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All because of competition: A bane or blessing for smaller licence buying companies (LBCs) of the Ghanaian cocoa industry

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Abstract: The dynamic global market in the world of business forces firms to initiate quick and favourable actions in order to stay active in this ever-changing world of business. The study investigated the post liberalization and privatization effect of competition on smaller Licensed Buying Companies (LBCs) in the Ghanaian Cocoa industry using the Kuapa Kokoo Limited' (KKL) situation. The study also sought to unravel the nature of competition and challenges stemming from the competition among LBCs. The study utilized the Herfindahl–Hirschman Indexes and the K-concentration ratio to examine the nature of competition in the industry. Responses were gathered from one hundred and twenty-three (N = 123) employees of KKL. The study revealed that, competition exists in the cocoa industry but is greatly controlled by LBCs with larger market shares and that out of this emanate threats for smaller LBCs in the cocoa industry. The study indicated that major challenges stemming from the competition included unfair influence by LBCs, bamboozlement of smaller LBCs by well-established bigger LBCs, breach of agreements between LBCs and farmers etc. It is therefore recommended that the present cocoa purchasing regulations be adequately enforced to better control the effects of unhealthy competitions in the internal market of the cocoa industry.

Goodlet Owusu Ansah

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Goodlet Owusu Ansah holds a BA degree in Culture and Tourism from the Department of Geography and Rural Development at the Kwame Nkrumah University of Science and Technology, Ghana. He has published papers in the area of tourism and hospitality in peer review journals. After serving as a teaching and research assistant in the same department, he developed interest in varied fields, such as the Cocoa industry of Ghana, Development-induced displacement, climate change in small-scale farming communities. This paper was developed from an original study that examined the internal market of the cocoa industry and also unravels in detail the challenges faced by LBCs in the cocoa industry.

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PUBLIC INTEREST STATEMENT

Ghana as a global giant in the production of cocoa has countersigned numerous policy transformations regarding the operations of businesses (Licensed Buying Companies, LBCs) with the core mandate of purchasing cocoa beans from farmers. The introduction and enforcement of the liberalization and privatization policies engendered competition among these LBCs in the domestic market. Our analysis revealed the existence of unfair competition among LBCs in the domestic market. With this come unsurmountable challenges for businesses with smaller market share holdings. Thus, ensuring the existence of fair competition among businesses will reduce the manipulative powers exercised by businesses with larger market share holdings in any business setting. The study also adds new directions and contributes new literature to efforts to understand the competitive environment for businesses.

Subjects: Environment & Agriculture; Environmental Studies & Management; Economics, Finance, Business & Industry

Keywords: competition; cocoa industry; licence buying companies; privatization; liberalization; Kuapa Kokoo Ltd

1. Introduction

The cocoa industry's unmatched recognition as the mainstay of the Ghanaian economy makes it a worthwhile industry for enquiry. The significance derived from the cocoa industry transcends the boundaries of improving economies to sustain the livelihoods of millions of people the world over (Anim-Kwapong and Frimpong, 2005). Based on cocoa trading exports, Ghana exported 526,761 metric tons of cocoa beans in the season 2009–2010, up from 485,785 in 2008–2009 (Bank of Ghana, 2012). Again, the exportation of cocoa beans amounted 40% of Ghana's foreign exchange earnings and was placed second as the largest cradle of export dollars (USDA, Foreign Agricultural Service, Global Agricultural Information Network, 2012).

The structure of the cocoa sector was prior to the reform process characterized by complete monopoly (Leith & Söderling, 2003). The market was in the hands of the government which through the Cocoa Marketing Board (CMB) was the only authorized domestic buyer and exporter of cocoa. After the liberalization of the cocoa sector in 1992, where cocoa purchasing was privatized, it was the government's policy aim that liberalization and privatization would enhance the operational performance of the country's cocoa marketing system to engender higher and competitive producer prices (Abenyega & Gockowski, 2003). Under this initiative, brought about the interplay of privatization elements with a robust and recognized presence of the central government in the exportation of cocoa beans. The move marked an end to the full control of both domestic purchasing and international cocoa exports held by the state marketing board; Ghana Cocoa Board-COCOBOD in the early 1990s although COCOBOD continues to wield a key regulatory role.

