AGRICULTURE Peace, love and cocoa

With the return to stability in Côte d'Ivoire cocoa smuggling is down, but that's not the only reason Ghana's producing less


FRANCK AKPOUE FOR JA

Both countries wish to go from exporting the raw cocoa to processing it themselves

In the lead-up to national chocolate day – otherwise known as St. Valentine's day – the number of traders hawking the Ghana-made Golden Tree chocolate for lovers and hopefuls on the streets of Accra increases. The same cannot be said for the amount of cocoa being produced by farmers, as figures have slid since the 2011/2012 season, when Ghana produced 860,000tn. In 2014/2015 the country produced about 90,000tn less than that, according to data from Ecobank. Analysts attribute the decrease to a number of factors, including bad weather and smuggling.

Since the return of stability in Côte d'Ivoire after the 2010 conflict around the presidential election, the government has done much to fight against smuggling of Ivorian cocoa into Ghana, which is said to have been responsible for Ghana's high production statistics. President Alassane Ouattara's government wants to strengthen its finances by being sure that it can buy all of the cocoa grown by local farmers.

There is no longer the same buzz of activity during the cocoa season in the eastern Ivorian border regions of Abengourou, Agnibélékrou and Aboisso. Bilé Bilé, the leader of a farmers' organisation who is managing the campaign to reinvigorate production in the region says: "Prices are very good. There is no longer a need to cross the border to go sell in Ghana, thanks to the restructuring of the cocoa sector."

The Ivorian customs authorities estimate that between 100,000 and 150,000tn of cocoa are smuggled into Ghana each year. But a new customs unit now patrols the border to fight against these trade flows. A customs official in the border town of Niablé says there is no longer any smuggling to Ghana, "but it is still possible that Ghanaians are coming to sell their harvests in Côte d'Ivoire."

Some Ghanaian officials see the smuggling issue from a different point of view. Isaac Osei, the former head of Ghana's government-run cocoa body, Cocobod, says that smuggling is not really a problem. He explains: "Every farmer or every buyer is an economic animal. Sometimes when we look at smuggling, we look at it as if it is something bad. But it's really a question of relative prices." He adds: "Also there are many farms in no-man's-land between Ghana and Côte d'Ivoire. It is blurred. People will naturally go to where they will find ready cash or more money. I don't think one should spend resources trying to put barrier measures in place to stop people from doing that. They are only acting on their own economic instincts."

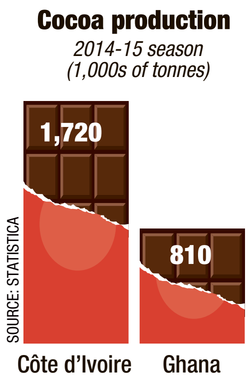
The two countries also seem to be diverging in terms of their production levels. Côte d'Ivoire's annual cocoa harvest has risen to about 1.8m tonnes since the 2013/2014 season. On the other hand, Ghana's smaller and smaller harvests are due in part to the ageing of the country's trees, which have not been regularly replaced. Farmers are getting older too – the United Nations Development Programme estimates that the average cocoa farmer is more than 50 years old – and few young people are getting involved in the sector.

SMALL IS VULNERABLE

Ghana and Côte d'Ivoire have almost the same amount of cocoa-producing land – roughly 1.7m hectares – and former Cocobod director Osei attributes Ghana's generally lower production figures to the scales of farming. Ghana's farmers generally operate smallholder family farms, while Côte d'Ivoire has many large-scale commercial plantations. Osei says there are few Ghanaian farms in excess of 20 acres (8ha). The difference in size means if a small-scale farm in Ghana is infected with a crop disease, the farmer is likely to lose out on the whole year's production, whereas on the larger farms in Côte d'Ivoire the infection can be contained.

Osei argues, too, that Ghana would benefit greatly from an expansion of cocoa processing if it capitalised more on domestic demand. The Cocoa Processing Company – where Golden Tree products are produced – has been struggling with the cost of production, as it mainly exports its cocoa-derived products, and shut down temporarily in late January. With Abidjan attracting investment in the form of a chocolate factory from French chocolatier Cémoi in May 2015, the competition has started in earnest between the neighbouring producers to seize a share of local and regional markets. ●

Baudelaire Mieu in Abidjan and **Billie Adwoa McTernan** in Accra



champions suggests, it makes good business sense too. Illovo's African expansion has driven the firm's growth. The demand for sugar has been "about 2% for decades globally, but it's about 3.2% across the continent. And in some markets, it's better than that," says Dalgleish.

