

**ASSESSMENT OF INTERNAL COCOA MARKETING OF BY LICENSED
BUYING COMPANIES IN GHANA: A CASE STUDY OF THE PRODUCE
BUYING COMPANY LTD (PBC).**

by
KNUST

SAKYI-BEDIAKO HAYFORD

(PG 3090109)

**A Thesis submitted to the Institute Of Distance Learning, Kwame Nkrumah
University of Science and Technology in partial fulfillment of the requirements for
the award of the degree of**

**COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS
ADMINISTRATION**

JULY, 2011

DECLARATION

I hereby declare that, this presentation is my own work towards the award of the Commonwealth Executive Masters in Business Administration (CEMBA), submitted to the Institute of Distant Learning and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

SAKYI-BEDIAKO HAYFORD PG3090109

Student Name & ID

Signature

Date

Certified by

S.A. KYEREMATENG

Supervisor

Signature

Date

Certified by

PROF. DONTWI
Dean IDL

Signature

Date

DEDICATION

I dedicate this thesis to my beloved wife, Naomi Sarfowaa Sakyi, my children, Nana Kwame Effah-Sakyi, Sakyi-Bediako Hayford Jnr., Kwabena Sakyi-Bediako David and my late father Nana Kofi Bediako.

KNUST



ACKNOWLEDGEMENT

I would like to thank God almighty for helping me go through this course. I also wish to acknowledge the invaluable support and dedication of Mr. S. A. Kyeremateng of KNUST School of Business for his suggestion and good supervisory role.

A special thanks is made to my mother Janet Akosua Serwaa for making me what I am today.

Again, mention should be made of my wife, three sons and the entire family of Nana Kofi Bediako's.

My gratitude goes to the management and staff of Produce Buying Company Ltd. especially Messrs Williams Owusu Bempah, Frank Agyiri, David Asante Gyamfi, David Kwame Ankomah, Solomon Akuoko Kodua and others for their help and moral support.

Finally, I am indebted to God sent Brother George Ussher, my course mates Moses Ayerakwa, Adjei-Ababio Kwame, Forson Asare Nartey and Joseph Saajah, thank you may God bless you for your intellectual support.

ABSTRACT

The marketing concept states that a business is most likely to achieve its goals when it organizes itself to meet the current and potential needs of customers more effectively than competitors. The changing environment of the marketing of the commodity both internal and external marketing is likely to pose a threat to maintenance of quality.

Specifically, the study seeks to achieve the objective of evaluating the liberalization of the internal cocoa marketing as far as quality is concerned and its impact on Licensed Buying Companies (LBCs). The study used both primary and secondary data sources. A sample size of two hundred (200), comprising fifty (50) staff and one hundred and fifty (150) farmers of the target population responded to the administered questionnaire. Data collected were analyzed using Microsoft Excel Software, table and graphs. The study revealed that Produce Buying Company (PBC) is facing the problem of ageing purchasing clerk whose level of efficiency is decreasing gradually. Again, due to the fact the purchasing clerks are not full time employees, their commitment level is low. Furthermore, incentives to the farmers are too small. Also, District Managers do not visit the farmers regularly to learn firsthand their difficulties. Lastly, Farmers are not well motivated to go the extra mile in the level of their production. The study recommended that management should ensure that district managers adopt effective monitoring and evaluation instead of leaving the entire work in the hands of the purchasing clerks whose commitment level by virtue of their status as partial employees is not encouraging.

TABLE OF CONTENT

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENT	vi
LIST OF TABLES	ix
LIST OF FIGURES	ix
CHAPTER ONE	1
GENERAL INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	3
1.2 Statement of the problem	4
1.3 Objective of the study	5
1.4 Research Questions	6
1.5 Significance of the research.	6
1.6 Scope of the study	7
1.7 Limitation of the study	7
1.8 Organization of the study	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.0 Introduction	9
2.1 Definition and Concepts of Marketing.....	9
2.2 Core Marketing Competencies.....	10
2.2.1 Target Markets and Segmentation	11
2.2.2 Marketplace and Market space.....	11
2.2.3 Marketers and Prospects	11
2.2.4 Needs, Wants and Demands.....	12
2.2.5 Offering and Brand	12

2.2.6 Value and Satisfaction	12
2.2.7 Exchange and Transaction	12
2.2.8 Relationship and Network.....	12
2.2.9 Marketing Channels	13
2.2.10 Supply Chain.....	13
2.2.11 Competition.....	13
2.3 Internal Marketing Systems In Ghana	13
2.4 External Marketing Systems in Ghana.....	17
2.5 The Marketing Functions in Quality Management.....	19
2.6.0 The Cocoa Economy in Ghana.	21
2.6.1 Evolution of the Cocoa Industry in Ghana.....	22
2.7.0 Regulation of Cocoa Marketing In Ghana	24
2.7.1 Historical Perspective.....	24
2.7.2 Emergence of Licensed Buying Companies (LBCs)	25
2.8 Quality Control Activities	26
2.9 Cocoa Quality in Ghana.....	26
 CHAPTER THREE.....	 32
RESEARCH METHODOLOGY.....	32
3.0 Introduction	32
3.1 Research Design.....	32
3.2 Data Sources.....	32
3.2.1 Primary Data	32
3.2.2 Secondary Data.....	33
3.3 Target Population	33
3.3.1 Sampling Procedures.....	33
3.3.2 Data Collection Instrument	35
3.4 Data Analysis	36
3.5 Limitations to Data Collection	37
3.6 Produce Buying Company, Ghana Limited	37

CHAPTER FOUR.....	43
DATA PRESENTATION, DISCUSSION AND ANALYSIS	43
4.0 Introduction	43
4.1 Data Presentation and Analysis.....	43
4.2 The Ages of Respondents.....	44
4.3 Educational Background - Customers.....	46
4.4 Number of years with PBC	47
4.5 Responses from Staff/Commissioned Agents.....	48
4.5.1 Liberalization of Internal marketing of Cocoa at PBC	48
4.5.2 Effects of Liberalization of Internal Cocoa Marketing to PBC	51
4.5.3 Response to Liberalization/Competition.....	54
4.6 Responses from Farmers	57
4.6.1 Farmers' reasons for choosing PBC.....	57
4.6.2 PBC compared to other LBCs.....	60
4.7 Challenges of PBC	62
CHAPTER FIVE.....	64
SUMMARY, RECOMMENDATION AND CONCLUSION	64
5.0 Introduction	64
5.1 Summary of findings.....	64
5.2 Conclusions	68
5.3 Recommendations	70
REFERENCE:.....	73
APPENDIX I.....	75

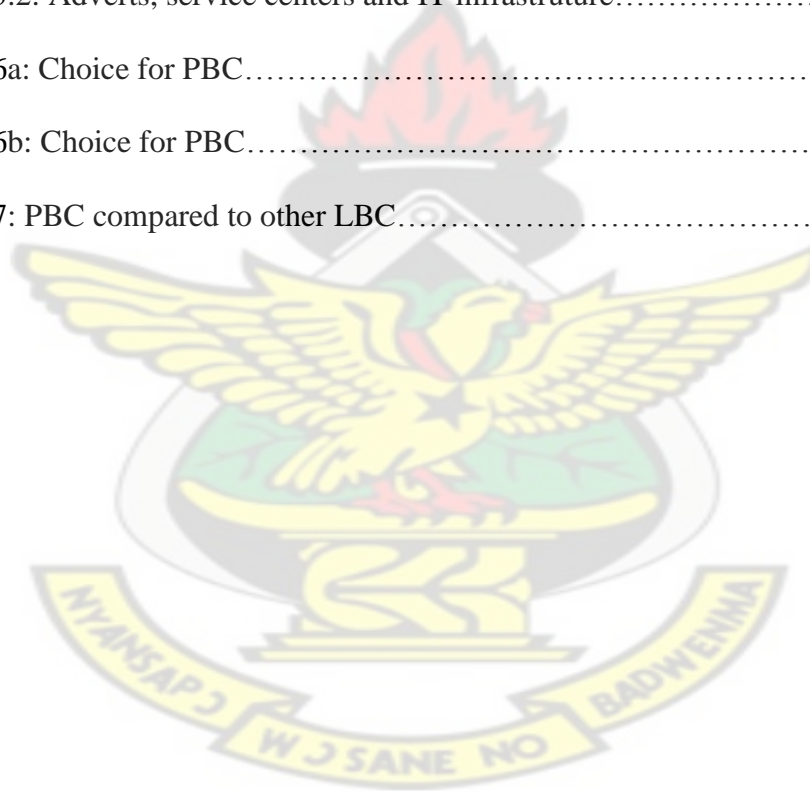
LIST OF TABLES

Table 1 Guide: sample size and technique for selecting respondents.....	35
Table 1: Respondents Distribution.....	43
Table 2: Ages of Respondents.....	46
Table 3: Customer's Educational Background.....	47
Table 4: Years with PBC.....	48
Table 5: Liberalization of Internal marketing of Cocoa at PBC.....	51
Table 6: Effects of Liberalization of Internal Cocoa Marketing to PBC.....	53
Table 7: Response to Liberalization/Competition.....	56
Table 8: Choice for PBC.....	59
Table 9: PBC compared to other LBC.....	62



LIST OF FIGURES

Figure 1: Gender Ratio.....	44
Figure 2: Customer's Educational Background.....	46
Figure 3: Liberalization of Internal marketing of Cocoa at PBC.....	51
Figure 4.1: Reduced Farmer base.....	53
Figure 4.2: Profit margin/Farmer Service enhanced.....	53
Figure 5.1:Wider array, Training and Expansion.....	56
Figure 5.2: Adverts, service centers and IT infrastruture.....	57
Figure 6a: Choice for PBC.....	59
Figure 6b: Choice for PBC.....	59
Figure 7: PBC compared to other LBC.....	62



CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

According to Vigneri and Santos (2007), until 1992, Ghana's cocoa sector was characterised by a marketing system fully controlled by the state owned Cocobod. This system has since been internally deregulated, with a number of local and foreign owned trading companies, known as LBCs, emerging in all growing areas of southern Ghana. A key feature of the Ghanaian cocoa marketing system is that the Cocobod continues to fix the floor price for all domestic purchases of the crop: although all LBCs are legally entitled to buy the crop at a price above the one announced by the board, the premium prices are rarely paid and of little value. Competition among buying companies comes from the volume of total purchases, and is generated mainly through non-price strategies (for example, prompt cash payment and greater, but ad hoc, provision of input subsidies and credit).

Teal, et al, (2006) stated that there are approximately 2,700 locations where cocoa is bought by the LBCs, then checked, graded, bagged and uniquely sealed by the state-owned Quality Control Company (QCD) in Ghana. These buying centers are geographically located in approximate proportion to the quantity of cocoa produced in each region. They have regular opening hours and are operated by the LBCs, who employ purchasing clerks from the local communities to pay farmers the official producer price. From these centers, the cocoa is taken to the district depots (collection points). Once an adequate quantity of sealed cocoa is available, the LBCs will transport

cocoa to one of three takeover points where, subject to passing a final grading and sealing, the beans are taken over by the government-owned export subsidiary, the Cocoa Marketing Company (CMC). Ghana stands out for its high export margins, nearly double the Ivorian ones, and almost five times higher than those applied in the rest of the world. This could partly explain why Ghanaian cocoa farmers have been receiving a higher share of the world price than farmers in other regions.

For almost two decades into the liberalization of the internal marketing system, three main possible beneficiaries have been identified. These are: 1) The state maintains a monopoly over all exports and makes a substantially higher return from taxation than other cocoa regions; 2) LBCs who compete for the purchase of higher volumes of the export crop on non-price terms throughout the cocoa belt areas; and 3) The farmers, who are guaranteed a minimum floor price regardless of their geographical location.

The Produce Buying Company (PBC), the former state-owned purchasing arm of Cocobod, remains by far the largest buyer across all regions, with 62% of the farmers surveyed in 2002 and 59% in 2004 choosing PBC as their most important buyer (in terms of quantity) (Ruf, 2007).

Although there are more than 20 buying companies operating in Ghana, five dominate the local market for cocoa purchases: PBC (formerly state owned), Kuapa Kokoo (a farmers' based cooperative working on Fair Trade principles, which has seen unprecedented growth), Adwumapa (a Ghanaian buying company), Olam and Armajaro (both foreign-owned companies, from Singapore and the UK respectively). Virtually all

of these companies were chosen by farmers because they paid promptly and in cash, they offered credit or both (Ruf, 2007).

1.1 Background of the study

It is no gainsaying that the cocoa sector has contributed more than any other sector to the socio economic development of Ghana. Hence, it is imperative that everything is done to preserve and improve its unique position in today dynamic environment. Cocoa has been the mainstay of the Ghanaian economy and at its peak was responsible for 60% of its export has second only to import duties as a source of central governmental revenue (Brown, 1986).

Cacao Theobroma was introduced into Ghana agriculture in the last quarter of the 19th century. It soon supplanted natural rubber and palm oil, the two major export commodities then and assumed the country. Starting with a pioneering export quantity of 121lbs in 1885, production rose steadily, till it reached a record output of 562,000 tons I 1995, about 30% of the total world production. Production then started to decline till it hit a record low 159,000 tons in 1984 (PMC Mini Prospectus, 1999 p.9).

Consequently, cocoa has become the mainstay of the economy and Governments have not hesitated to use the main agency overseeing the sector, Ghana Cocoa Board Cocobod as an instrument of socio-economic development in Ghana. Apart from contributing indirectly through taxation, Cocobod has directly contribution towards education provision of health centre, feeder roads and other sectors of the economy. On education, the Board provided grants for building new educational institutions and also

for improvement in existing ones. In 1948, the Board made a grant of about 1.8m to the endowment fund for The University College of Gold Coast, it also made 1.3m to help establish the Faculty of Agriculture and saw to the building of a hall of residence, which is named Akuafo Hall in memory of cocoa farmers. In 1951, the Board established a scholarship scheme with an initial invested capital of 14m, which catered for the manpower needs of the country. In the field of secondary education the Board granted the defunct Ghana Educational Trust, an amount of 5m for building of 26 schools including Apam, Kedjebi, Akim Oda and Yaa Asantewaa Girls Secondary Schools (PMC, 1999).

The taxation of cocoa exports has been second only to import duties as a source of central government revenue (Rourke, 1971). Although commercial and manufacturing activities in Ghana have dramatically changed in the past one and half decades, more than twenty (20) percent of the total labour force still draws its sustenance from the cocoa industry, comprising farming, cocoa marketing quality control, research, extension and processing. About one-third of Ghana's estimated total farm families are still engaged in cocoa production with over one million hectares of arable land under cultivation (Kumi, 1998).

1.2 Statement of the problem

Obviously, there are uncertainties about Ghana's continuous dependent on cocoa for sustained economic development. Firstly, attempts at increased production are met with downward pressures on the price of cocoa. Secondly, the changing environment of the

marketing of the commodity both internal and external marketing is likely to pose a threat to maintenance of quality.