Privatization in its wake brought about the introduction and registration of both local and international Licensed Buying Companies (LBCs) responsible for purchasing cocoa beans from all the cocoa growing regions in the country (International Cocoa Organisation, 2006). The objective of the liberalization reform was to introduce competition on the internal market and improve the chain with regard to its operational and financial performance as well as open up for the possibility of paying higher competitive producer prices (Ministry of Manpower, Youth and Employment, 2008). This initiative introduced intense competition among LBCs in the domestic market of cocoa. According to studies, issues such as business fairness and competitive capabilities of small LBCs were some of the consequential aftermath of competition in the local cocoa industry (Commodity Risk Task Force, 2002; Tiffen, MacDonald, Maamah, & Osei-Opare, 2004).

Although the total number of LBCs that have a licence to operate in the internal market is relatively large (about 28) (MoFA, 2012), the number of companies that are active players in the local market remains much smaller: fewer than 10 purchase up to 90% of the harvest. Due to the presence of big, foreign-financed firms, small local cocoa purchasing firms are gradually being pushed to the peripheral. One notable feature of the internal market is that the LBCs do not compete in prices. Instead of paying farmers a top up to the producer price, the LBCs offer competitive weapons based on cash payment, non-economic motivations and/or different incentive packages. Laven in (2007) also observed that as part of their competitive strategies, LBCs have found ways to ensure that farmers sell cocoa to them preferentially. Some of the strategies include prompt payment for cocoa purchased, asking farmers' community representatives to help select their purchasing clerks, social involvement with cocoa farmers' communities, such as attending funerals, the provision of services, and offer of subsidized inputs or credit. It is in this area of finance that most Ghanaian-owned small LBCs are finding difficulties in competing with bigger, mostly foreign-owned cocoa purchasing companies. Small LBC's also face challenges in regulations and unfair farmer practices.

Also according to Abenyega and Gockowski (2003), one distinguished feature of the internal market is that the LBCs do not compete in prices. Instead of paying farmers a top up to the producer price, the LBCs offer competitive weapons based on cash payment, non-economic motivations and/or different incentive packages. Examples of non-economic competitive strategies are allowing community representatives to select the PCs or letting the PCs become socially involved with farmers. Incentive packages offered by LBCs may comprise services, credit, subsidized inputs and/or handing out small things ranging from soaps, pens and school books to Wellington boots, torches and machetes, depending on the amount of cocoa sold to the LBC (Vigneri & Santos, 2008). Other examples of incentive strategies are guaranteeing farmers an accurate scale (by having a standard weight at the depots), handing out annual farmer's awards, bonuses and "scratch lots" (with prices comprising anything from money to spraying items), and organizing farmer forums (Varangis & Schreiber, 2001). All these are extra cost smaller locally owned LBCs bear should they opt to follow the carved paths of bigger LBCs prompting a lot of operational challenges for the sustainability of smaller LBCs.

The study aims at examining the nature of competitive among LBCs in the domestic market of the cocoa industry and its effects on smaller LBCs. It has been examined that due to the importance of the cocoa crop in the Ghanaian economy, its knack to uphold its role and prominence is contingent upon the ability of the industry to ensure healthy competition to maintain and even improve LBCs survivability in the industry. The study also examined the challenges facing smaller LBCs in the domestic market of the cocoa industry to help direct debates on ensuring favourable competition among LBCs. Additionally, the findings will assist LBCs operating in the cocoa industry by augmenting their knowledge on certain farmer practices that does not inure to their benefit but contribute greatly to their doom. It will provide comprehensive information for managements of companies, directors and other stakeholders on how they can deal with negative practices by farmers. Finally, study adds new directions and contributes new literature to researchers' efforts to understand the competitive environment within which LBCs operate.

2. Materials and methods

2.1. Research design and setting

This was developed from a thesis research paper conducted between September 2014 and June 2015 to examine the effects of competition on the financial performance of LBCs in the Ghanaian cocoa industry. The study design utilized the mixed method approach to descriptively analyze responses from researchers' administered open and close-ended designed questionnaires. The target population for the research comprised all field officers and management of KKL, an LBC involved in the domestic purchasing of cocoa. Management employees included in the study sample included Branch Managers, Department Heads, Team Leaders, etc. Those study chose KKL due to its recognition as a small LBC, the second author's affiliation and also the convenience and easy accessibility to information.

2.2. Recruitment and sampling

We employed purposive sampling to choose all study participants employed in KKL. This judgmental selection technique was premised on two main rubrics; our appraisal of the germane nature of the roles and understanding to, and knowledge base of, the research topic under exploration. In sum, a sample size of 123 respondents, made up of 40 management employees and 83 field officers from Kuapa Kokoo Company limited who were chosen across all the 15 cocoa districts within the Ashanti region of Ghana.

