

## AFRICA POLICY LENS PRESS STATEMENT ON COCOA PRICE CUT

# Who Failed the Farmer? The Policy Missteps Behind Ghana's 28.6% Farmer Haircut

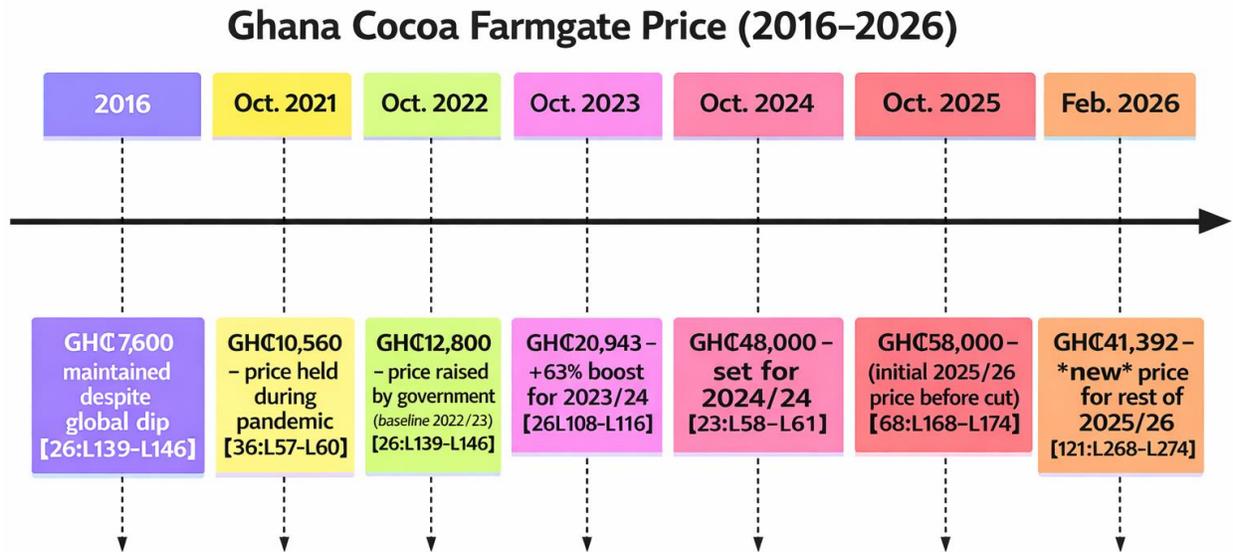
1. Ghana's government shocked farmers on 12 February 2026 by slashing the guaranteed **farmgate price** from GHC58,000 per tonne (GHC3,625 per 64kg bag) to GHC41,392 (GHC2,587 per bag). This urgent decision – driven by collapsing world prices – will sharply reduce cocoa incomes for about 800,000 smallholders and deepen rural poverty. It comes amid historic production shortfalls and fiscal crises in the cocoa sector.
2. In the medium term, the cut may marginally ease COCOBOD's financial burden and boost exports by making Ghana's beans more competitive; but it will also undermine farmers' livelihoods, threaten food security, and aggravate Ghana's export-earnings volatility. The policy shift was not foreshadowed in the 2025 budget, raising concerns about fairness and transparency.

### Historic Pricing Policy and COCOBOD's Role

3. Ghana's cocoa sector is tightly state-controlled: by law farmers *must* sell via licensed buying companies (LBCs) to the Ghana Cocoa Board (COCOBOD), and annual producer prices are fixed by a government **Producer Price Review Committee (PPRC)**.
4. Traditionally, the farmgate price is set as a proportion of the expected export ("FOB") price. For example, the 2025/26 price was originally calculated as **70% of \$7,200/tonne** (the then-anticipated world price) converted at GHS10.25/USD, yielding GHC51,660/t. This 70%-of-FOB rule is designed to protect farmers: in 2020/21 Ghana joined Côte d'Ivoire in a **Living Income Differential (LID)** of +US\$400/tonne for West African farmers, helping raise farmgate prices.
5. In the last five years, the previous government repeatedly raised farmgate prices (even in times of the Covid-19 pandemic) to boost incomes: for instance, it held the 2021/22 price at GHC660 per 64kg bag (GHC10,560/t) despite falling world markets, and then increased it by about 63% to GHC20,943/t for 2023/24. Most recently, Ghana set a record GHC48,000/t (GHC3,000/bag) for 2024/25 – its highest ever. (See below for a table of recent farmgate prices.)