The statement of the problem is that the lack of effective internal cocoa marketing by the Produce Buying Company Limited (PBC) has led to the switching of its farmers to other LBCs due to farmers dissatisfaction; thereby culminating into low market share and low profitability of the company.

Thus, the study seeks to evaluate the effect of liberalization on the internal cocoa marketing and the perceived threat to quality in liberating the external marketing of cocoa, vis-à-vis the experiences of those countries operating under the liberalized system.

It is on this score of overcoming the problem, and achieve the requisite competitive advantage and efficiency in the internal cocoa marketing industry, that, Produce Buying Company has to seek profitable and efficient ways to differentiate themselves by adopting prudent marketing strategies to reach success; especially, during these era of turbulent competition in the cocoa sector.

1.3 Objective of the study

The study looks at the assessment of internal marketing of cocoa by licensed buying Companies a case of Produce Buying Company Ltd.

Specifically, the study seeks to achieve the following objectives.

1. To evaluate the liberalization of the internal marketing of cocoa of LBCs and its impact on quality.

2. To determine the internal marketing practices of LBCs, especially PBC.
3. To recommend the best practices on improved internal cocoa marketing in Ghana.

1.4 Research Questions

In view of the above objectives the following research questions were posed:

1. To what extent has the liberalization of the internal marketing of cocoa led to a fall in quality?
2. What is the impact of competition on internal marketing of cocoa by LBCs?
3. What are the internal marketing practices of LBCs especially PBC?

1.5 Significance of the research.

The study is expected to impact on marketing practitioners, management of the cocoa industry, academia and the general public.

- The outcome of this study is to augment the existing store of knowledge on the subject and serve as a catalyst for further research on innovative ways of gaining competitive advantage for the overall academic well-being of the nation.
- In addition, the research and its findings are expected to help inform decision making in the area of competitive strategies using marketing communication mix.
- The study will be very useful to other researchers interested in the area, that is, the outcome of this study will serve as a base for academicians who want to

conduct further studies in marketing communication practices, marketing orientations and financial risk management of LBCs.

1.6 Scope of the study

The study was conducted within the framework of evaluating internal marketing in the Ghanaian cocoa industry. The study was carried out at the Produce buying Company. It is a case study approach of one particular LBC and will not cover others to reflect the entire industry response to issues worth investigating on internal marketing. Hence the result will not be generalized but its findings would be placed in the relevant context of the individual LBC studied.

1.7 Limitation of the study

This research encountered the following challenges:

- The unwillingness of management of PBC to release information which will help enriches the study and also establishes a strong validity and reliability.
- Lack of database on Internal Marketing Strategies on the cocoa industry in Ghana.
- The researcher has to combine academic work with his profession, hence, limited time to complete within schedule.
- Costs in terms of printing, photocopying, binding as well as opportunity cost were incurred without the requisite bursary from government.

1.8 Organization of the study

The study is structured into five main chapters: Chapter one captures the background of the study, the problem statement, objectives, and research questions and the significant of the study. Chapter two on the other hand examines the review of both the theoretical and empirical literature. Chapter three is the section that looks at how the research was conducted by looking at the research methodology. Chapter four looks at the analysis and discussion of the data and Chapter five which is also the final chapter looks at summary of the findings, conclusions, recommendations and areas for further research.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is devoted to the review of related current literature on internal marketing and quality. For an orderly presentation the review starts with basic definitions of marketing, followed by Internal marketing concept, summary of External Marketing and Quality marketing Systems etc.

2.1 Definition and Concepts of Marketing

Marketing has been variously defined by different authorities of the subject.

- The Oxford Dictionary (2000) defined marketing as the activity of presenting, advertising and selling a company's products in the best possible way.
- Bingham (1998) defines marketing as business marketing: those activities that facilitate exchange involving products and customers on business markets. According to Bingham, business marketing transaction takes place whenever a good or service is sold for any use other than personal consumption. Basically, the business market consist of individuals and organizations that acquire goods and services that are sold, rented or supplied to others,
- The American Marketing Association defines marketing as the process of planning and executing the conception, pricing, promotion and definition of ideas, goods and services to create exchanges that satisfy individual and organization goals (AMA, 1995).

- Globally, marketing is defined to include the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create and maintain exchanges that satisfy individual, organization and social goals in a systemic context of a global environment (Czinkota et al, 1998)
- Kotler (1999) in his book Marketing Management defines marketing in two dimensions.

Social Marketing – definition shows the role marketing plays socially; marketing is defined as a process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

Managerial Marketing – is the description of what is referred to as the art of selling products. Selling is an important aspect of marketing, is considered to be a tip at the marketing iceberg.

Drucker (1973) in putting it right, said, there will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself ideally; marketing should result in a customer who is ready to buy. All that should be needed is to make the product or service available.

2.2 Core Marketing Competencies

Kotler (1991) further said to properly understand marketing, it is important to understand the following concept of marketing.

2.2.1 Target Markets and Segmentation

Traditionally, market was known as the physical place where buyers and sellers come together to transact goods and services. Target market is the decision of the marketer to choose particular segment that serves them the highest opportunity. Segmentation of market is the identification of larger markets which is characterized with group of customers with different needs and wants. Segmentation is therefore, in depth examination of the demographic, psychographic, and behaviour at differences among buyers (Kotler, 1991).

2.2.2 Marketplace and Market space

Marketplace is a particular physical place where groups of customers are identified who have been transacting business with suppliers. Market space has something to do with the internet and is sometimes referred to as digital. Here, shopping is basically done on internet. Sawhney (2001) proposed the concept of a market to describe a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries.

2.2.3 Marketers and Prospects

According to Kotler (1991) a marketer is someone who seeks for response or someone who tries to sell out on item or a thing. The party to whom the marketer seeks response is the prospects.

2.2.4 Needs, Wants and Demands

Needs are basic human requirement. When wants are directed towards specific objects that have the potentials to satisfy needs then needs become want. Demands are wants for specific product or service backed by ability to pay (Kotler, 1991).

2.2.5 Offering and Brand

The benefit that the customer gain as a result of delivery of product is what is term as offering. A brand is an offering from a known source (Kotler, 1991).

2.2.6 Value and Satisfaction

Value can be seen as primarily a combination of quality, service, and price. The willingness to customers to exchange what he/she gets and give in terms of cost and benefits is what actually defines value (Kotler, 1991).

2.2.7 Exchange and Transaction

Exchange is the process of obtaining desired product from someone by offering something in return. Transaction is a trade of value between two or more parties.

2.2.8 Relationship and Network

Kotler (1991) opined that relationship marketing is the building of mutually satisfying long-term relations with key parties such as customers, suppliers, distributors – in order to earn and retain their business. Marketing network on the order hand, consist of companies and it's supporting stakeholders with whom it has built mutually profitable business relationship.

2.2.9 Marketing Channels

This is the way and means in which customers are reached. It takes the form of communication channels, distribution channels, and service channels.

2.2.10 Supply Chain

This describes a longer channel stretching from raw materials to components to final products that are carried to final buyers.

2.2.11 Competition

This includes all the actual and potential rival offerings and substitute that buyers may consider. These are in brand competition, industry competition, from competition, and generic competition.

2.3 Internal Marketing Systems in Ghana

Amoah (1998) indicated that before the introduction of statutory marketing boards, Ghana had free local purchasing system without any serious governmental intervention. Under the statutory marketing boards, however, the type of actual local marketing arrangement operated varied from various forms of multiple licensed buying agents to state organized monopolistic system.

- ✓ Free Market Operations (1885-1939)
- ✓ Statutory operations under Cocoa Control Board (1940-1946)
- ✓ Statutory operation under Cocoa Marketing Board (1947-1992)
- i. Multiple Buying without state participation 1947 /48-1951/52 crop season

- ii. Multiple Buying System with state participation through cocoa Purchasing Company Limited (1951 /53 -1956 /57). Ghana Farmers Marketing Co-operative Limited (1957 /58-1960 /61)
- iii. Unitary Buying System (Monopoly)- United Ghana Farmers, co-operative 196 1/ 62 – 1965 /.66 crop seasons
- iv. Re-introduction of multiple buyers with sate participation through a Department of the State Cocoa Marketing Board (Produce Buying Agency of S.C.M.B.1966 /67 -1976 /77) Crop season.
- v. Re-introduction of unitary buying system, Produce Buying Division/Produce Buying Company Limited 1977 /78 – 1991 /92 crop season.
- vi. Liberalized marketing system with state participation through PBC from 1993 - 1999 (Amoah, 1998 pp 21 -22),
- vii. Liberalized marketing system (2000 onwards)

In the internal marketing process of LBCs operating in Ghana cocoa industry, every LBC has a purchasing agent who is usually called a purchasing clerk (PC). He organizes a society in the village in which he operates. The PC has a buying post (shed) where the farmers bring their produce. After the cocoa has been weighed, the purchasing clerk makes payment by either cash or cheque. Officially all cocoa are to be bought using an Akafo cheque but on the field this rule is not strictly adhered to and more than 50% of all purchases is done by cash. The PC as it stands now works on commission basis. A fixed amount is paid on a per bag commission. Most LBCs have PCs on commission basis, with the PBC applying the same system.

The PC reports to an officer of the LBC who is in-charge of the district in which the PC operates. He is usually called the District Officer (DO) or District Manager, though different LBCs have different names for them their functions are more or less the same. They monitor the PCs, give them cash advances to buy the cocoa and also check the number of cheques issued to make sure they tally with the quantity of cocoa bought. This is usually done on a weekly basis (Amoah, 1998).

The cocoa beans supposed to be graded and sealed before they are handed over to the CMC. The quality checks are done based on three parameters namely; dryness, bean size and bean defects. An instrument called the Aqua Boy checks the dryness and the moisture content of the beans. A moisture content 7.5% and below is accepted. The beans size is determined by taking a random sample of 100gms and counting the number of beans in the 100gms. The bean is categorized according to this bean count. The bean defect is tested by taking randomly 300 beans and then cutting the beans lengthwise and inspecting for moldy, slate, weevils and purple. The beans are branded Grade I or Grade II or sub-standard based on this test (Amoah, 1998).

The above tests are done either at the PCs warehouse or the company depot /warehouse where all the society stocks are brought together and then graded and sealed. Factors affecting the choice of location are usually the volumes, the evacuations policy and the control systems used by the concerned company. The movement of the cocoa from PC warehouse to the company depot /warehouse is called the primary evacuation and the movement of the cocoa from the company depot /warehouse to the take-over points is called secondary evacuation (ISSER, 2001).

Most of the larger LBCs have their own trucks /tractors to manage the primary evacuation. There are a few LBCs whose business includes haulage like Adwumapa Buyers, Federated Commodities Ltd and PBC Ltd so they use of their own trucks for secondary evacuations. The other LBCs hire trucks from other private transporters. The secondary evacuation costs are borne by COCOBOD while the primary evacuation expenses are borne by the LBCs. It is not difficult to get trucks for secondary evacuation as the rates paid by COCOBOD is very good (Gilbert, 1997).

LBCs have officers at the ports /take-over points to handle the loads that are brought there. All the documentations and other paper works are handled by these port officers. The way bills are checked and endorsed by the CMC (Security), CMC (Audit) and then the CMC (WPO). The truck is then assigned a shed to offload the cocoa. Once the cocoa is offloaded the numbers of bags of cocoa are verified with those on the waybill. The weights of each bag are checked and other inspections are done to check defects. Officials involved with these checks are from CMC (security and QCCL. The CMC and GPHA officials check the number of bags that are delivered and see to it that the bags are not short-weight. The QCD officials check for any visible signs of quality problems and take samples at the coca for the dryness, bean count and the cut test (PBC Mini Prospectus, 1999).

After the weight check and the purity certificates (after the above mentioned quality checks are performed) are issued, the Cocoa Taken over Receipt (CTO) is issued by the shed clerk of the concerned shed. This CTO is then checked and signed by the GPHA, Shed Keeper and the Depot Supervisor. The Regional Manager (CMC) also goes

through the CTO before they are issues though he does not actually countersign it. The concerned LBC then picks up his CTOs and sends it to Accra to be processed for reimbursement (PBC Mini Prospectus, 1999).

The CTOs are taken to the Cocoa House and handed over to the official in charge of the CTOs. He checks the CTOs and ensures that they are correct in all respects. It then passed through the CMC (Audit), the Supervising Accounting Officer, Principal Audit Officer and then finally the finance Manager. The cheque is issued to the LBC by the chief cashier (PBC Mini Prospectus, 1999).

2.4.1 External Marketing Systems in Ghana

Various procedures and institutions were adopted to market Ghana's cocoa beans in the international market during the period under consideration, 1885 -2000. These procedures and institutions were: Free Market Operations 1885 -1939, sales under West African Cocoa Control Board 1940 -1946, establishment of Marketing Board in 1947 with the following institutional arrangements for external marketing of cocoa, formation of a subsidiary company, Cocoa Marketing Company (UK) Limited, located in London (1947 -1969), formation of a subsidiary company, Cocoa Marketing Company (Ghana) Limited 1961 and located in Accra, appointment of brokers and agents for terminal operations on the London Terminal market (1969 -1973), appointment of overseas agents for sale of cocoa beans in New York (USA) and Bremen (Germany) 1870 -1972, bilateral trade agreement and cocoa Tallying (Amoah, 1998 pp 73 -74).

(a) ***Direct Exports of cocoa*** –The majority of cocoa beans are sold by the CMC to a number of registered buyers. Most of these are cocoa traders, but there are also a number of cocoa processors and chocolate manufactures that purchase direct from CMC.

- Sales to Local Processors – Cocoa beans are sold to the three domestic grinding operations (WAMCO) 1 and 2, and Portem). The beans are sold at a discount currently 5% of F.O.B. beans export price. WAMCOs cocoa products are sold directly by the company. Cocoa products from Portems operations are currently marketed by the CMC; Domestic processing capacity is increasing rapidly and in 1994 /95, an estimated 65,100 tons (21% of total crop) was processed.
- Tallying Arrangements. The Cocobod has an agreement with Walter Schroeder of Germany (part of the Host Group to process cocoa beans in Germany into cocoa liquor which is then delivered in tankers, in liquid form (Cocoa mass) to chocolate manufacturers in Europe. (LMC International Limited 1996)

(b) ***Strengths of the External Marketing System in relation to Quality***

- The CMC has successfully maintained export quality standards, to the extent that Ghana cocoa is viewed as the bulk premium quality cocoa, which is incorporated into most premium chocolate brands.
- Unlike neighbouring countries the method of exporting beans is not perceived as suffering from institutionalized corruption.
- The overall package offered by the system regarding quality and supply reliability has encouraged traders and manufactures to continue to purchase cocoa at premium prices.

