

Transnational Sourcing Practices in Ghana's Perennial Crop Sectors

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Neo-liberal policies increasingly affect African agricultural production and the influence and power of transnational agro-food companies have deepened substantially since the turn of the century. As a consequence the conditions of transactions of many African export crops have been modified or changed completely. This paper examines the changes and emerging patterns of transnational buyers' sourcing practices within four of Ghana's perennial crop sectors: cocoa, pineapple, oil palm and shea nut. The findings suggest that transnational sourcing practices are primarily determined by the need for immediate processing of the crop after harvest and that control over this process is essential for value adding via product differentiation. Different transnational sourcing practices have distinctive spatial outcomes reflected by new patterns of rural transformation within privately regulated territories.

Keywords: transnational companies, global value chains, sourcing practices, perennial crops, Ghana

INTRODUCTION

After the initial decade of tentative implementation of structural adjustment programmes (SAPs) during the 1980s, their impact on state regulation of agriculture in debt-ridden African countries became more tangible during the late 1990s. Virtually no state-controlled marketing boards are left intact and most have been completely dismantled; they were considered as inefficient and continuous loss-making organizations predatory on agricultural producers. It was argued that the boards eroded price incentives for farmers to expand production and increase efficiency in the production of export crops. As increasing agricultural exports was one of the main components in the SAPs, continued interference by the marketing boards put successful implementation in jeopardy (Bates 1981; World

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Bank 1981). However, the marketing boards – admittedly more in principle than practice – had the ability to secure benefits for small-scale farmers in transactions with international traders or industrial consumers located in the North. For example, many agricultural product standards were set by the national authorities and administered by marketing boards to create and maintain national reputation as a supplier of consistent quality goods, thereby enhancing the returns to small-scale farmers. As the sole seller, some of the boards reduced power asymmetries in transactions with dominant buyers (Daviron 2002).

Hence, ‘buyer’ influence and power has deepened substantially after the turn of the century and the conditions of transactions of many African export crops have been modified or changed completely. This is observable in transactions between local and transnational trading partners and between large-scale plantation companies (operating in Africa) and their small-scale suppliers, so-called outgrowers organized in various schemes managed by plantation companies.

This paper examines the changes and emerging patterns of transnational buyers’ sourcing practices – the organization of production, trade, transport, storage and value adding – within four of Ghana’s perennial crop sectors: cocoa, pineapple, oil palm and shea nut. The aim is to understand the factors determining the sourcing practices of transnational agro-food companies (‘buyers’), and how these practices impact on direct producers (pickers, farmers and labourers) and in turn shape the geography of broader rural transformation processes. A comparative perspective on different crops is useful to uncover these determining factors by investigating intra- and inter-chain differences and similarities. I argue that particular attention must be paid to the nature of the crop (such as storability and transportability) and its impact on value chain dynamics, including characteristics of (final) consumption. My findings suggest that transnational sourcing practices are primarily determined by the need for immediate transformation (processing) of the crop after harvest, and that buyer control over immediate transformation is considered essential for establishing and maintaining value adding processes via product differentiation. Other factors such as the type of transnational agro-food company (agro-food TNC), the institutional context (the role of state, international organizations, NGOs, etc.) or the role of domestic markets are of minor importance for sourcing practices.

The paper starts with a discussion of two key analytical concepts in the Global Value Chain (GVC) approach: governance and upgrading. According to a persistent criticism, the preoccupation with governance and upgrading has resulted in neglect of institutional contexts and territoriality in the GVC approach (a recent example is Hess and Yeung 2006). The latter two concepts were part of Gereffi’s (1994) original formulation of constituent elements in the GVC approach. By specifying and combining all four concepts I develop a broader set of explanatory factors that theoretically may influence the sourcing practices of agro-food TNCs. The resulting analytical framework is subsequently used as a platform to outline the fundamental dynamics in the four value chains emanating from Ghana. The aim is to condense the general patterns of TNC transaction practices and value adding (or upgrading) activities. The penultimate section considers the

findings with a view to their social and spatial consequences, and compares these findings with other studies of processes of agrarian change in Ghana.

DETERMINANT FACTORS FOR TRANSNATIONAL SOURCING PRACTICES

Conditions for transactions between buyers and sellers are not necessarily determined by one of the two parties or negotiated between them. As a number of studies within the GVC approach reveal, conditions are often set by different chain actors who are involved in other chain segments and/or mediate the flows of money, goods or information between the segments of a particular chain (e.g. Bair and Gereffi 2001; Ponte 2002; Dolan and Humphrey 2004). In the GVC literature these relationships are captured by the notion of chain governance, a key element in the analytical approach. Governance in this sense is closely connected to the role of 'lead firms', i.e. companies with the ability and power to set the conditions for the intra-chain division of labour (Gereffi 1994; Humphrey and Schmitz 2001).

The archetypal forms of governance are so-called producer and buyer driven when two different types of lead firms determine the structure and dynamics in each GVC. There has been considerable criticism of the limitations of this dual notion of governance, which need not be repeated here (Dicken et al. 2001; Henderson et al. 2002). Within the GVC approach, recent work has replaced the dual model of governance with a theoretically founded refinement concerning how different characteristics of transactions (complexity and codifiability), combined with supplier capacity, foster different forms of coordination between buyers and sellers in GVCs (Gereffi et al. 2005). In turn, these different forms of coordination – presumably between lead firms and first-tier suppliers – influence overall power structures and governance, and also set the limits and potential for upgrading of suppliers.

This renewed version of the original concept of governance has been countered on two different issues, each of which has implications for specifying different type of actors in a particular GVC. Firstly, internal actors – i.e. companies directly involved in the transaction and flow of goods and money within the GVC – are still emphasized as decisive for the governance structure with no significant importance attached to 'external' actors, i.e. those not directly involved in the transactions *per se*. As pointed out by others, however, the wider institutional context of a GVC and its dynamics is thereby relegated to a subordinate position. International and national public institutions, NGOs, business organizations, trade unions, and so on, also influence the conditions for transactions if, for some reason, they intervene in one or more chains (Dicken et al. 2001; Henderson et al. 2002; Bair 2005). 'External' actors may actually appear as 'internal' actors, for instance, when state institutions take part in production or processing activities while at the same time regulating the chain according to specific political objectives. Likewise, NGOs may expand their operations into active marketing operations for small-scale farm products.

Secondly, it is unclear how to conceptualize the difference between forms of coordination and governance in the renewed version of the GVC approach. These notions are somewhat ambiguous if the GVC include several forms of coordination both horizontally (within the same set of coupled segments) and vertically (between different sets of coupled segments). Even if forms of coordination may be an adequate way to categorize distinct buyer–seller relationships, some argue that governance in all GVCs is becoming essentially buyer driven (Ponte and Gibbon 2005). This is a fundamental tendency in present-day global capitalism and caused by salient features of competition such as the increasing importance of product differentiation and branding, as well as shareholder valorization.

However, this notion of a generalized buyer driven-ness needs operational specification in order to avoid confusion about the functional position and status of some of the dominant internal actors, i.e. the ‘buyers’. The notion of buyer driven-ness is not a question of final consumers determining the structures and dynamics of GVCs (as in ‘consumer sovereignty’), although variation in consumer preferences is a major foundation for product differentiation and changing methods of competition. In a GVC context buyers are corporate actors who aim for lead firm status which enables them to determine the intra-chain division of labour. Still, clear evidence of the indisputable ability of one lead firm (or single type of buyer) to impose its strategic decisions is scarce in most food-based GVCs. Rather food-based GVCs typically contain different types of dominant actors. All are ‘buyers’ who pursue their individual corporate strategies and enter into various tactical and strategic alliances. Within food-based GVCs, TNC buyers tend to be one of the following types:

1. Branded manufacturer.
2. Category manager.
3. Contract manufacturer.
4. Retailer.
5. International trader.

There are no theoretical reasons why one category of buyer (not to speak of just one company) should command an unambiguous supremacy over companies in other categories.¹ As argued in this paper, value chain specificities linked to the nature of the crop (e.g. transportability, storability, manufacturability, etc.) condition sourcing practices, hence heavily influence the scope of competition and rivalry between different types of buyers involved in a particular GVC. Each buyer represents a locus of considerable accumulated resources, whether biased towards technological knowledge (e.g. contract manufacturers, brand manufacturers) or logistical and financial competences (e.g. international traders, category managers). Ascertaining how the balance of power is played out, and how this

¹ This includes companies that span two or more categories due to vertically integrated operations.

materializes in the structures and dynamics of particular GVCs, is a matter of empirical investigation.

