



153

# REPORT ON COCOA CONTROL IN WEST AFRICA

1939-1943

AND

STATEMENT ON FUTURE POLICY

*Presented by the Secretary of State for the Colonies  
to Parliament by Command of His Majesty  
September 1944*

LONDON

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE  
To be purchased directly from H.M. STATIONERY OFFICE at the following addresses:  
York House, Kingsway, London, W.C.2; 13a Castle Street, Edinburgh 2;  
39-41 King Street, Manchester 2; 1 St. Andrew's Crescent, Cardiff;  
80 Chichester Street, Belfast;  
or through any bookseller

1944

Price 3*d.* net

Cmd. 6554

## PART I

# REPORT ON COCOA CONTROL IN WEST AFRICA 1939-1943

From the outbreak of war, His Majesty's Government has guaranteed the purchase of the total cocoa production of the British West African Colonies. In fulfilling this guarantee His Majesty's Government has undertaken on the one hand to bear any eventual loss on resale, and on the other hand to invite Parliament to vote a sum equivalent to any eventual profit realised for payment directly to the producers or, in agreement with the Colonial Governments concerned, for expenditure on objects of benefit to them. The object of this report is to indicate the reasons for this policy and to describe the means adopted in carrying it out, up to and including the season of 1942-43.

### I. Background.

2. Since British West Africa normally produces for export about half of the world's supplies of cocoa beans, its importance as a world supplier is obvious. Although the production of the Western Provinces of Nigeria is substantial, by far the greater part is produced in the Gold Coast, and the importance of the cocoa industry to West Africa as a whole, and to the Gold Coast in particular, is very considerable. Cocoa is the mainstay of thousands upon thousands of peasant farmers (cocoa is not produced in British West Africa on European-run plantations) and provides a livelihood for countless numbers of wage-labourers who are employed by the farmers in the maintenance of their farms and the harvesting of the crops. Cocoa is the great provider of external purchasing power, and, in the case of the Gold Coast, the budgetary position of the Government depends to a very large degree on the prosperity of the cocoa industry.

3. As cocoa is a seasonal crop, the merchant firms will normally purchase the whole crops only if they can be sure of reselling them over the year. The outbreak of war cut off at one blow access to some of the more important markets in which West African cocoa had normally been resold, and, as a result, the merchant firms were unlikely to purchase any more cocoa than that for which they could find an immediate outlet. The requirements of the United Kingdom fall far short of the output of West Africa, and there was no prospect that in the ordinary course alternative markets could be found to take the place of those cut off by the blockade, and of those others diminished by the need to conserve shipping space for essential requirements. Clearly, since the merchant firms were unable, in view of the uncertainty of disposal, to undertake the risk involved in purchasing the entire crops, there was no alternative but for His Majesty's Government itself to undertake this risk and to purchase the crops of the Gold Coast and Nigeria. The merchant firms themselves realised the necessity for this action on the part of His Majesty's Government, and their co-operation assisted in the smooth working of the scheme.

4. In the first place the purchase was carried out by the Ministry of Food, and subsequently by the West African Cocoa Control Board (now the West African Produce Control Board), an organisation established by and operated under the authority of the Secretary of State for the Colonies (see paragraphs 20-23 below).

### II. Narrative.

5. In this section it is proposed to give a brief account of the course of events from the outbreak of the war up to about September, 1943. Special

topics will be dealt with in separate sections, in order to avoid repetition and reference back and forward. The term "season" here means the period 1st October to 30th September, and includes, in both the Gold Coast and Nigeria, the "main" crop, which comes forward during the winter months, and the much smaller "intermediate" crops, which come forward in the summer.

(a) *Season 1939-40.*

6. The decision having been taken that His Majesty's Government should purchase the total crops of the Gold Coast and Nigeria, the first problem was to arrange for the actual mechanism and responsibility for purchase. Owing to the fact that production greatly exceeded United Kingdom requirements, this transaction did not strictly fall within the responsibility of the Ministry of Food. Speedy action was, however, necessary, and no other machinery of purchase was ready to hand. The Ministry of Food therefore undertook, for the season 1939-40, to purchase the entire output of British West Africa, with the understanding that, since a main reason for the purchase was the maintenance of the social and economic well-being of the West African Colonies, the Colonial Office should share in the framing of general policy.

7. As to mechanics, a system of control was introduced, whereby the local Governments took powers to fix prices and the actual handling of the export trade and the purchasing were divided among the individual firms actually engaged in the trade, in proportion to previous performance.\* The prices fixed (for details see Appendix I) were those ruling in Africa at the introduction of control. Under this system, the firms acted as agents for, and at the direction of, Government, both as regards purchase and as regards sales. They were (and are) reimbursed with their average out-of-pocket expenses and paid for their services at an agreed profit rate per ton.