(c) *Weakness*

- The CMC has been forced to make sizeable sales to major trade houses partly because of a misreading of the market and partly because the relatively low level of forward sales was putting downward pressure on prices.
- The marketing system adopted has led to only one grade of cocoa available on the world market. Thus it has reduced the ability of some Ghanaian producers to obtain even higher premiums on their cocoa.
- A lack of pro-active marketing by the CMC which has relied on buyers to come to them. Thus, an increasing share of sales has been to the established markets of Western Europe and North America. In 1994 /95, these two markets accounted for over 80% of total bean and product exports compared to an average of around 60% in the second half of the 1980s. During this time, the premium obtained has declined to historical low and consequently, the development of new markets is essential for this premium to be re-established to former levels. (LMC International Limited 1996 pp. 9 -11).

2.5 The Marketing Functions in Quality Management

Marketing is a social and managerial process by which individuals and groups obtain the need and went through creating, offering and exchanging products of value with others (Kotler 1997).

The marketing concept states that a business most likely to achieve its goals when it organizes itself to meet the current and potential needs of customers more effectively than competitors (Doyle, 1998).

A customer led company recognizes that its only true assets are satisfied customers. Without satisfied customers, the balance sheet's assets are merely scrap. The notion of customers as assets is not a philosophy point but a hard economic one. Consequently, the whole quality should be market oriented. Market research forms the basis of total quality management for it is no use having an excellent product /service which cannot be marketed.

Thus, Dale and Okland (1994) summarized that the marketing function should be in relation to the management of product or service quality, determine the need and demand for a product or service and accurately define the market demand and sector.

This is important in determining the grade, quality, price and timing estimates for the product or service. The market research activity also provides information on what the company's competitors are doing. The marketing personnel should ensure that the production or operations related functions are, consulted and their commitment obtained, with reference to the ability of producing system to satisfy suggested quality requirements for the product or service.

- Accurately determine customer requirements by a review of contract or market needs, actions include an assessment of consumer tastes, grade of services and reliability expected, availability, unstated expectations or biases held by customers. Where necessary customers should be assisted in developing a product or service specification in terms of the desired requirements and product characteristics.

- Conduct on-going research to examine changing market needs, new technology and the impact of competition,
- In conjunction with customers, try to specify requirement in accordance with established national or international standards. Marketing personnel need to be fully aware of the financial implications of offering to supply to the customer modified or non-standard products or features.

2.6.0 The Cocoa Economy in Ghana.

According to GSS Report (2002) Ghana is located on the coast of West Africa between latitude 4 and 11.5° north of the equator, and longitude 3.11° West and 1.11° East. Ghana has a total land area at 238,537 square kilometers. The total population in 2000 was approximately 18.5 million, based on the growth rate of 2.7 percent. The main economic activities are agriculture, mining, lumbering, manufacturing and services. Approximately, forty-nine (49) percent of the working populations are engaged in agriculture and related industries, 15.6% in the manufacturing and transport sector, 14.2% in the sales sector and 8.9% in the professional and technical services (Ghana Statistical Service, March 2002).

Cocoa has been the mainstay of the Ghanaian economy and at its peak was responsible for 60% of its export and second only to import duties as a source of central governmental revenue (Brown, 1986). Moreover, the taxation of cocoa exports has been second only to import duties as a source of central government revenue (Rourke, 1971). Although commercial and manufacturing activities in Ghana have dramatically changed in the past one and half decades, more than twenty (20) percent of the total labour force

still draws its sustenance from the cocoa industry, comprising farming, cocoa marketing, quality control, research, extension and processing. About one-third of Ghana's estimated total farm families are still engaged in cocoa production with over one million hectares of arable land under cultivation (Kumi, 1998).

2.6.1 Evolution of the Cocoa Industry in Ghana

Cocoa originated from around the headwaters of the Amazon in South America, its cultivation spread in olden times throughout Central America. The beans were used by the Native Americans to prepare chocolate drink or chocolate and as a form of currency for trading and payment of tributes to the kings. By 1528, the drink had popularized in the country and thus spread throughout Europe.

Large scale cultivation of cocoa started in the 16th century by the Spanish in Central America. It spread to Brazil in the 18th century. From Brazil it was taken to Fernando Po (now Equatorial Guinea) in 1840 from where it spread to other part of West African notable, the Gold coast (Ghana), Nigeria and Cote d'Ivoire.

Dutch missionaries planted cocoa in the coastal areas of Ghana in 1815, while the Basel Missionaries introduced it at Aburi in 1857. However these efforts did not result in the spread of cocoa cultivation in Ghana. In 1879, Tetteh Quarshie, on his return from sojourning in Fernando Po, brought cocoa to Ghana and cultivated it in Mampong-Akwapim in the Eastern Region. Cocoa was subsequently cultivated in the other five cocoa growing regions of Ashanti, Brong Ahafo, Western, Central and Volta Regions (Ghana Cocoa Board, 2002)

The production of cocoa beans for export continued to expand until the early 1930s, when it started to decline as a result of severe outbreak of capsid pests and the swollen shoot disease. In addition, environmental degradation and declines in soil fertility rendered replanting of old farms a less productive venture. From the mid 1940s, the center of production shifted to the Ashanti and Brong Ahafo Regions where fresh and fertile lands have been cultivated.

Due to the repaid expansion in cultivation, production reached 400,000 metric tons in 1960. The rising trend in production continued for about a decade to peak to 589,000 metric tons in 1964 /77 and by 1984 was 158,000 metric tons. Since the 1980s, the center of cocoa production has shifted to the Western Region, where migrant farmers from Ashanti, Brong Ahafo and Eastern Regions have intensively cultivated prime forests (Ghana Cocoa Board, 2002).

Ghana became the world's leading producer of cocoa in 1911 with 41,000 metric tons. In the early 1920s, it was producing between 165,000 and 213,000 metric tons which accounted for forty percent (40%) of the total world output (Ghana Cocoa Board, 2002). Ghana is now the second largest producer of cocoa with the contribution of about 465,000 metric tons, about fifteen percent (15%) of the total world's output (ICCO, 2003)

Ghana lost the leadership position in global cocoa production to La Cote d'Ivoire in 1976 as a result of economic, social and agronomy factors. Among the factors accounting for the decline in production were lower producer prices paid to farmers which acted as disincentive and encouraged smuggling, poor farm maintenance, pests

and diseases such as swollen shoot and black pod and widespread bushfires which destroyed cocoa farms (Kumi, 1998).

2.7.0 Regulation of Cocoa Marketing In Ghana

The marketing of cocoa in Ghana is conducted at two (2) levels, internal and external. The internal marketing or domestic level involves the purchasing of cocoa from the farmers at production or purchasing centers. The external marketing or the export level involves the sale of cocoa on the international market.

2.7.1 Historical Perspective

Before 1937, the cocoa trade was in the hands of expatriate merchants who controlled both the domestic and the export marketing of cocoa. However, after 1937, the cocoa farmers became increasingly dissatisfied with the low prices they received for their produce (Beckhman, 1981). The ensuing pressure on the British Government resulted in the establishment of the West African Produce Control Board in 1940. It was mandated to purchase cocoa from the West African colonies under guaranteed price.

In order to ensure proper co-ordination of activities involving the cultivation, marketing and export of cocoa, the Ghana Cocoa Marketing Board (GCMB) was established by ordinance number 16 in 1947 (Ghana Cocoa Marketing Board, 1977), it was charged with the responsibility of fixing, with the prior approval of the government, the producer prices of cocoa and other produce, organize the evacuation of the produce to the port, appoint licensed buying agents and regulate the marketing and export of cocoa. The

Board was further charged under the Cocoa Industry Regulations (Consolidations) Decree 1968 (NLCD 278) to purchase market and export all cocoa and other agricultural produce (e.g. coffee and sheanuts) produced in Ghana and to ensure their suitability for export. Currently, the functions of the Ghana Cocoa Board have increased to cover the control of all aspects of the cocoa industry from production to purchasing, marketing and export, research, quality control, evacuation and processing (Ghana Cocoa Board, 2000).

2.7.2 Emergence of Licensed Buying Companies (LBCs)

Following the implementation of the Agricultural Sector Adjustment Credit (AGSAC) Programme in June 1993, competition was introduced into the domestic marketing of cocoa by allowing individual Licensed Buying Companies (LBCs) to participate in the domestic marketing of cocoa.

The external sector (export) of cocoa marketing was however not liberalized. The Cocoa Marketing Company (Ghana) Limited (CMC), a subsidiary of Cocobod, exercises the sole right over the sale of cocoa beans. The CMC also exports semi-processed cocoa products to the external market.

Consequently, between 1993 and 1997, about twenty-two (22) LBCs were registered with the COCOBOD to operate alongside the Produce Buying Company (PBC) which by then had the sole monopoly of the marketing of cocoa. Appendix (2) gives the names of twenty (20) registered LBCs which operated during the 2005/6 main crop season. The market share for PBC has, as a result, declined from 75% in 1995 to 40% in 2002, as the

private LBCs continue to increase their market share (Research Department, COCOBOD).

2.8 Quality Control Activities

There were frequent cases of cocoa rejection at the take-over and up-country centers during the season. At the up country centers, rejections were mainly based on Not Thoroughly Dried (NTD) cocoa and admixtures. At the take-over centers, it was based on Admixtures, Adulteration, Short-weight, infestation, among others. It is worthy to note that there was no case of NTD at any of the take over centers. This showed that QCD staff on the field actually made good use of the Aqua-buoys procured for them. An aggregate of 12,205 tones of cocoa (195,280 bags) were rejected at the three take-over centers. The prominent discrepancy at Kaasi and Takoradi was the delivery of short-weight which accounted for 83% of total rejections respectively. Tema take-over center however witnessed the dominant discrepancy during the season. Weak and burst bags represented 48% of total cocoa rejected.

2.9 Cocoa Quality in Ghana

According to Gilbert (1996) the Quality Control Company Ltd (QCCL) formerly Quality Control Division (QCD) of Cocobod monitors quality at both up-country and the take-over points. Quality checking is vigorous and residues are not exportable. The monopoly position of CMC ensures both the maintenance of these quality standards and quality reliability. Corruption is not seen as a problem, and since it is known that quality standards will be enforced, there is little incentive for the LBCs to purchase poor quality

beans. The result of this determination to produce and market high quality cocoa has been a consistent Ghana premium, both over the London terminal market price and over Ivorian cocoa. Historically, Ghanaian beans have traded at a premium of 2% and 5% relative to the London terminal market prices, although this has tended to decline over recent period. The quality and reliability of Ghanaian cocoa is preferred by consumers, but it is not without costs. There are two components to this cost, the direct costs of the QCD, estimated at about 1% of value and loss of revenue from rejected beans.

Gilbert (1996) stressed that a recent consultant's report estimated that, in 1994, the total cost of quality control in Ghana was only slightly less than the revenue generated by the premium. Both elements of cost indicated above were large, but revenue loss from rejects was seen as double the direct costs of quality control. This suggests that, there is little scope for improving the cost effectiveness of Ghanaian quality control through increased efficiency. Delivering this quality is profitable only because quality assurance is labour intensive activity. Even if maintaining high quality is just profitable for the country, it does not follow that other origins will find it profitable to emulate this for three reasons.

1. There may be a limited market for high quality cocoa. Over production to high quality beans would simply reduce or eliminate the current quality premium.
2. The position of the CMC as monopoly allows Cocobod to directly and consistently control quality levels. This is much more difficult in free markets or liberalized structures. Attempts to control quality at the export stage in

liberalized systems may result in degradation of average quality to minimum export standard, and also give opportunities for corruption.

3. Any attempt to market different grades of cocoa from the same origin is likely to increase transport cost particularly where cocoa shipping is done in bulk either in containers or bulk carriers, increased shipping cost will offset any quality premium. More generally, it is doubtful whether any quality market systems will ever result in quality levels as high as that maintained by Cocobod. An origin reputation for quality and contract reliability is a public good, all exporters benefit from the reputation, but each exporter also has an incentive to cut his own costs, thereby undermining the reputation.

Monopolization of exports internalizes the cost of reputation degradation. In a free market system, individual exporters will need to establish their own reputation for quality and reliability but this may be difficult in a fragmented market where beans are identified by origin more than by exporter. Hence, irrespective of whether marketing boards provide effective stabilization, they do appear to be good at delivering quality, but the market price of quality will not be sufficiently high to make it generally profitable for the private sector to try to achieve the same standards. Liberalization should therefore always be expected to result in some elimination of quality (Gilbert 1996).

Quality under Internal Liberalization (Ghana)

Conflicting views have been expressed as regards the trends in quality since the internal liberalization of cocoa marketing in 1993. Minorities have argued that, quality has definitely declined. A more scientific study by a major chocolate manufacturer suggests that, there has been no evidence of a decline in quality. Others have suggested that climatic factors, combined with the increasing use of hybrids, and some changes to drying methods have led to changes in the characteristics to some production. Thus, a dry season led to the production of smaller beans particularly for the light crop (mid crop).

Buyers are probably examining shipments more carefully because of concerns that quality might have deteriorated. As yet, however there is not substantial evidence available to suggest that quality has deteriorated because of internal marketing. It is recognized that, factors such as buying sheds, shortage of sacks, tarpaulins an inadequate quality checks by the LBCs Purchasing Clerks and problems in transportation can affect quality. The report made various recommendations as regard the maintenance of quality including, ensuring that routine disinfestations of all cocoa is carried out by the QCC, to be paid for by the LBCs, training of Purchasing Clerks, enforcing the delivering of good quality cocoa with LBCs being penalized for the delivery of poor quality cocoa and monitoring with great care the quality of cocoa, (LMC) International Ltd. 1996 page -108).

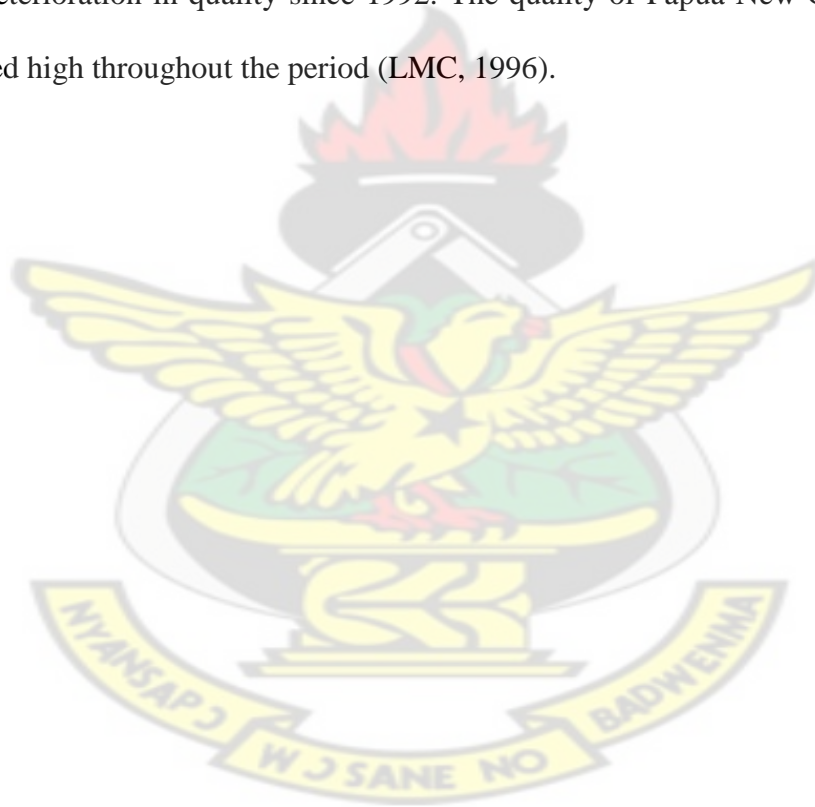
Trends in Cocoa Quality

LMC (1996) indicated that it is generally accepted that there has been a fall in the quality of cocoa traded on the world market during the past decade. There are several factors involved.