2.3. Data collection methods

To examine the post liberalization and privatization challenges facing small LBCs in the domestic market of the cocoa industry, we utilized a one-on-one researcher administered open and close-ended questionnaire design to solicit responses from key informants. In all, a total of 40 management staff and 83 availed themselves for participation. All questions were designed in English language, the official language of communication in Ghana. In the case where respondents could not read or understand the English language, we translated to a local language (predominantly, *Twi*; the language mostly used in the Ashanti region of Ghana).

The secondary information for the study were sourced from the published information about KKL and their operations, annual reports and financial statements. The information covered a period of three years from 2008 to 2014. This category of data was mainly in quantitative form. Access to the data was not a problem due to a reason earlier stated in the research design and also documents published annually in the print and electronic media for public consumption.

The confidentiality of the information collected from participants was considered. They were also made to understand their role in the data collection activity was purely based on their decision to participate. Thus; to avoid imposing the questionnaires on respondents, they were given the choice to opt out if the exercise would affect them in any way.

3. Results and discussion

3.1. Demographic characteristics of respondents

The researchers begun administering questionnaire by establishing background characteristics of respondents. This section of the questionnaire gathered the socio-demographic characteristics of respondents based on gender distribution, age distribution, marital status, educational attainments of respondents and also job-related experiences of respondents in KKL. The specific details are presented below.

Table 1 shows the gender distribution of respondents in this study. The data reveals that out of a sample size of one hundred ($N = 123$) respondents, the study showed that males formed more than two thirds to show the masculine calibre of employees at Kuapa Kokoo limited (KKL).

The study shows that most respondents (64%) have achieved Tertiary Education or higher, whilst 28% ($n = 34$) of employees have achieved medium or secondary level education. Only 8% of employees have basic education. This finding is significant because many studies (Ambler, 2006; Choo & Bowley, 2007; Schwartz et al., 2000) have argued the need for employees to have the highest possible education since educated employees are able to positively affect efficiency and productivity.

The study discovered that 50% of respondents are in middle level management, 30% are senior staff and 10% are managers or management staff whilst the remaining 10% are junior staff. This outcome indicates that as high as 90% of employees in KKL work beyond the junior staff level and therefore were very much informed about the innumerable operational activities of KKL. The study shows that most employees (58%) have worked with the company for periods between six to ten (6–10) years.

3.2. Competition among LBCs in the cocoa industry

This section of the analysis sought to ascertain the veracity of the existence of competition among LBCs in the cocoa industry of Ghana. The study determined if there was indeed competition amongst LBCs in the cocoa purchasing industry. Also, this section identified the main challenges emanating from competition among LBCs, if competition is practically prevalent in the industry. Figure 1 illustrates the responses obtained from respondents.

3.2.1. Does competition exist?

This subsection established the existence of competition among LBCs in the cocoa industry of Ghana by utilizing the HHI.

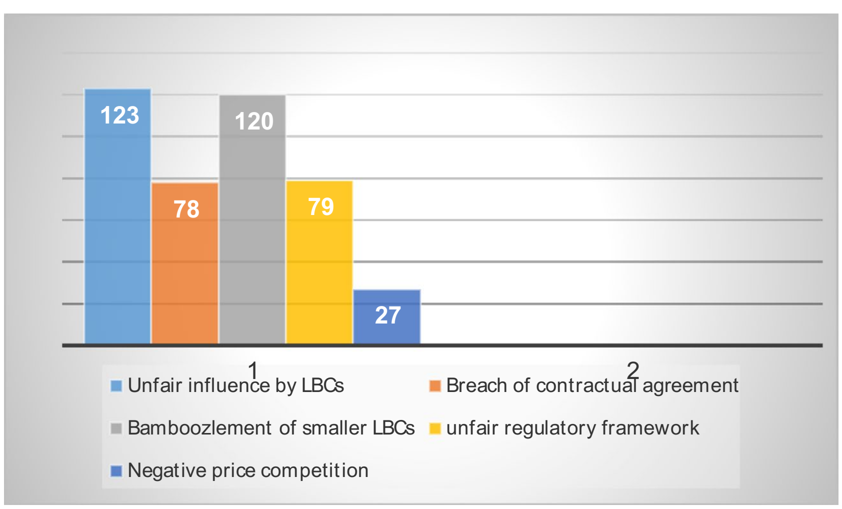
Table 1. Respondents' job-related characteristics

