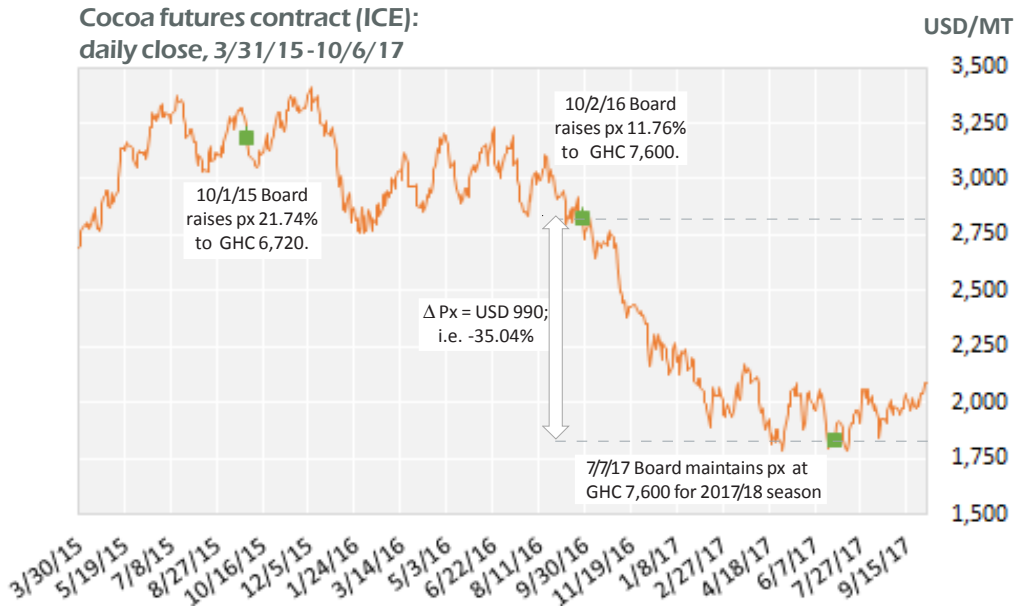


## GHANA RESEARCH NOTE

**Risk of unintended consequences - update**

*“COCOBOD’s strategy is to make up for the decline in the world market price with higher export volumes (sic)”*.<sup>1</sup>



1) [At the risk of stating the obvious], the authorities’ **approach completely ignores the price impact of marginal supply**. Moreover, it **stands at cross-purposes to the buffer-stock mechanism** that the Ivoir-Ghanaian joint ministerial committee is actively trying to get off the ground<sup>2</sup>.

2) Nevertheless, in pursuit of said ‘strategy’, **COCOBOD has significantly increased its deliveries of inputs** such as pesticides and fertilizer - in addition to the major price incentive offered to cocoa farmers.

3) Ostensibly, the **associated cost is to be partly offset by reducing the LBCs’ selling margin**<sup>3</sup>. Whether any of the other incentives provided to LBCs<sup>4</sup> will be scaled back, remains unclear.

The obvious catch is that, should the authorities attempt to squeeze too many ‘efficiencies’ from this crucial link in the supply-chain<sup>5</sup>, **bottlenecks could develop quickly**.

4) With less than a week to go until the delayed launch of 2017/18 crop season<sup>6</sup>, **it is difficult to avoid the conclusion that policy-makers still do not have their ducks in a row**.

<sup>1</sup> As reported by one of the LBCs who reached out to Rhombus on Oct. 6<sup>th</sup>, in an attempt to raise working capital to fund their cocoa purchases during the 2017/18 crop season.

<sup>2</sup> See [“Top cocoa producers to create buffer stock to influence world prices”](#), by Reuters, Jul. 21, 2017.