- Low cocoa prices particularly in the early 1990s led to reduce maintenance and the use of fewer inputs by growers.
- The failure of market liberalization to ensure that adequate quality control systems are established in some origins to replace previous system.
- The growing shares of Indonesian cocoa in world trade – a sizeable proportion of Indonesian exports are unfermented cocoa.
- A declined in the quality of Cote d’Ivoire exports in particular there has been mixing of mind and main crop beans and the held up of Ivorian cocoa which creates increased problems for processors.
- Another quality problem is the high percentage of free fatty acids (FFA). Several factors increased the FFA level in cocoa beans in recent years including poor husbandry, poor handing, wet weather, insufficient drying, incorrect and excessive storage, inadequate quality control and the hold up and mixing of Ivorian cocoa.

London Commodity Exchange (LCE) and warehouse keeper data show that the failure rate of cocoa from Cote d’Ivoire, Nigeria and Indonesia have increased dramatically over the past five years. The grading were undertaken by warehouse keepers and are based on 300 beans cut tests of samples drawn from parcels of newly arrived cocoa in Europe. The results indicate the annual average level of defective slay beans and beans

counts since 1987. Very little, Ghana, Cameroon or Brazilian cocoa laundered to the LCE for grading. The results show a marked deterioration in quality of cocoa arriving from Cote d'ivoire since 1991. There has been a consistently high level of defective beans from Nigeria, owing mainly to a high defective count and from Indonesia, primarily as a result of a high percentage of slay beans. Moreover, there is evidence of a further deterioration in quality of cocoa from the origins. The quality of Malaysia cocoa has remained comparatively high during the period, although there is some evidence of some deterioration in quality since 1992. The quality of Papua New Guinea beans has remained high throughout the period (LMC, 1996).



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this section an attempt is made to look at the research design, target population, data sources, sampling procedures (size and technique), data collection instruments, fieldwork/ data collection and limitations to data collection.

3.1 Research Design

The plan is the overall scheme or programme of research. It includes an outline of what the researcher is writing on including the hypotheses and their operational implications to the final analyses of the data. This study adopted the case study strategy. Among the various research designs, case studies are frequently regarded as using both quantitative and qualitative research and a combination of both approaches (Bryman, 2004). Since PBC is only one LBC out of the many in Ghana and the study used both primary and secondary data sources, it was considered to be the more appropriate for this study.

3.2 Data Sources

The study made use of both primary and secondary sources of information from the Produce Buying Company Ltd employees, marketing clerks and its farmers.

3.2.1 Primary Data

The sources of data included information gathered from the questionnaires that were administered to the respondents and unstructured interviews that were also conducted with the

top management members of the company at the Head Office in Accra. The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study.

3.2.2 Secondary Data

The secondary sources of data included PBC Ltd annual reports, brochures and manuals. A number of both published and unpublished materials in the cocoa industry. Excerpts from journals and articles were also used. Data collected from the secondary sources significantly complemented primary data and enhanced the interpretation of the results (Batsa, 2008).

3.3 Target Population

The total population of the study were based on the number of farmers and commissioned agents at all the over 5000 buying centers of PBC Limited. The company's total clients base is estimated to be over hundred thousand (100,000) farmers from all the six major cocoa growing regions (i.e. Ashanti, Brong Ahafo, Central, Eastern, Western and Volta), whilst the total workforce is estimated to 10,000 nation-wide. (Source: PBC bulletin, 2008).

Primary data was gathered from staff, commissioned agents and farmers of the company. Since such an individual study cannot cover all, the actual target population was based on a sample of the staff, commissioned agents and farmers.

3.3.1 Sampling Procedures

Because all the staffs, commissioned agents and farmers of the company are found all over the six major cocoa producing regions with Greater Accra hosting the Head Office, the

research could not be covered in all these area, therefore, a random sampling technique was used to determine the sample size. In view of this, main regional branches at the six major cocoa growing regions and Head Office in Accra were selected for the study. The reasons for the choice of these two branches are:

- All the six cocoa growing regions have an office wherein the agents in the hinterlands reports to administratively;
- Over 5000 commissioned agents of the company are located within these regions;
- The six regional capitals are found in the major operational zones of the company;

Purposive sampling was adopted since the intention was to gain an insight into the phenomena, hence the need to choose personnel who were well versed with the history and development of PBC and in the cocoa industry for that matter. As a result of this, members of staff in management were approached and interviewed. Additionally, some employees of PBC in clerical and other related roles were also interviewed. Basically staffs in the managerial roles who are involved with decision making of the company were identified and interviewed using interview guide.

Purposive sampling was also used to select which commissioned agent of PBC to visit for the study. Even though, branches in all the six regions have been chosen for the study, all of them could not be used for the study. At the regions, stratified random sampling was used to select staffs for the study. This was guided by the structure of leadership that is in use by the company at the regional branches. This method of sampling ensured that staffs in the clerical, supervisory and managerial categories were interviewed. Prior to the administration of the questionnaire, managers of the branches that were chosen for the study were conducted

for permission and staff list of their respective branches obtained. Names of staff were randomly selected from the various levels. The number of staff picked from a particular level depended on the number of staff. For instance clerical staff dominated the branches and so was the number that was chosen for the study. After this, questionnaires were sent to staff via research assistants to complete particularly for illiterate farmers. In the case of the top management staff, an appointment was booked with them and information was collected from them with the help of the interview guide.

Again, the farmers were chosen from all the classified farmer groups. This ensured representativeness in the sample. Research assistants were employed and trained to assist in the administration of the questionnaire to farmers. A sample size of two hundred (200) was chosen for the study as illustrated below:

Table 1 Guide: sample size and technique for selecting respondents

Target Group	Sample Method required		
	Estimated Number	Sample Selected	Technique used
<i>Staff</i>			
Clerical staff	25	20	Questionnaire
Commissioned Agents	100	25	
Top Management	5	5	
<i>Clients</i>			
Farmers	500	150	Questionnaire
Total	630	200	

3.3.2 Data Collection Instrument

The main instruments that were used to collect information for the study were the questionnaire and interview schedule (both structured and unstructured). A total of two

hundred (200) respondents comprising staff, commissioned agents and farmers were given questionnaires. The questionnaire was administered to both corporate and individual farmers. The questionnaire was structured to consist mainly of closed ended type questions in order to elicit feedback from respondents about what their experiences with P.B.C limited.

Responses categories mainly range from strongly disagree, disagree, neutral, agree to strongly agree. Farmers were asked to rate their responses on how they compare PBC with other competitors in the industry. Here the respondents were to choose either of the following: the Best, Better than most, same as most, not as good as most or don't know in instances where they cannot decide.

Few interviews (structured and unstructured) were also conducted. Personal observations were also made throughout the data collection period. Care was taken in order not to be biased but to come out with objective interpretations of what was observed.

3.4 Data Analysis

The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Also, the following steps were taken to analyze the data for the study. Data collected was edited to reduce possible errors and omissions that are likely to occur to ensure consistency across respondents. The data was coded, which helped the respondents to be grouped into limited number of categories. The Microsoft Excel software was used for this analysis. Data was presented in tabular form, graphical and narrative forms. In analyzing the data, descriptive statistical tools such as bar graph, pie charts etc were used.

3.5 Limitations to Data Collection

Some of the respondents saw the exercise as a waste of time as they put it and for that matter were not prepared to compromise few minutes of the precious time as it were to answer the questions. As a result 430 of the targeted respondents out of the estimated 630 could not be reached for their responses.

It took more than three months to get the approval and a further delay caused by the department in charge of required information is also worth mentioning. It was also with difficulty and a lot of resources getting the questionnaire that was given to the staff back, taking cognizance of the busy schedule of staff and commissioned agents.

3.6 Produce Buying Company, Ghana Limited

Profile

Cocoa has been the mainstay of Ghana's economy for a long time and remains a major source of foreign exchange. Ghana is currently the second world largest producer of cocoa. It produces over 650,000 metric tonnes annually and has the best quality cocoa in the world. It receives premium from the sale of the produce because of the high quality of the beans.

Produce Buying Company Limited (PBC Ltd) was a subsidiary of Ghana Cocoa Board and was wholly responsible for the internal marketing of cocoa. However, the status changed when the internal marketing of cocoa was privatized by the government of Ghana in 1993 as a result of the cocoa sector reforms. PBC Ltd was incorporated as a Public Liability Company under the Companies Code of 1963 (Act 179) in September, 1999. In May 2000, the Company was listed on the Ghana Stock Exchange. Produce

Buying Company is a 100% owned subsidiary of Ghana Cocoa Board and the single largest buyer of cocoa for the domestic market. The company operates throughout the cocoa buying districts of Ghana. Produce Buying Company purchases cocoa beans from farmers, and stores them in purpose-built sheds at village/society level, cart these to collection points for inspection, grading and sealing by the Cocoa Board's Quality Control Dept.

KNUST

Vision Statement

Develop and maintain the Produce Buying Company Limited as the leading cocoa dealer in Ghana.

Mission Statement

Purchase high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centers in the most efficient and profitable manner.

Main Objectives

- To satisfy cocoa farmers through quality service and other incentive packages.
- To produce adequate and well-maintained storage facilities for cocoa production
- To recruit and retain a well-developed and motivated workforce
- To encourage research institutions to develop technologically improved methods of cocoa production and their adoption by farmers to increase yield.

Achievement

PBC Ltd belongs to Ghana's most prestigious 100 companies known as Best 100 Companies League (Ghana Club 100) which other companies look up to, in Ghana's bid to become a middle income country. The company as a result of her impressive performance was adjudged the second best in 2003 and the third best in 2004. Again, for two successive years in 2003 and 2004 the company was adjudged the best in Trading by Ghana Club 100. These are enviable achievements by the company.

PBC Ltd, the only listed Licensed Buying Company (LBC) in internal marketing has the vision to develop and maintain it as the leading cocoa dealer in Ghana. This is to be achieved through the purchase of high quality cocoa beans from farmers, store and ensure prompt delivery of the graded and sealed beans to designated Take Over Centers in the most efficient and profitable manner.

Areas of Operation

The farmers are the Company's main customers and produce good quality cocoa which are purchased at prices determined by Government through COCOBOD. The company operates in all the cocoa growing regions, namely Ashanti, Brong Ahafo, Central, Eastern, Western and Volta. The company operates through Commission Agents stationed in over 5,000 buying centers and designated as the buyer of last resort.

The company, in implementing a three-year Medium Term Corporate Plan has developed strategies to achieve her objectives. These include a well developed and motivated workforces, prompt and timely release of funds and operational inputs for

distribution to the buying centers. The farmers ensure that cocoa produced are properly fermented, dried, bagged, stored and sent to the societies to preserve the quality. The farmers are also promptly paid to ensure their satisfaction and loyalty.

In spite of the keenness of the competition, the company has an average market share of 33%, turnover for cocoa operations of GH¢430.528 million and a gross profit of GH¢49.982 million during the 2008/09 crop year. It also recorded a net profit before tax of GH¢5.194 million and basic earnings per share increased by 59% from GH¢0.0044 to GH¢0.0108

Haulage Unit

The company in pursuance to achieve the set targets in the Medium Term Corporate Plan to generate more income has revamped the Haulage Department with the acquisition of new articulated and cargo trucks to assist in both Primary and Secondary Level evacuations. These include fifty-two (52) articulated trucks, one hundred and fifty (150) cargo trucks of different makes and types as well as five (5) tractors in addition to the already existing ones.

The Primary evacuation which involves the speedy evacuation of cocoa stocks from the buying centers to the Depots is carried out mainly by the company's vehicles. The graded and sealed stocks are speedily evacuated (Secondary) from the Depots to the Ports via road and rail transportation. Currently, the company undertakes 100% and 38% haulage of its Primary and Secondary evacuations respectively.

Diversification

The company in pursuance of her objectives to conduct business in the most efficient manner on investments to the satisfaction of shareholders and other stakeholders has diversified to purchase, store and deliver sheanuts. Again, plans are far advanced to add value by going into the processing of the sheanuts for export.

Rewards and Social Responsibility

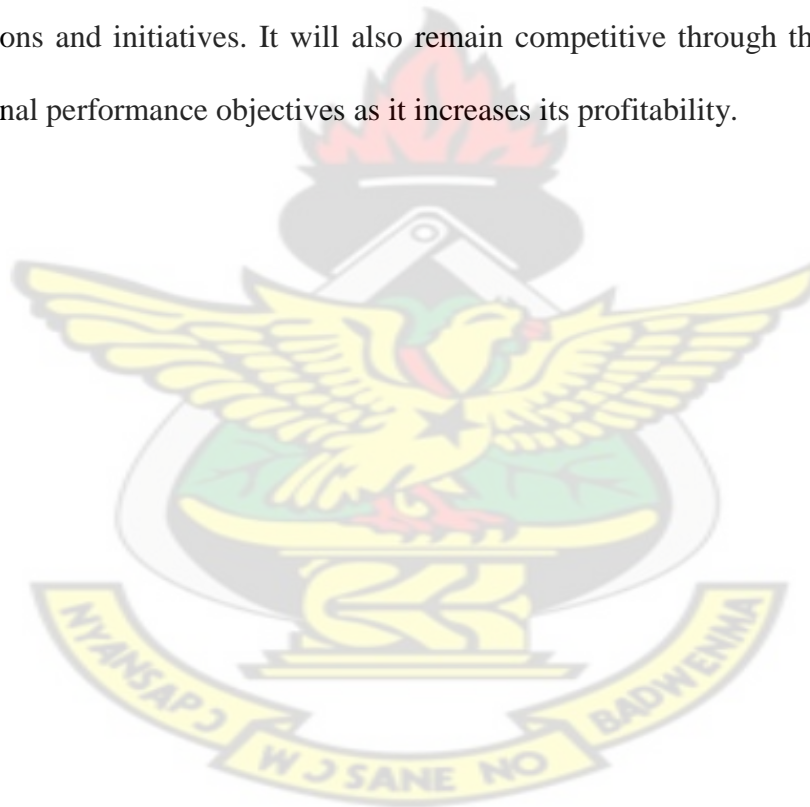
The company in maintaining the loyalty of her farmers continues to provide guarantees to enable them access credit facilities from banks. The company has also make available to the farmers, essential inputs like fertilizers, spraying machines, insecticides/pesticides to improve their cocoa production. It has also instituted Best Farmers Awards Scheme to reward our committed, loyal and high producers annually. It also provides scholarships to brilliant but needy children of cocoa farmers. Again, the company conscious of her corporate social responsibility continue to assist deprived schools and rural electrification projects, provision of boreholes and others specifically in the cocoa growing areas.