Variable	Frequency (*n* = 123)	Percentage
Gender distribution		
Male	94	76
Female	29	24
Age distribution		
18–25 years	17	13.8
26–35 years	36	29.3
36–45 years	39	31.7
46–55 years	26	21.1
Over 55 years	5	4.1
Marital status		
Single	84	68
Married	39	32
Academic achievement		
Low education	10	8
Middle education	34	28
High education	79	64
Profession in KKL		
Manager	12	9.8
Senior staff	37	30.0
Middle level management	62	50.4
Junior staff	12	9.8
Years of experience		
0–5 years	32	26.0
6–10 years	71	57.8
11–20 years	20	16.2

Source: Field data, 2014.

Figure 1. Challenges posed by competition of LBCs.

Source: Field data, November 2014.



3.2.2. Herfindahl-Hirschman indexes

Competition arises where two or more providers of services/goods offer their products, as substitutes, to buyers in the indistinguishable market; market with numerous suppliers makes collusion (anticompetitive behaviour) difficult to impose (Korsah, Nyarko Ernest & Tagoe Noel, 2001). According to Korsah et al., competition can be researched from various angles (Table 2).

Herfindahl-Hirschman Indexes (HHI) is calculated by squaring the market share of each firm competing in a market, and then summing the resulting numbers. The HHI number can range from close to 0 to 10,000. The HHI is expressed as:

HHI = *s*1^2 + *s*2^2 + *s*3^2 + … + *sn*^2 (where *sn* is the market share of the *i*th firm).

The closer a market is to being a monopoly, the higher the market's concentration (and the lower its competition). If, for example, there were only one firm in an industry, that firm would have 100% market share, and the HHI would equal 10,000 (100^2), indicating a monopoly. Or, if there were thousands of firms competing, each would have nearly 0% market share, and the HHI would be close to zero, indicating nearly perfect competition (Investopedia, HHI, 2015).

Table 2. Mapping LBCs' market share and HHI

Licensed buying companies	Market share (%)	Herfindahl-Hirschman indexes
Produce Buying Company	32.83	1,077.809
Akuafo Adamfo	11.97	143.2809
Olam Ghana	10.71	114.7041
Adwumapa Buyers Ltd	8.62	74.3044
Federated Commodities Ltd	7.04	49.5616
Kuapa Kokoo Ltd	5.91	34.9281
Transroyal Ghana Ltd	5.72	32.7184
Armajaro Ghana	5.7	32.49
Cocoa Merchants	3.17	10.0489
Diaby Company	2.7	7.29
Dio Jean Company	1.07	1.1449
Royal Commodities	1.04	1.0816
Sika Aba Buyers	0.84	0.7056
Chartwell Ventures	0.8	0.64
Sompa Kokoo	0.6	0.36
West Africa Exchange	0.38	0.1444
CocoExco Ltd	0.31	0.0961
Evadox Ltd	0.28	0.0784
Sunshine Commodities	0.11	0.0121
Allied Commodities	0.07	0.0049
Fereday Company	0.06	0.0036
Farmers Alliance	0.03	0.0009
CDH Commodities	0.02	0.0004
Ghana Co-operative Marketing	0.01	0.0001
Aba Pa Golden	0.01	0.0001
Yayra Glover	0.01	0.0001
Aboafo Buying	0	0
Duapa Buyers	0	0
Total	100	1,580.2635

Source: Statistics from COCOBOD, 2009.

Mapping the LBCs' market share and HHI, the table above shows that, the HHI of 1580 in the internal market of the cocoa industry falls between 1000 and 1800. This finding implies that, concentration in the internal market of the cocoa industry is moderate. Therefore, LBCs with higher market share have greater HHI which presumes a higher influence in the marketplace. The market is highly monopolized by the top five LBCs at the expense of the remaining 23 operating LBCs in the industry. This, therefore, raises the expenditure levels of disadvantaged LBCs who are unable to adequately compete with the giants well-placed LBCs in the industry.

Also, using the K-concentration ratio to ascertain this existential fact by concentrating on the percentage market share of the top four LBCs in the internal market of the cocoa industry of Ghana. For the purpose of the study, K-concentration ratio is defined as the percentage of the total market share of the top four LBCs with the highest market share of the internal market. Based on that, the summation of market shares of the top four LBCs will represent the letter *K*. therefore, if

K < 50%, then there is effective competition in the market.