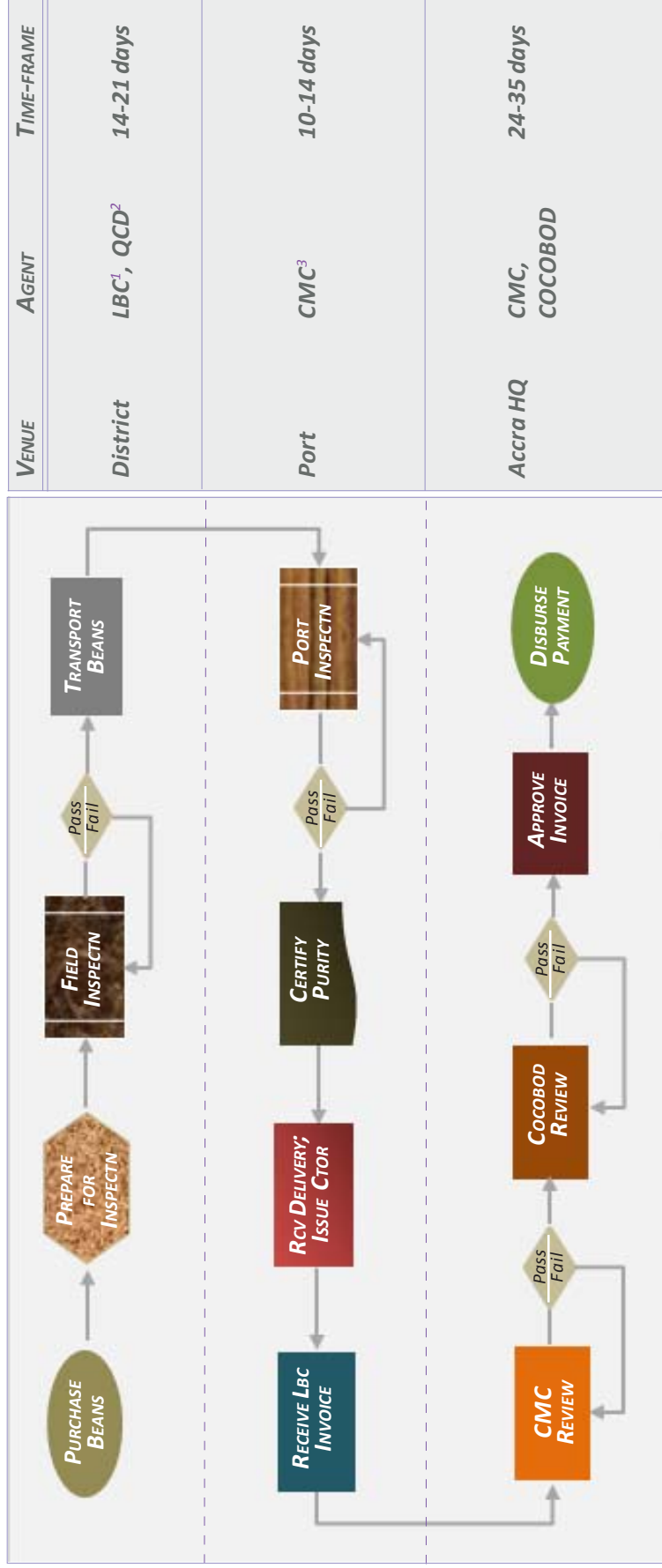
<sup>3</sup> Whereas the Board has historically purchased beans from the LBCs at a 10-11% mark-up (from the farm-gate price), the margin under discussion for the 2017/18 season is reportedly in the range of 9%.

<sup>4</sup> For example, COCOBOD has historically provided the LBCs with a ‘mobilization advance’ that is disbursed in mid-late Sept. and repaid over the course of the crop season. In addition, the LBCs have hitherto been able to claim reimbursement for the full cost of shipping their product to the designated cocoa port (i.e. Kumasi, Takoradi or Tema).

<sup>5</sup> See process flow-chart, mapping the cocoa supply-chain, in the Appendix overleaf.

<sup>6</sup> It is also noteworthy that the producer price for the 2017/18 season was announced 100 days before the start of the campaign. In previous years the relevant announcement has been made on the eve of the crop-season’s commencement, as illustrated in the chart above. As if to underscore the anomaly, COCOBOD is yet to announce the price at which it will purchase cocoa. Historically, the LBC price has been set at the same time as the producer price.

**APPENDIX**  
**The cocoa supply-chain: LBCs procure & deliver to COCOBOD**



VENUE	AGENT	TIME-FRAME
District	LBC <sup>1</sup> , QCD <sup>2</sup>	14-21 days
Port	CMC <sup>3</sup>	10-14 days
Accra HQ	CMC, COCOBOD	24-35 days

<sup>1</sup> Licensed buying company  
<sup>2</sup> Quality control division (COCOBOD)  
<sup>3</sup> Cocoa marketing company, a wholly owned subsidiary of COCOBOD.

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