Challenges

The company, however, has few challenges. The company depends on COCOBOD for funding of cocoa purchases after providing Bank Guarantees. This is always complimented with stand-by Overdraft facility from local banks and internally generated funds. The challenge is to have a more flexible, adequate and sustainable funding to always meet our purchases promptly to enable the company increases her market share.

Another area of challenge is in the area of Information Communication Technology (ICT). The company plans to completely computerize all major activities and increase the supply of computer hardware to the operational districts and regions to ensure timely and accurate flow of information.

The Board and Management are encouraged by our current success towards our cardinal objective of maintaining PBC Ltd as the leading cocoa dealer in Ghana. The company will raise both operational capabilities and market requirements through a process of innovations and initiatives. It will also remain competitive through the achievement of operational performance objectives as it increases its profitability.



CHAPTER FOUR

DATA PRESENTATION, DISCUSSION AND ANALYSIS

4.0 Introduction

This chapter presents the data gathered from the field and its analysis procedure. The data was represented by graphs, charts and tables. Data was also presented in relation to the literature review and compared to the data collected from the field.

4.1 Data Presentation and Analysis

The researcher selected samples based on targeted units using the non-probability sampling method of random sampling, specifically the purposive sampling technique. This method ensured that representative samples of all the known elements of the population were covered in the sample.

A sample size of two hundred (200), comprising fifty (50) staff and one hundred and fifty (150) farmers of the target population responded to the administered questionnaire.

Break down shown in Table 1 shows the distribution of respondents for the study.

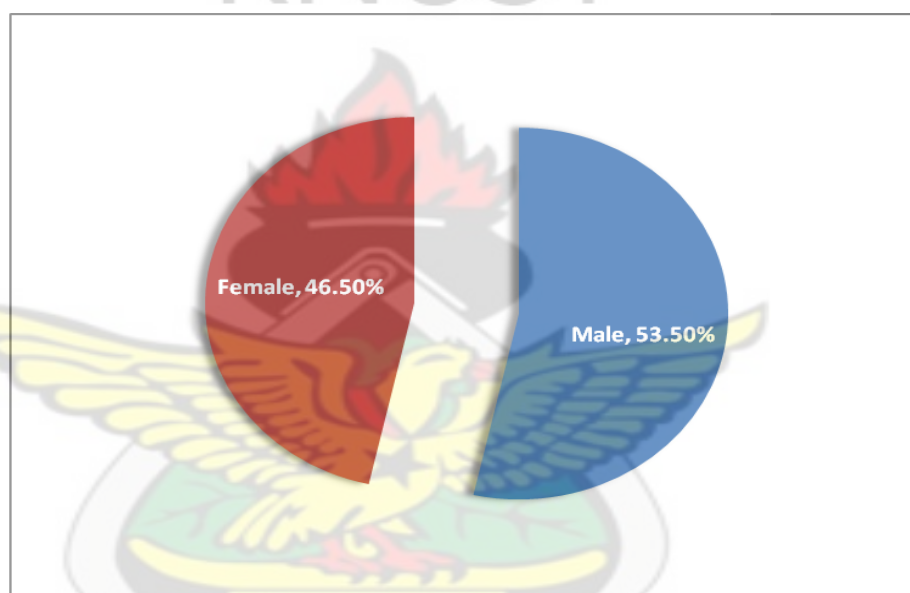
Table 1: Respondents Distribution

Respondent	Male		Female		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Staff	26	13.00%	24	12.00%	50	25.00%
Farmers	81	40.50%	69	34.50%	150	75.00%
Total	107	53.50%	93	46.50%	200	100.00%

Source: Field Survey July, 2011

The survey via Table 1 indicated that, 25% of the respondents were staff of PBC, while farmers on the other hand registered the remaining 75%. The research further revealed a ratio of 1:0.9 with regard to male and female distribution as illustrated in Figure 1. The ratio is an indication of adequate evidence of 7% slight male dominance in the service, thereby, laying credence to the assertion that there is a fair gender balance in the internal cocoa marketing industry.

Figure 1: Gender Ratio



Source: Field Survey July, 2011

4.2 The Ages of Respondents

The ages of the respondents were within the range of 20 and 72 years for both staff and farmers; and the study exhibited a fair representation for all the identified age groups. The age group with the highest representation was 41 – 45 years recording 19%; followed with 18% was 51 – 55 years; 46 – 50 years had 15% among the rest and the group which the least of representation was the ‘less than 30 years attaining 4.5%.

Analyzing in more specific terms, the study displayed 10.5% representation out of the 25% employees for ages less than 30 years and 40 years; between 41 and 50 years also covered 10% of the staff respondents; and 4.5% for 51 – 60 years.

PBC could boast of a perfect mixture of youthful, energetic and a much sober and well experienced middle aged employees, although it has a small fraction of more senior citizens who has barely 2 to 3 years to proceed to retirement.

In the case of farmers, the study showed just 16.5% representation of the youth (between 'less than 30 years and 40 years) while the other two groups, that is the middle aged and older folks sharing among them 24% and 34.5% respectively as shown in Table 2 and Figure 2 below.

Table 2: Ages of Respondents

Ages	Staff		Farmers		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Less than 30 years	4	2.0%	5	2.5%	9	4.5%
30 - 35 years	8	4.0%	10	5.0%	18	9.0%
36 - 40 years	9	4.5%	18	9.0%	27	13.5%
41 - 45 years	11	5.5%	27	13.5%	38	19.0%
46 - 50 years	9	4.5%	21	10.5%	30	15.0%
51 - 55 years	6	3.0%	30	15.0%	36	18.0%
56 - 60 years	3	1.5%	25	12.5%	28	14.0%
60+ years	0	0.0%	14	7.0%	14	7.0%
Total	50	25.0%	150	75.0%	200	100.0%

Source: Field Survey July, 2011

This is an indication that the youth are not showing much interest in the cultivation of cocoa; probably seeing it as enterprise for the middle aged and elderly. It also provides proof of the high incidences of rural-urban migration.

4.3 Educational Background - Customers

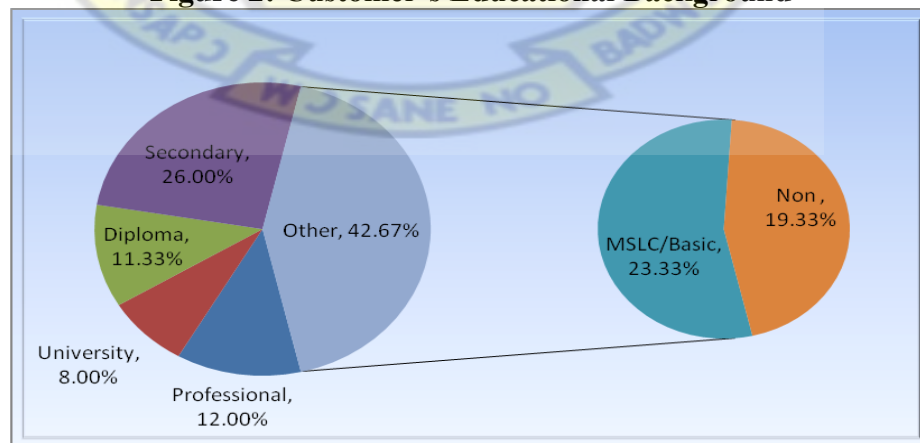
It was discovered that the level of education is fairly distributed with the modal class being the Secondary (39 in absolute terms – 26%); followed closely by MSLC/Basic certificate holders with 23.33%; 19.33% illiterates, professional attained 12% and the last and of course the least being university graduates (8%, 12 persons in absolute terms). The educational background of respondents especially the illiterates posed a great challenge to the company's policy on consistent educational programme on quality and customer care. By reference due to the over 81% literates respondents they are expected to appreciate the significance and importance of the study which directly or indirectly affects them as illustrated on Table 9 and Figure 9 below.

Table 3: Customer's Educational Background

Level	Frequency	Percent
Professional	18	12.00%
University	12	8.00%
Diploma	17	11.33%
Secondary	39	26.00%
MSLC/Basic	35	23.33%
Non	29	19.33%
Total	150	100.00%

Source: Field Survey, July, 2011

Figure 2: Customer's Educational Background



Source: Field Survey, July, 2011

4.4 Number of years with PBC

As illustrated in Table 3 and Figure 3 below, over 7.5% of the staff respondents had served the company within a period of less than 5 years and above 10 years each while 10% has been there for PBC between 6 and 10 years. It could therefore be deduced that PBC has 70% of the staff with working experience above 5 years. Thus, the respondents are personalities who are very conversant with the subject matter and have perfect understanding the issues on the table. Conversely, 39.5% of farmers have been dealing with PBC for the period 'less than 5 years, albeit, 36.5% have been very loyal to PBC as their LBC for internal cocoa marketing for a period over 5 years. Therefore, they also are in a better position to make suggestions and critic the practices of PBC in the industry.

Table 4: Years with PBC

Years	Frequency			Percent (%)		
	Staff	Farmers	Total	Staff	Farmers	Total
Less than 5 years	15	79	94	7.50%	39.50%	47.00%
Between 6 - 10 years	20	55	75	10.00%	27.50%	37.50%
Above 10 years	15	16	31	7.50%	8.00%	15.50%
Total	50	150	200	25.00%	75.00%	100.00%

Source: Field Survey, July, 2011

4.5 Responses from Staff/Commissioned Agents

4.5.1 Liberalization of Internal marketing of Cocoa at PBC

Seven major parameters or drivers coded Aa, Ab, Ac, Ad, Ae, Af and Ag were identified and used as tools of assessment of the extent of competition in the industry due to trade liberalization and how PBC fare in the turbulence.

The survey in the assessment of the parameters, 'Aa: The degree of competition is high in the internal cocoa marketing industry in Ghana', a cumulative 92% agree with 8% undecided; 'Ab: PBC enjoys some sort of monopoly in the internal cocoa marketing industry in Ghana', 84% disagreed and 16% neutral'; 'Ac: PBC offers other incentives to farmers apart from set price of cocoa among other operators in the industry in Ghana', 16% neutral, 50% Agree and 34% strongly agree; 'Ad: Liberation is good for competition do you agree', 86% strongly agree and 14 agree; 'Ae: There has been pressure from the COCOBOD in recommending measures to fuel competition', 20% neutral, 60% Agree and 20% Strongly Agree; 'Af: The proliferation of foreign LBCs in Ghana in recent times has fuelled competition', 6% neutral, 14% Agree and 80% strongly agree; and 'Ag: Increased customer awareness and sovereignty has brought about competition among LBCs', 6% agree and 94% strongly agree.

In summary, the responses as per all the seven drivers of assessing the extent and the existence of competition in the industry pointed to the fact there is high competition in the industry, hence the reason for which PBC could not monopolize the market. Again, the ever increasing rights of of the customer has added more momentum to the

competition, especially when all the LBCs are doing virtually the same thing. Therefore, bring satisfaction to the farmer by ensuring their needs are always met is the key.

KNUST

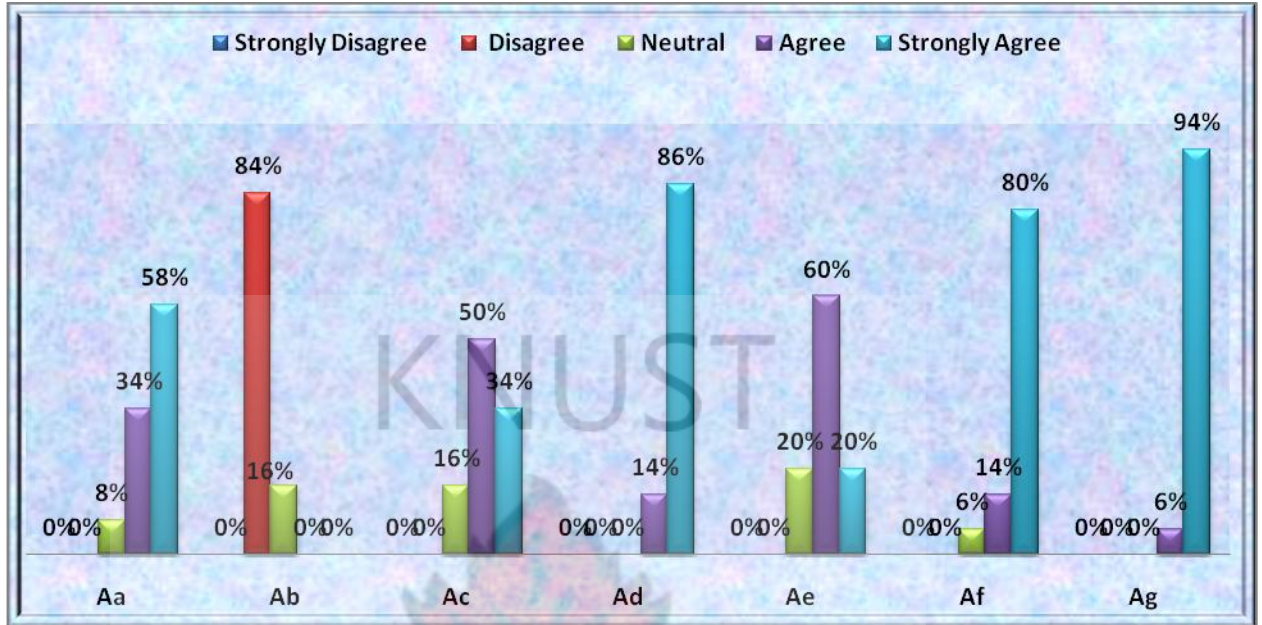


Table 5: Liberalization of Internal marketing of Cocoa at PBC

Code	Details	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Aa	The degree of competition is high in the internal cocoa marketing industry in Ghana	0	0%	0	0%	4	8%	17	34%	29	58%	50	100%
Ab	PBC enjoys some sort of monopoly in the internal cocoa marketing industry in Ghana.	0	0%	42	84%	8	16%	0	0%	0	0%	50	100%
Ac	PBC offers other incentives to farmers apart from set price of cocoa among other operators in the industry in Ghana	0	0%	0	0%	8	16%	25	50%	17	34%	50	100%
Ad	Liberation is good for competition do you agree	0	0%	0	0%	0	0%	7	14%	43	86%	50	100%
Ae	There has been pressure from the COCOBOD in recommending measures to fuel competition.	0	0%	0	0%	10	20%	30	60%	10	20%	50	100%
Af	The proliferation of foreign LBCs in Ghana in recent times has fuelled competition.	0	0%	0	0%	3	6%	7	14%	40	80%	50	100%
Ag	Increased customer awareness and sovereignty has brought about competition among LBCs.	0	0%	0	0%	0	0%	3	6%	47	94%	50	100%

Source: Field Survey, July, 2011

Figure 3: Liberalization of Internal marketing of Cocoa at PBC



Source: Field Survey, July, 2011

4.5.2 Effects of Liberalization of Internal Cocoa Marketing to PBC

This section brings to the fore, five major elements coded Ba, Bb, Bc, Bd and Be which were identified and used as tools to determine the extent of effect on the competition in the industry due to the liberalization of the market and how PBC positioned itself in all these turmoils. Table 5 provides details.