Beside conceptual inadequacies and ambiguities concerning actors and institutional context in GVC analysis, another point of critique is its neglect of space (denoted 'the territoriality' in the original contribution by Gereffi 1994). It has been argued that territoriality is treated at a highly aggregated level in the GVC approach, and that space is far better incorporated in the Global Production Network (GPN) approach in which actors shaping global (production network) dynamics are anchored in different places and multiple scales, thereby creating an explicit analytical link between a particular GPN and (subnational) regional development (Hess and Yeung 2006; Coe et al. 2004). Key instrumental concepts in this respect are value creation, enhancing and capturing. These concepts are linked to regional development trajectories as a result of the impact of dominant GPNs embedded in a particular territory (Coe et al. 2004). The logics of the conceptual value-sequence (creating, enhancing, capturing) point to the need to examine (1) barriers and potentials for the initial start-up of economic activities, (2) their consolidation, expansion and diversification, and finally (3) their ability to strengthen linkages and spin-off effects to other activities in the territory (e.g. 'the region') under study.

By comparison, the GVC approach has been more preoccupied with analyzing upgrading processes of first or second tier suppliers to assess possibilities for economic and technological development at a national scale (Gereffi 1999; Gibbon 2001). Various types of upgrading have been proposed, and the provisional result of the internal GVC debate seems to be a set of analytical categories focusing on upgrading of individual firms (process, product and functional upgrading) or geographical clusters of firms (inter-sectoral upgrading) (Humphrey and Schmitz 2002; Schmitz 2004). Upgrading potentials are determined by the particular form of governance in the GVC; some forms will stimulate and push different types of upgrading, while others modify or effectively block these processes (Gereffi et al. 2005). Hence, the GPN approach represents a broader and 'spatialized' take on developmental issues than the GVC approach with its more limited focus on firm upgrading. This said, the GPN approach requires a quite challenging and complex analytical agenda that includes considerable empirical analysis, particularly in relation to examinations of value capturing.²

However, in a relatively simple empirical context where regional development (broadly speaking) is highly dependent on the dynamics of a particular agro-food product, at least value creation and value enhancing can be investigated through a set of tangible and useful analytical categories. Firstly, value creating can be conceptualized as the scope and nature of entry barriers for farmers who want to grow particular cash crops sourced by transnational agro-food companies, either directly or via intermediate traders. The question of exclusion/inclusion of

² The examination of value capturing would require analysis of the impact of transnational company sourcing practices on the livelihoods of affected farm households and a mapping of spin-off effects for their local communities, which is not attempted in this paper.

farmers in this type of commodity production is thereby linked to the sourcing practices of transnational companies. Secondly, value enhancing comprises two different means of adding value to a given agro-food product, namely via processing and via product differentiation (not necessarily involving processing). The former denotes the standard way of conceptualizing upgrading of agro-food products as adding value by industrial processing. The latter includes other means of increasing the margin between costs and unit price, and encompasses various ways to generate higher value by product differentiation (Daviron and Gibbon 2002; Gibbon 2006). Of particular interest are different ways to introduce 'non-traditional' practices³ of the direct producers, whether in terms of crop or animal management practices (e.g. organic produce) or labour practices (e.g. fair trade, NGO-accepted labour codes). Both require changes in the established practices of direct producers and may enforce the exclusionary consequences of sourcing practices by transnational companies.

Territoriality in a GVC context can be further expanded to the national scale as a means to understand the relative position of a particular composition of chain segments bounded within a national territory. It is of considerable policy relevance to understand the structure and dynamics of these 'national parts' of GVCs as the most pervasive measures of agro-food policies are formulated by national states given the relatively shallow character of international regulation of agriculture to date by the WTO (Mikic 2006).

It is useful in this respect to distinguish between the 'X' value chain from country 'Y' (for instance Ghana) and the GVC for 'X', respectively (Daviron and Ponte 2005; Bernstein and Campling 2006). These two notions serve to divide the analysis in two foci: one dealing with actors, structures and dynamics in a concrete territorialized strand of a particular GVC, and the other with general features in the movement of 'X' from producers to consumers on a global scale. Understanding the flow of matter (e.g. food) from producers to consumers through different national territories and technical transformations is crucial: the ways that strands (or filaments) embedded in national territories are positioned within the wider GVC has theoretically significant importance for TNC sourcing practices. For example, a country's marginal position in the GVC in terms of low export volumes does not necessarily result in TNCs refraining from involvement there. It depends on demand conditions in the domestic market and/or the country's potential export capacity. Moreover, unique characteristics in terms of substantial volumes or superior quality of a particular commodity may foster specific transnational sourcing practices that are not suitable to or replicated in other territories. In other words, it is necessary to lay open the way strands in national territories are inserted into 'their' GVC(s). By considering the role of domestic markets and their position and importance in the GVC it is also

³ The term 'practice' is used in a straightforward sense as different actors' way of going about daily activities and routines involving production, exchange or – for that matter – consumption of agricultural products. Hence, 'non-traditional' practices of direct producers refer to relatively recent alternative ways of cultivating and trading crops for export to and consumption in the North.

possible to assess the possibilities for 'territorial substitutability', i.e. the potential threat by TNCs to shift sourcing activities to other countries (Bernstein and Campling 2006). In the global food system there are obvious agro-ecological limitations to the mobility of capital but technological development and organizational improvements may expand the possible spaces of production.

These reflections on key concepts supply a set of key explanatory factors behind transnational sourcing practices and I use them to structure the comparative examination of four agro-food value chains in Ghana (below). The factors include characteristics of territorial dimensions, types and functions of actors, the specificities of sourcing transactions, the nature of entry barriers (for direct producers), and prevalent types of value adding (see Table 1 for the full list of factors applied). In the following sections, the dynamics of the four value chains are outlined, albeit in a highly condensed fashion, in which I try both to apply and illustrate the common set of explanatory factors through four narratives that focus on specific issues in each particular chain. The aim is to penetrate the complexity of sourcing practices by different TNCs within each value chain and to generalize about emerging patterns. The composition of groups of actors, their mutual power relations, impact of regulatory mechanisms, effects of world market movements, and so on, all result in a continuous flux of organizational forms, complicating the task of identifying emerging trends. The empirical analysis is based on field work and observations of the four value chains from about 2000.⁴ This relatively long period of observations to some extent compensates for the drawbacks of trying to construct a pattern of sourcing practices generated by dynamic and continuously changing organizational processes.

DYNAMICS OF PERENNIAL CROP VALUE CHAINS IN GHANA

The four value chains considered have distinctive territorial anchorages in Ghana due to different agro-ecological requirements and initial cultivation histories (see Figure 1). Historically, palm oil products were exported from semi-wild groves in the border areas between the southern part of deciduous forest areas and rainforest areas in Ghana. Exports more or less stopped in the early twentieth century due to low world market prices caused by increased production of palm oil in the Dutch colonies in Southeast Asia and the emergence of temperate zone substitutes. Significant acreage devoted to oil palms was not planted again until the first period after political independence (in 1957) when diversification of commodity exports and self-sufficiency through import-substitution were highly prioritized objectives. State-managed plantations were core components in an oil palm expansion programme that started in the mid 1970s (Gyasi 1992, 1994).

As exports of palm oil products stopped in the early twentieth century, peasant farmers increasingly entered the more remunerative and less labour intensive

⁴ Primary data stem from semi-structured interviews carried out over the years with most of the transnational and local companies that are present in Ghana and involved in the four value chains.