K 50% + but <70%, there are weak oligopolies/competition.

K 70% +, then there are strong oligopolies in the market.

Based on the 2014 market share statistics by COCOBOD, the top four LBCs with the highest market shares amassed a total of 65%; (Producer Buying Company (33%), Akuafo Adamfo Marketing Co., Ltd. (12%), Olam Ghana Ltd. (11%) and Adwumapa Buyers Ltd. (9%)). By this finding, the study recognizes the presence of competition in the internal market of the cocoa industry. The ratio also brings to the fore the restricted nature of LBCs in their competitive environment where there is the existence of weak oligopolies.

One notable feature of the internal market is that the LBCs do not compete in prices; thus affirmed by the findings. Instead of paying farmers a top up to the producer price, the LBCs offer competitive weapons based on cash payment, non-economic motivations and/or different incentive packages (Abenyega & Gockowski, 2003).

3.3. Challenges stemming from the competition among LBCs

After establishing a baseline fact that competition was indeed prevalent among LBCs in the industry, the study examined the challenges stemming from the competitive environment within which LBCs operate. Respondents were asked to tick and rank major challenges based on the options given in the questionnaire. The details are shown in Figure 1.

After determining whether or not competition exist amongst LBCs in the cocoa purchasing industry, the study went further to identify the challenges that emanate from competition. Figure 1 shows the challenges that thwart LBCs as a result of competition in the industry.

The study shows that farmers are unfairly influenced into selling to certain LBC's. This finding is supported by as high as 96% (n = 118) affirmative responses from respondents. Before going into a more detailed analysis of the reasons advanced by these farmers to justify their influenced choices, and their consequences in terms of production outcomes, it is important to point out what farmers do not report: in no meaningful way is the payment of a price premium a reason to choose one LBC over one of its competitors (International Cocoa Organisation, 2006).

> Well, it is now a common practice to see farmers indirectly demanding things from our Purchasing Clerks because they have seen others from different LBCs do it. If we fail to assist, we lose the opportunity of buying from them. This has continued for some time and it is even draining us financially. (One district manager reported)

The second major challenge posed is the bamboozlement of smaller LBCs by the bigger and more financially sound LBCs. 97.90% of respondents identified this challenge. The last of these major challenges affects LBC finances was the breach of agreements between LBCs and farmers. Farmers often require funds to take care of their farms prior to harvesting and often request funds from some LBCs to take care of these tasks for which the mode of payment would be to sell to the LBCs at a certain amount after harvesting. But often to the disappointment of the LBCs, some farmers are often not able to deliver on this promise causing LBCs to lose money in the process.

> Hmmm, I remember an encounter I had with a farmer last year. He has been a regular customer of ours so there was a time where we agreed to purchase his dried cocoa beans. Before we arrived at the local depot, he had sold it to a different Purchasing Clerk he met in the village, all because he was giving out free cutlasses to farmers who sold to him. In sum, it mean that we drove all the way that early morning to the village without nothing. (Purchasing Clerk, KKL)

It also of direct benefits that KKL brought about its Credit Union scheme which has promoted the level of savings among farmers by enabling them to access credit at competitive rates and therefore have used this strategy to lure customers into selling their cocoa beans to them (Commodity Risk Task Force, 2002; Tiffen et al., 2004).

The position of Ghanaian cocoa farmers along the local supply chain did not change substantially after the partial liberalization of the internal market. Just as under the monopoly of the PBC pre-1992, their capacity to affect their share of the profits generated at the traders' level is limited by the amount of cocoa they produce and by how much cocoa they supply through their sales (Besley, 1997). Secondly, selection of LBCs is based on a variety of non-price motives, chiefly among them the modality of payment (cash/ cheque), and the provision of other services, namely cash and to a lesser extent credit.