In the assessment of the assertions as ‘Ba: There has been reduced customer/farmer base’, 2% neutral, 56% agree and 42% strongly agree; ‘Bb: The market share of the PBC has reduced’, 16% neutral, 50% agree and 34% strongly agree; ‘Bc: Screening criteria for cocoa farms has been relaxed’, 10% strongly disagree, 66% disagree and 24% neutral; ‘Bd: There has been enhanced customer/farmer service’, 30% strongly disagree, 70% disagree; and ‘Be: There has been reduced profit margin for PBC’, 74% disagree and 26% neutral.

Table 6: Effects of Liberalization of Internal Cocoa Marketing to PBC

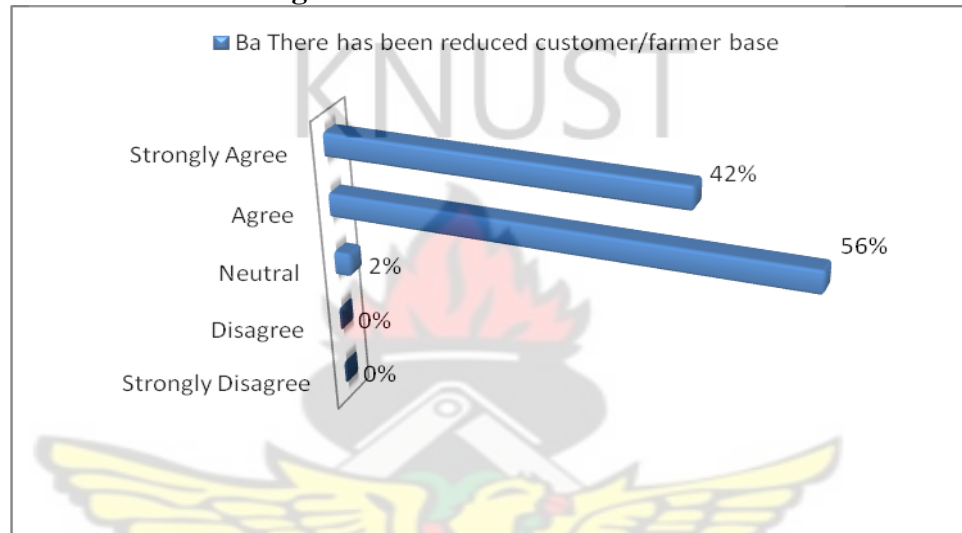
		Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Ba	There has been reduced customer/farmer base	0	0%	0	0%	1	2%	28	56%	21	42%	50	100%
Bb	The market share of the PBC has reduced	0	0%	0	0%	8	16%	25	50%	17	34%	50	100%
Bc	Screening criteria for cocoa farms has been relaxed	5	10%	33	66%	12	24%	0	0%	0	0%	50	100%
Bd	There has been enhanced customer/farmer service	15	30%	35	70%	0	0%	0	0%	0	0%	50	100%
Be	There has been reduced profit margin for PBC	0	0%	37	74%	13	26%	0	0%	0	0%	50	100%

Source: Field Survey, July, 2011



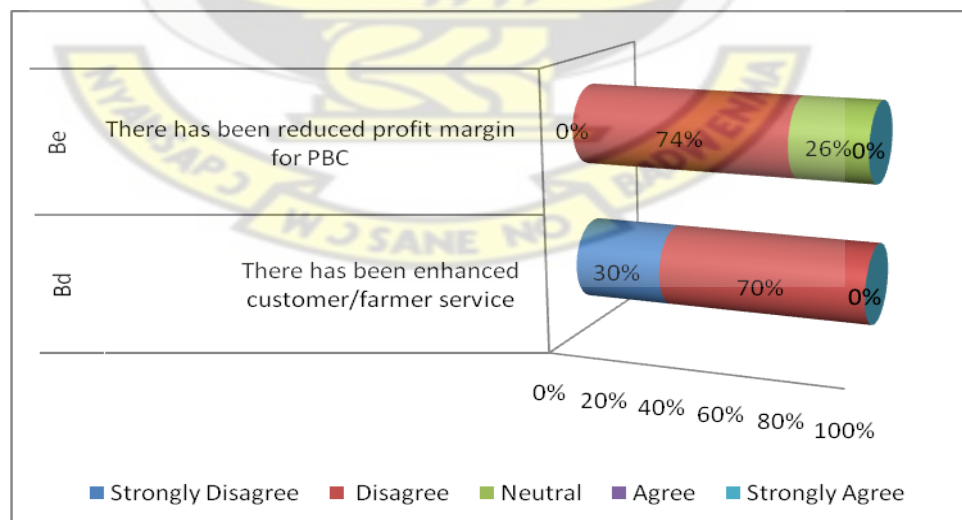
In summary, as depicted in Figures 4.1, and 4.2, the liberalization which caused fierce competition in the industry has led to the reduction of farmer base; thus leading to losing a segment of the market share. In view of the competition, PBC did not allow laxity in the screening of cocoa farms to ensure that Ghana still produces premium cocoa.

Figure 4.1: Reduced Farmer base



Source: Field Survey, July, 2011

Figure 4.2: Profit margin/Farmer Service enhanced



Source: Field Survey, July, 2011

Finally as shown in Figure 4.2 above, research indicated an upward trend of profit margin in spite of the liberalization due to enhanced customer/farmer service.

4.5.3 Response to Liberalization/Competition

This section identified six major parameters coded Ca, Cb, Cc, Cd, Ce and Cf which were used as tools to ascertain PBCs response to the competition in the industry caused by the liberalization of the market. Table 6 provides details.

Assessing the factors used for the response to competition, the study revealed that ‘Ca: Wider array of products and incentives have been developed by PBC’, 8% neutral, 34% agree and 58% strongly agree; ‘Cb: Frequent staff/purchasing clerks training for improved customer service’, 84% disagree, 16% neutral; ‘Cc: Expanded branch network for PBC’, 16% neutral, 50% agree and 34% disagree; and ‘Cd: Vigorous advertising campaign (outdoor, print and electronic)’, 14% agree and 86% strongly agree; ‘Ce: Establishment of a service centre to serve exclusively the needs of farmers’, 20% neutral, 60% agree and 20% strongly agree.

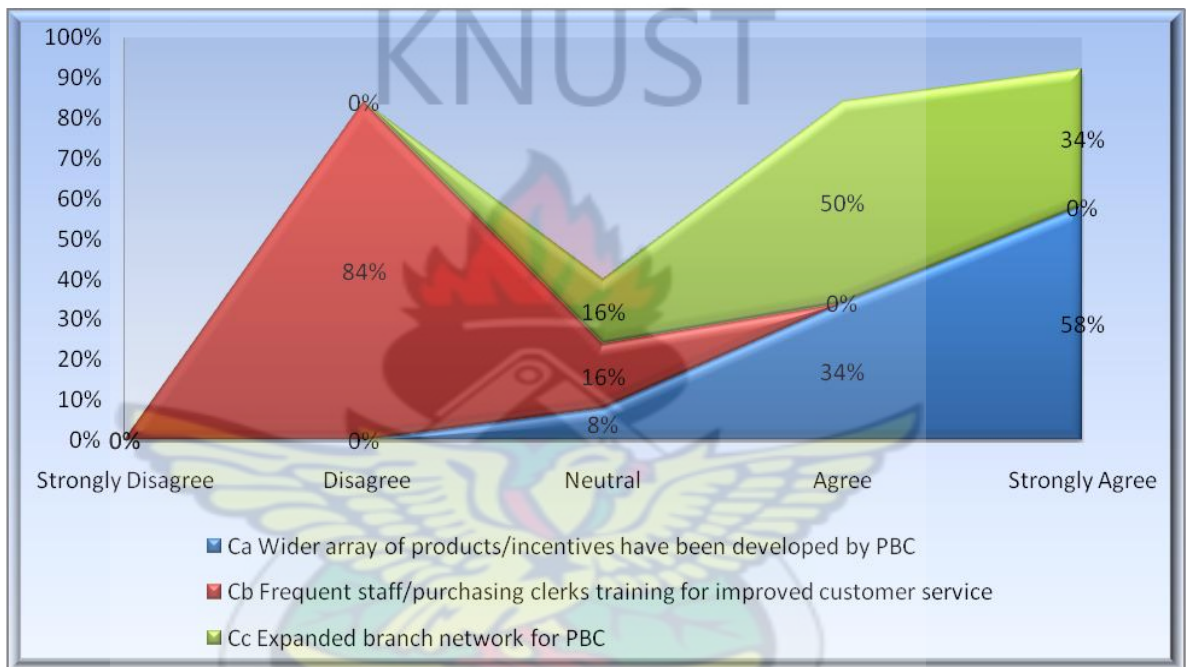
Table 7: Response to Liberalization/Competition

	Details	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Ca	Wider array of products/incentives have been developed by PBC	0	0%	0	0%	4	8%	17	34%	29	58%	50	100%
Cb	Frequent staff/purchasing clerks training for improved customer service	0	0%	42	84%	8	16%	0	0%	0	0%	50	100%
Cc	Expanded branch network for PBC	0	0%	0	0%	8	16%	25	50%	17	34%	50	100%
Cd	Vigorous advertising campaign (outdoor, print and electronic)	0	0%	0	0%	0	0%	7	14%	43	86%	50	100%
Ce	Establishment of a service centre to serve exclusively the needs of farmers.	0	0%	0	0%	10	20%	30	60%	10	20%	50	100%
Cf	PBCs response to the liberalization/competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.	0	0%	0	0%	3	6%	7	14%	40	80%	50	100%

Source: Field Survey, July, 2011

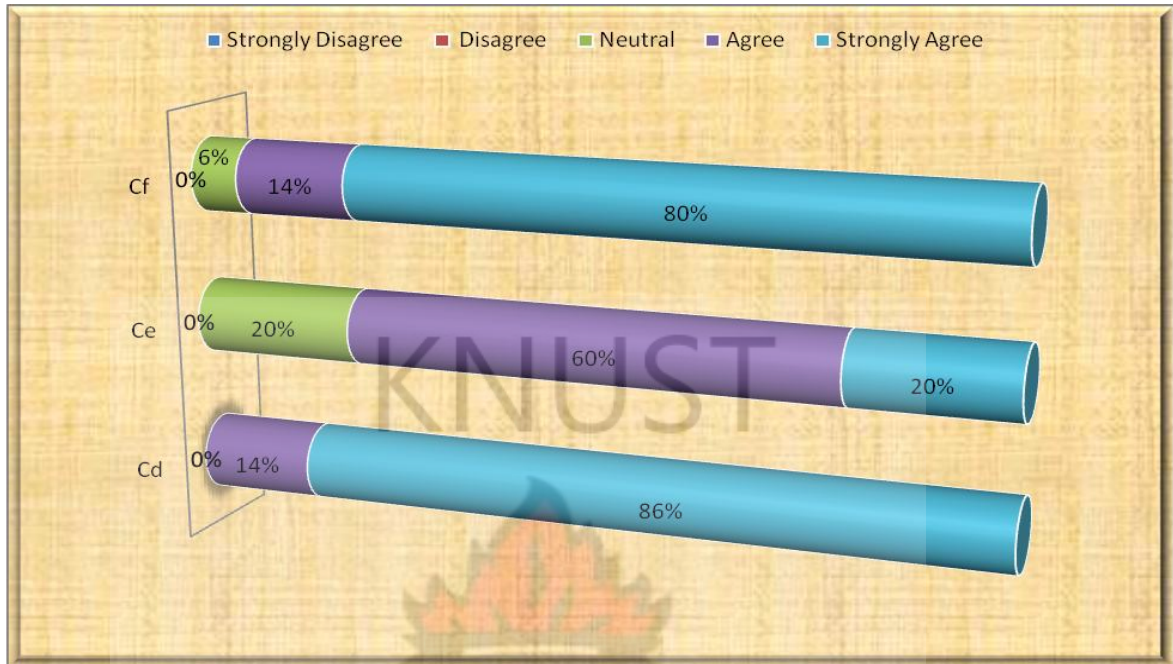
Again, ‘Cf: PBCs response to the liberalization/competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources’, 6% neutral, 14% agree and 80% strongly agree. Figures 5.1 and 5.2 picturesquely represent the above presentation.

Figure 5.1:Wider array, Training and Expansion



Source: Field Survey, July, 2011

Figure 5.2: Adverts, service centers and IT infrastructure



Source: Field Survey, July, 2011

In summary, study showed that PBC has wider range of products/incentives, however, training programmes are seldom organized for staff on customer service; and easy accessibility of commissioned agents by farmers. Again, vigorous advertisements and massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.

4.6 Responses from Farmers

4.6.1 Farmers' reasons for choosing PBC

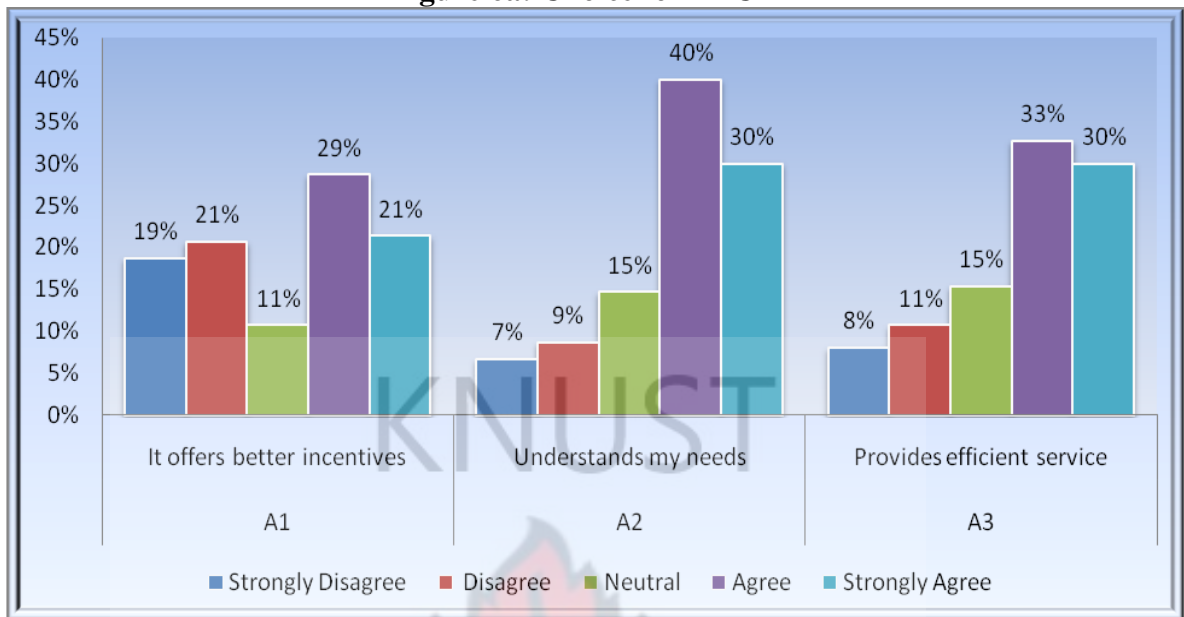
The research identified five factors which were used to assess the reasons for which brought satisfaction to respondents; and are coded A1...A5 as illustrated by Table 7 and Figures 7a and 7b below.