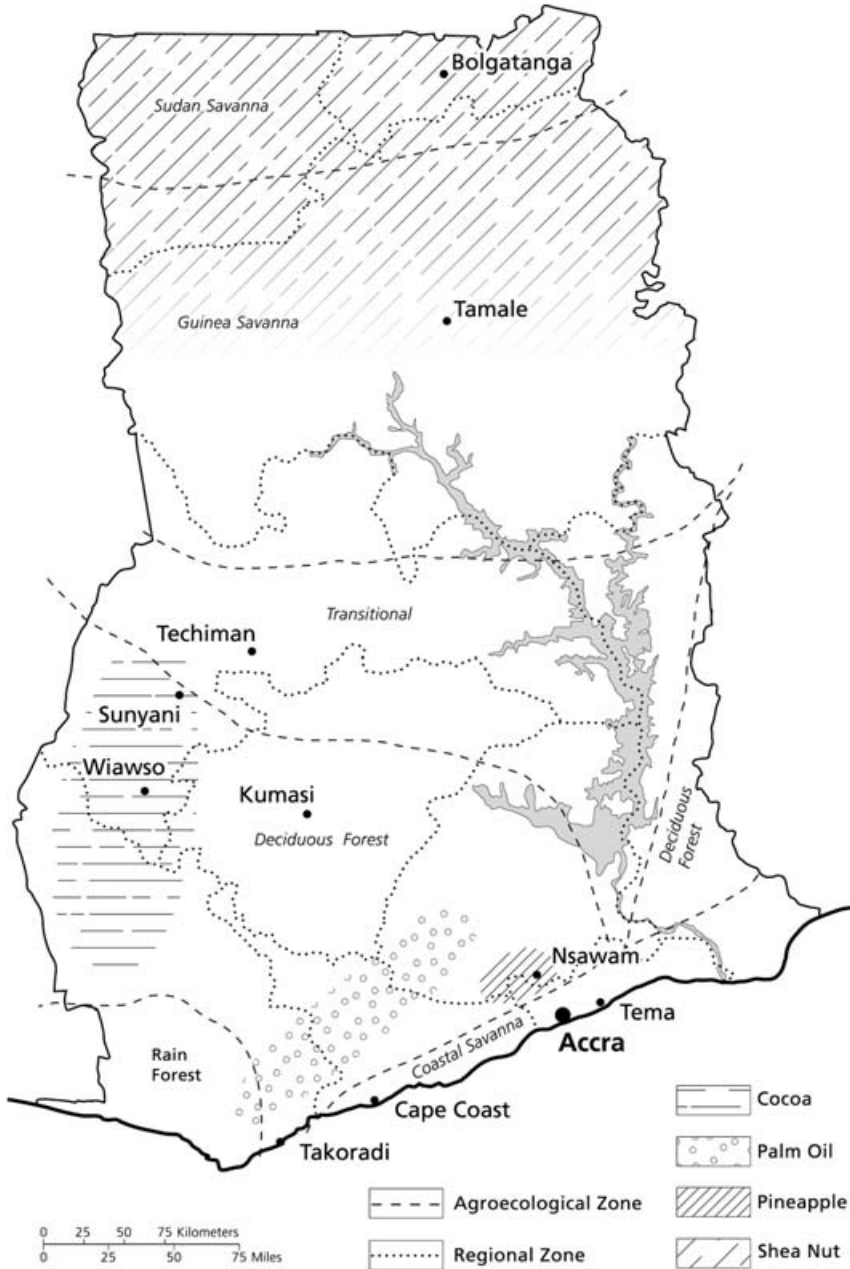
Table 1. Transnational sourcing practices in GVCs from Ghana: Key factors

	<i>Position in GVC</i>	<i>Role of domestic market</i>	<i>Type of buyer</i>	<i>Function of local capital</i>	<i>Role of NGOs</i>	<i>Role of the state</i>	<i>Form and location of transaction</i>	<i>Transport to buyer. Storage</i>	<i>Entry barriers for farmers</i>	<i>Value added by processing</i>	<i>Value added (other types)</i>
Cocoa	Essential	None	CoMa BraMa	Production Trading	<i>Ghana:</i> None (never) <i>North:</i> Advocacy Policy	Regulation of: – Price – Quality – Exports	‘Spot’ – Price – Quality Community level (relational)	Farmer Storable	None	None – except for residuals	Cleaning Packaging Filament: Assurance of non-standard – LP
Pineapple	Peripheral	Residual	CaMa ReTa	Production Trading	<i>Ghana:</i> Training Organisation <i>North:</i> Advocacy Policy	None	Vertical integration: ‘Contract’ Farm level	Buyer Non- storable	Qualify	None – except for residuals	Assurance of non-standard – CMP – LP
Palm oil	Marginal	Primary	CoMa BraMa	None (emerging in production) Sub- contractors: Labour	<i>Ghana:</i> None <i>North:</i> Advocacy Policy	None – (but starting)	Vertical integration ‘Contract’ Farm level	Buyer Non- storable	Qualify	Substantial	Assurance of non-standard – CMP – LP
Shea nut	Central	Dual	CoMa InTra	Trading Processing	<i>Ghana:</i> None (stopped) <i>North:</i> Advocacy Policy	None	Spot Community and farm level (relational)	Farmer Storable	None	None – but starting	None <i>Local:</i> Substantial

BraMa: Branded manufacturer
CaMa: Category manager
CoMa: Contract manufacturer
ReTa: Retailer
InTra: International trader

CMP: Crop management practices
LP: Labour practices

Figure 1



cultivation of cocoa (Hill 1970). The rapidly increasing demand for chocolate in an industrializing Europe stimulated cultivation of cocoa to the extent that the crop eventually took over as the country's major agricultural export commodity, a position it has retained ever since. Starting in the former oil palm growing areas, the cocoa frontier expanded substantially and spread westwards into deciduous forest areas. The main area of cocoa cultivation is now in Western Region along the border with Cote d'Ivoire, having previously dominated land use in the Ashanti and Brong Ahafo regions; these two regions are still significant growers of cocoa but are now of less importance than the Western region (Fold 2004).

Starting in the same agro-ecological cradle as oil palm and cocoa, pineapple production is still geographically concentrated to the Akwapim Ridge just north of Accra, although smallholder production in this area has recently been more or less replaced by plantations in the borderlands between the coastal savannah and more humid areas of deciduous forests in the western part of the Eastern Region (Takane 2004). Finally, shea trees grow wild in scattered groves in parts of the Guinea and Sudan savannah of northern Ghana. Shea nuts are found within plum-sized fruit collected by women and children when it matures and drops to the ground. Historical sources document the long-time and widespread use and trade of shea nuts across West Africa (Park 1983). From the mid-twentieth century, shea butter – the vegetable fat produced from the nut – has been used increasingly as a major component of cocoa butter equivalents used to replace some of the more expensive cocoa butter in chocolate production (Fold 2000).

Cocoa

In Ghana there is no significant domestic consumption of cocoa. Nearly all harvested cocoa is exported, primarily to the EU although 5–10 per cent has been exported to the US during the last couple of decades. Modest volumes of cocoa are used by two domestic manufacturing (grinding) companies, one located in Tema and the other in Takoradi. The former is fully state-owned while the latter is controlled by an international grinder based in Germany. These two companies primarily use the so-called minor crop that is harvested in modest volumes during May–July, with the so-called main crop harvest in October to February. Cocoa beans from the minor crop are smaller and with lower fat content, so world market prices are lower than the relatively high price of ordinary main crop Ghanaian beans. Hence, the minor crop is ideally transformed into cocoa butter and paste, two fairly standard-like manufactured products on the world market, while Ghanaian raw beans command a quality premium relative to cocoa beans from the world's other major suppliers and therefore were all exported. Recently one of the global giants in the cocoa grinding business (Barry Callebaut) has set up a high-hygiene plant in an industrial estate in Tema, the main harbour near Accra, where beans are de-shelled, cleaned, cut and bagged for container transport to the company's own grinding mills in the EU or USA; the US-based ADM, another grinding 'giant', is in the process of doing the same.

The main reason for the premium on Ghana cocoa beans is a well-established cultivation practice among Ghanaian cocoa farmers that secures a high quality product through appropriate fermentation and drying of beans at farm level before they are sold at pan-territorial and pan-seasonal prices determined by the state. About 10 active licensed buyer companies (LBCs) check the quality when they purchase beans from farmers (on a reject-or-accept basis) and the Quality Control Division (QCD), a state controlled branch of the partly dismantled parastatal Cocobod, grades and seals the cocoa bags at the LBCs' district depots. All cocoa purchased by the LBCs must be handed over to the Cocoa Marketing Corporation (CMC), another (state controlled) operational branch of Cocobod. Cocoa purchased up-country by the LBCs is handed over to CMC at port, where it is stored in huge depots until shipment. Depending on the port used, LBCs receive a pre-seasonally determined fee per ton of cocoa they deliver.