8. The disposal of the 1939-40 crop proved to be rather easier than had originally been expected. The crops fell below the original estimates, whereas sales to Canada and the United States exceeded expectations, as did the allocation of freight space for the United Kingdom. Details of shipments to the various destinations are given in Appendix III. All these sales were of main crop cocoa, the intermediate crops, which are below the standard of main crop, being destroyed on purchase. The general question of policy in regard to destruction is dealt with more fully in paragraphs 28-30 below. In spite of moderately satisfactory sales, however, receipts did not balance expenditure, and the season ended with a net deficit of £208,548. Some part of this loss is, however, attributable to the decision, after the fall of France, to purchase about 12,500 tons of French Cameroons cocoa, as economic first aid to those territories which had rallied to the cause of Free France. Some 4,500 tons of this cocoa was shipped, but the balance had to be destroyed and the loss on the total transaction constituted about half of the deficit carried forward from the first year of control.

(b) *Season 1940-41.*

9. At the end of the 1939-40 season, it was decided to transfer the responsibility for the purchase of West African cocoa from the Ministry of Food to an organisation, especially created for the purpose, operating under the authority of the Secretary of State for the Colonies. This body was the West African Cocoa Control Board (now the West African Produce Control Board) of which details are given in paragraphs 20-23 below. The Board took over

\* See note on Quota System—paragraph 24 below.

the working technique which had been employed by the Ministry of Food, and that technique, with amendments of detail rather than of principle, has been continued ever since. Henceforward, the Board was the principal for both purchases and sales; the Ministry of Food ceased to be the principal and became a customer, and the Board itself arranged for such other sales as might be practicable in the United States, Dominions and elsewhere. The Board also assumed responsibility for the purchase of cocoa in the French Cameroons on the same terms as in British territory.

10. For the season 1940-41, circumstances obliged the Board to follow a cautious price policy. Not only had it inherited a debit balance from the preceding season, but the outlook seemed discouraging. Ocean sinkings were high, and the acute and growing shipping stringency made the prospect of disposing of the whole, or indeed a large part, of the new crop somewhat remote. After consultation with the local Governments, it was decided to mark down the purchase prices paid to the producer by some £2 10s. od. to £3 per ton (see Appendix I). Some improvement in the course of the season, however, enabled the Board to diminish the reduction of prices for the intermediate crops of 1941. During this period, and indeed at all times, the policy of the Board was to ship every possible ton of cocoa away from Africa, without considering too closely whether profitable sales would necessarily follow. For this purpose, vessels were chartered at high cost, and, at one time, several thousand tons of cocoa were stored unsold in New York. This policy in the event paid handsomely, since the increasing demand for cocoa in the United States of America, coupled with the increasing stringency in shipping, caused American demand to outrun supplies, and the quantities that did reach the United States fetched very satisfactory prices. Over the season, the unexpectedly satisfactory total of 343,609 tons were shipped and sold, in spite of the fact that in May, 1941, the United States authorities placed a ban on the shipment of cocoa from West Africa in order to reserve space for more essential cargoes. In the event, it proved necessary to destroy only about 5 per cent. of the total purchases, all off-quality. In these circumstances, the Board ended its first year's trading with a surplus of £2,040,473.

(c) *Season 1941-42.*

11. In considering its price policy for the season 1941-42, the Board had to take into account, as well as its fundamental responsibility of maintaining the industry and those dependent on it, the following factors:—

- (a) the probable financial out-turn of the first two years' working;
- (b) the shipping prospects for the forthcoming season, which were worse than ever;
- (c) the price likely to be realised in the various markets, if the cocoa could be brought there.

The ban on shipments to the United States of America was still in force, and as an added complication the U-boat danger limited to a minimum shipments from the surf ports, where ships have to lie off shore and be loaded from surf boats. These ports include Accra, the most important of all. After consultation with the local Governments prices were slightly advanced by £1 to £2 in view of the need for caution (see Appendix I).

12. The year 1942 was, as regards disposal, the most difficult which the Board has experienced. Quite apart from the American ban, freight space generally was very scarce, and the Board had, by the end of September, 1942, only shipped some 170,000 tons, or less than half of its purchases. The only alternatives were to store or to destroy, and, although much additional

storage was erected, much cocoa had to be destroyed, the intermediate crops being destroyed on purchase. Good profits were made on the cocoa actually shipped, but so difficult had been shipment that the 1941-42 season resulted in a net loss of £314,051.