Figure 1:



6. Nonetheless, the Ghana Cocoa Board (COCOBOD) has for several years operated under significant fiscal strain, driven by persistent production shortfalls, rising operational costs, and mounting debt obligations. These structural vulnerabilities are not recent; they are deeply embedded within the sector’s institutional and financial architecture. Successive administrations have therefore inherited both the strengths and the systemic weaknesses that characterize Ghana’s cocoa economy.
7. Given this reality, the onus rests squarely on sector leadership to adopt forward-looking, evidence-based strategies that reduce financial exposure, enhance productivity, and strengthen risk management frameworks. Proactive debt restructuring, cost rationalization, improved supply-chain governance, and productivity-enhancing investments are essential if the sector is to regain fiscal resilience and safeguard the livelihoods of cocoa farmers.

### COCOBOD Management Failures Undermine Farmer Welfare

8. While global cocoa prices have experienced a sharp downward correction — with benchmark futures retreating from multi-year highs to approximately **US \$4,000 per metric tonne in early 2026** — the way Ghana Cocoa Board (COCOBOD) managed the 2025/26 crop season has directly contributed to the current crisis facing farmers. The four main contributing factors are discussed here.

## 1. Failure to Adjust Pricing Strategy

9. COCOBOD entered the 2025/26 season with an initial farmgate price of GHC51,660 per tonne (August 2025), based on a 70% premium of US \$7,200. Rather than realign this price as international cocoa futures fell, management chose in October 2025 to increase the cedi price to **GHC58,000** by assuming a weaker exchange rate – explicitly to deter smuggling after Côte d’Ivoire announced a premium price.
10. This *lock-in* only postponed reckoning with market realities. By February 2026, global prices had plunged (~US \$3,680/tonne), and Ghana’s price became **uncompetitive** to farmers (about US \$3,600/t at GHC11.50/USD) compared to Ivory Coast’s roughly US \$5,060/t.
11. In effect, the Government temporarily absorbed the cost of maintaining a higher producer price in order to deter smuggling, but subsequently transferred the full burden of market correction onto farmers, rather than distributing the adjustment across the value chain or implementing cost-containment measures within the sector.
12. As Figure 2 clearly illustrates, by October 2025 management either knew or ought reasonably to have known that gross FOB prices were already in steep decline. Under such conditions, raising the nominal farmgate price through exchange-rate adjustments only inflated producer expectations without a sustainable revenue base to support them. That decision was economically imprudent and fiscally unsound, as it delayed necessary adjustment and ultimately magnified the severity of the correction imposed on farmers.



**Figure 2: Gross FOB Trends**



(Source: Trading Economics, February 2026)

## 2. Inadequate Forward Sales and Market Planning

13. COCOBOD’s forward sales program in 2025 was insufficient to hedge against the inevitable price fall. Management did not lock in adequate volumes at high prices earlier in 2025, nor did it significantly exceed its historical forward-sale ratios when prices peaked. Instead, COCOBOD largely waited as global prices collapsed.
14. The result was a liquidity shortfall: with most beans unsold into the downturn, the Board had no reserved revenue to support farmers. In effect, the shortfall from limited forward contracting **amplified** the losses when prices finally fell, leaving farmgate rates unsustainable. This reflects a failure to read market signals and execute a dynamic sales strategy.

## 3. Ghana vs. Côte d’Ivoire: Sharpened Producer Burden

15. Côte d’Ivoire has taken a contrasting approach to price risk. As Ghana raised prices on rising markets, Côte d’Ivoire similarly announced record highs (e.g. CFA 2,800/kg, ~US \$5,060/t) to support farmers, and even initiated purchases to stabilize revenue. When prices then dipped, Ivorian authorities absorbed part of the shock, cushioning producers.

16. By contrast, Ghana’s institutions absorbed none of it – Ghanaian farmers alone bore the downward shock. In effect, Ghana transferred the full 28.6% correction to producers<sup>[6]</sup> while Ivorian farmers remained at a record price. This divergence highlights that Ghana’s management chose to push losses onto farmers rather than deploying buffers or policy tools as neighbouring Ivory Coast did.

