The risks of inclusion: shifts in governance processes and upgrading opportunities for cocoa farmers in Ghana
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1 Local producers in a global economy

Proponents of globalisation, consisting of advocates of neo-liberal free markets and liberal civil society, have long argued that free trade will lead to economic growth and improvements in the livelihoods of all, including poor farmers in developing countries. But it has become clear that gains from globalisation are not distributed equally. Small-scale farmers in developing countries must improve or upgrade their businesses, if they are to cope with the challenges of globalisation, increased competition and price fluctuations.

There are different opinions on which upgrading strategies small-scale farmers should follow. There are also different ideas on which actors should facilitate and/or support the poor in this process. International institutions, such as the World Bank, emphasise that farmers themselves are responsible for change. In the process of adding value to their product or production process, farmers can learn from ‘lead firms’ higher up in the value chain (the value chain perspective) or can realise change through joint action and collective efficiency (clustering perspective). Others argue that in less developed countries, where the majority of raw material production is in the hands of small producers, capturing higher margins for unprocessed commodities requires public action.

It is increasingly emphasised that in order to understand the relationship between power structures, poverty and upgrading it is important to look at the interaction between different governance levels. In this study the exceptional case of cocoa in Ghana is used to analyse how governance in the international cocoa chains – driven by a combination of concentration, sustainability standards and uncertainty in global sourcing – combines or contrasts with interventions and regulations by the state at a national level, and social organization and performance at local, farmers’ level. The study focuses on the capacity of the state to solve problems and shows how a national state stands between local producers and global buyers of cocoa.

Cocoa production is concentrated in West Africa and employs around 14 million workers worldwide. It is estimated that about 3 million smallholders account for 90 per cent of production. Cocoa is a primary commodity mainly produced for export, with little added value. In addition to being the world’s second largest producer, Ghana has some particularities that make it an interesting case for assessing the interaction between private and public policies. First, Ghana is the only cocoa producing country in the region that has only partly liberalised its marketing and pricing system; the government still plays a governing role in the sector. Second, it
is the only country that provides traceable cocoa and the high quality cocoa it produces fetches an additional premium.

A number of important insights will arise from the Ghanaian case. First, it contributes to understanding of how producers of agricultural export commodities benefit from being inserted in a global value chain, one which is increasingly driven by multinational cocoa processors and chocolate manufacturers. Second, it contributes to the recent discussion on hybrid governance structures, where both public and private actors play a governing role. Ghana is unique because of the strong role of the state. Lastly, looking at differences among cocoa farmers contributes to understanding processes of in- and exclusion of particular farmers, and hereby the role of the state.

2 Upgrading for development

The discussions on globalisation and its impact on development emphasise the challenges faced by entrepreneurs in developing countries, i.e. intensified competition and price-fluctuations. Since the late nineties, the focus has been especially on small and medium enterprises (SMEs). Recently, with agriculture back on the development agenda as the ‘engine for economic growth’, the emphasis has shifted from SMEs to small-scale agricultural producers. At the same time, these small-scale producers are increasingly viewed as independent entrepreneurs. In order to support sustainable growth and reduce poverty, these agricultural ‘firms’ have to improve their competitiveness. Competitiveness is not only based on better pricing and improved quality of products but it is also important whether there is sustainable production within the chain.

In the literature on competitiveness, the concept of upgrading highlights the options available to producers for obtaining better returns. This concept, which finds its origin in political economy and industrial economics, has been applied in various bodies of literature, from the value chain approach to cluster studies. The dominant view is that upgrading is the outcome of organisational learning and inter-firm networking. Essentially the value chain approach proposes that the inclusion of entrepreneurs in value chains offers the possibility to engage in learning processes and to acquire new knowledge from external buyers. This approach concentrates on ‘global chain governance’, which is defined as ‘authority and power relationships that determine how financial, material, and human resources are allocated and flow within the chain’. A value chain may be characterized by different forms of coordination in various segments of the chain.

It has been argued that the buyers’ risks for supplier failure determine the type of relationships between local producers and external buyers. But it is not clear how the specifics of the value chain (‘tight or loose’ organisation) are linked to a particular outcome for producers. This implies that there are power relations in a chain that have to be unravelled, as poor producers run up against them. Although the value chain approach captures different categories of governance and coordination, the focus is on inter-firm relationships between buyers and suppliers. The focus on vertical networks does not capture more local inter-firm relations, for
example joint actions among producers, and interactions with local institutions. Alternatively, cluster studies focus on local level governance structures, which are viewed as the main facilitators of upgrading and innovation. Having relationships in a cluster facilitate the creation of new products and services. The cluster literature uses the concept of ‘cluster governance’ to refer to the intended, collective actions of cluster actors aimed at upgrading a cluster. Advantages from clusters usually derive from an ‘optimal mix between cooperation and competition among its members’. When this balance is disturbed, clustering can jeopardize competition. Understanding the conditions under which such an optimal balance can occur requires insight in the level of ‘embeddedness’ of economic activity. Many of the social relationships are geographically localised. People are not simply workers or managers; they are also consumers, citizens, church-goers, kin, and community members.

Several authors have highlighted the limitations of both approaches and the necessity to combine the ‘horizontal networks’ with the ‘vertical networks’. But, by combining these two approaches some of their limitations, which are similar, are not yet removed. Both approaches assume the presence of an open market system. But this condition is not always ‘fully’ present. In some large sectors of several commodity producing countries, there are no truly ‘free markets’. To understand how governance is linked to processes of in- and exclusion I brought back the role of the state into the discussion. Accordingly, a new theoretical orientation needs to be introduced. I chose to use a dynamic comparative framework for labelling public-private interaction in a global value chain to explain variations in national industrial competitiveness, which draws on both the strategic management and political economy literature. The framework points out four types of interaction in a value chain: ‘state governance’ (a situation where transactions are coordinated through state involvement and the value chain is coordinated through market forces), ‘joint governance’ (a situation where transactions are coordinated through state involvement and the value chain is coordinated through chain integration), ‘market governance’ (a situation where transactions and the value chain are both coordinated through market forces) and ‘corporate governance’ (a situation where transactions are coordinated through state involvement and the value chain is coordinated through chain integration).

The multi-level entry point makes it possible to discuss the capacity of the (national) state to solve problems and to elaborate on how the state’s performance depends on governance at international level. In order to value the state’s performance and understand how performance affects the way particular farmers are in-or excluded requires bringing in again governance structures at a local level. Combining global, national and local governance structures will show how a national state stands between local producers and global players and offers the opportunity to discuss more precisely how state functions can or cannot help to address the challenges involved in being inserted in an increasingly trader-driven value chain. The case of cocoa in Ghana is particularly interesting because the sector is gradually and only partially liberalised. It is an example of a ‘hybrid’ case where the state is still keeping a rent in monopolising export trade in a situation where the international market is increasingly driven international buyers.
3 Research questions, methods and respondents

The central question in this study is how different governance processes interact in creating opportunities and constraints for more inclusive upgrading among small-scale cocoa farmers in Ghana. I distinguish between three levels of governance: first, the global chain governance (referring to power relations in the global cocoa chain); second, state governance (referring to the level of state involvement in the Ghanaian cocoa sector); and third, the social structures (in which cocoa farmers are embedded locally). The different dimensions contained in this question demand for a combination of different research tools and concepts. The value chain approach is used as a tool to identify upgrading opportunities and constraints for cocoa farmers in Ghana by considering the existing power relations in the global chain and by looking at changes in these relations. At the national level, the introduction of reforms in Ghana is taken as a ‘key-turning point’ to understand local upgrading opportunities and constraints, and how these have changed overtime. At the local level, I seek to explain the different impact that shifts in governance structures and upgrading opportunities (along with the constraints that result from these changes) have on farmers, resulting in unequal benefits. Central concepts of the cluster literature, such as ‘embeddedness’ and ‘joint action’, are used to identify social structures which constrain or facilitate upgrading strategies of individual cocoa farmers and thus affect the way they benefit from these strategies.

To answer the research question, I combined qualitative with quantitative data. I held in-depth interviews with actors involved in the cocoa sector in Ghana, including the farmers, local and international buyers, governmental bodies, farmer organisations, NGOs, banks and research institutes. In addition I gathered information through a number of informal discussions with the world’s major cocoa buyers. In addition, I organised two multi-stakeholder workshops, one in the Netherlands (2003) and one in Ghana (2005), with key representatives of industry and other public and private actors. I administered three surveys: 1) a survey among a small number of cocoa processors, chocolate manufacturers and some of the institutions that represent their interests; 2) a survey among 173 farmers, held in 2003; and 3) a second farmer survey, held in 2005, among 103 farmers that participated in the 2003 survey and 107 additional cocoa farmers. The farmer surveys were conducted in 34 communities in 17 districts in 4 cocoa-growing regions of Ghana (Western region, Brong Ahafo, Ashanti and Central region), using a stratified sampling procedure. In addition, I held group discussions in around one third of the communities that I visited.

4 The risky business of cocoa

In this chapter the emphasis is on understanding how the main interests of global actors who currently govern the cocoa chain are being manifested locally, both through their involvement in local upgrading strategies in Ghana as elsewhere, and through their establishment of more direct relations with cocoa suppliers and the formation of new public-private partnerships.
For getting this understanding I have taken a global value chain perspective. The global cocoa chain is increasingly driven by international buyers (traders) of cocoa. From the mid 1950s until the 1980s, cocoa chains were first driven by associations of producers and later by the state, with significant variations between countries. In West Africa, where cocoa production is concentrated, Anglophone countries produced under marketing board systems, while Francophone countries used stabilisation funds. Now all are under the control of international buyers, with the exception of Ghana. There are different reasons for this shift in governance. For example, global buyers have become stronger actors in these chains due to takeovers and an increase in the scale of their operations. But the increased governing role of global cocoa processors and manufacturers can also be explained by the increased risks for supplier failure, playing at different levels. At the global level the risks for supplier failure increased due to changes in demand that favoured sustainable cocoa production methods, put on the agenda by both advocacy movements and public-private institutions. As a result, international traders and chocolate manufacturers have become more dependent on the local suppliers operating at the bottom of a chain. This also entails greater responsibility, in particular to provide producers with the information as well as the new technologies they need to comply with new production and process standards. At the national level marketing reforms in cocoa producing countries had quite an impact on the organisation of the cocoa chain. Prior to reforms the marketing boards (or stabilisation funds) governed the supply chain. The reforms stipulated a reduction of state involvement in the provision of marketing channels and services for cocoa, in order to open these markets to competition. While reforms are evaluated positively in abolishing inefficient marketing boards and initially increasing the producer price, their negative impacts in terms of quality of the produce, farmer income and conditions under which cocoa producers operate gave reasons for concern. Also, as a result of reforms, tracing the cocoa back to the cocoa buyer became (even) more problematic. There are also local and regional factors that form a threat to global buyers. For example, the concentration of cocoa production in West Africa is perceived as a risk, especially with the recent political crisis in Côte d’Ivoire. Also heavy rains (or in some cases water shortages), adversely affected the volume of cocoa production. Particularly damaging are the outbreaks of pests and diseases, such as Witches Broom, Black Pod and the Swollen Shoot Virus Disease. Other local risks have to do with the average high age of farmers and their tree stock.

Global buyers responded in different ways to these risks. First of all, global buyers started looking for ways to spread their risks by decreasing their dependence on specific countries (for example by looking for new suppliers in other regions), sectors (for example processors shift attention to the processing of other commodities), and quality of the cocoa (for example by searching for technological innovations that compensate for variations in bean quality without compromising customer demand for intermediate goods with specific properties). Another consequence is that global buyers actively sought new alliances with current local suppliers, and started offering them assistance in optimising their operations.
Working together with other actors is also seen as a way of spreading risks and public-private partnerships have been launched in this context.

An interesting observation is that while it has become strategically important to make on-farm investments, at the same time the location of the farm and the exact owner seem to become less important. In the practice of global sourcing of cocoa, a consistent supply is foreseen to become a major problem for the industry; how to govern the cocoa chain in order to cope with this problem is an important question. In order to guarantee future supply and demand for cocoa, ‘working directly with farmer groups’, ‘trading with cooperatives’ and ‘strengthening relations with suppliers’ are perceived by international buyers as the main opportunities. Manufacturers often engage with farmers in a more indirect way (through membership of organisations such as the World Cocoa Foundation or participation in public-private partnerships such as the Sustainable Tree Crop Programme) while processors seemed to look for direct ways of interaction (buying directly from farmer cooperatives). However, this holds not true for every country. In Ghana, for example, the strong role of the state obstructs direct (trading) relations. How this relative autonomy of the state in Ghana helps to address the problem of insecure quantity and links to processes of in- and exclusion is the focus of the next section.

5 The role of the state in a liberalised cocoa sector

In this chapter the focus is on the changing role of the state in the Ghanaian cocoa sector and how these changes affect the conditions under which cocoa farmers operate and in turn define their opportunities and constraints for upgrading.

The concept of ‘state governance’ is used to assess the level of state involvement in contrast to coordination through market mechanisms. Like many other sectors in developing countries, the cocoa sector in Ghana is in transition, with marketing and institutional reforms being gradually introduced. As a result the role of the state is changing and new actors have entered the sector. In contrast to other cocoa-producing countries in the region, the Ghanaian government has remained the main coordinator of the cocoa supply chain.

Ghana is world’s second largest producer of cocoa. Around 30 per cent of Ghana’s total earning derives from cocoa exports and almost on third of its population depends on cocoa for its livelihood. The Ghanaian government has always been actively involved in the development of its cocoa sector. During colonial times, public involvement was initially combined with private efforts aimed at stimulating cocoa production and improving quality. From the late 1940s onward, a system of state control was put in place, which was further consolidated during the early years of independence. With the introduction of structural adjustment programs in the late 1980s, the control over the cocoa sector in other cocoa producing countries shifted from the state to multinational buyers of cocoa. In Ghana, however, the state continued to play a major role. In order to avoid the generally negative experiences of cocoa producing countries that liberalised over-night (such as Nigeria), the
Ghanaian government opted for the gradual introduction of reforms in the cocoa sector. Just like in Côte d’Ivoire, also a country with a high stake in cocoa, the Ghanaian government did not want to leave its strategic position in the sector.

The Ghanaian government still controls external marketing and regulates internal marketing, pricing systems, processing activities, research, quality control and the provision of services. In short, it retained its role as the coordinator of the cocoa supply chain. Nevertheless, with the reforms the government abandoned some of its former duties, which were taken over by other public, private and civil actors. Extension services were merged with the services of the Ministry of Food and Agriculture, the input distribution system was privatised and internal marketing was liberalised. The opportunities and incentives for the actors to assume their new roles were sometimes still limited by the state, in some cases resulting in serious drawbacks. The state had difficulty in successfully managing the cocoa sector. For example, the quality control system was pressured by the increased volumes of cocoa. The new unified extension services appeared problematic and was heavily criticised, mainly for its lack of adequate personnel and expertise. Farmers were made particularly vulnerable through their lack of effective organization, which resulted in a lack of bargaining power. As a result farmers were unable to fully benefit from the reforms. The reforms were also not optimal for private licensed buying companies. The reforms made it possible for them to enter domestic marketing but they were not allowed to play a role in external marketing of cocoa.

Another weakness of the partially liberalised system is that the export margins received by the state are still high; Cameroon and Nigeria have lower government margins. Although part of this money is reinvested in the cocoa sector, Cocobod officials do not know the exact allocation mechanism behind these reinvestments. My fieldwork indicated three different types of reinvestments. First, Cocobod reinvests part of its marketing margin back into the cocoa sector through small bonuses, giving farmers incentives to remain involved in cocoa production and to increase their volume of production. A second type of reinvestments is through a public spraying programme in order to combat two major diseases threatening cocoa production in Ghana. A third reinvestment is through offering processing companies a 20 per cent discount on light-crop beans, which actively stimulated foreign processors to outsource part of their processing facilities to Ghana. Although indirectly all cocoa farmers pay for these investments individually they do not always benefit. The reinvestments do not go without problems and furthermore are not transparent, thus undermining the credibility of a partial liberalised system.

Despite the tensions and weaknesses of the Ghanaian system, which is an example of a government retaining a key steering role together with the private sector (‘joint governance’), it proved as quite favourable for cocoa producers and for the other actors involved in the sector. Due to the reliable marketing system, Ghana enjoys a high reputation for honouring its contract and offering relatively high quality produce. Other benefits of the partially liberalised systems include the intact price stabilisation, the gradual price increases for farmers, tax decreases and increased volumes of production. Also the services provided to farmers are generally better than in fully liberalised countries.
So, partial liberalisation may indeed be a viable alternative model to full liberalisation. Currently the system can count on the support of global buyers and international donor organisations. However, it is not unthinkable that changes in preferences may eventually bring another wave of liberalisation. In order to be prepared for changes in demand in global markets the Ghanaian government should invest more in the capacity of other actors, especially the farmers and the private sector, empowering them to contribute more to building a strong cocoa sector, which would also survive in a changing environment.

6 Who are the cocoa farmers?
Upgrading can be enabled or hindered by powerful players in a chain, but also by governments and social structures. In this chapter the focus is on differences among cocoa producers and the social structures in which they are embedded that might influence the impact of shifts in governance and the success of upgrading strategies. Building on lessons drawn from the GVC literature and cluster literature, I questioned farmers on several issues related to land-ownership, volume of production, gender, age and social networks, amongst others. This knowledge clarifies the extent to which social relations, economic features and spatial characteristics influence the respondents’ decision-making in economic choices, their responses to interventions and the extent to which they benefit from interventions.

The analysis made clear that there are significant differences between the respondents. For example, the farmers in Brong Ahafo, a more remote region with lower population density, had less favourable opportunities for cocoa production. There are few extension officers that travel to this region where farms are spread out far apart. Also the number of buying agents in the villages is low. It seems that farmers producing in the Western region are better off; the concentration of cocoa production in the Western region has attracted buyers and service providers. Besides region, the analysis made it clear that the context played a major role producing different outcomes for different groups of farmers. For example, the matrilineal system of inheritance stimulates land fragmentation. This makes it difficult for farmers to make cocoa farming a profitable business. This system hit families of small-scale farmers and caretakers the hardest. An important observation was that both 'exclusion' and 'inclusion under unfavourable conditions' are not natural processes, but an outcome of social structures, land and shareholding systems and interventions.

Another part of the analysis was looking for significant correlations between the different variables. It turned out that among the respondents differences between the farmers were inter-related. For example, land is not equally accessible to all farmers. This is a problem, not only because land is needed for the production of cocoa, but also because land is often requested as collateral for obtaining credit at a financial institution. Without land the participation in farmer groups is also restricted. This has consequences on yet another level because participation in farmer groups affects farmer’s access to training, for example in the farmer field schools. Consequently the majority of farmers who receive training are farm owners.
Caretakers, many women, migrants and younger farmers have more chance of being left out. This is naturally problematic, but even more problematic as without training and options to raise their productivity, cocoa production can become less attractive to young farmers, which threatens the future of this important economic sector for Ghana.

7 The risks of inclusion

In this chapter I looked at the interaction between different governance levels (global, national and local) by zooming in on some of the interventions taking place in the cocoa sector in Ghana. The main questions I try to answer in this chapter is: how do upgrading strategies and the resulting interventions benefit different groups of cocoa farmers, and to what extent do these groups participate actively in the activities and initiate their ‘own’ strategies? I assess the inclusiveness of interventions by looking at the mechanism behind the intervention, their scope, expected impact, constraints and unexpected trade-offs.

There are multiple interventions leading to upgrading, which interact with each other and are executed by different actors involved in the cocoa chain. In order to make an overview, I identified a large number of interventions that affect Ghanaian cocoa producers and structured these around sub-strategies. These are in turn linked to three main upgrading strategies for small-scale farmers in developing countries identified in the literature. Sub-strategies for capturing higher margins for unprocessed cocoa (upgrading strategy 1) are contributing to producing better quality cocoa, increasing productivity and the production of higher volumes of cocoa, and producing under more remunerative contracts. This first group of sub-strategies is dominated by large-scale public interventions. The Ghanaian government is the main intervener in safeguarding quality standards and increasing volumes of production. International buyers share the agenda of the government but play a rather passive role. Control and standard setting affect all farmers, but interventions that provide services are not easily accessible to everyone. For my respondents, the main determining factors that determined access to such services were ownership, social position in the community and location (region). The farmers themselves are responsible for producing high quality cocoa, but toil under diminished incentives. In terms of volumes of production and productivity, the farmers are actively involved and have developed different ways of increasing their volume of production, for example through effective pest management, planting new varieties of cocoa and working together in labour exchange groups.

Sub-strategies for producing new forms of existing commodities (upgrading strategy 2) are divided into producing for specialty/niche markets, development of non-traditional uses of cocoa and diversification into non-traditional products, and other (non-farm) income-generating activities. This second group of sub-strategies concerns mainly multi-stakeholder initiatives and interventions of NGOs, which are generally small-scale and exclusive. Among the respondents ownership and region played a decisive role in access to this type of partnerships.
Sub-strategies for localising commodity processing and marketing (upgrading strategy 3) are processing cocoa waste, processing cocoa beans and the marketing of cocoa beans. This third group is exclusive or does not reach farmers at all. The multinational buyers are the main interveners; they share an interest with the government in outsourcing part of their processing capacity to Ghana. The interventions aimed at marketing reach farmers indirectly.

I made a selection of four interventions which are discussed in-depth in this chapter. I analysed two large-scale public interventions, both falling under upgrading strategy 1; one aimed at the production of high quality cocoa, the quality control system, and the other at increasing the volumes of cocoa production, the public mass-spraying programme. These interventions differ both in the type of impact and type of farmers they reach. Indirectly, farmers themselves pay for these public re-investments in the cocoa sector. A problem is a lack of transparency on costs and benefits and how these are distributed. A third intervention I looked at, that falls under upgrading strategy 2, was a medium-scale multi-stakeholder initiative (which includes public, private and civil actors), namely the only formal farmer union, the Kuapa Kokoo Farmer Union (KKFU). This Farmer Union, which encompasses around 50,000 farmers and their families, produces a small share of its beans for the fair trade market. In addition to opening up an alternative marketing channel, membership in the union also empowers farmers. A fourth intervention that I discussed was an intervention by international processing companies, which outsourced part of their processing capacity to Ghana. This intervention, which comes under upgrading strategy 3, has no direct impact on farmers but does contribute to the long-term demand for Ghanaian cocoa by consolidating relations between Cocobod and international processing companies.

The aim of the analysis was to obtain insights in how the interests of the different players in the cocoa chain are manifested locally, who dominates the upgrading agenda and which upgrading issues are prioritised. Furthermore, I wanted to highlight the strengths and weaknesses of the interventions. In my analysis I illustrated the impact of each selected intervention on the farmers’ position in a chain (individual level) by making use of an existing matrix, called the ‘empowerment matrix’. I also developed the scenario matrix to reflect on the cocoa sector in its totality (collective level). This ‘scenario matrix’ is built around two dimensions: changes in demand, moving from ‘product’ to ‘process’ requirements, and the level of liberalisation. It provides an enhanced understanding of the vulnerability of the current system by looking at changes in context. This contributes to the identification of more inclusive upgrading strategies that are (also) effective on a longer term.

The Ghanaian case, often presented as best practice, embodies two important dimensions: first, it is unique due to its partially liberalised economy; and second, it is exceptional for its production of large quantities of premium quality cocoa. The partially liberalised system reflects partly the strong role of the Ghanaian state and partly the global buyers’ interest to maintain or only slightly modify the Ghanaian system. The production of premium quality cocoa reflects both the capacity of the national government to coordinate the supply chain as well as the existing high demand for premium quality cocoa.
The upgrading strategies taking place in Ghana, which focus on quality and volume of production, reflect these dimensions. But the conditions underlying these dimensions are not fixed. First, there is a trend in the global cocoa chain that product requirements become less important. Second, it is not sure if a partially liberalised system is the end-stage of the reforms. Understanding the position of Ghanaian cocoa farmers in the chain and the kind of upgrading strategies that are beneficial for farmers require a dynamic perspective, not only by drawing lessons from the past and making comparisons with experiences in fully liberalised countries, but also by taking into account possible future scenarios. Ghanaian farmers are better off now, but what if the main pillars that underpin their strong position disappear?

It turns out that Ghana is not well-prepared for change. Farmers and the private sector are particularly vulnerable. Looking at experiences in other cocoa growing countries in the region that fully liberalised their cocoa sector it has become clear that weak farmer organisations and a weak private sector are severe bottlenecks for farmers to benefit from further reforms. Nevertheless, the Ghanaian government is not investing in capacity development of private buyers of cocoa and farmer organisations. The lack of investment in farmer organisation also makes it increasingly difficult to meet (changes in) demand, for which being organised becomes more and more a prerequisite. Moreover, this has contributed to a lack of agency among farmers to change their position and to benefit more from the current partially liberalised system. More inclusive upgrading requires more emphasis to be placed on empowering farmers and local private actors, it also requires more awareness (beforehand) of whom interventions are likely to include and whether they intensify unequal social structures in the Ghanaian society or contribute to transforming them.

8 Conclusions

The objective of this study was to develop a thorough understanding of the opportunities and constraints that producers of primary commodities face in their effort to improve their position in the global value chain. This research is particularly relevant now, as farmers are increasingly expected to behave more like ‘firms’. However, as my results show, agents higher up in the chain, and the institutional environment that surround farmers, still largely determine scope for change and the direction of ‘progress’ available to farmers. The case of Ghana, which is partially liberalised, shows an example of a value chain in which the role of the state is strong; the state still intervenes directly in sectoral development and stands between local producers and global buyers of cocoa.

In Ghana the state functions as ‘balancer’ as well as ‘bottleneck’. As a balancer it mainly protects cocoa farmers from price-fluctuations on the world market, providing them with a stable income and reinvesting part of its income back into the cocoa sector. It also guarantees international buyers the supply of premium quality beans. So, the risks for suppliers as well as for international buyers are mediated by the state, assuring smooth trade relations. In a partially liberalised
system the state can also function as ‘bottleneck’, preventing other public, private and civil actors from taking a more active role and contributing to accomplishing development goals. The state as hinderer of development is linked to the lack of transparency on how the state calculates and distributes the costs, benefits and risks involved in cocoa production and marketing.

Others can learn from the example of Ghana, as the state turns out to be able to mitigate risks involved in cocoa production for producers, as well as for other chain actors. Still there two ‘risks of inclusion’ involved. First, on the level of the producer, the arrangements are sub-optimal and do not create incentives for farmers to behave as entrepreneurs. Also, farmers do not benefit equally from the arrangements in place. Second, the state is inwards oriented and lacks an adaptive approach. This entails a risk for the sector as a whole.

My case study showed that a partially liberalised system has benefits but also poses risks. To overcome these risks it is important to ‘put farmers first’, which is not only about increasing their benefits but also about empowering them to become active agents in the chain.