear to function so efficiently that at the very least they pay farmers the same price as the private buyers in the same region. (4)

Table 3. THE PERCENTAGE OF THE PRODUCERS' PRICE THAT COMPETING PRIVATE TRADERS AND CO-OPERATIVES PAY ABOVE (+) OR BELOW (-) THIS PRICE ^(a)		
Region	Private Traders	Co-operatives
Nigeria	-6.7	-8.4
Ivory Coast	+0.6	+1.9
Littoral Cameroon	+8.2	+8.2
South West Cameroon	-3.2	-4.3

(a) For a description of the methods of research see Muntjewerff, 1982. The number of observations are limited to 10 to 20 per region.

In summary, one would expect that those co-operatives which are effectively supervised and managed by the members and/or by the government, along with those co-operatives which compete with private traders, will pay farmers higher prices for their coffee and cocoa than those co-operatives where controls of this kind are not functioning well or are lacking altogether, and where co-operatives have a buying monopoly.

Table 4 gives an overview of the characteristics for the different co-operatives that were visited in the various regions.

Table 4: CHARACTERISTICS OF CO-OPERATIVES: THE PRESENCE (+) OR ABSENCE (0) OF DEMOCRATIC AND GOVERNMENTAL CONTROLS AND THE PRESENCE (+) OR ABSENCE (0) OF COMPETING PRIVATE TRADERS.				
Region	Democratic control	Governmental control	Competition from private traders	Total No. of positive conditions
Ivory Coast	+	+	+	3
Ghana	0	0	0	0
Nigeria: Primary co-ops.	+	0	+	2
Centralized co-ops.	0	0	+	1
Cameroon: Central:				
Lekie	0	+	0	1
Mfou	0	0	0	0
West	0	0	0	0
North-West	0	0	0	0
Littoral	0	0	+	1
South-West	0	+	+	2

4. THE RELATION BETWEEN THE PRICE AS PAID TO FARMERS AND THE CONDITIONS UNDER WHICH CO-OPERATIVES FUNCTION

In table 5 the co-operatives are ranked according to the extent to which they pay farmers above or below the official producers' price. The second column indicates the number of positive conditions that are present at the co-operatives in different regions, as previously listed in table 4. It is evident that there is little relation between the sets of figures in the two columns and it appears that the price is not related to the conditions under which the co-operatives function. (5)

Table 5: THE PRICE CO-OPERATIVES PAY, AS A PERCENTAGE OF THE PRODUCERS' PRICE, HIGHER (+) OR LOWER (-) THAN THIS PRICE, WITH THE NUMBER OF POSITIVE CONDITIONS PREVAILING IN EACH REGION ^(a)		
Country/Region	Price paid to farmers	Number of positive conditions
1. Littoral Cameroon	+ 9.3	1
2. Central Cameroon: Lékié	+ 5.2	1
3. Central Cameroon: Mfou	+ 3.3	0
4. Ivory Coast	+ 2.4	3
5. South-West Cameroon	- 1.9	2
6. Ghana	- 2.2	0
7. Nigeria: Primary Co-ops.	- 3.2	2
8. West Cameroon	- 8.6	0
9. Nigeria: Centralized Co-ops.	- 9.6	1
10. North-West Cameroon	- 11.7	0

(a) See table 2

This absence of relationship can partly be explained by the fact that there are significant differences in trade practices in the former English colonies (Ghana, Nigeria, North-West & South-West Cameroon) and the former French colonies (the Ivory Coast and West, Littoral and Central Cameroon). The producers' price is set for produce of export quality, this is produce which is well hulled, cleaned and graded. However, co-operatives in French-speaking regions, more than in English-speaking regions, often bear these hulling expenses, and also buy low grade produce. And, furthermore, co-operatives in French-speaking regions charge the producer much lower transportation and handling costs by applying smaller weight reduction than their English-speaking counterparts (Muntjewerff 1982).⁽⁶⁾

For this reason we have eliminated these two factors - 'hulling and grading costs', and 'weight deductions' - from the calculations to take a closer look at the influence of the three remaining factors: interest loss, interest gain and premiums. In table 6, the co-operatives are ranked according to the overall gain or loss in price level resulting from these three factors. The second column again indicates the number of positive conditions present. This time, there is a significant relationship between the two sets of figures, which confirms that the price level is indeed related to the conditions under which the co-operatives function.⁽⁷⁾ This is as expected and can be explained as follows.