Table 8: Choice for PBC

Code	Details	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
A1	It offers better incentives	28	19%	31	21%	16	11%	43	29%	32	21%	150	100%
A2	Understands my needs	10	7%	13	9%	22	15%	60	40%	45	30%	150	100%
A3	Provides efficient service	12	8%	16	11%	23	15%	49	33%	45	30%	145	97%
A4	Personalizes service	6	4%	27	18%	29	19%	50	33%	38	25%	150	100%
A5	Community minded/Socially Responsible	10	7%	14	9%	16	11%	57	38%	53	35%	150	100%

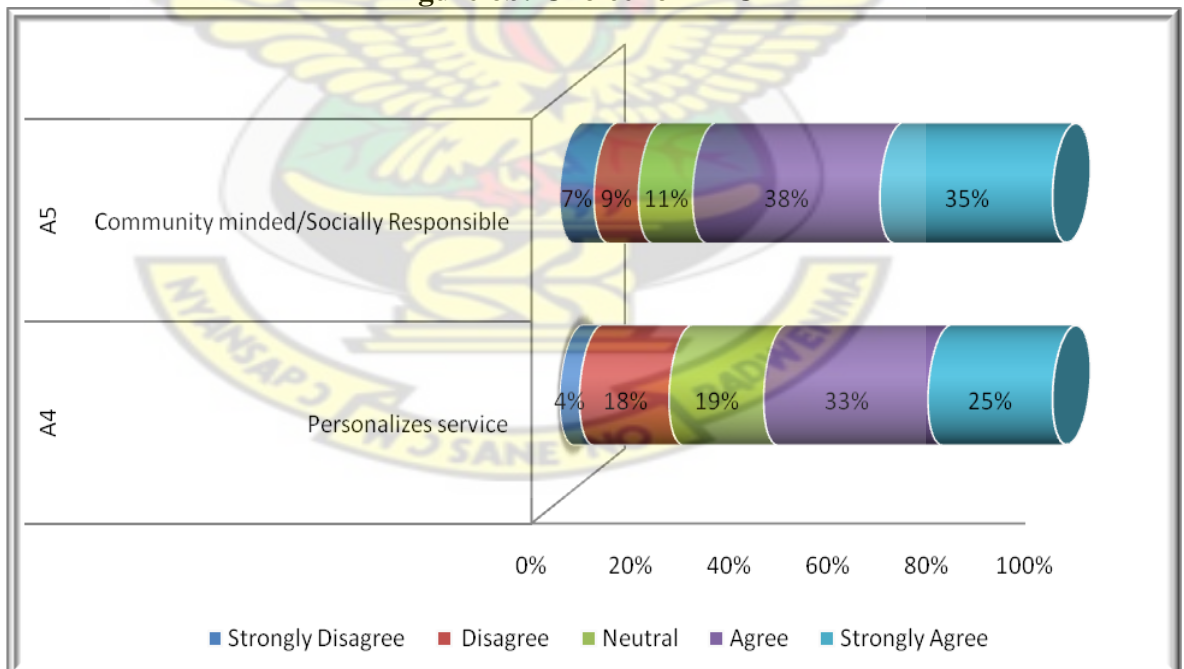
Source: Field Survey, July, 2011

Figure 6a: Choice for PBC



Source: Field Survey, July, 2011

Figure 6b: Choice for PBC



Source: Field Survey, July, 2011

The survey did not show a clear response to whether PBC is offering better incentives to farmers apart from the approved cocoa price. This is evidenced by the average 20% response for all the five variables of Strongly agree, agree, neutral, disagree and strongly disagree. It could therefore be deduced that PBC's performance in the area of incentives is just the same as in the industry, probably not too good.

On the issue of PBC 'understanding the needs of farmers, PBC registered cumulatively, 70% in agreement; and 58% agreeing to PBC personalizing their services to the farmers, although 22% collectively disagreed; and finally, 73% aggregately agreeing to PBC being socially responsible.

4.6.2 PBC compared to other LBCs

In the quest to ascertain the performance of PBC as compared with other players in the industry, the researcher tested five separate assertions which were coded B1, B2, B3, B4 and B5 as detailed in Table 8 and picturesquely illustrated in Figure 6a.

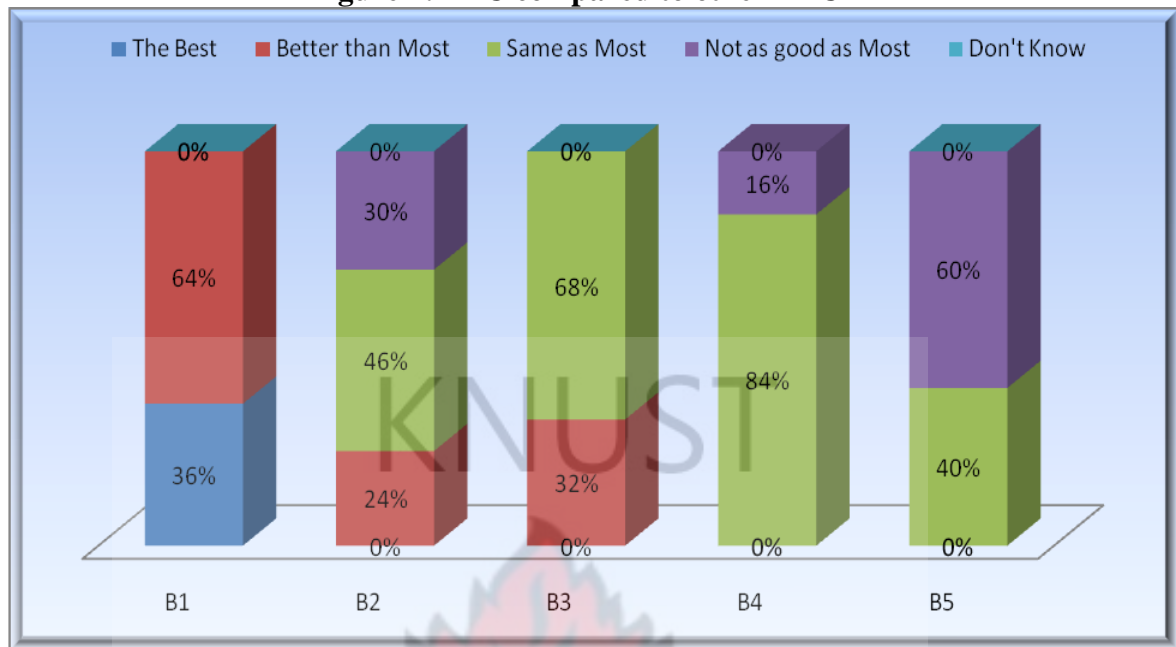
The survey exhibited that on the issue 'B1: Screening criteria for quality products using modern farming techniques', PBC is better than most and certain instances considered the best of the LBCs in the industry; 'B2: Ability of PBC to respond to liberalization/competition', 24% better than most, 46% same as most and 30% not as good as most; 'B3: Branch proximity, is same as most players in the industry; 'B4: Introduction of innovative products/development of new products and services for farmers', 84% same as most; and 'B5: Helping farmers/customers with their finances', 40% same as most and 60% not as good as most.

Table 9: PBC compared to other LBC

		The Best		Better than Most		Same as most		Not as good as Most		Don't know	
		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
B1	Screening criteria for quality products using modern farming techniques.	18	36%	32	64%	0	0%	0	0%	0	0%
B2	Ability of PBC to respond to liberalization/competition	0	0%	12	24%	23	46%	15	30%	0	0%
B3	Branch proximity	0	0%	16	32%	34	68%	0	0%	0	0%
B4	Introduction of innovative products/development of new products and services for farmers	0	0%	0	0%	42	84%	8	16%	0	0%
B5	Helping farmers/customers with their finances	0	0%	0	0%	20	40%	30	60%	0	0%

Source: Field Survey, July, 2011

Figure 7: PBC compared to other LBC



Source: Field Survey, July, 2011

4.7 Challenges of PBC

The employees of PBC enumerated several challenges impeding them to meet the competition head-on. Notable among them are:

1. PBC is facing the problem of ageing purchasing clerk whose level of efficiency decreasing gradually.
2. Due to the fact the purchasing clerks are partial employees; their commitment level has always not been as expected.
3. PBC lacks the capacity to accommodate farmers with much larger tonnes of cocoa beans.

On the part of the farmers, it came out that the incentives to the farmers are too small.

The farmers maintained that the District managers do not visit the farmers regularly to learn firsthand their difficulties. Other issues raised are:

1. Poor road networking causes stocks of cocoa beans piled up in the bush.
2. Fertilizers are delayed in applying to the trees.
3. Farmers are not well motivated to go the extra mile in the level of their production.

KNUST



CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.0 Introduction

This chapter provides exposé on the summary of the research findings, conclusions drawn from the study and recommendations.

5.1 Summary of findings

Given the importance of cocoa to the economy of Ghana, cocoa marketing industry has been internally deregulated, with a number of local and foreign owned trading companies, known as LBCs, emerging in all growing areas of southern Ghana. A key feature of the Ghanaian cocoa marketing system is that the Cocobod continues to fix the floor price for all domestic purchases of the crop: although all LBCs are legally entitled to buy the crop at a price above the one announced by the board, the premium prices are rarely paid and of little value. Competition among buying companies comes from the volume of total purchases, and is generated mainly through non-price strategies (for example, prompt cash payment and greater, but ad hoc, provision of input subsidies and credit). For almost two decades into the liberalization of the internal marketing system, three main possible beneficiaries have been identified; namely, 1) The state, which maintains a monopoly on all exports and makes a substantially higher return from taxation than other cocoa regions; 2) The traders, who compete for the purchase of higher volumes of the export crop on non-price terms throughout the cocoa belt areas; and 3) The farmers, who are guaranteed a minimum floor price regardless of their geographical location.

The central purpose of this empirical study is to assess the internal cocoa marketing practices of licensed buying Companies; with the specific research objectives being: to evaluate the liberalization of the internal marketing of cocoa as far as quality is concerned; to assess the impact of internal cocoa marketing on LBCs; and to recommend the best practices on improved internal cocoa marketing in Ghana.

A sample size of two hundred (200), comprising fifty (50) staff and one hundred and fifty (150) farmers of the target population responded to the administered questionnaire using the Purposive sampling to select which station of the service within the targeted region to visit for the study. Analysis of the responses to the questionnaire (i.e. Appendices 1 and 2) revealed the following:

Demographic Data

- The survey indicated that 25% of the respondents were staff of PBC, while farmers on the other hand registered the remaining 75%; a ratio of 1:0.9 with regard to male and female distribution was observed.
- The ages of the respondents were within the range of 20 and 72 years for both staff and farmers; and the study exhibited a fair representation for all the identified age groups. The age group with the highest representation was 41 – 45 years recording 19%; followed with 18% was 51 – 55 years; 46 – 50 years had 15% among the rest and the group which the least of representation was the ‘less than 30 years attaining 4.5%.

- Over 7.5% of the staff respondents had served the company within a period of less than 5 years and above 10 years each while 10% has been there for PBC between 6 and 10 years. It could therefore be deduced that PBC has 70% of the staff with working experience above 5 years. Also, 39.5% of farmers have been dealing with PBC for the period 'less than 5 years, albeit, 36.5% have been very loyal to PBC as their LBC for internal cocoa marketing for a period over 5 years.

Liberalization of Internal marketing of Cocoa at PBC

'The degree of competition is high in the internal cocoa marketing industry in Ghana', recorded 92% agree with 8% undecided; 'PBC enjoys some sort of monopoly in the internal cocoa marketing industry in Ghana', registered 84% disagreed and 16% neutral; 'PBC offers other incentives to farmers apart from set price of cocoa among other operators in the industry in Ghana', achieved, 16% neutral, 50% Agree and 34% strongly agree; 'Liberation is good for competition do you agree', 86% strongly agree and 14 agree; 'There has been pressure from the COCOBOD in recommending measures to fuel competition', 20% neutral, 60% Agree and 20% Strongly Agree; 'The proliferation of foreign LBCs in Ghana in recent times has fuelled competition', 6% neutral, 14% Agree and 80% strongly agree; and 'Increased customer awareness and sovereignty has brought about competition among LBCs', 6% agree and 94% strongly agree.

Effects of Liberalization of Internal Cocoa Marketing on PBC

'There has been reduced customer/farmer base', 2% neutral, 56% agree and 42% strongly agree; 'The market share of the PBC has reduced', 16% neutral, 50% agree and 34% strongly agree; 'Screening criteria for cocoa farms has been relaxed', 10% strongly

disagree, 66% disagree and 24% neutral; 'There has been enhanced customer/farmer service', 30% strongly disagree, 70% disagree; and 'There has been reduced profit margin for PBC', 74% disagree and 26% neutral.

Response to Liberalization/Competition

'Wider array of products/incentives have been developed by PBC', 8% neutral, 34% agree and 58% strongly agree; 'Frequent staff/purchasing clerks training for improved customer service', 84% disagree, 16% neutral; 'Expanded branch network for PBC', 16% neutral, 50% agree and 34% disagree; and 'Vigorous advertising campaign (outdoor, print and electronic)', 14% agree and 86% strongly agree; 'Establishment of a service centre to serve exclusively the needs of farmers', 20% neutral, 60% agree and 20% strongly agree. 'PBCs response to the liberalization/competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources', 6% neutral, 14% agree and 80% strongly agree

Responses from Farmers

Farmers' reasons for choosing PBC

No clear response to whether PBC is offering better incentives to farmers apart from the approved cocoa price. For PBC's 'understanding the needs of farmers, PBC registered 70% agree; and 58% agree to PBC personalizing their services to the farmers and 73% agree to PBC being socially responsible.

PBC compared to other LBC

'Screening criteria for quality products using modern farming techniques', PBC is better than most and certain instances considered the best of the LBCs in the industry; 'Ability

of PBC to respond to liberalization/competition’, 24% better than most, 46% same as most and 30% not as good as most; ‘Branch proximity, is same as most players in the industry; ‘Introduction of innovative products/development of new products and services for farmers’, 84% same as most; and ‘Helping farmers/customers with their finances’, 40% same as most and 60% not as good as most.