CMC is the sole organizer of all cocoa exports from Ghana as none of the LBCs so far have obtained export licences; even the transnational grinding mills and bean-packing factories in Ghana have to buy their raw beans from the CMC at world market prices. Due to its solid reputation among international cocoa traders and grinders, CMC is able to enter into (physical) forward sales contracts for a substantial part of the coming season's harvest. These sales contracts are then used as collateral to obtain cheap foreign currency loans organized by a consortium of international banks. Revenue from the forward sale is used in calculating and negotiating the purchasing price of cocoa and margins for LBCs, the QCD, storage companies, etc. The funds are channelled into the Treasury and used for a variety of state expenditure purposes, while a revolving fund in local currency is set up and used to finance – at slightly below market rates – the initial operations of the LBCs when the season starts in October (see Fold 2004 for details).

Hence, the individual LBC's revenue is a function of its ability to increase volume and speed of the sequence, including purchase, transport and delivery of cocoa to the CMC and not of its trading margins. In short, logistic capability, purchasing competence (buying as much and as quickly as possible), and financial capacity are key parameters for maximizing revenue of each LBC. These parameters are not necessarily bundled in the sense that some companies have supremacy in all of them. Some LBCs, owned by former trucking companies which have been in the cocoa business for many years as haulage contractors to Cocobod's purchasing division – the Produce Buying Company (PBC), had a monopsony before the liberalization of up-country buying activities. Expanding into purchasing activities was the only way these trucking companies could secure invested capital in transport equipment and maintain their position in lucrative transport operations. Some of the local company owners are also key figures in widespread ethnic-based business networks, including traditional leaders of rural communities. These contacts are used in order to gain support from people who control relatively large cocoa farms and to get access to communities where cocoa is cultivated on a large scale, thus increasing purchase volumes. Moreover, suitable local candidates for carrying out purchasing operations at

'shed' or community level (purchasing clerks) may be easier to identify and safer to hire if they are interconnected within these networks; fraud is widespread and it is risky to leave handling of substantial amounts of cash to 'strangers'.

The few foreign companies involved in purchasing activities can also hire former PBC managers and thereby acquire similar competences, but their advantages seem to rest more on better logistics and access to finance. They can start their buying operations earlier than the start of the official season and are not hampered by temporary liquidity problems. Also, payment in cash and various fringe benefits (cheap loans for rubber boots, farming equipment, etc.) may serve to convince farmers to sell their cocoa to these foreign-owned companies.

Only one LBC has incorporated assurance of non-standard labour processes by adding a marginal amount on top of the official purchasing price. The surplus is transferred into a fund for social and infrastructural projects implemented by individual communities. The company has achieved considerable success in marketing its cocoa brand (Kuapa Kokoo) via its contacts with Northern NGOs which have managed to negotiate conditions for production of various brands of fair trade chocolate by chocolate manufacturers with temporary idle capacity.

Hence, despite encompassing liberalization of the Ghanaian economy related to structural adjustment programmes started in the mid-1980s (Hutchful 1995), the cocoa sector still operates under strict state regulatory guidance even though some operations have been opened to private companies. The regulatory framework has, moreover, been accepted and supported by the big transnational players in the global cocoa grinding and branded chocolate manufacturing industry who normally opposes such policies. The main reason is the relatively low price of the world's single consistently high volume and high quality source of cocoa beans in Ghana, which are needed by most chocolate producers. A disastrous decline in bean quality from other West African producing countries followed the dismantling of marketing boards, induced by structural adjustment; plant diseases have decimated production in Brazil; and recent cocoa booms in Southeast Asia are based on farm labour input inadequate to produce high quality beans (Fold 2005). Maintaining the present level of quality is in the common interest of the Ghanaian state and the transnational contract manufacturing companies, while also currently threatened by the increasing practice of mixing lower quality beans smuggled from Côte d'Ivoire with high quality Ghana beans. Moreover, LBCs' eagerness to buy as much cocoa as quickly as possible – in order to reduce the turnaround of their capital – tends to erode the long-established farmer practice of taking enough time for proper fermentation and drying of the beans. The result may very well express itself in a gradual decline of average quality in Ghana cocoa beans.

Pineapple

Compared with the other crops discussed in this paper, export of pineapple – a so-called non-traditional export product – is a quite recent phenomenon. It started slowly in the mid-1980s, fluctuated during most of the 1990s and then

increased rapidly after the turn of the century to reach about 60,000 tonnes in 2004, the maximum to date. Pineapples from Ghana are entirely directed to the EU, where exports supplemented and, since 2000, partially replaced declining exports from Côte d'Ivoire where production was affected by its civil war (FAO n.d.). Export potential looked bright for Ghana's pineapple producers as the market for fresh (tropical) fruit in the EU was expanding and production, collection, transport and shipments from Ghana were increasingly better organized.

However, in late 2003 the Ghanaian pineapple sector was catapulted into crisis, particularly hitting small-scale farmers. Demand for 'Sweet Cayenne', the variety of pineapple exported from Ghana (and Côte d'Ivoire) plummeted as the introduction of a new variety imported from Costa Rica – the MD2, marketed under all kinds of names in which the word 'golden' usually features – virtually eliminated supermarket shelf space for competing pineapple varieties. The MD2 is considered to have a longer shelf life, superior golden colour, sweeter taste, and it has a uniform size with rounded ends that yields slices of similar proportions. Some of the big transnational companies that control the world banana trade, e.g. Dole, Fresh del Monte, Chiquita and Fyffe's, also dominate global supplies of fresh pineapple and backed the introduction of the MD2 in Europe with efficient marketing campaigns targeting supermarket outlets. These companies are struggling to expand and diversify their activities beyond the production segment further downstream into packaging and logistics in order to outcompete the supermarket's designated category managers (i.e. the usual first-tier suppliers). Before entering the European market in 2003, MD2 had conquered a rapidly expanding US market during the late 1990s when Fresh del Monte successfully exploited a US-patent right (Loeillet 2003). In this process, the company virtually transformed Costa Rica to become the by far most important supplier of fresh pineapple to the USA and later to the EU (Bardham et al. 1992; Stamm 1995). In 2003, the patent rights expired and all other major companies, Dole in particular, flooded the lucrative EU and US markets with MD2 varieties supplied by company plantations and contract growers.

The resulting restructuring of the Ghanaian pineapple sector has been disastrous for the smallholders who pioneered it (Fold and Gough 2007). The main production area is located in a rather confined area just north of Accra, where smallholders mixed with large-scale farmers/exporters. During the late 1990s, large-scale farmers, including producers who were re-allocating from Côte d'Ivoire, expanded production in an area west of Akwapim where adequate land could be leased from local chiefs, who controlled vast tracts of land cultivated by (internal) migrants with no land rights. In this new area, large-scale farming based on 'external' contract wage labour from nearby towns dominates completely.

In the 'traditional' area smallholders' production previously functioned as an important supply 'reserve' for large-scale farmers and exporters. However, very few small-scale farmers were considered sufficiently dedicated and accountable suppliers to the large-scale farmers/exporters to receive credit or other forms of support. Most smallholders were approached on an *ad hoc* basis when exporters received an order or wanted to send a consignment to Europe. The exporter

inspected the fields to estimate the number of harvestable pineapples that met the importer's contract specifications, usually in terms of the degree of sweetness and size. If a deal with the smallholder was agreed, the exporter took care of all successive handling, from 'de-greening' the suitable pineapples, harvest, cleaning, grading (according to size), packaging and transportation to Tema harbour, together with pineapples from the exporter's own farm. Pineapples left in the smallholders' field were either sold to local juice-manufacturers or petty traders who sold them on local markets.⁵

After the shift in consumer preferences on the European market, demand for the Sweet Cayenne has almost disappeared and smallholder production has largely been left to rot during the last two seasons. Smallholders go out of business while since 2004 large-scale farmers have enjoyed subsidies to buy the limited MD2 seedlings available for re-planting. Prospects are fairly good for large-scale production and exports of MD2 as indicated by massive investments by a Dole-controlled company; after full implementation of its plantings, total pineapple area in Ghana is expected to double (Danielou and Ravry 2005). According to government plans, shoots from pineapple plants ('suckers') produced by large-scale farmers are then to be disseminated to those smallholders linked to large farmers who have the necessary infrastructure and organizational capacity to manage the technologically more advanced production: MD2-pineapples need to be part of a well-organized cooling chain that stretches from field to pack house to port.