(d) *Season 1942-43.*

13. The 1942-43 season saw an important change in the system of control. Hitherto, the merchants and shippers had been acting as the Board's agents from the point of purchase from the producer to the actual point of delivery to the Board's customers. More and more of the latter were, however, becoming single Government buyers, e.g., the Commodity Credit Corporation in the United States, and the functions of separate shippers beyond the f.o.b. point had become largely redundant. The Board accordingly dispensed with the shippers' services after the f.o.b. point since it was clear that labour would be saved and maximum efficiency attained by the Board performing any functions required in connection with shipping and selling.

14. A variety of reasons again decided the Board to approach the fixing of prices with caution. The Board had made a loss in the preceding season, the shipping position was still serious, and a new difficulty appeared in the shape of an acute shortage of internal transport, particularly of lorries, petrol and tyres. In these circumstances, it was reluctantly decided to return the purchase prices in respect of the Gold Coast to the level of 1940-41, and in the case of Nigeria to even less. It may be added here that at the commencement of this season Lord Swinton, the Resident Minister in West Africa, recommended that, in order not to expend transport on cocoa that could almost certainly not be shipped, up to 60,000 tons of Gold Coast and Nigerian main crop cocoa should be destroyed on purchase up-country, and that this recommendation was adopted.

15. This season also saw another innovation, in that the price fixed for the Gold Coast intermediate crop was payable in full not only, as in the past, at the ports of shipment, but at all buying stations on the railway and at Senchi Ferry. This "flattening" of the price, which later became the general practice in the Gold Coast, was warmly welcomed locally, since it largely did away with the disadvantage suffered by the up-country producer whose produce had to bear the cost of transport to port.

16. During the season 1942-43, purchases in the Gold Coast underwent a sharp decline as compared with previous years. The reasons for this are not clearly apparent, and in particular do not appear to be wholly attributable to price, since in Nigeria, where prices were even lower, the crop was of record size, and in the French Cameroons it was well above normal. Apart from disease, with which this report is not concerned, a variety of factors was probably involved, including the fact that the season opened later than usual and the discouraging effect of the large quantities of cocoa which had had to be destroyed. A further reason was that in the Gold Coast, more than elsewhere, much of the actual harvesting is normally performed by wage labour, and the strong demand for labour for essential military works inevitably reduced the numbers available for employment on the farms.

17. In the event, disposal during the season was better than for some time past. As indicated in paragraph 12 above, the Board began the season with a very heavy carry-over from 1941-42, and it set itself to clear these stocks before shipping "new" cocoa from the current season. This was not achieved until the early months of 1943, but thereafter shipping improved. The ban on shipments to the United States had been removed in August, 1942, and during 1943 the United States authorities made substantial provision

for liftings. August, 1943, found the Board with unshipped stocks of some 110,000 tons, but this was nearly all shipped by the end of the year. The distribution of shipments is given in Appendix III.

18. The season 1942-43 thus ended a great deal more favourably than had seemed at all probable, and instead of realising a deficit, as had been expected initially, the season ended with a profit of £2,158,379, making a total cumulative surplus in respect of the period 1939-43 of £3,676,253.

19. It may be stated in conclusion that the outlook for the disposal of West African cocoa now seems much more secure than at any previous time during the period of control, and indeed the likelihood that it will be necessary to deal with unwanted surpluses grows increasingly remote. The removal of this danger has in fact already enabled a less conservative policy to be adopted in regard to the price payable to the producer, and the prices, announced early this year, for the 1944-45 and 1945-46 seasons have been fixed at a level about 70 per cent. higher than the average prices paid during the first four years of control.

### III. The West African Cocoa Control Board

(now the West African Produce Control Board).

20. When, at the end of the first year of control in September, 1940, it was decided to transfer the responsibility for the purchase and disposal of British West African cocoa from the Ministry of Food to the Secretary of State for the Colonies, it was felt desirable that there should be established to assist him in the discharge of that responsibility a body comprising technical knowledge of the commercial problems involved together with a knowledge of the producers themselves. A Board was therefore established, with the following membership:—

The Parliamentary Under-Secretary of State for the Colonies (*Ex officio* Chairman).

The head of the West African Department of the Colonial Office (*Ex officio* Vice-Chairman).

The head of the Economic Department of the Colonial Office.

Mr. John Cadbury.

Mr. E. C. Tansley (Marketing Director).

The Board was joined during the season by Mr. G. H. Findlay, C.M.G., lately Resident, Nigeria, at the proposal of the Government of Nigeria, and, in September, 1941, by Capt. C. C. Lilley, O.B.E., lately District Commissioner, Gold Coast, at the proposal of the Government of the Gold Coast. All these gentlemen continued their membership of the Board during the period under review.

