

TC/VM.1949/8

19 September 1949

Visiting Mission to
Trust Territories in West Africa

CAMEROONS UNDER BRITISH ADMINISTRATION

PRODUCE MARKETING METHODS

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1. Introduction

The vast majority of the inhabitants of the Cameroons under British administration are farmers and herdsmen, and the commercial life of the Territory is largely conditioned by that fact. They sell their surplus products such as guinea corn, millet, yams, in the numerous village markets.

Commodities for export, such as cocoa, palm products, castor seed, ground nuts, gutta percha and shea nuts, are usually taken direct to the trading stations operated by commercial firms. Apart from the production of the European-developed plantations of the Cameroons Development Corporation, the quantity of these exports is small. Middle-men act as the agents of the firms in buying indigenous produce for export; in some areas, however, they have been displaced by cooperative unions. There are at present 38 cooperative cocoa marketing societies with a membership of 2,287 and two cooperative coffee marketing societies with a membership of 171, but they are not yet considered

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sufficiently stable and experienced to be able to enter the export trade themselves. Nevertheless the native traders, large and small, who form the link between firms and village markets are a prominent section of the commercial life of the country.

2. Marketing of Cocoa

The Nigerian and United Kingdom Governments have established special marketing schemes for the principal export produce of Nigeria and the Cameroons. The Nigerian Cocoa Marketing Board was established in 1947 (Ordinance No.33 of 1947) to take over from the West African Produce Control Board responsibility for the marketing of Nigerian cocoa (including the product of Cameroons) as from the opening of the 1947-48 season. The Board received £ 8,320,096 as the share of the accumulated profits of the West African Control Board.

The Board consists of the Commissioner on Special Duty as Chairman, of the Director of Agriculture and the Director of Commerce and Industries, and of three non-officials appointed to represent farming interests, as members. The composition of the Advisory Committee is as follows:-

Official

- (i) Secretary, Finance and Development, Western Provinces, Chairman
- (ii) Deputy Director of Agriculture, Western Provinces
- (iii) Registrar of Cooperation Societies
- (iv) Assistant Director of Agriculture
(Produce Inspection)

/ Non-Official

Non-official

- One member of the Board representing cocoa farmers
- One member representing Nigerian buying interests
- One member representing shipping interests
- One member representing middlemen
- One member representing cooperative movement
- Two members representing cocoa farmers
- One member representing Lagos Chamber of Commerce (on which are represented the main non-Nigerian buying agents)

The functions of the Board are to "secure the most favourable arrangements for the purchase, grading, export and marketing of cocoa" and also "to assist in the development by all possible means of the cocoa industry". In the former task, the Board is assisted by an Advisory Committee consisting of officials and non-officials representative of various business interests relating to cocoa. No cocoa may be exported except with the authority of the Board, while the Board is compelled to buy directly or through its agents, all cocoa which is offered for sale and which is suitable for export.

The Board has established a selling organization in London in the form of a company called the Nigerian Produce Marketing Company, Limited, which is subject to its subject to its general control. The Nigerian Department of Commerce and Industries, as agent for the Board, keeps the Nigerian Produce Marketing Co.Ltd., fully informed as to actual purchases of cocoa in Nigeria (including the Cameroons), and provides advance estimates of the tonnages likely to

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be available for shipment month by month. On the basis of this information as to the supply position, the Company makes sales on the world's markets.

The system of grading cocoa under the West African Produce Control Board allowed for two main grades only. Between these two grades was a very considerable difference. The Board has, therefore, introduced in addition two intermediate grades. As the main incentive to quality, however, the Board has adopted a steeply graduated price differential as between grades.

The Board has continued the practice of its predecessor in having licensed buying agents (which include some co-operative societies in Nigeria, if not in Cameroons) and remunerating them on a commission basis. Its marketing scheme, too, involves a minimum of departure from the procedure formerly followed. The basic principles of the scheme are the prescription of fixed port prices at which the Board takes over and pays for the cocoa, and the gazetting of minimum prices at all up-country buying stations. These minimum prices are calculated by the deduction of approved transport costs to cover the evacuation of the cocoa from the buying station to port, together, in most areas, with an allowance representing the middlemen's commission. In the interests of speedy clearance of cocoa, the Board has paid transport subsidies in many cases to cover the additional cost involved in transporting cocoa to port by alternative routes. Arrangements, for instance, were made during the 1947-48 crop season to transport cocoa from certain areas in Cameroons, on payment of subsidies where

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necessary, to Tiko or Victoria, either by road or via the Mungo River, by diverting the traffic from the authorized evacuation route via the French Cameroons Railway in view of the fact that increasing difficulty was experienced in obtaining the necessary wagon space on the French railway.

Two main changes have, however, been introduced by the Board. In the first place, although the Board, for administrative convenience, pays direct such shipment expenses as harbour dues, lighterage and export duty, licensed buying agents are made responsible for handling cocoa up to the point of delivery on board the ship. They receive payment only on presentation of shipping documents covering cocoa actually shipped. Secondly, the Board now offers the buying agents the alternative of payment in London or Lagos whereas formerly under the West African Control Board payment was made in the United Kingdom only.