Smallholders' entry barriers are therefore becoming considerably higher as they need to qualify for inclusion in tightly organized outgrower schemes. Existing schemes for exports of various niche pineapple products (ready-to-eat fresh fruit blends) include only a few of the smallholders in the old areas and are primarily set up in 'new' pineapple areas. The local farmers involved in this scheme cultivate far more pineapple land and obtain relatively high prices and regular payment, although the reject-ratio is high due to stringent quality requirements. A number of international NGOs, financed by bilateral and multilateral aid donors, train smallholders in MD2 cultivation and set up farmers' produce marketing organizations (PMOs). GIS-based data on individual farmers and digital mapping are also being systematized to assist in monitoring production targets and to secure traceability (Faalong et al. 2006).

These new farmer groups are all located near Accra but do not include smallholders in the 'traditional' pineapple area. A prospective 'fair trade' scheme is based on a former, highly commended farmer cooperative (FARMAPINE) in the 'old' growing area. FARMAPINE is now on the verge of collapse, partly due to mismanagement of its former purchasing activities. The new fair trade scheme is organized by Compagnie Fruitière (controlled by Dole), a company with substantial pineapple assets in the new area (see above).

⁵ Local consumers, however, prefer another pineapple variety, the 'Sugar Loaf', which is produced in the Central Region; prices of export varieties were therefore generally low in local markets, also because the best quality fruit was shipped to Europe.

Palm oil

The total volume of palm oil production in Ghana is unknown due to a significant amount of household-based production for self-consumption or petty trade. The lion's share of total production however, is produced in four large-scale plantations managed and controlled by three foreign companies. The Ghanaian state and various Ghanaian public institutions have considerable shareholdings in all these plantation enterprises but are not involved in their daily operations or management. All four plantations are based on a nucleus estate with oil palm mills attached to each one as fruit bunches need to be processed within 24 hours after harvest. Some of the core labour functions in the mills and plantations are carried out by company employed labour, but low-skilled and labour-intensive operations (pruning, fertilizing, etc.) are outsourced to contractors who hire labourers from rural towns.

Consumption of palm oil for food (cooking oil, margarine, etc.) and for industrial purposes (as an ingredient in production of detergents, soap and cosmetics) exceeds domestic supplies, and palm oil and other vegetable oils have been imported for decades. Exports are generated by temporary over-production, price-relationships favourable to technically feasible substitutions with other (temperate) oils, and/or disagreements about purchasing prices between some of the producers and the major buyer, Lever Brothers (controlled by Unilever Plc.) located in Tema.

Lever Brothers is by far the largest consumer of domestically produced palm oil, manufacturing it into a vast number of branded products spanning the whole range from food products to soap to cosmetics, some of which are exported to other West African countries. Less but still significant volumes of palm oil are used by a couple of soap manufacturers like PZ (a UK-based TNC) and Armeen Sangari, a locally owned company. The limited number of buying companies based in Ghana constitutes an almost monopsonistic market with Lever as the by far largest customer, hence more or less able to dictate the domestic price of crude palm oil (CPO). As a consequence, one of the plantation companies (GOPDC, controlled by the Belgian SIAT group) has established its own export facilities in Tema, including storage tanks and pipelines for loading palm oil into ships, with all its export trade handled by the parent company in Belgium. More recently, the palm oil producing and processing companies have formally agreed to fix prices for a certain quality of CPO on a monthly basis, factoring in the world market price quoted in Rotterdam and the exchange rate of the Ghanaian cedi. For a company like GOPDC it is relatively simple to calculate the shipment costs to Rotterdam and compare it with the actual offer price by industrial customers in Ghana, and decide whether to sell domestically or export.

Nordpalm, another plantation company (until recently fully controlled by a Norwegian company) without similar facilities has now sold a 25 per cent stake of its shares to PZ; all palm oil produced by Norpalm is now delivered to PZ subject to contractual conditions. The remaining two plantations are managed and controlled by Unilever Plantations which regularly supplies the Lever factory

at agreed prices. As it appears, Norpalm is in reality vertically integrated with PZ through the latter's shared ownership and control of market access. The Unilever/Lever Brothers conglomerate is a vertically integrated branded manufacturer, while GOPDC is developing into a distinctive contract manufacturer.

Before 2000, GOPDC initiated environmentally friendly cultivation of organic oil palms on some areas of its plantation and is now a dedicated and certified supplier of organic palm oil products to margarine manufacturers for the Swiss retail chain Migros. Moreover, for several years GOPDC has endeavoured to incorporate small-scale farmers in neighbouring villages as participants in a so-called outgrower scheme. Many small-scale farmers who decide to participate in the scheme enter into some kind of share cropping agreement with a younger tenant who then takes care of the palms. One of the means for convincing communities and their leaders to support the scheme has been to finance various social and infrastructure development projects in participating villages. Hence, GOPDC is embedding its exchange relations with outgrowers as an example of 'corporate social responsibility' with a view to further differentiate their products.

This also serves to legitimize the increasingly stricter organizational structure of the scheme: small-scale farmers who qualify to participate by having access to suitable land and sufficient ability to cultivate oil palms initially receive company assistance in the form of soil preparation, seedlings, fertilizers and transportation of fresh fruit bunches (FFBs) to the mill. All these services are carried out by contractors while the farmers, or their tenants, agree to weed, prune and harvest the palms. GOPDC have registered all smallholders in a GIS-informed data base established on satellite images and ground observation. Hence, volume of production and productivity are monitored on the level of each individual smallholder and traceability is ensured at the community level.

The farmers are required to pay back the loan in annual instalments deducted from harvest revenue after a grace period. In addition, they are obliged to supply GOPDC over a 25-year period by selling all FFBs to the company at a pre-season determined price. If world market price fluctuations occur during the production year, outgrowers are refunded according to agreed rules but these are not adjusted in relation to domestic market prices. 'Side-selling' practices involving the transfer of FFBs to other buyers (petty traders and producers) has been a serious problem for the profitability of the GOPDC scheme ever since it was privatized in the early 1990s. Side-selling takes place for various reasons, but normally it increases when local market prices are higher than GOPDC buying prices, when tenants seek to reduce the share rent payable to the land-owner, or when small-scale farmers try to avoid paying back the full loan from GOPDC over the agreed period of time. The impact on the company's profitability is serious due to inconsistent supplies and under-utilization of milling equipment.

These problems are prevalent in all the plantation companies (three out of the four) that have tried to set up outgrower schemes in order to reap economies of scale in milling as mill capacity far exceeds supply from company plantations. Besides, corporate legitimacy is augmented by promoting poverty alleviation activities. GOPDC is the company that over the last decade has allocated most

financial and human resources to establish the scheme. While far from a full blown success, its results are much better than of Norpalm where the scheme never worked due to resistance among the local population, and of Unilever where the scheme is on the verge of collapse due to side-selling. The latter scheme received massive donor support from the World Bank and the EU in the initial phases but this financial support has now ceased.

As the mill surplus capacity problem is not resolvable by smallholder schemes, the plantation companies also try to purchase FFB from independent small-scale farmers, who cultivate their own oil palms, usually of a low yielding variety. These purchasing activities are contracted out to independent traders who buy at farm gate at recommended prices. There are, however, numerous logistical and pricing problems related to supplies from independent farmers as planning and grading of FFBs is impossible, and the factory gate price is continuously contested by farmers and local traders. The aggregate result of these problems seems to point towards future sale of Unilever's two plantations and its Tema plant. This is in line with Unilever's long term global strategy of focusing on product development and marketing while shedding existing capacity for raw material production and basic manufacturing, i.e. becoming a giant category manager. One possible outcome is a take-over by SIAT or other international plantation companies with similar competence and capacities. Another possibility is a revival of state-managed schemes in the light of the much acclaimed 'Presidential Special Initiative' on palm oil announced in 2002 after president Kufour's visit to Malaysia, the world's leading producer of oil palm. Efforts to rapidly expand oil palm cultivation by subsidizing medium-sized plantations with various inputs (seedlings, fertilizer, etc.) can then be supported by existing large-scale plantations. Whether the lessons from Malaysia (Fold and Hansen 2006) can be emulated in the Ghanaian context remains to be seen.