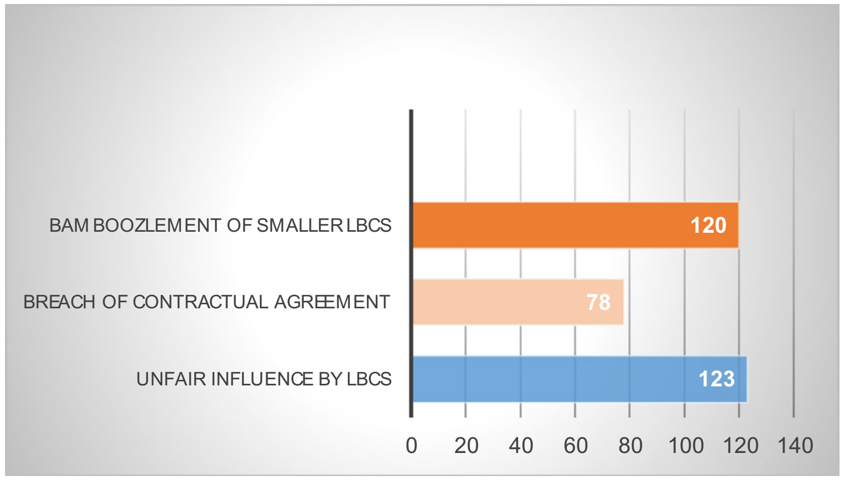
According to Varangis and Schreiber (2001), the most frequently mentioned reasons by farmers for choosing a particular buyer are cash payments, social relations with the PC, provision of credit and in the case of the Public Buying Company (PBC), its accountability. This challenge was identified by all 96 respondents who agreed to the existence of competition in the cocoa purchasing industry.

Furthermore, the practice of bigger LBCs bamboozling smaller LBCs with their financial might is also a challenge identified by 123 respondents representing 100% of total responses from key informants. Another challenge identified was the phenomena of farmers taking monies from some LBC's and not being able to produce to requirement. This causes breach of agreement between the farmer and the particular LBC from which the farmer took money in exchange for delivery of a particular amount of money. This challenge was cited by 65 respondents out of 123, representing 68%. About 64% of respondents cited unfair regulatory framework as a challenge to the cocoa purchasing industry whilst only 22% cited price competition as affecting LBCs' profitability negatively.

One notable feature of the internal market is that the LBCs do not compete in prices. Instead of paying farmers a top up to the producer price, the LBCs offer competitive weapons based on cash payment, non-economic motivations and/or different incentive packages (Abenyega & Gockowski, 2003). Examples of non-economic competitive strategies are allowing community representatives to select the PCs or letting the PCs become socially involved with farmers. Incentive packages offered by LBCs may comprise services, credit, subsidized inputs and/or handing out small things ranging from soaps, pens and school books to Wellington boots, torches and machetes, depending on the amount of cocoa sold to the LBC (Vigneri & Santos, 2008). Other examples of incentive strategies are guaranteeing farmers an accurate scale (by having a standard weight at the depots),

Figure 2. Major challenges affecting LBCs' finance.

Source: Field data, November 2014.



handing out annual farmer's awards, bonuses and "scratch lots" (with prices comprising anything from money to spraying items), and organizing farmer forums (Varangis & Schreiber, 2001). The most frequently mentioned reasons by farmers for choosing a particular buyer are cash payments, social relations with the PC, provision of credit and in the case of the PBC, its accountability (Figure 2).

In determining which challenge(s) has a major effect on the finance of LBCs, the study showed that unfair influence of cocoa farmers was the most critical challenge that often served to deny other competing LBCs of their share of cocoa to purchase. This therefore denied other competing LBCs the chance to make purchases to profit. Hundred per cent of respondents identified this challenge as a major setback to other competing LBCs.

The availability of cash with regard to inputs such as labour and chemicals is important in the production of cocoa. Farmers are generally liquidity-constrained and need credit in order to maintain or expand production. The demand for credit is confirmed in interviews with farmers. Many LBCs are reluctant to provide credit since they mistrust farmers. If the LBCs give farmers credit in return for a guarantee of cocoa, it cannot be guaranteed that the farmers will supply the cocoa to them and not to their competitors (Vigneri & Santos, 2008). Furthermore, some LBCs have experienced problems with theft, i.e. situations where farmers failed to return borrowed loans. Hence, most LBCs do not provide credit or only provide credit to large-scale farmers (Abenyega & Gockowski, 2003).

Tough price competition affects LBC's profitability negatively, it was considered as a minor challenge by about 88% of respondents. The existing regulatory framework which most respondents see as not good for fair competition was also cited as a minor challenge by about 22% of respondents. This finding is in contradiction with the findings of Leith and Söderling (2003) who found that, lack of prompt cash payment was the most critical challenge facing LBCs in the cocoa purchasing industry. Prompt cash payment for cocoa was by far the most frequently cited reason for choosing one particular buyer. This result is not surprising given that the alternative mode of payment, by akuafo (farmer) cheques, is usually considered problematic to cash by farmers in the absence of nearby rural banks and difficulties to cash them in credit institutes locally available (Barrientos et al., 2007; Economist Intelligence Unit, 2007).

