GHANA'S COCOA SECTOR
EMERGING CHALLENGES AND POLICY CONSIDERATIONS

POLICY BRIEF

1.0 Introduction

Ghana's cocoa sector, which for decades has been regarded as the backbone of the country's economy, is currently facing a structural crisis. The Ghana Cocoa Board (COCOBOD) is under severe financial strain, with debts running into billions of cedis. These debts were accumulated through quasi-fiscal operations, institutional inefficiencies, and other structural challenges. Additionally, COCOBOD failed to secure the traditional syndicated financing facility used to support cocoa purchases.

These challenges have culminated in delayed payments, leaving thousands of farmers unpaid for months after delivering their cocoa. The situation has had direct consequences for farmer welfare and rural livelihoods. The severity of the crisis necessitated an emergency Cabinet meeting to determine corrective measures. Among the reforms announced was the decision to reduce the producer (farm-gate) price paid to farmers.

2.0 The New Price

The adjustment was necessitated by the persistent decline in international cocoa prices. The 2025/2026 cocoa season was opened in August 2025 with a producer price of GHS 51,660 per tonne. This price was calculated at 70% of the Free on Board (FOB) price, which was pegged at US$7,200 at an exchange rate of GHS 10.25. This translated into GHS 3,228.75 per 64kg bag.

Competition from neighboring Côte d'Ivoire forced Ghana to revise the price upward a few months later to curb smuggling. The revised price was GHS 58,000 per tonne, translating into GHS 3,656 per 64kg bag.

In February 2026, amid a sharp decline in global cocoa prices, mounting liquidity pressures, and outstanding unpaid farmer deliveries, the government announced a reduction in the producer price for the remainder of the 2025/2026 season. The new price was set at GHS 41,392 per tonne, equivalent to GHS 2,587 per 64kg bag.

This represents a reduction of GHS 16,608 per tonne (28.6%) and a cut of GHS 1,069 per 64kg bag, representing approximately a 30% decrease.

3.0 What Does this Mean for the Farmer?

I. Drastic Reduction in Income

The GHS 16,608 reduction per tonne and GHS 1,069 cut per bag represent a direct and substantial loss in farmer income. For every bag sold, a farmer now earns GHS 1,069 less than before - approximately a 30% decline in earnings.

For example, a farmer producing 100 bags of cocoa would lose GHS 106,900 in revenue. This lost income could have financed school fees, healthcare, farm reinvestment, or household consumption. The scale of the reduction is therefore significant and materially damaging.

II. Threat to Farmers' Standard of Living

The income reduction is likely to lead to a deterioration in farmers' living standards. Cocoa incomes are seasonal rather than year-round, making farmers particularly vulnerable to price shocks.

Many farmers use anticipated cocoa proceeds as collateral to secure loans to smooth consumption during the off-season. These loans were contracted based on the previous higher producer price. With the sharp downward adjustment, farmers' effective debt burdens increase. Combined with rising input costs such as labour and agrochemicals, many farmers may face severe financial distress or indebtedness.

Reduced disposable income may lead to poorer nutrition, delayed healthcare, heightened anxiety, and declining overall welfare in cocoa-growing communities.

III. Loss of Confidence in Cocoa Farming

The price reduction serves as a major disincentive to cocoa farmers. Ghana is already struggling to attract younger generations into cocoa farming due to perceived low returns and high risks. A significant price cut during a period of institutional crisis may deepen mistrust in the pricing framework.

Farmers in mining-prone areas may be tempted to sell their farms to illegal miners (galamsey operators) in exchange for immediate cash. Others may shift to alternative crops perceived as more stable. The development risks weakening long-term farmer confidence in the sector.

IV. Reduced Farm Investment

Lower incomes will inevitably reduce farmers' ability to invest in their farms. Although some inputs are subsidized, farmers still bear a significant portion of production costs.
Reduced spending may result in under-fertilization, inadequate pest and disease control, and deferred farm rehabilitation. Given that national production has already been declining, reduced farm investment could further worsen output levels.
This creates a vicious cycle: lower prices lead to lower incomes, which lead to reduced investment, resulting in lower output and further income decline.