Shea nuts

The shea nut is probably the least known of the four crops examined in this paper. It has been used for centuries in the local diet in Northern Ghana in the form of shea butter, the result of a laborious manual extraction of the vegetable fat content from the nuts. It is considered a 'womens' crop' as rural women collect windfall fruits from dispersed shea trees (*vitellaria paradoxa*) on household farming land and common bush land. The nut inside the fruit is usually stored after drying, and processed when needed for consumption; the nuts are ground and boiled, and the resulting vegetable oil is skimmed off and purified into shea 'butter' which is used for frying or as a supplement to porridges. Any surplus of nuts and butter is sold on local markets or to local petty traders. Depending on availability and formal access rights to shea trees, some households may decide to collect shea nuts as a cash crop, but the tree is not suitable for cultivation and no large-scale plantation production takes place.

Practices of collecting, processing and selling nuts include numerous combined and complex transactions between households and market agents of highly

different calibre in terms of size, volume and geographical extent of operations (Chalfin 2000). This includes commodity flows embedded in various kinds of development projects, mainly implemented by Northern NGOs which aim to increase and stabilize income-generating opportunities for rural women.

A main reason behind the complexity of transaction relations is the opportunities for income generated by exports, as well as domestic sale. The vegetable fat in shea nuts is used in the production of cocoa butter equivalents (CBE), a cheap substitute for cocoa butter which is now used by many manufacturers of chocolate in the EU, particularly by companies traditionally serving markets in the UK and Northern European countries. Until the turn of the century, the use of CBEs was fairly limited as many South and Central European countries did not allow the use of CBE in chocolate. For several years it was a highly contested issue in the EU due to the difficulties created by different regulations for the establishment of a common market for chocolate. There were strong constituencies on both sides: global cocoa grinders and cocoa producing countries vs chocolate manufacturers and CBE manufacturers. Consumer groups and development NGOs mixed in peculiar ways with both sides, indicating the complex mix of economic, political and cultural dimensions of the issue (Cidell and Alberts 2006).

The 'problem' was solved by the European parliament after several years of deadlock. The CBE manufacturers are now technically and legally (by EU regulations) restricted to using a small select group of 'tropical fats' in their endeavours to produce a CBE-product with almost similar chemical and physical properties as cocoa butter. Shea nuts are preferred due to their relative abundance and low price, but demand from chocolate manufacturers fluctuate according to the price of cocoa butter; low cocoa prices normally translate into low cocoa butter prices which means reduced demand for shea nuts. Hence, shea nut prices tend to fluctuate in line with cocoa prices. Even though collecting and selling shea nuts are their only means to obtain a cash income, prices can fall so much that it is not worth rural women expending their time and labour on this activity. This response can compound the uncertainty of supply due to the complexity of market transactions (mentioned above).

The Ghanaian state was not directly involved in shea nut export when it took off in the late 1950s and accelerated during the 1970s. During the mid-1980s, however, the PBC (see above) started purchasing operations up-country, trying to organize local communities' collection of shea nuts in a similar way to how cocoa buying is organized. The PBC also issued licences and collected duties from private companies involved in the shea export trade in order to increase state revenue. These efforts were largely unsuccessful and the PBC gradually withdrew from the chain when licences and duties on the shea trade were abandoned in the early 1990s (Chalfin 1996). Successive rounds of restructuring of the trade have taken place since that time as most of the new companies have been wiped out after a couple of years. Nearly all exports are now handled by two trading companies: a local company that has been involved from the start of shea exports and a foreign-owned trading company (OLAM) which entered the scene after the liberalization of marketing of a number of different agricultural

commodities, including cocoa. These two are the only companies with the necessary financial strength, organizational capacity and administrative competence to cope with high-volume trade in shea nuts. All other previous and new participants in the sector are attached to these companies as buying agents or brokers. Despite their different provenance, these two large-scale trading companies have strikingly similar modes of operation, centred on a core group of purchasing agents supplemented by a group of loosely linked small- and medium-scale 'independent' traders. Both groups operate in geographically distinct zones within northern Ghana and have specific target areas: the company-employed agents carry cash and exploit the areas 'overseas'⁶ with high potential but low-quality infrastructure while traders deal with more accessible communities buy from periodic local markets and resell to the large companies. In essence, local traders or brokers are used as a kind of buffer in situations where contracts are difficult to fulfil via the companies' own sourcing (Fold 2004).

The two dominant companies are more or less continuously being challenged by the CBE-manufacturers who attempt to set up alternative supply systems which evade middlemen, increase reliability and reduce logistical problems without tying capital in high sunk costs. Of particular importance are efforts to combine new logistical systems with export of processed shea nuts (shea butter), giving several advantages for the CBE-manufacturer, including reducing (at origin) uncertainty about the extraction rate and quality of the oil, running down low-profit milling operations with high equipment costs (in the North), avoiding the costs of environmental regulation in Europe and substantially reducing transport costs.

These latter initiatives have, however, encountered numerous problems primarily linked to the technological and financial constraints of the local companies that team up with the CBE-manufacturers, and conflicts between these two groups over price discounts due to the low quality of the shea butter processed in Ghana. One of the CBE-manufacturers is now sourcing the lion's share of their shea nuts from neighbouring Burkina Faso, where the supply of nuts originating from Côte d'Ivoire has increased due to disruptions of the usual south-bound trade routes to the coast in that country. Another CBE-manufacturer is presently setting up a supply system based on local small-scale milling of shea butter in northern Ghana in combination with a large-scale processing plant (Nioto) in Lomé, Togo.⁷

⁶ 'Overseas' is a local trader term for an area that is very difficult to access during and immediately after the rainy season.

⁷ A trading company owned by expatriate Ghanaians in partnership with local capital has also been set up, using the model of existing large-scale trading companies. Their organization has been 'extended' by using Unilever's tankers and storage facilities in Tema harbour for the shea butter produced in northern Ghana. 'Surplus' nuts from the trading company are transported to the processing plant in Lomé.

TRANSNATIONAL SOURCING PRACTICES AND THE 'NATURE' OF THE CROP

The privately regulated palm oil and pineapple value chains are characterized by a similar trend towards the establishment of vertically integrated plantations in combination with contract-based outgrower schemes. None of the commodities are storable after harvest and must be processed within 24 hours – even though the processing itself, i.e. milling of oil palm fruits and cooling of pineapples, is of a very different nature. Transport between field and plant or cooling room is tightly linked to planning cultivation and harvesting, and is fully organized by the large-scale producers.

Apart from certain groups of workers who take care of key operations ('de-greening', harvesting, etc.), labourers in the oil palm and pineapple plantations are not employed by the agro-TNCs. All tasks requiring low-skilled labour are out-sourced to local contractors who are responsible for allocating the necessary number of labourers to carry out a particular function. These workers are mostly transported from distant (sometimes urban) areas in order to avoid confrontation with local communities over wage and labour conditions.

Land owners and tenants in the vicinity of the plantations are incorporated in smallholder schemes, although entrance is restricted and not open to all who may wish to join. A set of requirements has to be satisfied by participating farmers, covering various issues from availability and suitability of land to personal qualifications and reputation. Training of new participants is now integrated in credit arrangements together with company-implemented plantings of preferred varieties. For farmers and tenants in these, their tight organization yields a 'safe' market with (relatively) predictable prices and fairly quick settling of payments.

Depending on access to alternative markets and tenancy conditions, problems of 'leakages' – unauthorized sales of crops to local traders – from company-managed supply chains may hurt profitability and reach serious proportions. Hence monitoring is being systematized and digitalized by use of GIS and target values, and companies take immediate action if volume and quality of products supplied by individual outgrowers are inferior to expectations. Daily routines similar to the supervision of wage labour are gradually taking over the companies' previous more sporadic attention to their small farmer suppliers, while some (usually older) landowners may become 'petty rentiers' by leasing out their land to younger tenants.