**Table 1: Ghana vs. Côte d’Ivoire price risk comparative analysis**

Milestone	Ghana (GHC per Tonne)	Exchange Rate (USD/GHS)	Ghana (USD per Tonne)	Ivory Coast (USD per Tonne)
Aug 2025	GHC51,660	GHC10.25	\$5,040	\$3,400*
Oct 2025	GHC58,000	GHC11.50	\$5,043	\$5,000
Feb 13, 2026	GHC41,392	GHC11.50	\$3,600	\$5,060**

*\*Figures reflect the end of the 2024/25 mid-crop for Ivory Coast before their new season launch in October.*

*\*\*As of today, Ivory Coast has maintained its October record high, while Ghana adjusted downward to reflect the global market crash.*

#### 4. Dr Randy Abbey’s Statement and the Accelerated FOB Price Fall

17. Africa Policy Lens (APL) notes with grave concern the high correlation between the public disclosures made by COCOBOD CEO, Dr. Randy Abbey, on 6 February 2026, and the subsequent catastrophic collapse of the Free-On-Board (FOB) price. On the day of Dr. Abbey’s statement regarding 50,000 metric tonnes of unsold, 'overpriced' cocoa, the International Cocoa Organization (ICCO) daily price stood at US\$4,214.95 per tonne. In the exactly seven days that followed, the market weaponized this admission of illiquidity. By 13 February 2026, the price plummeted to US\$3,681.10 per tonne—a staggering **12.67%** value erosion in a single week.

18. Already, StoneX had projected a global surplus of about 250,000 tonnes; hence, the CEO's statement confirmed the market’s sentiment, creating a 'perfect storm' where internal transparency lapses met external bearish fundamentals. APL argues that signalling such significant uncontracted volumes without a pre-established hedge or a robust Stabilization Fund floor directly invited the predatory short-selling that has now cost the Ghanaian farmer GH¢1,038 per bag in expected income."

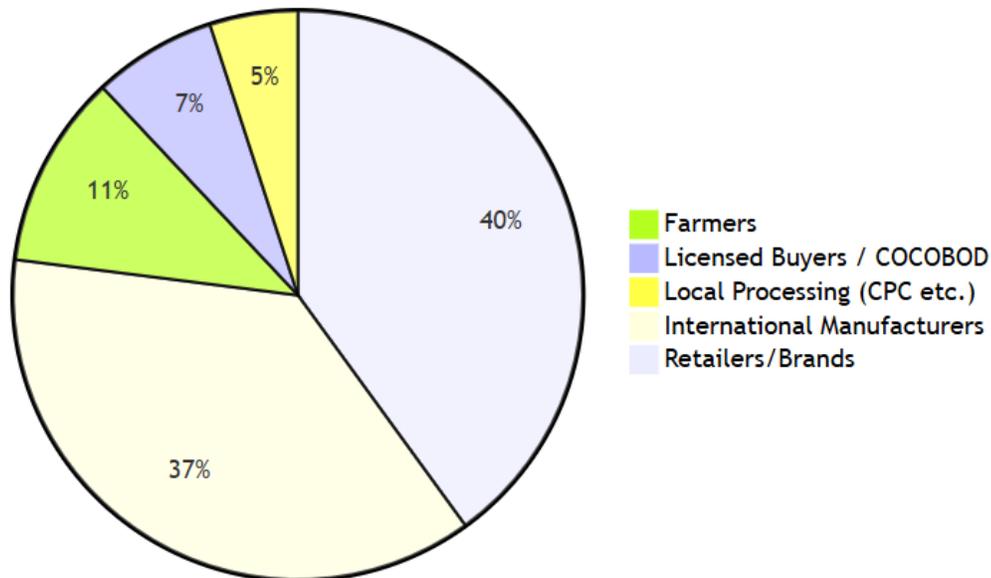
## Impact on Farmers and Rural Livelihoods