21. In May, 1942, the functions of the Board were enlarged to include the purchase and disposal of other commodities, notably groundnuts and palm produce, and it was joined by Mr. H. B. Balmforth, M.C., of the Co-operative Wholesale Society, Mr. A. J. Findlay, C.M.G., lately Deputy Director of Agriculture, Nigeria, and Mr. G. B. Spry, M.C., of Messrs. Frank Fehr and Company, in virtue of their special experience of the trade in oilseeds and oils. With this aspect of the work of the Board (now renamed the West African Produce Control Board) this paper is not concerned.

22. In describing the actual working of the Board, it is not possible to draw precise lines between its functions and those of the many other authorities upon whom its work directly or indirectly impinges. The fixing of prices, production policy, the working of the quota system, all these are in practice considered by the Board in full consultation with the Colonial Governments concerned, the Resident Minister in West Africa, who has certain special

co-ordinating functions in regard to production, the Ministry of Food as a chief customer, the Treasury, the British Colonies Supply Mission as liaison with the United States authorities, and the Colonial Office itself. The actual day-to-day affairs are handled by the Marketing Director, who has a small staff in London, and by Controllers in West Africa, who are at the same time the officers in whom are vested the powers of control under local legislation, and also the local representatives of the Board. Matters of principle and importance, such as the periodical review of price policy, are the subject of preliminary correspondence with the Governments and Departments concerned, and are considered and reported on by the Cocoa Sub-Committee before final submission to the Board, which normally meets once a month, or as business dictates.

23. The Board has proved its value as a means of steering the West African cocoa industry through a potentially very difficult period, and it has also arrived at a means of handling the produce of West Africa, by a combination of the existing commercial machinery with the co-ordination and simplification essential in war-time, which has greatly facilitated the orderly disposal of produce and the economical use of shipping and manpower. It has removed uncertainty from the minds of the producers, and the profits accruing from its operations promise to be substantial. Moreover, His Majesty's Government has promised that Parliament will be invited in due course to vote a sum equivalent to any profit realised on the transactions of the Board, either for return to the cocoa producers or for expenditure on objects of benefit to them.

#### IV. The Quota System.

24. As indicated in paragraph 7 above, it was arranged from the first that the actual task of purchasing and exporting cocoa should be shared out among those already engaged in the trade in accordance with previous performance. This principle is one which has been widely followed in other connections, and it has merits of rough justice and practicability which need no elaboration. The system is open to the criticism that it "freezes" the trade in proportions determined by conditions which become increasingly remote in time. At the end of the first year of control it was, however, arranged that the small shippers in the Gold Coast should, as a group, receive an increased share of the trade and, at the end of the second year, the export quotas of the Co-operative Societies were increased so as to include the tonnage previously handed over by them to other exporting firms. Apart from this, the Board has been obliged to set its face against completely new entrants into the trade, since once an exception was made it would have been virtually impossible to discriminate between the very numerous actual and potential claimants. Trade conditions under control are, moreover, so radically different from those of normal times that the ability to handle a quota under control would be no guide to ability to survive in competitive conditions. The problem is undoubtedly a difficult one, and the Board felt, during the period under review, that, until some major decision had been taken regarding the continuance or otherwise of control as a permanent feature of the trade in West African produce, no change of principle in the quota system would be justified. The system has therefore continued from year to year with but minor modifications.

#### V. Price Policy (Purchases).

25. As indicated earlier, the Board was charged, as a primary responsibility, with maintaining the West African cocoa industry at a time when the normal operations of the market would undoubtedly have ruined it. This task it performed by fixing a "floor" for prices, the decision in each year

being taken after consultation with the local Governments regarding the needs of the industry. The Board was, however, also obliged to be mindful of the fact that it was operating with funds provided by the United Kingdom taxpayer, who would have to meet any eventual deficit on the Board's working. That is now happily a very remote contingency, but, as indicated in Section III of this paper, the likelihood more than once seemed very real. Prices were, therefore, generally fixed at a low level, against which must, however, be set certain other considerations. In the first place, the prices, if low, were certain, and the producer was secure in the knowledge of what his produce would fetch. Secondly, in the Gold Coast, a system of price "flattening" has been introduced, so that the up-country producer is much less at a disadvantage than previously, as compared with the producer near the port of shipment. In the third place—particularly after the outbreak of war with Japan—other West African commodities, notably oilseeds, palm oil and rubber, sprang into prominence, and it was important not to divert effort from their production to that of a commodity which was for long in surplus supply. The demand for labour for military works has already been mentioned. Finally, and increasingly, a most careful watch has been necessary on the danger of inflation, which arises from heavy purchases of West African produce and full employment in West Africa at a time when the supply of consumer goods is necessarily very limited.