Challenges of PBC

Several challenges are impeding PBC to meet the competition head-on. Notable among them are: a) PBC is facing the problem of ageing purchasing clerk whose level of efficiency is decreasing gradually; b) Due to the fact the purchasing clerks are partial employees; their commitment level has always not been as expected; c) PBC lacks the capacity to accommodate farmers with much larger tonnes of cocoa beans; d) Incentives to the farmers are too small; e) District managers do not visit the farmers regularly to learn firsthand their difficulties; f) Poor road networking causes stocks of cocoa beans piled up in the bush; g) Fertilizers are delayed in applying to the trees; and h) Farmers are not well motivated to go the extra mile in the level of their production.

5.2 Conclusions

In conclusion, the male to female ratio is an indication of adequate evidence of 7% slight male dominance in the service, thereby, laying credence to the assertion that there is a fair gender balance in the internal cocoa marketing industry, with the female specie coming up strongly as many woman are taking advantage of the ever increasing price of cocoa in Ghana even when there is downward trend in pricing in the international market.

PBC could boast of a perfect mixture of youthful, energetic and a much sober and well experienced middle aged employees, although it has a small fraction of more senior citizens who has barely 2 to 3 years to proceed to retirement. Indicating that the youth are not showing much interest in the cultivation of cocoa; probably seeing it as enterprise for the middle aged and elderly. It also provides proof of the high incidences of rural-urban migration.

The extent and the existence of competition in the industry pointed to the fact there is high competition in the industry, hence the reason for which PBC could not monopolize the market. Again, the ever increasing rights of the customer has added more momentum to the competition, especially when all the LBCs are doing virtually the same thing. Therefore, bring satisfaction to the farmer by ensuring their needs are always met is the key.

The liberalization caused fierce competition in the industry has led to the reduction of farmer base; thus leading to losing a segment of the market share. In view of the competition, PBC did not allow laxity in the screening of cocoa farms to ensure that Ghana still produces premium cocoa.

PBC has wider range of products/incentives. Furthermore, training programmes are seldom organized for staff on customer service; and easy accessibility of commissioned agents by farmers. Again, vigorous advertisements and massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.

PBC's performance in the area of incentives is just the same as in the industry, probably not too good.

5.3 Recommendations

In view of the findings of the research the following were recommended:

Monitoring and Evaluation

Management should ensure that District Managers adopt effective monitoring and evaluation instead of leaving the entire work on the hands of the purchasing clerks whose commitment level by virtue of their status as partial employees is woefully discouraging.

Rehabilitation of farmgate roads

In view of high amount of tonnes of cocoa locked up on the farms due to the unaccessibility of the farms; thereby rendering the company and for that matter the entire country losing the most sought after revenue for developmental agenda of central government.

Logistical support for farmers

The needs of farmers are multidimensional. Logistical support such the provision of fertilizers at the right time and at subsidized rate is highly recommended. The mass spraying of farms should be encouraged and never to be politicized. Financial supports to the farmers are also advised. Financial support could take the form higher producer price rate far above neighbouring Cote d'ivoire so as prevent smuggling. PBC could

adopt a welfare system to purposely take care of the farmers. Other basic amenities such as cutlass, boots and other facilities are to be supplied to farmers.

Ability to resolve complaints on schedule

It was observed that PBC's ability to resolve farmer complaints especially considering transparency and provision of information to farmers on time is highly recommended. The undue delay many a times puts the farmer through anxious moments during the long wait, particularly in this era of technology. PBC is advised to be properly networked and acquires the appropriate technology for steady and stable services to farmers.

Responding to changes in the market

PBC's ability to respond to market changes in the internal cocoa marketing is one of the strong points of a customer service. Abiding by legal and other legislative frameworks in its operations within the industry and the nation as whole is very important.

Training of staff of customer service

Contemporary training is required to cover essential work-related skills, techniques and knowledge in customer satisfaction; and much of this section should deal with taking a positive progressive approach to this sort of training. The most effective way to develop people in customer service is quite different from conventional skills training, which many subordinates regard quite negatively.

The capacity building in customer care should go far beyond and outside the classroom. More importantly, training - or learning, to look at it from the trainee's view - is anything offering learning and developmental experience. Training and learning

development includes aspects such as: ethics and morality; attitude and behaviour; leadership and determination, as well as skills and knowledge.

These recommendations, if implemented, will help improve the work of the PBC, which in turn, will help restore public confidence in the PBC by making them effective in the internal cocoa marketing. PBC as an institution will also gain the positive image they need to win the confidence of the farmers and the general public as internal cocoa marketing compliant company.



REFERENCE:

A Committee Report (1997), Cocoa Marketing. Quality of Beans and Processing in Ghana for Discussion at a Seminar at GIMPA near Legon 21-22 November 1997 Pages 27-33.

Amoah, J.E.K (1998) Marketing of Ghana Cocoa (1885-1992) Jemre Enterprise Limited, Accra Pages 177-179. Appendix 17 and 18 Page a 107.

Byars, LL, Rve L.W., and Zahra, S,A, (1996) Strategy in A Changing Environment Pages 52-70.

Cravens, D.W. (1996) Strategic Marketing, Page 35.

Ghana Cocoa Sector Development Strategy, (1999) Ministry of Finance Pages 57-70.

Gilbert, C.L. and (1997) Cocoa Market Liberalization. It's Effect on Quality, Future Trading and Prices, the Cocoa Association of Loridon Limited. Page 1-39

Kotler, P (2000), Marketing Management. Analysis Planning implementation and Control, Practice Hall Inc. Pages 54.

Lee-Ross, D., (1999a), HRM in Tourism & Hospitality – International Perspectives in Small to Medium-sized Enterprises, Cassell, UK.

LMC International Limited (1996). The External Marketing of Ghana's Cocoa. Executive Summary of the Final Report. Prepared for the Ministry of Finance (On behalf of Government of Ghana) Pages 1015.

Payne, A. et al, (1999), Relationship Marketing for Competitive Advantage, Butterworth Heinemann, Great Britain.

Produce Buying Company Limited. Public Share Offer for Sales, Mini Prospectus, 1999, Pages 8-15.

Ruf, F. (2007) '*Current cocoa production and opportunities for re-investment in the rural sector Côte d'Ivoire, Ghana and Indonesia*'. WCF meetings: http://www.worldcocoaoundation.org/about/documents/FRuf_paper.pdf

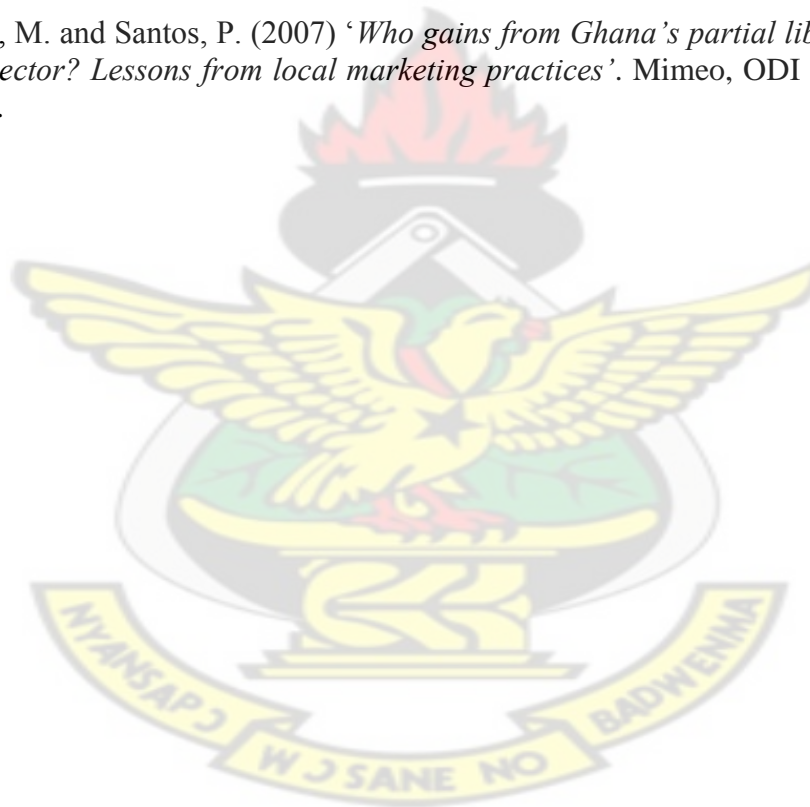
Saunders, M., Lewis, P. and Thornhill, A.(2007) *Research Methods for Business Students* 4th ed. Prentice Hall.

Teal, F., Zeitlin, A., and Maamah, H. (2006) '*Ghana Cocoa Farmers Survey 2004: Report to Ghana Cocoa Board*' Centre for the Study of African Economies, Oxford University. <http://www.gprg.org/pubs/reports/pdfs/2006-04-teal-zeitlin-maamah.pdf>

The institute of Statistical Social and Economic Research. University of Ghana (2001). *The state of the Ghanaian Economy in 2000*. pages 4-50, 94-129.

Vigneri, M. (2005) '*Trade liberalisation and agricultural performance: Micro and macro evidence on cash crop production in sub-Saharan Africa*'. DPhil thesis. Oxford University.

Vigneri, M. and Santos, P. (2007) '*Who gains from Ghana's partial liberalisation in the cocoa sector? Lessons from local marketing practices*'. Mimeo, ODI and University of Sydney.



APPENDIX I

SAMPLE QUESTIONNAIRE

QUESTIONNAIRE TO STAFF/COMMISSION AGENT

Dear Sir/Madam

You have been selected to respond to this questionnaire for the study of “*Assessment Of Internal Cocoa Marketing of Licensed Buying Companies in Ghana: A Case Study of the Produce Buying Company Ltd*”. You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential.

Thank You.

SECTION A: Please complete this section by ticking the applicable box

1. Sex: Male ☐ Female ☐
2. Age: Less than 30years ☐ 30 – 35years ☐ 36 – 40years ☐ 41 – 45 years ☐
46 – 50years ☐ 51 – 55 ☐ 56-60 years ☐ 60+ years ☐
3. Number of years with the PBC Less than 5years ☐ Between 6 – 10years ☐
Above 10 years ☐

Section B: Extent of liberalization of Internal Marketing of Cocoa at PBC

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
The degree of competition is high in the internal cocoa marketing industry in Ghana						
PBC enjoys some sort of monopoly in the internal cocoa marketing industry in Ghana.						
PBC offers other incentives to farmers apart from set price of cocoa among other operators in the industry in Ghana						
Liberation is good for competition do you agree						
There has been pressure from the COCOBOD in recommending measures to fuel competition.						
The proliferation of foreign LBCs in Ghana in recent times has fuelled competition.						
Increased customer awareness and sovereignty has brought about competition among LBCs.						

Section C: Choose from the suggested list below your level of agreement to the following statement which indicates various competition drivers in the internal cocoa marketing industry.

Effects of liberalization of internal cocoa marketing to PBC

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
There has been reduced customer/farmer base						
The market share of the PBC has reduced						
Screening criteria for cocoa farms has been relaxed						
There has been enhanced customer/farmer service						
There has been reduced profit margin for PBC						

Section D: Response to liberalization/competition in the internal cocoa marketing industry

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
Wider array of products/incentives have been developed by PBC						
Frequent staff/purchasing clerks training for improved customer service						
Expanded branch network for PBC						
Vigorous advertising campaign (outdoor, print and electronic)						
Establishment of a service centre to serve exclusively the needs of farmers.						
PBCs response to the liberalization/competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.						

Section E: Challenges & Recommendations

1. What are the major challenges facing PBC in the industry

2. Please provide the requisite recommendation for PBC to gain the competitive advantage over the other LBCs in the industry.



APPENDIX II

QUESTIONNAIRE TO FARMERS

Dear Sir/Madam

You have been selected to respond to this questionnaire for the study of “*Assessment Of Internal Cocoa Marketing of Licensed Buying Companies in Ghana: A Case Study of the Produce Buying Company Ltd*”. You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential.

Thank You.

Please choose the option that applies to you by placing a tick in the bracket of your choice. Please give only ONE answer.

Section A: Bio Data LBC History

1. Sex : 1. Male ☐ 2. Female ☐
2. Age: Less than 30years ☐ 30 – 35years ☐ 36 – 40years ☐
41 –45 years ☐ 46 – 50years ☐ 51 – 55 ☐ 56-60 years ☐ 60+ years ☐
3. Number of years with the PBC:
Less than 5years ☐ Between 6 – 10years ☐ Above 10 years ☐
4. Which of the following best describes your level of education?
1) University and above ☐ 2) Diploma ☐ 3) Professional Training ☐
4) Secondary Education ☐ 5) Middle School/ Basic Education ☐
9) Non ☐

Section B:

When completing this section, please indicate how the following statements apply to PBC in your own opinion. I chose PBC because

Details	Strongly Agree (1)	Agree (2)	Uncertain (3)	Disagree (4)	Strongly Disagree(5)
1. It offers better incentives to farmers apart from the approved cocoa price					
2. Understands my needs					
3. Purchasing clerks provides efficient service					
4.Offers Prompt cashing/shorter					

Queue time					
5. Wider range of service					
6. Personalises service					
7. Community minded/Socially responsible					

Section C: In your own opinion, please indicate how PBC can be compared other LBC in Ghana on the statements below:

Details	The Best (1)	Better than Most (2)	Same as Most (3)	Not as Good as Most (4)	Don't Know (5)
Screening criteria for quality products using modern farming techniques.					
Ability of PBC to respond to liberalization/competition					
Branch proximity					
Introduction of innovative products/development of new products and services for farmers					
Helping farmers/customers with their finances					

Section D: Challenges & Recommendations

1. What are the major challenges facing PBC in the industry

2. Please provide the requisite recommendation for PBC to gain the competitive advantage over the other LBCs in the industry.

3. What recommendations would you suggest as the best practices in internal marketing of cocoa that would improve the internal cocoa marketing in Ghana?

APPENDIX III
INTERVIEW GUIDE TO MANAGEMENT

STRUCTURED INTERVIEW GUIDE TO MANAGEMENT

1. Besides traditional purchasing of cocoa and provision of fertilizers to farmers what other additional services are provided by PBC to farmers and the farming communities?
2. With respect to the list of services provided in (1) are there regulatory limitations that constrain PBC to offer some of them?
3. Are there regulatory limits on the ability of PBC to offer financial assistance to farmers?
4. For each of the services detailed in (1), kindly provide a brief description of the market structure, based on the fact that for most of these service LBCs compete among themselves..... Who are your competitors? Are they single providers of the products?
5. Is there one single consumer of the product or service considered? Are there many consumers or large entities as major consumers?
6. In geographic terms how wide is the market for the products of PBC?
7. Please describe the rules on branching in Ghana.
8. Have there been any important regulatory changes that have fuelled competition?
9. How has liberalization affected the operations of BBG Ltd?
10. Please indicate how PBC has responded to liberalization/competition over the years.