3. Prices and Profits

The price paid by the Board to the producer was £ 62-10s. for the 1947-48 crop as compared to £ 49 and £ 26-10 in the preceding two years. The selling price c.i.f. New York was for the corresponding years £ 207, £ 115, and £ 45 respectively, while expenses in getting cocoa from the buying to the selling point were £ 23, £ 16 and £ 13½ respectively. The final net profits made by the Board for the season 1947-48 amounted to £ 9,264,130. The Board has built up substantial general and other reserve funds as detailed below, but considers it unnecessary and inadvisable to set defined limits to the

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sum which the Board should keep on hand to stabilize prices.

| | £ | £ |
|--------------------------|---------|--------------|
| General Reserve | | 16,352,677 |
| Other Reserves | | |
| Investment Redemption | 281,964 | |
| Uncalled capital | 74,999 | |
| Nigeria Cocoa Survey | 171,000 | |
| Cocoa Soil Survey | 262,000 | |
| Cocoa Industry | 25,000 | |
| Economic Investigation | | |
| Improvement of Quality | 9,000 | |
| Long-term Rehabilitation | 73,000 | 896,963 |
| Total | | £ 17,249,640 |

The General Reserve provides the working capital for marketing operations and funds for price stabilization in future seasons.

The price per ton of cocoa in New York reached a peak during 1947-48 of £ 255; by the opening of the 1948-49 season it had fallen to £ 215, and at the end of the year it stood at £ 155. This rapid fall in price has continued into 1949, and at the end of April the New York price stood at £ 105 per ton. These violent fluctuations in price, if passed on directly to the producers, could have a disastrous effect on their prosperity and on the stability of the industry. However, the policy pursued by the Board has been to draw upon its surplus earnings of previous years and pay the producers a price of £ 120 per ton throughout the 1948-49 season and to guarantee a minimum price of £ 100 per ton for the two subsequent seasons, regardless of falling world prices.

4. Future Market Prospects

Since the United States ceiling prices for cocoa were abolished in 1946, New York market prices have fluctuated widely. They reached a peak of 51 cents a pound (monthly average) in November 1947. After an initial decline the price recovered to $44\frac{1}{2}$ cents in July, 1948, but thereafter fell steadily to $18\frac{1}{2}$ cents last March, having at one point reached $17\frac{1}{2}$ cents a pound. Since then there has been a slight recovery to 24 cents in August but the price at the beginning of September 1949 stood at $20\text{-}3/8$ cents a pound.

A proper appreciation of present price movements and of future prospects entails an examination of supply and demand, and a careful analysis of short-period, in relation to longer-term, trends. The price of 51 cents a pound (£ 255 a ton) reached in November 1947 was greatly out of relation with all other commodity prices. It seemed to have been the direct consequence of a boom demand which showed itself soon after the war ended. Afterwards, when prospects of a reduced demand in the United States, which is the main importing country, emerged while at the same time it became apparent that world production of raw cocoa would be much larger than expected, the price of cocoa began to fall sharply.

Production has expanded significantly during the current season; provisional estimates put supply at 704,000 tons which is almost equal to the average world output of 705,000 tons in pre-war years. What again has happened in

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recent months is that more than expansion in production there has been increase in available supplies and therefore in exports. Total exportable supplies for 1948-49 according to the figures of provisional allocation of cocoa beans published by the International Emergency Food Committee, are 703,670 tons compared with 598,230 tons in 1947-48. Brazilian supplies remain approximately the same as before; the increased exports are derived in fact from West Africa. Higher prices to the farmers, as well as larger imports of consumer goods, have apparently provided them a lively incentive to market larger quantities of cocoa beans. Equally, improved transport facilities in West Africa have helped to expand supplies marketed.

Lastly, the downward swing of cocoa prices is partly also attributable to a general "recession" in the United States which set in about the same time. Apart from seasonal variations, the trend of prices in regard to other basic foods too -- wheat, maize, and sugar for example -- has been falling for a year. It is a well-recognized fact that even a moderate recession in the United States can cause a serious fall in the commodity prices.

The future trend of prices depends upon a number of uncertain factors and is therefore scarcely predictable. One or two factors in the situation seem, however, quite obvious and clear. The increased output during the current season from British West Africa, which is the chief supplier, has been exceptional. Weather conditions were almost ideal and permitted an unexpectedly good yield from trees which

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are diseased but still surviving. The swollen-shoot disease has ravaged large tracts of the most prolific cocoa-producing areas in the Gold Coast. Since 1939 the number of infected trees is estimated to have risen from one to fifty million which represents one-eighth of the total number of trees. Fortunately, the area of infestation in Nigeria is as yet small, but its wide extension is not improbable. In any case, it is extremely doubtful if the present high level of output can be maintained in future years from diseased and infected trees. The only known method of stopping the rapid spread of this disease is the ruthless cutting out of all infected trees. During the period of high prices which have prevailed until recently, any policy of cutting out of infected stock (which can still bear some fruit) has naturally not made much headway, notwithstanding compensation payments which have not proved sufficiently attractive. As the price paid to producers is likely to be lowered, at least by gradual stages, pari passu with the fall of prices, it may also be practicable to simultaneously carry out a much more vigorous cutting-out policy. As a result output is likely to decline, and as production of cocoa beans cannot be expanded very rapidly, the reduced output is likely to continue for some years to come. Indications are therefore that the supply factor at any rate will tend to prop up cocoa prices in the near future.