26. In pursuing a low-price policy, the Board was also mindful of the fact that His Majesty's Government has undertaken to invite Parliament in due course to return either to the West African cocoa producers or, in agreement with the Colonial Governments concerned, towards expenditure on purposes designed to be of benefit to these producers, the equivalent of any profits made during the period of cocoa control. The basic principle of the division of such profits between the various territories (British and French) is that the sum should be divided in proportion to the cocoa actually purchased during the period of control, due account being taken of any disparity in buying prices not covered by quality differentials.

## VI. Price Policy (Sales).

27. The prices received by the Board varied from year to year, and according to destination. In nearly all cases, the price realised represented a substantial profit per ton over the purchase price although, as shown in Section II, in some years total receipts fell short of total outgoings. The price received in the United Kingdom during the first year of control was a free market price since at that time the Ministry of Food had not assumed control of the sale and distribution of cocoa in this country. Thereafter, it was agreed that the Board should sell to the Ministry at the free market price current in the United Kingdom at the date of the assumption of internal control by the Ministry. The price received elsewhere, on the other hand, was determined by the market, and tended increasingly to exceed that received from the Ministry of Food. This situation appeared increasingly anomalous, but it did not seem equitable that the Ministry of Food price should be solely determined by, say, that received from the United States, i.e., by market conditions peculiar to New York. A formula was consequently evolved, and brought into operation as from the 1942-43 season, under which the price received by the Board from the Ministry in any one season was to be the average price received by the Board in the previous season for all sales, including those to the Ministry of Food. This enabled the Ministry of Food price to follow general trends, and allowed an influence to outside market prices proportionate to the quantities involved.



### VII. Destruction and Storage.

28. As indicated in Section II above, it unfortunately proved necessary from time to time to destroy cocoa either on purchase or after a period of storage, owing to the impossibility of finding shipping space. This action has been the subject of criticism from time to time, and indeed the Board never sanctioned it except with the greatest reluctance, and after it had become fully evident that no other course was open. The obvious means of dealing with the situation was to provide additional storage accommodation, and this was in fact done by the Gold Coast Government. The following factors are, however, relevant. In normal times, cocoa is transported and shipped almost as fast as it is produced, and good storage accommodation does not exist for the whole of a normal crop. Moreover, in war-time, much of the available storage space, particularly at ports, has necessarily had to be made available for urgent military and other purposes. There were limits, too, to the amount of storage that could be built at comparatively short notice; this work requires adequate supervision, and labour, and imported material such as cement, corrugated iron, structural steel, etc., if sound, vermin-proof stores are to be erected. For all these resources the demand was exceptionally strong for urgent war purposes, just when the need for storage was most acute. Furthermore, when cocoa deteriorates in Africa, the insects and fungi become embedded in the store and thereby endanger perfectly sound cocoa which later may be stored in the same building. Finally, there is a limit to the time during which cocoa can be satisfactorily stored in West Africa, even in the best conditions, and the Board therefore concentrated its efforts on getting the cocoa out of Africa, to any available destination, as soon as possible.

### VIII. Cocoa as an Oilseed and Local Processing.

29. Throughout the period of acute surplus, constant attention was given to ways and means of disposing of the surplus otherwise than by destruction. First, arrangements were made for the Ministry of Food to purchase the maximum quantity of cocoa which could be supplied and used as an oilseed. Secondly, much cocoa was issued for local consumption, either free or at nominal prices, having first been roasted to distinguish it from the Board's stocks and so prevent resale to the Board's agents. During the last two seasons under review, much encouragement was given, especially in the Gold Coast, to the extraction of cocoa butter by local methods and appreciable quantities of this useful vegetable oil were thus made available for local use, the manufacture of soap, etc., and for export to this country. This is a wasteful process, however, as compared with extraction by modern machinery, and, now that destruction can be avoided, the export of cocoa butter has been discontinued in favour of the export of whole beans.

30. Consideration has also been given to the establishment in West Africa of modern plant for the extraction of cocoa butter, and also possibly for the extraction of theobromine (a source of caffeine) from the resultant press-cake. After careful consideration, however, it was decided that as a war-time measure the proposal had more disadvantages than advantages, and events have shown that supplies of raw material could in fact only be made available at the expense of some other claimant. This particular project is reserved for further consideration in more normal times.