3.4. Effective measures to tackle challenges

Companies existing in highly competitive business environment adopt strategies and measures in an attempt to overcome business challenges. KKL which operates in the highly competitive cocoa industry of Ghana adopts germane measures to tackle its numerous competitive holdups. This section reveals the measures that were suggested to be the major ways through which KKL can tackle its challenges effectively.

> We operate in an industry where every cocoa bean from farmers has to be competed for. This gives the more economically stable LBCs undue advantage to influence farmers with non-monetary packages to influence whom they even sell to. For me, until stringent cocoa purchasing regulations are enforced, it will continue to be difficult for us to even get some to buy in future. (Senior Staff member of KKL)

> I think that if a fair and a level playing ground in the domestic market becomes the order of the day, a lot of the challenges we are facing will be avoided. The nature of competition is so unhealthy for the sustainability of smaller LBCs. (District Manager, KKL)

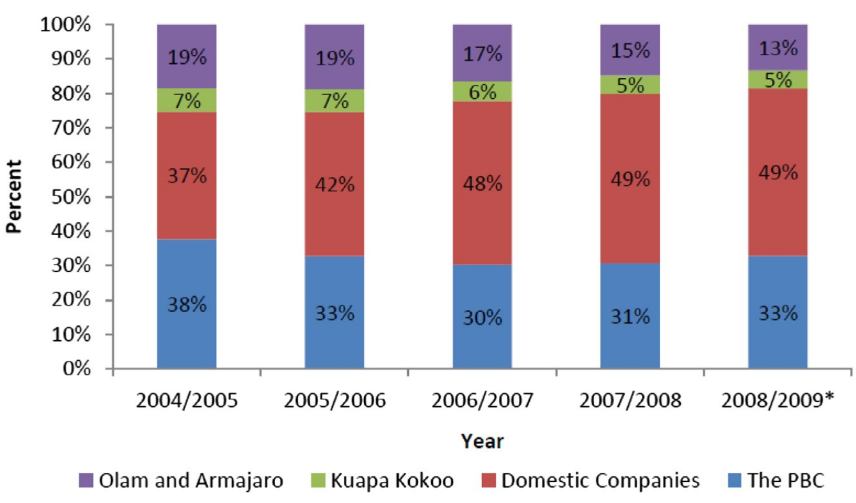
It is observed from the literature that, although 28 LBCs have been registered to buy cocoa from farmers, only a few number of them are actively in business because of their sound financial backgrounds, especially the foreign-owned LBCs. It is very difficult for the locally owned ones to survive competition because of their inconsistent financial backings. The availability of foreign capital to Olam and Armajaro may have put them in a slightly more advantageous position relative to other local companies, as they are less dependent on COCOBOD's financial decisions to organize their buying and transport activities ahead of the harvest season (International Cocoa Organisation, 2006; Laven, 2007) (Figure 3).

It is not surprising therefore to observe that the market share of KKL has been constantly reducing as the years go by. Although the total number of LBCs that have a licence to operate in the internal market is relatively large (about 28) (MoFA, 2012), the number of companies that are active players in the local market remains much smaller: fewer than 10 purchase up to 90% of the harvest. Due to the presence of big, foreign-financed firms, small local cocoa purchasing firms are gradually being pushed to the peripheral.

It is therefore critical for smaller LBCs to advocate for the elimination of the unhealthy competition in the industry.

Figure 3. LBCs by market share and type of LBC.

Source: Statistics from COCOBOD, 2009.



4. Conclusion

The study concludes that, though the core objective of liberalization and privatization was achieved, the existing competition in the domestic cocoa industry is a bane to the business operations of smaller LBCs in the industry. The reform objectives brought along numerous challenges for smaller LBCs encapsulating, bamboozlement of smaller LBCs by larger ones, unfair influence of LBCs, breach of agreement, unfair regulatory framework *inter alia*.

Based on the findings, it is recommended that, an effective competition be created to regulate the level of control exercised by bigger LBCs in the domestic market. Also, the maintenance of a stable country is very vital for the development of the cocoa sector in the country and therefore attempts should be made to consolidate the democratic process within Ghana.

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