By contrast, the value chains for cocoa and shea nuts retain the 'traditional' transaction practices usually linked to crop purchasing in rural Africa. Shea nuts are brought to local markets or collected by itinerant traders, while cocoa is taken to purchasing sheds in nearby communities or villages. Even though recent liberalization policies have changed the structure of the chains significantly, these local buying practices still prevail. Further liberalization of the cocoa chain through removing state administered pan-territorial prices and quality control will presumably lead to an organizational structure similar to that of the shea chain, i.e. the 'two-pronged' practice of crop purchase from independent

small-scale traders on local markets and from remotely located communities by company agents.

The storability and relatively undemanding transport requirements of cocoa and shea nuts seem to secure a functional role for trading companies, but whether there is room for (local) single-commodity trading companies is an open question, depending on what is considered as a satisfactory rate of return for local capital. International trading companies can only exploit economies of scale and obtain satisfactory rates of return by engaging in high volume, multi-commodity trade. This may imply moving operational management staff in a seasonal pattern to regions where particular crops are being purchased (for instance, from shea to cocoa to cashew areas), while maintaining administrative and shipping capacity in major ports, possibly including commodity imports (for instance, rice and sugar in the case of Ghana) in the portfolio of commercial activities.

The existence of 'functional spaces' for trading companies depends on the entry barriers and incentives for setting up vertically integrated operations by contract manufacturers. During recent decades a number of attempts have been made in the shea chain, but results have been largely unsuccessful, possibly because the necessary level of local knowledge and 'cultural competence' to carry out trade in shea has been underestimated. In the cocoa chain, the unique combination of premium quality beans with state regulation of exports restricts the transnational contract manufacturers from venturing into purchase activities. There are no reasons whatsoever to engage in low-profit purchasing operations without an export licence that assures intra-company flows of beans; purchasing beans up-country and then selling them to CMC in order to buy (other) beans simply makes no sense. Anyway, transnational sourcing practices in other cocoa-producing countries indicate that up-country purchasing is 'out-sourced' to local traders as long as bean quality is acceptable and fairly consistent (Gilbert 1997).

How do these two types of sourcing impact on processes of value adding? Two kinds of trends can be noted. Firstly, the privately regulated chains for pineapple and palm oil are adding value by various mechanisms to assure non-standard practices in terms of both labour and crop management. Even though these efforts are not fully developed, and still have to be widely disseminated in each chain, the trends are clear and the impact significant. In the palm oil chain, the most advanced and dedicated company (GOPDC) is gradually transforming itself into a new form of contract manufacturer. Besides exporting standard grades of palm oil, the company is a certified supplier of organic palm oil, for which it expects strong export growth due to increased demand by Northern retail chains. Ways to deal with the communities that participate in the smallholder scheme are gradually being institutionalized, including financial support to education and health facilities, training of young men, road improvements, etc. These supportive measures are used to profile the corporate social responsibility of the company and are reported regularly in the company's newsletter and website.

In the pineapple chain, efforts to add value via assurance of non-standard practices are relatively recent and the result of pressures for product differentiation. Farmers previously completely excluded from the export chain because they

produced 'non-tradable' pineapples now suddenly find themselves in the centre of attention; the type of pineapple (the 'Sugar Loaf') they grow is now the object of marketing campaigns that advertise non-standard crop management practices. Other smallholders who were heavily involved in the initial phases of Ghanaian pineapple production are largely marginalized, although some are being reinstated as producers of fair trade pineapples. Finally, some farmers maintain their position in schemes that exploit demand for a third variety of pineapple which is sliced, packed (possibly mixed with other fruits) and presented as ready-to-eat products.

These types of value adding are distinct from a second, more 'traditional' type based on processing, via their methods of product differentiation and legitimizing their products in terms of health and ethical concerns among consumers in the North. As previous examples in the fresh fruit and vegetable business have shown, deviance from explicit and implicit norms for acceptable conditions could easily devastate company reputation, undermine consumer confidence and destroy market positions (see for instance Hughes 2004). Advocacy by Northern NGOs concerned about rainforest destruction and loss of biodiversity (palm oil) and labour conditions (pineapples; fruit and vegetables in general) can have an effect on consumer preferences. Hence, if companies dealing with direct producers – be they workers or smallholders – want to incorporate and monitor (and advertise) process and product standards, their supply chains have to be tightly organized.⁸

In the shea and cocoa chains, efforts to introduce non-traditional practices are virtually non-existent. The need to secure and legitimize the organization of production is far less important as there is no direct exchange relation between the buyers and the immediate producers. Both chains, however, have been the object of heated public debate in conjunction with the 'European Chocolate War' – the complex legal, economic, political and cultural battle about substitution of cocoa butter with alternative vegetable fats, sketched above. Lately, claims from NGOs and media sources about the use of 'slave' children by cocoa farmers in West African countries have spurred the giants in the global chocolate industry – contract manufacturers as well as branded manufacturers – to organize an international campaign to establish farmer cooperatives to both ensure quality of cocoa beans and eradicate all kinds of 'slave labour' (Fold 2005). Projects attached to the campaign are primarily funded by multilateral aid donors and serve as a means to construct traceability. Due to the continuing strength of state regulation of cocoa in Ghana, however, the campaign has had little impact there. There are scattered initiatives to support cocoa production based on assuring non-standard labour practices but only one LBC of any importance is actively involved in organizing fair trade, supported by Northern NGOs.

⁸ Viewed in this perspective, it is a tremendous boost that a consortium of US-based NGOs is heavily involved in training and organizing smallholders to join a new scheme based on the successful MD2 pineapple variety that wiped out other smallholders (who had been organized by one of the same NGOs previously).

More traditional forms of value adding via processing by transnational buyers are of modest importance in the shea and cocoa chains. As noted above, cocoa processing into butter and paste actually subtracts value from the premium priced raw Ghana cocoa bean, and processing into standard (manufactured) commodities is only rational for lower quality beans, so far mainly stemming from the minor (off-season) crop. Instead, contract manufacturers seek to ‘purify’ and standardize the product by preparing the beans as much as possible before processing takes place in other locations. It is notable that new forms of product differentiation are insignificant in the case of cocoa. The long-time branding according to geographical origin (‘Prime-quality cocoa beans from Ghana’) can, however, be enhanced by new ways of cleaning, cutting and packaging the raw material.

The same trend towards ‘purification’ and standardization before shipment is visible in the shea chain. Contract manufacturers support local capital to invest in simple manufacturing equipment to extract butter from nuts. The benefits for the contract manufacturers are obvious in terms of reducing insecurity concerning quality and transported volumes. In addition, plant capacity at processing facilities in the North can be utilized for higher value added processes, or scrapped. This seems much more promising than relying on NGO activities. Numerous small-scale NGO projects have previously tried to improve women’s access to markets for either nuts or butter, the latter produced with the help of various forms of adapted technology provided by the NGOs. None of these projects, however, has been successful in their efforts to incorporate the products in stable supply chains organized by international traders or contract manufacturers.

NEW SPATIAL PATTERNS OF RURAL TRANSFORMATION

Recent studies of aspects of agrarian change in Ghana stress the numerous and complex ways farmers have adapted their livelihoods to the SAP-induced neo-liberal reforms that started in the early 1980s. These adaptive strategies reflect increasing constraints on existing activities, emerging opportunities for cultivation (and marketing) of ‘non-traditional’ agricultural products, or broader institutional changes. For instance, a seemingly irrational response by migrant cocoa farmers in Western Region – maintaining or even expanding production in periods of declining prices during the first decade of SAP – is perfectly rational in a context of insecure tenure rights (Awanyo 1998). This and other strategies to secure the customary right of usufruct are combined with efforts to acquire surveyed plans of the land originally acquired by migrants when they arrived. Neo-liberal preoccupation with private ownership and land registration may open up new possibilities to protect livelihoods – for some. Viewed in a broader perspective, existing customary institutions (for instance, regulating access to land and labour) are being constantly challenged. Institutional change may prove to be fragile and provisional as re-interpretations of rights and conflicts materialize with the emergence of new market opportunities linked to cultivation of