### IX. The French Colonies.

31. As noted in Section II, the Ministry of Food in 1940 purchased about 12,500 tons of French Cameroons cocoa, mainly to support the economy of the territory after the fall of France. Subsequently, the Board undertook the

purchase of French Cameroons cocoa on precisely the same terms as that produced in British territory—i.e., His Majesty's Government undertook to bear any eventual loss and to refund any profit subject to the decision of Parliament. The actual machinery of purchase followed that in British territory, the same merchant firms in many cases acting as the Board's agents. Representatives of the Fighting French authorities normally attended meetings of the Board as assessors and maintained the closest touch with its officers.

32. After the Allied entry into North and West Africa, a representative of the Board accompanied the British Economic Mission to Dakar, in order that the machinery of the Board might be available for the purchase of cocoa and oilseeds, and thus serve to co-ordinate and simplify purchases and shipping arrangements from Dakar to Brazzaville. For various reasons, shipments of Ivory Coast and Togoland cocoa were not in fact effected during the period under review, but all contractual and administrative arrangements were made in consultation with the French West African authorities and the United States Economic Mission under Admiral Glassford. The procedure was not parallel to that in the French Cameroons, since the French West African authorities had themselves assumed control of the purchase of cocoa and its handling to the f.o.b. point, the merchants being organised for this and other purposes into groups and acting as agents for the Government. The Board contracted in French West Africa not with the merchants but with the French West African Government itself, which guaranteed the execution of its part of the bargain by the merchants. By extending its activities in this way, the Board has greatly simplified the task of arranging shipments, since there exists in the Board a single authority with full knowledge at all times of the location and size of stocks, and having full control of their shipment.

---

## PART II

### STATEMENT ON FUTURE POLICY

#### X. Proposals as to Future Policy.

##### (a) *Marketing.*

33. For some time past consideration has been given, in consultation with the Resident Minister in West Africa (Viscount Swinton) and the Governors of the Gold Coast and Nigeria, to the whole question of the post-war organisation for the purchase and export of British West African cocoa, having regard both to the Report of the Commission on the Marketing of West African Cocoa (Command Paper 5845 of 1938) and to the experience gained during wartime control.

34. It is evident that it would not be in the genuine interests of either producers or consumers to revert after the war to pre-war market conditions, with excessive price fluctuation and the other undesirable features to which attention was drawn in the report of the 1938 Commission. War experience has added weight to the view that a prime need of the cocoa industry, if it is to attain prosperity and efficiency, is a reasonably stable price basis, by which is meant not necessarily prices fixed over periods of several years, but the avoidance of short-term fluctuations. To achieve this result it is necessary to break the direct link between the producers' price and world market

prices, the existence of which in the past has caused the local purchase prices to reflect every vagary of speculation on the world's produce markets. Careful consideration of this problem has led to the conclusion that the means best adapted to this end in the circumstances of the West African cocoa industry would be the continuance in essence of the present system whereby all cocoa would be bought at uniform prices, fixed at any rate seasonally, and sold to the world markets by special organisations created for that purpose, which would operate as regards both purchase and disposal either direct or through such agents as it might seem expedient to employ.

35. It is therefore proposed that there should be established in the Gold Coast and Nigeria, as from the beginning of the 1945-46 cocoa season (i.e., in October, 1945), organisations empowered by law to purchase the total production of cocoa, to prescribe the prices to be paid to the producers, and to be responsible for the disposal of the cocoa. These organisations would be established by, and responsible to, the Colonial Governments, and would be required to act as trustees for the producers.

36. In the Gold Coast it is intended that the organisation to be set up should be presided over by a senior Government Officer, and should have an official majority. The other members will include Africans and representatives of other interests. The Government majority will represent the interests of the producers and will act as trustees for them until such time as the producers' Co-operative Societies have developed sufficiently to enable them effectively to provide their own representation. It is contemplated that representatives of the producers should eventually constitute the majority in the proposed organisation.

37. In the case of Nigeria, it is proposed that the functions in question should be entrusted in the first instance to the Supply Branch of the Nigerian Administration or whatever post-war organisation may be created to succeed it, and that there should be an Advisory Committee presided over by a senior Government Officer and representative of the producers and other interests concerned.

38. At this point it is appropriate to emphasise four important considerations. In the first place, these proposals do not in any way represent a departure from the policy of fostering and of developing the co-operative movement among West African producers. The development of this movement remains a cardinal object of Government policy, and indeed it is felt that the growth of the movement may be greatly strengthened and accelerated through the operation of the scheme that is now proposed. Secondly, the constitution and composition of the proposed local organisation are not to be regarded as final or permanent. Quite apart from such variations in the proposals set out above as may on further consideration seem appropriate before the scheme is brought into being in 1945, the organisations may be expected to change and to develop with experience, both in the direction of increased and more direct representation of the producers themselves, and in the light of the development of general international commodity policy. Thirdly, the scheme, while designed to meet the special circumstances of the West African cocoa industry, can be fitted in without difficulty as a part of any wider international scheme that may later be established. Should it be deemed desirable to institute some international organisation for dealing with the problems of the world production or marketing of cocoa, His Majesty's Government would be willing to participate in such an organisation, and it is considered that its operation would not be incompatible with the existence of producers' marketing agencies such as those now proposed for British West Africa. Finally, the proposals involve no change whatever in

the arrangements whereby the entire British West African output of cocoa is now available for allocation by the Combined Food Board in Washington, and the decisions of that body will continue to be put into effect as hitherto.

39. In order that the local organisations may be in a position to maintain a steady purchase price policy, whatever short-term fluctuations may occur on world markets, it will be necessary for them to command adequate financial resources. It is proposed, in order to furnish them with the necessary funds, to place at their disposal, in pursuance of the undertaking referred to in paragraphs 1 and 26 above, a substantial proportion of the profits already realised on the Board's cocoa account over the period 1939-1943. Appendix V shows that the net excess of receipts over expenditure on this account over the period in question is £3,676,253, and the results of the season 1943-1944 are indeed likely to result in a substantial addition to this profit. This it is considered would be the best and most appropriate way of carrying out the undertakings to which reference has been made, the more particularly since it would not be practicable to attempt to return to each producer his precise share of the profits, proportionately to his production, for the reason that in the West African Colonies cocoa is normally produced and marketed in small quantities by many thousands of small farmers, and the detailed records necessary for such a division of profits do not exist.

(b) *Research.*

40. Second only to the need for improved marketing arrangements in West Africa is the need, particularly in the Gold Coast, for adequate provision for research. It has become increasingly evident not only that there is a pressing need for immediate work on two diseases which appear to be threatening the productivity of wide areas, but also that much more extensive provision is required for long-term research on behalf of this most important industry. A Cocoa Research organisation has now been set up under the Resident Minister (although its full establishment is hampered by the difficulty of obtaining all the necessary scientific staff at the present time), and substantial capital and recurrent expenditure will be involved. It is proposed that this should be met by an appropriate allocation from the profits, through the provision of a sum sufficient to meet the capital outlay required, and of a further sum sufficient to provide an endowment fund for the probable recurrent expenditure. It is at present estimated that a sum of £1,250,000 would suffice for these purposes. Should it be decided at any time in the future not to continue the research scheme, or to finance it by other means, the capital sum so freed would become part of the capital of the marketing organisations, or be otherwise employed, at the discretion of the Secretary of State, after consultation with the two Colonial Governments, on objects of benefit to the cocoa industry.

41. To sum up, it is proposed to ask Parliament to vote, not later than the 31st July, 1945, a grant equivalent to the accumulated profits disclosed in Part I of this Paper for allocation to the Governments of the Gold Coast and Nigeria, and to the Government of the French Cameroons. So far as the British Colonies are concerned, the funds thus made available will be employed partly to provide finance for the proposed new marketing organisations and partly to meet expenditure on the cocoa research scheme. It is proposed that Parliament should be invited in due course to vote a grant equivalent to such further profits as are eventually realised on the present Control Board's cocoa operations for the seasons 1943-1944 and 1944-1945.

and it is the present intention of His Majesty's Government that the Gold Coast and Nigerian shares of these profits also should be devoted to the new marketing organisations.

42. The profits realised up to the end of the 1942-1943 season amount to £3,676,253, and on the basis indicated in paragraph 26 above they will fall to be divided as follows:—

Gold Coast	...	...	...	...	£2,240,188
Nigeria	...	...	...	...	£1,169,906
French Cameroons	...	...	...	...	£266,159

The provision for research will be deducted from the Gold Coast and Nigerian shares in proportion to the tonnages of cocoa bought during the period in question, and, on the assumption that the provision required for the research scheme is £1,250,000, the sums immediately available for the provision of finance for the new marketing organisations will be:—

Gold Coast	...	...	...	...	£1,377,233
Nigeria	...	...	...	...	£782,861

APPENDIX I

Purchase Prices (per ton naked ex scale port of shipment)

SEASON	GOLD COAST	NIGERIA							FRENCH CAMEROONS
		(LAGOS/BENIN)		(CALABAR)		(VICTORIA)			F.A.Q.
		Grade I	Grade II	Grade I	Grade II	Grade I	Grade II	Grade III	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	Francs (a)
1939/40									
Main Crop ...	15 17 4	17 0 0	16 10 0	16 0 0	15 10 0	15 10 0	15 0 0	12 10 0	—
Intermediate Crop...	12 2 8	10 0 0		—	—	—	—	—	—
1940/41									
Main Crop ...	13 1 4	14 0 0	13 10 0	13 0 0	12 10 0	13 0 0	12 0 0	9 10 0	} 2,300
Intermediate Crop...	12 2 8	10 0 0		—	—	—	—	—	
1941/42									
Main Crop ...	14 18 8	15 0 0	14 10 0	14 0 0	13 10 0	14 0 0	13 0 0	9 10 0	2,525
Intermediate Crop...	12 2 8	5 0 0		—	—	—	—	—	2,300
1942/43									
Main Crop ...	13 1 4	13 0 0	12 10 0	Grade I 10 18 6		Grade II 9 18 6		—	} 2,400
Intermediate Crop...	9 6 8(b)	5 0 0		—		—		—	

(a) per 1,000 kilos

(b) naked ex scale railway-line buying station and Senchi Ferry.

11

## APPENDIX II

## Purchase Tonnages

Season	Gold Coast	Nigeria	French Cameroons
1939/40			
Main Crop... ..	164,697	76,167	} 12,820
Intermediate Crop ...	15,719	5,740	
1940/41			
Main Crop... ..	224,728	93,982	} 22,571
Intermediate Crop ...	12,204	6,602	
1941/42			
Main Crop... ..	241,634	91,920	} 28,528
Intermediate Crop ...	9,166	7,474	
1942/43			
Main Crop... ..	197,826	107,294	} 33,430
Intermediate Crop ...	9,539	3,947	

N.B. From 1940/41 onwards the tonnages represent total crop figures.

## APPENDIX III

## Shipments

Destination	1939/40	1940/41	1941/42	1942/43
	Tons	Tons	Tons	Tons
United Kingdom and Dominions	90,811	192,399	219,529	188,916
United States ... ..	134,739	151,210	27,101	89,113
Others ... ..	9,812	—	1,063	5,955
TOTAL ... ..	235,362	343,609	247,693	283,984

## APPENDIX IV

## Disposal of Surpluses by Destruction and Local Utilisation

Season	Gold Coast	Nigeria	French Cameroons
1939/40			
Main Crop... ..	5,621	4,255	} 8,446
Intermediate Crop ...	16,719	5,740	
1940/41			
Main Crop... ..	3,058	1,328	} 4,258
Intermediate Crop ...	5,494	2,340	
1941/42			
Main Crop... ..	85,544	17,110	} 11,745
Intermediate Crop ...	9,166	7,474	
1942/43			
Main Crop... ..	26,786	27,765	} 15
Intermediate Crop ...	9,539	3,947	

## APPENDIX V

## Financial Results

## 1939/40 CROPS

Purchases — buying expenses, freights and selling costs.	£ 7,000,111	Sales—Cocoa ... ..	£ 6,893,992
Salaries and office expenses ...	4,737	Deficiency ... ..	208,548
Interest ... ..	97,692		
	<u>7,102,540</u>		<u>7,102,540</u>

## 1940/41 CROPS

Purchases — buying expenses, freights and selling costs.	£ 9,007,316	Sales—Cocoa ... ..	£ 11,095,273
Salaries and office expenses ...	4,513		
Interest ... ..	42,971		
Surplus ... ..	2,040,473		
	<u>11,095,273</u>		<u>11,095,273</u>

## 1941/42 CROPS

Purchases — buying expenses, freights and selling costs.	£ 8,356,223	Sales—Cocoa ... ..	£ 8,069,685
Salaries and office expenses ...	5,208	Deficiency ... ..	314,051
Interest ... ..	22,305		
	<u>8,383,736</u>		<u>8,383,736</u>

## 1942/43 CROPS

Purchases and buying expenses up to F.O.B.	£ 6,250,613	Sales—Cocoa ... ..	£ 9,134,601
Freights and selling costs ...	948,633	Cocoa Butter... ..	242,600
Salaries and office expenses ...	4,478		
Interest ... ..	15,098		
Surplus ... ..	2,158,379		
	<u>9,377,201</u>		<u>9,377,201</u>

## ACCUMULATED SURPLUS AND DEFICIENCY ACCOUNT

1939/40 Deficiency ... ..	£ 208,548	1940/41 Surplus ... ..	£ 2,040,473
1941/42 " ... ..	314,051	1942/43 " ... ..	2,158,379
Balance being accumulated-surplus carried down.	3,676,253		
	<u>4,198,852</u>		<u>4,198,852</u>
		Balance being accumulated surplus brought down.	£3,676,253