V. The Ripple Effect

Cocoa production in Ghana is largely labour-intensive. Farmers with medium and large farms employ labourers for weeding, spraying, harvesting, and related activities.
With significant income reductions, farmers may cut back on hiring or delay wage payments. Seasonal farm workers could therefore face reduced employment opportunities and income losses, further affecting rural livelihoods and community welfare.

VI. Fiscal Impact

Cocoa contributes to government revenue through export duties, COCOBOD margins, dividends, and taxes. If production and export volumes decline as a result of the price cut, cocoa-related revenues will fall.
This could exacerbate fiscal pressures, increase borrowing needs, and constrain public investment and development spending.

4.0 Policy Recommendations

While the price reduction may provide short-term fiscal relief for the Government and COCOBOD, it poses significant long-term risks to the sustainability of Ghana's cocoa sector. The following policy measures are recommended:

1. Establish an Immediate Cocoa Stabilization Fund

Government must, as a matter of urgency, allocate a portion of windfall revenues from gold exports to temporarily cushion cocoa farmers and partially restore the previous producer price. Public finance operates under the principle of fungibility; therefore, reallocating surplus mineral revenues to protect a strategic agricultural sector is both fiscally defensible and economically prudent.

Failure to intervene risks irreversible farmer disillusionment, increased farm abandonment, and further production decline. A stabilization mechanism will restore confidence, prevent panic exits from cocoa farming, and safeguard national foreign exchange earnings.

2. Institutionalize a Price Stabilization and Risk Hedging Framework

Government and COCOBOD must establish a transparent and rules-based price stabilization framework that protects farmers from extreme global price volatility. This should include:

- Strengthened forward sales and hedging strategies
- Creation of a sinking fund during boom years
- A legally backed minimum income guarantee for farmers

Farmers must not continue to bear disproportionate adjustment costs arising from global market shocks and institutional inefficiencies.

3. Guarantee Prompt and Transparent Farmer Payments

Delayed payments have severely eroded trust in the cocoa marketing system. Government must reform cocoa purchasing arrangements to guarantee:

- Strict payment timelines
- Transparent reconciliation systems
- Digital traceability of farmer deliveries and payments

No farmer should wait months after delivering cocoa. Payment certainty is foundational to restoring sector credibility.

4. Aggressively Combat Farm Conversion to Illegal Mining

The rapid conversion of cocoa farms to illegal mining (galamsey) poses an existential threat to the sector. Government must:
- Intensify enforcement in cocoa-growing districts
- Introduce economic disincentives for farm conversion
- Provide financial incentives for cocoa farm rehabilitation

If decisive action is not taken, cocoa acreage will continue to shrink, undermining Ghana's production capacity and export earnings.

5. Promote Income Diversification for Cocoa Households

Overreliance on a single seasonal cash crop increases vulnerability. Government should implement structured diversification programs that:
- Support intercropping and alternative cash crops
- Facilitate access to rural micro-enterprises
- Provide vocational training for cocoa household members

Diversification will reduce exposure to price shocks and strengthen rural economic resilience.

6. Strengthen Extension Services and Farm Productivity Support

Declining incomes will reduce farm investment unless offset by policy support. Government must expand extension services to deliver:
- Climate-smart agronomic practices
- Disease and pest control interventions
- Rehabilitation of aging cocoa trees
- Improved access to subsidized inputs

Productivity gains are essential to break the vicious cycle of low prices, low investment, and low output.

7. Accelerate Domestic Value Addition

Ghana must move beyond raw bean exports. Government should enforce policies that increase local processing capacity and incentivize private investment in cocoa value addition. This will:

- Create jobs
- Stabilize domestic demand
- Reduce exposure to volatile international bean prices
- Increase export earnings per tonne

Without structural transformation, Ghana will remain vulnerable to global commodity cycles.

5.0 Concluding Warning

Without decisive and coordinated reforms, Ghana risks a gradual erosion of its cocoa production base. The consequences will extend beyond farmers to rural employment, foreign exchange stability, fiscal sustainability, and national economic resilience.

The cocoa sector is not merely an agricultural sub-sector; it is a pillar of Ghana's macroeconomic stability. Protecting it must therefore be treated as a national economic security priority.

About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable economic growth in Ghana and beyond.

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