19. Cocoa remains the primary income source for **approximately 800,000** Ghanaian farming households, making it a critical pillar of rural livelihoods. Even before the announced haircut, available evidence (including analyses by Oxfam) indicated that up to 90% of cocoa farmers were not earning a *living income* and were subsisting on less than \$2 per day. Based on estimates from the Ghana Statistical Service that rural households average four persons, any sustained reduction in farmgate prices has wider household welfare implications beyond individual farmers. A 28.6% price reduction could therefore affect the economic stability of roughly 800,000 farming households, equivalent to approximately 3.2 million rural residents, by directly reducing disposable income and increasing vulnerability to poverty. In practical terms, a farmer expecting to sell 10 tonnes would now earn about GHC170,000 instead of GHC240,000, representing a revenue reduction of roughly GHC70,000 (about \$5,000), with likely downstream effects on consumption, education spending, and local rural economies.
20. Already, farmers across the country have reported severe hardship. The average household earnings of some farmers are around \$0.60 per person per day from cocoa. The new cut means even less cash. We expect the immediate effects to include deeper food insecurity, school drop-outs, and the inability to afford farm inputs. Poorer households may be forced to sell assets or cut back on health spending. Rural women – who often manage household nutrition and sometimes assist on farms – will bear a heavier burden as household incomes fall.
21. The cocoa price haircut has significant implications for the structural drivers of illegal mining (Galamsey) in Ghana, particularly through the income substitution mechanism. Cocoa farming and small-scale mining compete directly for rural labour and land; when cocoa returns decline, the relative attractiveness of mining despite environmental and legal risks increases. Lower farmgate income reduces liquidity for farm maintenance, replanting, and hired labour, which can accelerate farm abandonment or shifts into mining activities. From a political economy perspective, this weakens incentives for sustainable land stewardship and undermines ongoing efforts to formalize and regulate natural resource use, potentially reversing gains made in environmental protection and community-based conservation initiatives.
22. Equally important is the signal such a price reduction sends to rural youth considering career pathways. The cocoa sector already faces an ageing farmer population, and expectations of declining profitability risk reinforcing perceptions that cocoa farming is economically stagnant compared to alternative livelihoods. Youth respond strongly to

income visibility and future prospects; when cocoa prices fall sharply, the sector may appear structurally insecure, pushing younger entrants toward urban migration or extractive activities that promise quicker returns. This erosion of intergenerational continuity in a crop that once represented stability and national pride risks losing its aspirational appeal, complicating efforts to sustain rural economies and maintain a resilient agricultural workforce.

*Figure 3 above: Industrial studies have found that Ghanaian cocoa farmers typically live on less than \$2/day and are “on the margin” despite rising official prices. A large price cut thus risks pushing many below subsistence.*

### Cocoa Value Chain Margin Distribution



Source: Pulitzer Center (2024)

### Conclusion: The Crisis Is Structural — and It Is Managerial

23. The 28.6% farmgate price cut is not merely the consequence of global cocoa price volatility; it is the culmination of avoidable management lapses within the Ghana Cocoa Board (COCOBOD). The sequence of decisions — setting an ambitious August 2025 price, artificially raising it in October through exchange-rate adjustments despite clear evidence of declining gross FOB values, failing to expand forward sales during peak global prices, and delaying correction until the market had fully turned — demonstrates a pattern of reactive rather than strategic leadership.

24. Sound commodity governance requires anticipation, hedging discipline, fiscal prudence, and transparent communication. Instead, the sector witnessed exchange-rate engineering in place of structural reform, delayed risk management, and a final adjustment that concentrated losses at the farmgate level. Farmers — who neither determine forward contracts nor control currency assumptions — are now bearing the financial consequences of decisions taken at the managerial level.

### **Policy Recommendation: Structural Reform of Cocoa Governance**

Africa Policy Lens therefore calls for urgent structural reforms:

1. **Independent Risk Management Framework:** Establish an autonomous commodity risk committee within COCOBOD, staffed by market economists and hedging specialists, to oversee forward sales, price stabilization strategies, and exchange-rate assumptions.
2. **Statutory Price Stabilization Fund:** Ring-fence and legally protect a cocoa stabilization reserve that cushions farmers during downturns, rather than transferring volatility directly to producers.
3. **Mandatory Forward-Sales Transparency:** Require public disclosure of forward sales volumes (percentage of projected output), hedging positions, and realized price benchmarks before each crop season.
4. **Exchange-Rate Neutral Pricing Formula:** Remove discretionary exchange-rate adjustments from farmgate pricing calculations and tie producer prices strictly to realized FOB contracts.
5. **Leadership Accountability Mechanism:** Introduce parliamentary oversight hearings tied to pricing outcomes and financial performance of the cocoa sector.

**-End-**

**For further engagement, please contact:**

Dr. