CHAPTER 1

Policies Toward Cash Crops for Export

The economies of tropical Africa are based on the production and export of primary products. In addition to such commodities as timber, minerals, and oil, African exports include agricultural products. Most important among them are the beverage crops—coffee, tea, and cocoa—and crops that yield vegetable oils: palm oil, palm kernel oil, cotton seed, and groundnuts. Also important are such fibers as sisal and cotton.

Like all nations in the developing world, the nations of Africa seek rapid development. Their people demand larger incomes and higher standards of living. Common sense, the evidence of history, and economic doctrine all communicate a single message: that these objectives can best be secured by shifting from economies based on the production of agricultural commodities to economies based on industry and manufacturing. The states of Africa, like states elsewhere in the developing world, therefore adopt policies that seek to divert resources from their "traditional" economic sectors (the production of cash crops for export) to their "modern" or "developing" sectors (their nascent industrial and manufacturing establishments).

A major factor that distinguishes many African states from others in the developing world is their possession of institutions for effecting this transfer. Most African states possess publicly sanctioned monopsonies for the purchase and export of agricultural goods. A monopsony is a single buyer; and where there are many sellers but only one buyer, the buyer can strongly influence the price at which economic transactions will take place. In Africa, public agencies are by law sanctioned to serve as sole buyers of major agricultural exports. These agencies, bequeathed to the governments of the independent states by their colonial predecessors, purchase cash crops for export at administratively determined domestic prices, and then sell them at the prevailing world market prices. By using their market power to keep the price paid to the farmer below the price set by the world market, they accumulate funds from the agricultural sector. Although the existence of international borders and the frequent absence of effective border controls have allowed some farmers to evade these state agencies, it has been estimated that at the time of independence, the agencies handled 90 percent of the exports of palm kernels, 80 percent of the exports of coffee, 65 percent of the exports of tea, and 60 percent of the exports of raw cotton (Temu, p. 12).

This chapter examines the market faced by the producers of export crops. It seeks to document the manner in which the governments have intervened in this market to transfer resources from the producers of cash crops to other sectors of society: the state itself; the new industrialists and manufacturers; and the bureaucracies that administer the market and manipulate the prices paid to farmers.

STATES AND THE REVENUE IMPERATIVE

The origins of the state marketing agencies (or marketing boards, the terms will be used interchangeably) lie in the colonial period.[1] Their individual histories are contrasting and complex; but they also

1. Most of the examples used in this book will be drawn from the English-speaking territories of West Africa. Materials contained in the studies sponsored by the Club du Sahel and the Center for Policy Studies confirm that the pattern prevails throughout much of Francophone Africa as well. More systematic evidence in support of the arguments is presented in Appendix B.

exhibit certain trends in common (for a recent review, see Jones 1980). The agencies were established in times of economic crisis, notably the Great Depression and the Second World War. And, almost invariably, they were officially mandated to use the bulk of the funds they accumulated for the benefit of the farming community.

Because agriculture represents the principal economic activity in most of Africa and often generates the greatest volume of foreign exchange, the agencies that controlled the market for agricultural exports soon became the wealthiest and economically most significant single units in their respective economies. Following World War II and the commodities boom of the 1950s, for example, many of them accumulated enormous reserves; as Bauer wrote in 1964, "their financial resources exceed those of the West African governments" (p. 263).

The marketing agencies are constrained by their enabling legislation to employ their reserves for specific purposes. When first established in the colonial period, they were mandated to devote the bulk of their funds to purposes beneficial to farmers. In Nigeria, for example, 70 percent of the trading surplus was consigned to the price stabilization fund. Portions of the remainder were to go to the development of the agricultural industry. In Nigeria, 7.5 percent of the reserves were to be spent in this manner; in East Africa, the percentage was much higher.

When confronted by the need for revenue, however, states have always found means of diverting funds from these agencies to the public coffers. During the 1940s, for example, the colonial governments used the marketing agencies to secure funds which they then "borrowed" at highly favorable rates of interest. In effect, this action compelled indigenous African farmers to subsidize the acquisition of war materials by their imperial overlords and the reconstruction of the homelands of their colonizers (see Hazelwood).

With the arrival of self-government in Africa, the revenue imperative strengthened. Like their colonial predecessors, the new states needed funds, particularly foreign exchange; unlike their colonial predecessors, they were deeply devoted to the development of their local economies. Thus they deliberately sought to transfer resources from agriculture to more "modern" activities in an effort to develop. Moreover, by contrast with the colonial regimes, the independent states of Africa were run not by appointed administrators but by elected politicians. With widespread politicization of the electorate in the nationalist era, politicians came under intense pressure from aggressive and demanding constituents. Those in control of the newly independent states therefore sought financial resources with which to reward the electorate. By comparison with the colonial period, the revenue imperative was thus stronger at the time of self-government in Africa. The result was that governments sought, and won, control over the revenues of the marketing agencies.

A vivid illustration of this process is offered by Obafemi Awolowo, an indefatigable figure in Nigerian politics. In the pre-independence political maneuvering in Nigeria, Awolowo and the Action Group, as his party was called, gained control of the Western Regional government. They did so by presenting a political program that promised lavish development expenditures, most notably on health and education. But when the Western Regional parliament opened, Awolowo and his Action Group government discovered that whereas the capital costs of their program would be £10 million, the total revenues available came to less than half that amount. As Awolowo wrote in 1960: "Where would the required money come from? That was the question. And it was a question which had to be tackled with speed and success, if we were to redeem our promises to the electorate" (Awolowo, p. 273).

Frustrated in various efforts to secure the needed funds, the Action Group imposed a series of new fees and taxes. The result was politically disastrous. The opposition "seized the opportunity to din it into the people's ears that they had been led up the garden path" (ibid., p. 275). In the federal elections that followed, the opposition campaigned on an anti-tax platform and captured a majority of the Western Region's seats in the Federal Parliament. The Action Group's plight became desperate. In the face of popular demands, Awolowo wrote, "we pressed on with our schemes" (ibid., p. 276). But how were they to secure the necessary funds? They did so, in Awolowo's words, through a "miracle," and the nature of the miracle is instructive.

The party that had defeated the Action Group in the federal elections itself held power in a regional government, the government of the Eastern Region. And it, too, was subject to popular pressures to furnish public services. The leaders of the rival parties therefore joined together in a coalition to resolve their common political dilemma; they formed an alliance and seized control of the marketing boards from the Federal Government, which had accumulated enormous resources from the trade in export commodities. As Awolowo wrote:

> The real miracle occurred . . . when as a result of the alliance between the Action Group and the NCNC [its principal opposition] the Commodity Marketing Boards which were controlled by the Federal Government were regionalized, and allocation of revenue was made mainly in accordance with the principle of derivation. By means of the former, an accumulated reserve of over £34 million was transferred to the Western Region, and as a result of the latter our revenue rose from £6.39 in 1953–1954 to £13.20 million in 1954–1955. . . . Since the introduction of these financial measures, our revenue has been on a steady increase. [Ibid., p. 276]

The story told by Awolowo stands for a general trend in Africa. As public bodies, the marketing boards derive their powers from official statutes, and these statutes can be—and repeatedly have been—revised to make the boards more faithful servants of government. In particular, rather than being used to accumulate funds for the farmers, the agencies are increasingly used to impose taxes upon them.

This trend is illustrated by the role of these agencies in stabilizing, or failing to stabilize, prices. A major test of the intentions of the newly independent governments occurred almost immediately after independence, for between the crop years 1959–1960 and 1961–1962, the world price of cocoa fell approximately £50 a ton. If the resources generated by the marketing agencies were to be used to stabilize prices, then surely this was the time to use the funds for that purpose. Instead of stabilizing producer prices, however, the governments of both Ghana and Nigeria passed on the full burden of the drop in price to the producers. Under pressure from their governments, the marketing agencies, rather than protecting the producers, acted instead to stabilize the magnitude of the surpluses they accumulated from them—and as will soon be noted, they increasingly transferred these surpluses to their governments. The evidence tabulated in Appendix B demonstrates that this incident exemplifies a general trend. If the agencies were in fact following a policy of price stabilization, then it would be reasonable to expect that upon occasion they would have had to support domestic farm prices at levels in excess of the world price. But figures greater than 100 percent rarely appear in these tables.

Not only did the states ignore the legislated purpose of the funds; in efforts to secure revenues, they also altered the legislation. As Beckman notes, after independence in Ghana,

> The government decided to remove certain legal restrictions on its access to the funds of the [Marketing] Board. Existing laws assumed that the funds were administered for the benefit of the cocoa-farming communities. The main purpose was price stabilization but development expenditure to meet their needs was also sanctioned. The Board was supposed to act as a trustee for the farmers. . . .
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> The government wanted to use the accumulated funds of the Board for its development program, without such . . . sectional restrictions. Legislation to that intent was presented in the National Assembly in July 1957. The Minister introducing the Bill declared that the cocoa funds 'should properly be regarded as being held in trust for all the people of Ghana.' [Beckman, p. 199]

A similar transformation took place in the Western Region of Nigeria. There, 70 percent of the trading surplus of the marketing board was to go for price stabilization, 7.5 percent for agricultural research, and the remaining 22.5 percent for general development purposes. But Helleiner (1966) notes that following self-government:

> The Western Region's 1955–1960 development plan announced . . . abandonment of the "70–22.5–7.5" formula for distribution of the Western Board's trading surplus, offered a strong defense of the Marketing Board's right to contribute to development, and provided for £20 million in loans and grants to come from the Board for the use of the Regional Government during the plan. . . .
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> [The Board] was now obviously intended to run a trading surplus to finance the Regional Government's program. The Western Region Marketing Board had by now become . . . a fiscal arm of the Western Nigerian Government. [1966, pp. 170, 171]

This trend has also been noted in Senegal (IBRD, 1974), and more recently in the Ivory Coast, where the Caisse de Stabilisation (Stabilization Bank) diverts an increasing share of its funds from the stabilization of agricultural prices and the diversification of production to the capital investment fund of the national government (*West Africa*, April 28, 1980).

The loaning of money is thus one means by which the marketing agencies have transferred resources from the farmers to the state. The evidence suggests, however, that as time has passed governments have borrowed less frequently and taxed more often. Some "loans" are never repaid; others have been contracted at interest rates that range from 0 to 8 percent, in times when capital could rarely be secured for less than 18 percent in the private market (see Walker and Ehrlich, p. 340; Beckman, p. 204). Moreover, in Nigeria the regional loan boards have made fewer loans and more outright grants to their respective governments. By 1961 the value of grants exceeded that of loans, and by 1968 the transition was complete; as noted by Onitiri and Olatunbosun, "loans outstanding [to the government], which in 1961 were outstanding features of the Boards' investment portfolio, had completely disappeared. In their place, grants [to the government] have more than doubled" (p. 191).

Through the intermediary of the marketing boards, governments in Africa thus appropriate resources from export agriculture. The limited data available suggest that in the budgets of African nations, export agriculture commonly contributes from 20 percent, as in the cases of Ghana and Senegal (Morrison; Amin) to 40 percent, as in the case of Western Nigeria (Onitiri and Olatunbosun). In some cases, such as Uganda in the 1950s (Walker and Ehrlich), the figure is as high as 90 percent; and in others, such as Kenya in the 1960s (Sharply 1976), it is as low as 10 percent. But even the Ivory Coast, which has traditionally secured investment capital in the form of loans from abroad rather than in the form of levies from its farmers, now increasingly secures such capital from its agricultural price stabilization funds (*West Africa*, April 28, 1980).

Without knowing the allocation of government expenditures, we cannot say whether this level of taxation represents a redistribution of income. Unfortunately, data on the allocation of government expenditures is even harder to find than data on the taxation of agriculture. What little can be found, however, tends to indicate strong tendencies toward economic redistribution.

Reporting on a study of Ghana which he helped to conduct for the International Labor Organization, Ewusi writes:

> [We] adopted the following means of estimating the size of capital formation by the government in the rural sector. The latest issues of the Annual Estimates of Government Expenditure are classified according to regions, [and] all forms of capital expenditure are shown with respect to the town, city, or village where the investment is located. Thus we summed up the capital investment in places which had a population of less than 5,000 and classified them as public investment in the rural areas. . . . The conclusion . . . is that the Government spends less than 5 percent of its capital expenditures in the rural sector. [Ewusi 1977, p. 90]

In an analogous study of development expenditures in Zambia, I found that well over 60 percent of the capital projects initiated in the first five years after independence were located in the urban areas (Bates 1976, p. 105). And in their analysis of the contribution of agriculture to the public revenues of Uganda, Walker and Ehrlich (1959) show that investments in hydroelectric power represented one of the major uses of public development funds. These investments were financed by "loan" funds from the marketing boards; but the primary beneficiaries of these expenditures were the budding group of industries in and about the major towns, and particularly the new industrial center of Jinja. A similar disparity is suggested in the figures for Tanzania. With less than 10 percent of its population in towns, its urban centers nonetheless secured 30 percent of the public expenditures under the state's first and second development plans (Clark, p. 98).

Besides revenues, the states of Africa need foreign exchange. As a leading sector of Africa's pre-industrial economies, export agriculture generates both revenue and foreign exchange. Using the price-setting power of the monopsonistic marketing agencies, the states have therefore made the producers of cash crops a significant part of

their tax base, and have taken resources from them without compensation in the form of interest payments or of goods and services returned.

BUSINESS AND INDUSTRY: THE HEIRS OF THE NEW ORDER

In the front ranks of the intended beneficiaries of the redistribution of income from export agriculture stand the investors in industry and manufacturing. In part, this is by design: manufacturing is equated with modernity. In part it is a response to political influence: businessmen seek funds with which to establish enterprises, industrialists seek concessionary prices for raw materials, and both use instruments of the state to secure their needs by appropriating resources from the peasants.

State-Sponsored Capitalism

One of the best illustrations of the diversion of capital from agriculture to industry is provided by the materials from Western Nigeria. The government of Western Nigeria directly invested in promising industrial projects and also provided capital for investments by private individuals. The instruments for these two activities were two statutory corporations, the Western Nigeria Development Corporation and the Western Region Finance Corporation. The government provided the capital for both agencies. What is significant is the source of this capital and the terms on which it was made available. The source was agriculture, and the terms were concessionary.

During the period in which these corporations functioned they received the bulk of their finances from the Western Region Marketing Board. We lack detailed figures for the Finance Corporation, but we do know that between 1949 and 1958 the Development Corporation received £11.0 million from the Marketing Board (Oluwasanmi, p. 182), and that over 70 percent of its funds came from the Marketing Board (ibid., p. 129). The Board had little choice in the matter, because during this period it was under the supervision of the Ministry of Trade and Industry (Nigeria 1962, vol. 1, p. 37), and the Ministry diverted resources from the Board and into the promotion of industrial projects. When either the Development Corporation or the Finance Corporation sought funds, its directors often simply bypassed the Marketing Board and approached the Ministry directly; the Ministry would then issue a directive to the Board, instructing it to loan the requisite funds to the corporation requesting them (ibid., vol. 1, pp. 37ff). The result was the creation of a spate of new industrial firms—including printing companies, cement works, a glass factory, textile plants, a leather works, and a plastics company—financed in large part by loans secured from the marketing agency.

The resources secured from the Marketing Board were obtained on exceptionally generous terms. Indeed, investigations reveal that in many instances the two corporations simply failed to repay the Marketing Board and were often heavily in arrears in their interest payments (ibid., vol. 3, p. 44). Where repayment was made, the corporations were often able to secure radical extensions in the payoff period (from 5 to 15 years) and reductions in interest charges (ibid., vol. 1, p. 63). Moreover, the corporations often failed to safeguard the funds of the Board. When loaning money to local investors, "no arrangements were made . . . for taking securities" (ibid., vol. 1, p. 63). Even when the corporations did purchase securities, they often purchased nonparticipating shares, thereby failing to gain representation on the boards of directors of the enterprises and thus foregoing influence over the use of their funds (ibid., vol. 2, p. 1).

Because, in essence, the Marketing Board had to loan funds to the corporations, and because the corporations so thoroughly abused their privileged financial relationships, the Board thus became a means of redistributing income from agriculture to industry.

Local Industry

There is a second kind of firm that seeks privileged access to the resources of farmers: the firm that processes agricultural products. Firms of this type seek raw materials. And in their efforts to maxi-

mize profits, they seek the power to set the prices they pay to the farmers who supply them. For their part, the states of Africa seek to promote the development of these firms. Such enterprises offer a natural means of moving from an agricultural to an industrial economy. By processing agricultural products that have previously been exported for processing abroad, they also promise a means of retaining greater levels of "value added" within the domestic economy. The importance of these enterprises is affirmed both by conventional economists, who seek to increase forward and backward linkages, and by radical economists, who seek to lessen the dependence of poor countries upon international markets. States therefore promote the formation of these firms, and they do so in part by offering the prospect of low prices for raw materials. With the growth of local processing industries, then, investors and the state, whatever their differences may be (and sometimes they are major ones), form a political and economic alliance against the producers of cash crops. Let us consider how such alliances have affected three crops—coconut oil in Ghana and coffee and sisal in Tanzania.

Ghanaian Coconut Oil. The Esiama Oil Mill in Ghana, a large copra processing plant, was constructed in 1961 and designed to refine and export coconut oil. There were several rationales for construction of the mill, but perhaps the most persuasive was the relative technical superiority of processing copra with modern equipment (see Table 1). Working from plans provided by foreign engineers, local management imported expensive, highly advanced mechanical processing equipment. Two years after building the plant, and despite experiencing major operating difficulties, the management radically expanded the plant's capacity. Interviewing company officials in the mid-1970s, James Obben determined that the principal reason for the expansion was "the persistent belief that the area possesses a prodigious capacity to produce copra far beyond the projected maximum intake capacity of the factory. This obviously derives from the strong impression obtained from observing miles of continuous stretches of [forests] in the area, which has been assumed to be a reliable index of real supplies" (p. 25).

Major problems soon developed, however. The layout and design of the plant proved defective and the mechanical equipment

Table 1
Efficiency of Traditional and Industrial Methods of Coconut Oil Extraction

Methods of processing	*Average oil content (percent)*	*Rate of oil extraction (percent)*	*Oil remaining in cake (percent)*
Traditional methods	67	38–45	22–29
Industrial methods	67	56	12

Source. James Obben. *A Study on the Costs of Processing Coconut at the Esiama Oil Mill and the Economic Viability of the Venture.* Dissertation submitted to the Department of Agricultural Economics, University of Ghana, June 1976, p. 19.

proved unreliable, particularly under local operating conditions. In the economic environment prevalent in Ghana, repairs were difficult;.a breakdown in the machines could take two to three months to repair, a fact which cut deeply into production (Obben, p. 20).

The technical superiority of industrial methods of coconut oil extraction thus failed to provide an accurate guide to their relative economic merits. For given the capital-intensive technology of the plant and the frequency and extent to which the equipment stood idle, the plant could produce oil only at very high costs. In 1975, for example, its unit costs of production were 987.98 *cedi* per ton; the value of its production on the international market (c.i.f.) was ₵624.89 (Obben, p. iv).

To lower its costs, the management therefore attempted to secure its raw materials at reduced prices. The price it offered lay below that offered by the "traditional processors" of copra oils, however, and the firm was therefore frustrated in its attempt to secure adequate supplies. In the end, it had to secure what amounted to a charter to serve as a monopsonistic buyer of the output of local producers; in effect, it was empowered to form its own marketing board. And with the backing of the police powers of the state, the firm excluded competitors seeking to bid for the copra crop.

Tanzanian Coffee. Coffee growers in Tanzania are paid for their products by a crop authority which acts as a government-sponsored

monopsony. The price that growers receive for their products is determined by the final selling price adjusted for the costs incurred by the crop authority. A cursory examination of the crop authority's costs reveals that the biggest single share is one designated as "local roasting subsidy." This subsidy is another public policy measure designed to promote the development of domestic firms that process agricultural products.

The government of Tanzania has sought to take advantage of the local production of coffee by establishing a firm to manufacture soluble coffee for sale in the markets of East Africa. To promote the development of this firm, the government has mandated that sales of coffee shall be made to it at prices below the world market price. Whereas robusta coffee commanded a price on the world market of Tshs 14.84 per kilo in 1975–1976 (Tanzania shillings), the local manufacturer could purchase it from the crop authority at Tshs 6.32 per kilo. Had all sales been made at the world market price, the coffee authority would have increased its earnings by Tshs 16 million, according to one government source; and of course the producers would then have realized higher prices for their crop (Tanzania 1977e).

Sisal in Tanzania. Whereas coffee is grown by small-scale producers, sisal is grown on large estates. Nonetheless, the evidence from Tanzania suggests that governments are willing to sacrifice the interests of even large-scale producers in efforts to construct manufacturing capabilities.

Since the Arusha Declaration of 1967, the government of Tanzania has attempted to move from the export of raw materials to the export of processed goods. To secure this objective, the government has sought to create a domestic capability for the manufacturing of rope and twine. In this it has succeeded. There now exist six major spinning mills in Tanzania with a capacity to process 115,000 tons of sisal annually. Projections suggest that by 1980 the country will possess the capacity to process over 90 percent of its domestic sisal production. Furthermore, whereas in 1967 Tanzania exported less than 11 percent of the value of its sisal exports in processed form, by 1976 over 30 percent of that value was in the form of finished products (Tanzania, 1977d).

The development of sisal manufacturing in Tanzania has been financed in part by the sisal producers, and both export taxes and pricing policy have been used to reallocate resources from the producers to the processors of that crop. Sisal is subject to export taxes; in 1974 and 1975, revenues from this tax amounted to over 100 million Tanzania shillings. By statute, 50 percent of the tax revenues are paid into a special "sisal products fund" and thus earmarked for the development of the sisal industry. Payments from this fund are governed by the Tanzanian treasury, and government reports indicate that "most of the proceeds of the fund to date have been used to finance investments in sisal spinning" (Tanzania 1977d, p. 29).

The transfer of revenues from producers to manufacturers is also promoted through pricing policy. The monopsony buyer of the sisal crop—the Tanzania Sisal Authority—sells essentially to two consumers: the "world market" and domestic manufacturers. The Sisal Authority has chosen to make its sales to the domestic manufacturers at a price well below the world market price for raw sisal fiber. And because the Authority pays the farmers the residual difference between the sales price and its costs of marketing, the result of selling at a reduced price to domestic manufacturers is to lower the price paid to producers of the crop.

In 1977, the Ministry of Agriculture reported: "In 1976, the Tanzania Sisal Authority sold 36,072 tons of fiber to local mills at an average price of Tsh 1984 per ton. In comparing this with an average export price of Tsh 3,007 per ton in 1976, account must be taken of differences in grades and the timing of sales." (Tanzania 1977d, p. 27). Despite its caution, this report insisted that "sales to local spinning companies have been heavily subsidized." It also made clear that it was the producers who bore the cost of this subsidy in the form of downward adjustments in producer prices—adjustments that reflected the lower average realization for sales by the Sisal Authority.

Similar cases abound: the refinement of palm oil by government mills in Eastern Nigeria (Kilby; Usoro); the operation of plants to produce cocoa butter and cocoa powder in Ghana and Nigeria (Killick; Schatz 1977); the conduct of sugar estates in Ghana (Killick), Del Monte's pineapple cannery in Kenya (Swainson 1977a), and

INDECO's cannery in Zambia (Baylies 1978); the operations of the cotton mills in the Ivory Coast (Campbell 1974); and the behavior of the vegetable canning corporations in Ghana and the vegetable oil firms in Sudan (Grayson; *African Business*, February 1980). All of these entailed depressing the prices paid to the producers of cash crops in an effort to help finance the formation of domestic manufacturing firms.[2]

These examples illustrate that governments in Africa are willing to sacrifice the interests of farmers in order to promote the formation of industrial establishments. They do *not* demonstrate, however, that governments are willing to compromise *any* interest to safeguard industrial profits. To the contrary, governments are often willing to lower the profits of firms in order to secure other objectives—such as a plant location that is politically desirable though economically disadvantageous, or the maintenance of a labor force that is too large to generate maximum profits. What these examples do illustrate, and what is important here, is that governments are willing to undercut the interests of rural producers to promote the development of industry.

The development of local manufacturing establishments is an important achievement—perhaps even a watershed in African history—but it is not one that the farmers necessarily welcome. Processing formerly took place in the advanced industrial nations, and Africa's economic role was confined to the production of raw materials. As we have seen, this is rapidly changing. Increasingly, Africa possesses the capacity to transform raw materials into finished or intermediate products. But the interests of African farmers are

2. As Schatz states in his discussion of the growth of manufacturing in Nigeria: "Processing operations were sometimes established with the inducement of substantial subsidization through the privilege of purchasing Marketing Board export crops at prices below the world market level. In a number of cases, this subsidization exceeded the world market value added by domestic processing, so that 'effective subsidization' . . . exceed 100 percent" (Schatz 1977, p. 125). Killick cites a particularly gruesome case, originally reported by Norman Uphoff. The Ghanaian government had built a tomato-canning plant. In order to test the plant, the management brought in the police and border guards to keep away private buyers while the management bought up the thirty tons of tomatoes required for a test run of the factory (Killick 1978, p. 233).

often sacrificed in securing this transition. In the late 1970s, for example, the Federal Government of Nigeria banned the export of groundnuts to the international market (*African Business*, May 1979). It did this in an effort to secure adequate supplies of raw materials for the local crushing industry at prices the industrialists could afford. The interests of local industry thus led to a restructuring of the market by the state, and a historical marketing pattern was broken. But in this transformation, the farmers bore a major portion of the costs.

The Bureaucracy

The state and industry are not the only beneficiaries of this transfer of resources from agriculture to other sectors, however. Another is the bureaucracy, which organizes the market and is charged with manipulating it for public purposes.

Some evidence of the magnitude of the resources that accrue to the bureaucracy is the size of the costs of marketing. In a study of capital flows out of agriculture in Kenya, Jennifer Sharpley (1976) found that marketing costs accounted for between 10 to 35 percent of the differential between the world market price and the price paid to domestic producers (p. 110). As she states: "In 1969, of the various financial adjustments that could be estimated, marketing costs . . . were the largest item. . . . Financial transfers through taxation, subsidies, loans, and direct investment were found to be considerably smaller in size" (p. 109).

More recent research also reports a sharp inflation in the Kenyan costs of marketing. Over the period 1971–1976, the unit costs of marketing coffee increased 32 percent, of wattle bark 44 percent, and of cotton 406 percent (Gray, p. 64). Indeed, expenses have increased so greatly that a special review committee has called for a reform of the marketing boards (*Weekly Review*, June 6, 1979). Nor is the problem confined to Kenya. Whereas marketing costs consumed 7.4 percent of the value of cocoa sales in Ghana in the 1950s, by the late 1960s they had risen to over 17 percent. A similar pattern prevails in the cocoa industry of Nigeria (Beckman; Wells, p. 204).

In part, the rising costs of marketing result from plain inefficiency: poor storage, inefficiently scheduled transport and disposal of the crop, and careless contracting in both procurement and sales. All these problems bedevil the marketing boards, and all appear to be exacerbated by their monopsonistic status: because they are able to set prices, they can afford to be inefficient, for they can pass the costs of their inefficiency on to the farmers. Their inefficiency takes another form: growth in the number of their staff members and the perquisites they receive. The best evidence of such tendencies comes from Ghana, where one commission of inquiry noted:

> The evidence before us suggests that the [Cocoa Marketing Board] used the profits obtained from its monopoly cocoa operations to . . . provide funds for the dance band, footballers, actors and actresses, and a whole host of satellite units and individuals. . . . the State Cocoa Marketing Board itself is not free from . . . this type of practice. The CMB's area of operation . . . embraces activities and involves a staff which would have appeared absurd only ten years ago. [Ghana 1967a, p. 28]

This commission also noted the ability of marketing personnel to abuse their monopsonistic positions so as to radically enhance their incomes:

> Farmers often referred to the opulence of the Secretary Receiver [the official who operates the local buying station]. It was alleged that these officers who earned £G180 per annum owned cars, trucks, buildings, etc., and often supported as many as three wives. We saw some Secretary Receivers owning Mercedes Benz cars, Peugeot cars, and transport trucks. [Ghana 1967a, p. 20]

Similar abuses pervade the upper levels of the bureaucracy as well. Thus, recent inquiries into the Cocoa Marketing Board suggest the extent to which the directors of the board divert the trading surpluses accumulated from farmers to their own pockets. *West Africa* reported:

> Cmdr. Addo, former chief executive of the Cocoa Marketing Board, told the committee investigating its affairs that the CMB spent nearly ₵1 m. on drinks alone between August 1977 and July 1, 1978. Giving evidence, Cmdr. Addo said during his tenure of office he instituted certain measures to boost the morale of the directors. As part of these measures, he said, all the eight or ten directors were given a bottle each of whisky, brandy, and

> gin at the end of every month in addition to receiving a . . . table allowance. [*West Africa*, Nov. 27, 1978, p. 2386]

In addition, Commander Addo stands accused of fraudulently appropriating hundreds of thousands of *cedis* of the Board's trading profits (*African Business*, January 1980).

The tendency to use marketing channels to appropriate revenues generated by the production of cash crops is not confined to civil servants. Similar tendencies have arisen when the state has empowered cooperative societies to serve as marketing channels. This has been most thoroughly documented in Tanzania, where investigations in 1966 (Tanzania 1966) and 1970 (Kriesel et al.) disclosed rapidly inflating marketing costs on the part of cooperatives, and specified the number and the emoluments of their staffs as major causes of this trend.

In Kenya, where cooperatives have been retained in many sectors of the agricultural industry, an alarming increase in marketing costs has also taken place. In a recent report the International Coffee Organization wrote: "It will be noted that deductions by cooperative federations and cooperative societies have increased from 17.3 U.S. cents per pound in 1974–75 (U.S. $23 per bag) to 36.3 U.S. cents per pound (U.S. $48 per bag) in 1975–76 and 50.9 U.S. cents per pound (U.S. $67 per bag) in 1976–77" (ICO 1978a, p. 24). Partly as a result of these deductions, the small-scale coffee producers, who market through the cooperative societies, obtain roughly 30 percent less of the portion of the world market price for coffee received by the large-scale plantations, who market directly through the coffee board.

CONCLUSIONS

We have examined here the position of the producers of cash crops for export. We have seen that they have been subject to a pricing policy that reduces the prices they receive to a level well below world market prices. And we have noted that although some of the resources expropriated from agriculture are returned in the form of interest payments and public services, perhaps most of

these resources are diverted to other sectors—to the state, to urban-based industrial enterprises, and to the bureaucrats who administer the publicly structured markets for farm products.

The tabulation in Appendix B documents the level of the financial burden placed on the producers of export crops by the dual price policy of the public marketing agencies. In most cases, the data represent the prices offered to domestic producers expressed as a percent of the f.o.b. price at the nearest major port. In some cases, they represent the percent of the income generated by the sale of the crops abroad that is actually secured by the producers. In either case, Appendix B shows that the producers have almost invariably received a price lower than the world market price. In most instances, they obtained less than two-thirds of the potential sales realization, and in many cases they received less than one-half.