As far as demand is concerned, in most countries scarce and rationed supply of milk and sugar stand between the

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manufacturer of chocolate and his desire to supply the market. So long as these conditions exist, any appreciable increase of demand in those countries is not likely. In the United States particularly demand for cocoa is almost a direct function of the level of national incomes. When prosperity is high, demand is high, and when prosperity is low, demand is low. If, as it seems, the recent recession in the United States is only a temporary phenomenon which will soon completely pass off, the United States demand is likely to revive slightly and exert a steadying effect on the market.

The Cocoa Marketing Board evidently commenced its operations under the exceptionally favourable conditions of a world shortage of cocoa and boom demand. Such conditions cannot of course indefinitely continue; inevitably, therefore, the tide has begun to turn. The present level of cocoa prices which is three times the pre-war average is more in accord with the general price level and has a more reasonable appearance. The farmers in West Africa have been guaranteed prices for the next two seasons at a new, lower level which, however, is still higher than is warranted by the current market prices. The growers are thus gradually being made to feel, though not to the full extent, the impact of these lower prices. The Marketing Board, with the aid of its stabilization fund, can only adequately protect them against short-term fluctuations; its power to counteract a persistent long-term trend must be strictly limited by its reserved funds. In the face of such a trend all that it can do is to act as a shock-absorber and confer on the

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farmers the benefit of a relatively stable price market as long as stabilization funds are available. The present is without doubt a testing time for the Board and it may be considered that its success can only be judged on its record over a number of years.

5. Marketing of Other Exports

The advantage resulting from organized marketing of cocoa has led to the setting up of similar Boards for ground nuts, benniseed, oil-palm produce, and cotton. The new Nigerian Marketing Boards, viz, the Groundnut Marketing Board, Oil Palm Produce Marketing Board, and Cotton Marketing Board took over from the West African Produce Control Board from April 1949. The Groundnut Marketing Board deals with groundnut and benniseed; the Palm Oil Produce Marketing Board with palm oil and palm kernels; and the Cotton Marketing Board with seed cotton. Like the Cocoa Marketing Board, they are corporative or semi-government bodies which have African producer representation. They have also almost identical functions, namely, to secure a most favourable marketing of the raw products with which they are concerned, and to arrange for the local purchase of such produce through licensed buying agents. In relation to local purchases and grading, the Marketing Boards are bound to seek the advice of Representative Committees, which include non-official members, and, as in the case of the Cocoa Marketing Board, if they fail to accept that advice, they have to report their reasons to the Governor in Council. No produce with which a Marketing Board is concerned may be exported except under its authority. The new Boards operate on the same principle as the Cocoa Marketing

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Board, fixing at the beginning of the crop-seasons minimum prices, payable at gazetted buying stations in the land (which are based on the naked ex-scale port of shipment prices less the transport differentials) and being thus designed to contribute to the stability of the industries in the face of fluctuations of world market prices.

The Nigerian Marketing Company in London, which previously was mainly concerned with cocoa, is now also the selling organization for the Groundnut, Oil Palm, and Cotton Marketing Boards. The Ministry of Food, however, at present buys, through the West African Control Board, all Cameroons oil-palm produce at prices negotiated annually. The price paid per ton for Palm Oil (Grade I) for the year 1948 was £ 32/5s. while selling price, c.i.f., United Kingdom was £ 70. The corresponding figures for 1948 for palm kernels were £ 21 and £ 40 respectively. The surplus balance in each case was carried to reserve. The minimum price for groundnut was fixed for the same year at £ 19/4s. at railhead and at £ 17 at river port.

6. The Cameroons Development Corporation

The three principal products of the Cameroons Development Corporation's estates -- bananas, palm products and rubber -- are all marketed in the United Kingdom. Rubber, since bulk buying by the Ministry of Supply ceased, is sold on the London market through normal trade channels. Palm products are at present sold through the control scheme described above. Bananas, the principal product, are marketed under an agreement with Elders & Fyffes, Ltd., as sales agents, who

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in their turn pass over the bananas to the Ministry of Food. The bananas were bought by the Ministry of Food in 1948 at £ 27 per ton. Factors taken into consideration in determining this price were prevailing world prices, the price that the consumer in the United Kingdom is prepared to pay, the cost of production and the need for a price on the basis of which the productivity and the welfare of the Cameroons can be improved.