Table 6: THE PRICE CO-OPERATIVES PAY, ONLY TAKING INTO ACCOUNT "INTEREST LOSS", "INTEREST GAIN" AND "PREMIUM" ^(a) , IN PERCENTAGE OF THE PRODUCERS' PRICE, HIGHER (+) OR LOWER (-) THAN THIS PRICE, WITH THE NUMBER OF POSITIVE CONDITIONS PREVAILING IN EACH REGION.		
Country/Region	Price paid to farmers	Number of positive conditions
1. South-West Cameroon	+ 3.8	2
2. Nigeria: Primary co-ops.	+ 2.9	2
3. Ivory Coast	+ 2.7	3
4. Central Cameroon: Lékié	+ 1.9	1
5. Littoral Cameroon	+ 1.0	1
6. Ghana	+ 0.5	0
7. Central Cameroon: Mfou	0	0
8. Nigeria: Centralized co-ops.	- 3.5	1
9. North-West Cameroon	- 12.8	0
10. West Cameroon	- 13.6	0

(a) See table 2

For all co-operatives, regardless of specific trade practices in a region, it is true that whenever management and accountancy are not effectively supervised by the members and/or by the government, the possibility for corruption and mismanagement is great. This seriously reduces the liquidity of a co-operative as well as the possibilities for cash payments, the supply of credit, and the payment of premiums. In addition, whenever competitive stimulus is lacking, as in West and North West Cameroon, the actual price paid to farmers can fall well below the official producers' price. It may, therefore, not always be justified to establish co-operatives in order to have farmers receive higher prices for their produce. Co-operatives which do not have to compete with private traders may, without proper control on management, bestow few benefits on the farmers.

NOTES

* I thank Dr. J.C. Hoorweg, Dr. H.L. van der Laan and Drs. R. Niemeyer for their comments on an earlier version of the paper.

- (1) The producers' price is established annually by the government and is announced by means of the media (radio and the press). The produce buyers (co-operatives and private traders) are obliged to pay this price to the farmers. The producers' prices differ from country to country. These differences, however, have not been taken into account, as I was only interested in the differences between the official and the actual price.
- (2) See Muntjewerff (1982), Table 8. This report is also the basis of the summary description in the following chapter and of the figures (some of them adjusted, as they relate to co-operatives only) in Table 2.
- (3) Although the government, in the form of such independent, supervisory and consultant organizations, may be able to control the management effectively, the structure of this arrangement remains inadequate, because there is no democratic control over these organizations in turn.
- (4) It might be useful to mention that not all of the positive influences of co-operatives come to light in this way. In the Ivory Coast and S.W. Cameroon, for instance, private traders also started paying farmers a premium in order to remain competitive with co-operatives.
- (5) Kruskal-Wallis test: $H=1.43$ ($p \gg .10$), on three samples, respectively 0, 1 and 2 or more positive conditions (Siegel, 1956: 184 onwards)
- (6) Due to these factors co-operatives pay the farmers more (+) or less (-) than the producers' price. These additions and reductions (in percentage of the producers' price) amount in English-speaking regions to: Nigeria -6.1, Ghana -2.7, N.W. Cameroon +1.1 and S.W. Cameroon -5.7; and in French-speaking regions to: the Ivory Coast -0.3, Central Cameroon (Lékié and Mfou) +3.3, West-Cameroon +5.0 and Littoral Cameroon +8.3. These differences between French- and English-speaking regions are significant, with the Mann Whitney-U test: $U = 1$ and $p \leq .014$ (Siegel, 1956: 116 onwards).
- (7) Kruskal-Wallis test: $H=6.7$ ($p \leq .01$), on three samples, respectively 0, 1 and 2 or more positive conditions (Siegel, 1956: 184 onwards).

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