'non-traditional' products, for example, tomatoes in a rural area near Kumasi, the second largest city in Ghana (Berry 1997). In addition, unexpected land use changes occur when the SAP dictated removal of subsidized fertilizer and pesticides, in combination with cheap food imports, shifts the balance of comparative advantage between different food crops, as in the maize and yam belts in Brong Ahafo, north of Sunyani (Amanor and Pabi 2007). New patterns of land use are consolidated at the same time as new conflicts emerge over access to natural resources and labour, structured in terms of social status, age and gender. Sometimes the introduction of new crops result in a transformation of the gendered division of labour and the remaking of what are considered as men's and women's crops, as among two different ethnic groups in the Northern region when production and consumption of cowpeas, onions and soy beans became widespread (Padmanabhan 2007).⁹

Besides their interest in farmers' adaptive strategies under neo-liberal reforms, these studies share a common reference point in the key role of particular agricultural products. In all the cases, the nature of the product shapes – albeit in very different ways – smallholders' room for manoeuvre and influences conflicts within and between local communities. However, these studies deal with cocoa or value chains of annual food crops directed towards the domestic market in Ghana, hence do not consider the activities of agro-food TNCs and how their sourcing practices are shaped by the material properties of particular crops, in turn restricting or broadening the space for adaptive strategies by different groups of farmers. Moreover, and as a corollary, these studies tend to disregard the spatial patterns of processes of agrarian change, i.e. how the geography of farming is being reshaped by transnational sourcing practices. I would argue that the ongoing globalization of agricultural production in Ghana is increasingly embedded in transnational sourcing practices, most clearly visible in perennial crops oriented partly or wholly to export, like the four value chains examined in this paper. Furthermore, the increasing functional integration of rural activities via the transnational sourcing practices has clear spatial implications.

The tightly organized sourcing practices of companies based on vertically integrated plantations and smallholder schemes in the palm oil and pineapple chain create privately regulated 'certified spaces'. These are marked by increased market orientation of production and corporate-funded provision of various social services and physical infrastructure facilities for communities that participate in the schemes. Value adding via product differentiation increasingly occurs through assurance of non-standard labour or crop management practices. These forms of cultivating and trading practices previously took place in value chain filaments (or strands) embedded in NGO supportive activities for non-standard

⁹ For a different interpretation of the empirical reality of gendered crops in Ghana at a national level, see Doss (2002).

practices, often in combination with third party monitoring and certification of products and processes. These forms of product differentiation are now incorporated in a generalized organizational form designed and managed by agro-food TNCs. Hence, the concept of 'just-in-space' production (Mutersbaugh 2005) needs to be conceptualized in a much broader sense as the sourcing practices involved are 'privatized' by transnational buyers in immediate contact with direct producers – and applied on a grand scale. In other words, the NGO-initiated pressure for 'quality-certified' products has been transformed into transnational practices that are constituent elements of privately regulated territories ('certified spaces').

In contrast, such privately regulated, certified spaces are not common in areas dominated by crops sourced by practices that resemble the 'traditional' set of transactions and value adding activities. This is most evident in the case of the shea value chain, which may represent something like the other end of the spectrum of sourcing practices from tightly organized and monitored private schemes. The insignificance of immediate processing and the considerable 'distance' between shea nuts and chocolate (via speciality fats) for final consumption is too extensive to necessitate the construction of certified spaces. It would take something like an equivalent of the 'Chocolate War' with a renewed strong solidarity movement for female pickers *cum* processors to change the situation. Then pressure from consumers might lead to some kind of certified spaces where only acceptable shea nuts were collected and purchased.

This is not unthinkable in global value chains where the difference between the agricultural raw material and the final food product is smaller, and substantial changes in either quantity or quality of supplies are likely to occur. Ghana's cocoa value chain is a case in point. At present corporate and state interests are congruent and pressure from the Bretton Wood institutions for liberalization of the cocoa chain have weakened in recent years. However, state regulation, including the existing system of quality control, has been highly contested before in the course of liberalization and may be put on the political agenda again. The key question here is whether the reputation (i.e. the quality and consistency) of the supply of beans could be maintained after full liberalization of the chain. Deteriorating cocoa quality and fluctuating consistency have been part and parcel of the full liberalization of cocoa chains in all other West African countries, as noted earlier. If the reputation of cocoa beans from Ghana decline, the option of forward sales at premium prices is ruled out. Hence, the present price system – combining fixed farm gate prices with negotiated margins for other actors in the value chain – would have to be abolished as it is based on pre-season negotiated export prices.

Depending on the corporate strategies of the major contract manufacturers, two sets of sourcing practices are likely to take over, each with its own spatial implications. If quality is left to deteriorate due to a hands-off stand by contract manufacturers, operational space for trading companies will remain and their practices will most likely emulate the present two-pronged way of sourcing shea nuts, i.e. via company agents and buying from a swarm of local traders. Prices

will start to reflect distance as well as asymmetrical levels of information and power – as is the case in the shea value chain.¹⁰

On the other hand, contract manufacturers (and some branded manufacturers) may find it necessary to accelerate the PMO-based model stemming from the 'anti-child slave labour' campaign currently privately organized (by corporations and NGOs) but publicly financed (by multi- and bilateral donors) that is taking shape in other West African countries. In this case, corporate organization and monitoring will be initiated at community level in major producing areas with the purpose of maintaining (or improving) crop quality and secure acceptable utilization of labour. In terms of spatial implications, the outcome would be a somewhat truncated 'certified space', somewhere in-between those resulting from transnational sourcing practices in the shea chain, on one hand, and the pineapple and palm oil chains, on the other hand.

CONCLUSION

Irrespective of the variety in sourcing practices among the buyers in the four value chains, a general spatial outcome in two of them is a trend towards the creation of geographically delimited territories where the social and technological dimensions of the 'agrarian question' (Kautsky 1988) are solved by private regulation. State regulation of chains – as illustrated by the regulation of the cocoa chain – may have a significant role to play in securing livelihoods (access to markets and stable prices) without 'solving' anything in the above sense, i.e. without driving a capitalist transformation of agriculture. This may serve the interests of poor farmers better than the private regulation characterized by exclusion and/or paternalistic inclusion with subordination.

Whether corporate initiatives result in improved livelihoods for the farming households they integrate is an open question that has to be examined in concrete cases, i.e. the scope of value capture has to be examined and evaluated. Better availability of services must be juxtaposed with potential social differentiation due to differences in ability to cope with intensified commodification. Proletarianization will be boosted if land is commoditized due to the corporate need for security of substantial investment in a large number of smallholders and/or large-scale contract farmers. This may lead to increased pressure for land registration and titling within certified spaces while activating a range of complex conflicts between different economic, social, political and cultural interests. Households – and areas – outside the certified spaces are effectively excluded from the GVCs in question and remain dependent on ordinary public service provisions, which

¹⁰ The present system of pan-territorial prices, the prescription that all LBCs have to establish operations in at least three of Ghana's administrative regions where cocoa is produced, and the status of the former monopsony (PBC) as a buyer of last resort, ensure that equal market access is not just a theoretical and political construct. The system of administered prices provides a relatively stable and predictable income for farmers. In addition, the almost institutionalized tradition of annual price increases compensate somewhat for the continuously deteriorating exchange rate of the cedi, due to the relatively small share of imported goods in rural consumption.

in many countries are being eroded by re-allocation of government resources to (foreign) debt repayment. Unless alternative crops are found, new *in-situ* income-generating opportunities are identified, or rural–urban migration increases, marginalization will prevail in these areas.

In any case, contextual empirical analysis is needed instead of *a priori* ideological statements supporting either state or private regulation. Bearing in mind recent multi- and bilateral donor stances, however, private regulation seems to become increasingly important as a constitutive element of broader processes of agrarian change: a movement towards a highly uneven and privately managed capitalism in certified spaces of rural Africa. What is left ‘unresolved’ for the next decade in terms of resulting regional inequalities, marginalized areas and pockets of poverty in the certified spaces, are perhaps left to be dealt with by WTO compatible ‘coloured box’ policies. How this might be financed is another question. The limited resources in most African economies do not foster any optimism about effective regional policies that can cushion accelerated social differentiation and marginalization.

Alternatively, NGOs and state institutions may try to exploit the corporate need for legitimate product differentiation strategies by setting up conditions for agricultural activities. These conditions must outline various financial commitments for transnational buyers to support the social and physical infrastructure in their areas of operation. Systematic monitoring, evaluation and adjustment of explicit targets for company support are necessary; otherwise it is not possible to distinguish between mutually negotiated and ‘fair’ initiatives and what are principally exercises in corporate branding.

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