INTO NEW REGIONS

Moroccan companies such as national airline Royal Air Maroc, telecoms operator Maroc Telecom and banks such as Attijariwafa Bank and BMCE Bank of Africa have made major forays across West Africa. The region now generates up to 30% of those banks' revenue.

Importantly, the decision-making process has not been blindly ambitious. As Attijariwafa Bank co-chief executive Ismaïl Douiri puts it: "It's not the matter of growing the footprint or growing the empire. It's really a matter of generating additional value for shareholders."

Africa's potential could convince African companies to invest on their continent, but Ekpe argues that there is more to intra-continental investment than cashflow. "Foreign investment has never developed a country. It has helped, but in the end it comes from domestic investment and domestic saving mobilisation," he says. "You cannot outsource development."

Haggar likes to call it 'Africalism.' "The ownership of the means to produce and distribute wealth should be African. We are too exposed to the tail- and headwinds of the rest of the world. We have everything to offer on the continent. We [could] be completely self-sufficient if we traded amongst ourselves and [had] investors." ●

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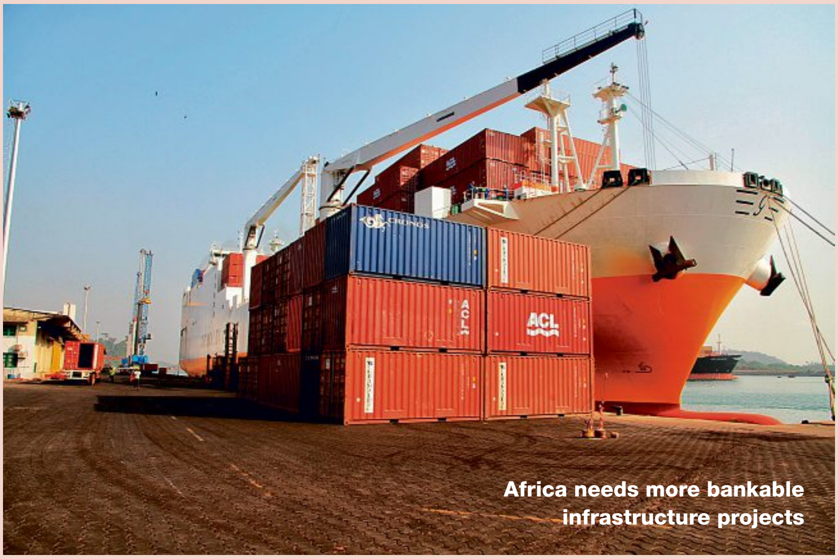

Africa needs more bankable infrastructure projects

More bang and more buck

Two business leaders offer innovative ideas to unlocking financing for infrastructure projects and businesses

One argument that is often put forward to explain the scarcity of African investments is the lack of financing. Many refute this theory as too simplistic. Andrew Alli, chief executive of the Africa Finance Corporation (AFC), argues that the obstacle is elsewhere: "The problem is the lack of bankable [infrastructure] projects. Today, there is more finance looking for those types of projects than there are projects looking for financing."

Alli says that infrastructure projects should look into alternatives to project finance, which can be unnecessarily long and complex. One option would be to encourage companies to take projects on their balance sheets and borrow the money themselves, shifting from project finance to corporate finance. This is a strategy the AFC is currently deploying in several countries.

Local banks need to play a bigger part, especially in the financing of small companies

Another tactic is to look at refinancing models, whereby financing would be split between the construction and operating phases. "Once the infrastructure asset has been constructed and running for a couple of years, it's considerably less risky. You can then have the project issue bonds and raise finance. That's much cheaper," he explains. Finally, Alli says that governments should build some assets themselves, sell them once completed and recycle the money into other projects.

Beyond infrastructure, there is widespread agreement that local banks need to play a bigger part, especially in the financing of small companies. Anthony Haggar, chief executive of South Sudan's Haggar Trading, suggests that development finance institutions should lend to banks rather than projects: "They should provide risk capital and allow [local] banks to be more open to risk. That way, banks would get more involved in doing loans and share risk. They would interact with businesses and expand their contacts and knowledge of the market until they can make better quality decisions."

The issue of local currency comes back time and again. Haggar suggests that this is where governments' contributions to projects should come in. "They should take on [a share] of the project in local currency through pension funds or a sovereign fund," he argues. "It would demonstrate their commitment by having skin in the game." Alli says that investments in local currencies would make some regional investors more comfortable too.

Finally, governments should look at ways to unshackle their investment potential. Alli cites the example of Botswana's pension fund, which is limited in its international outreach due to government restrictions. ● **E.F.**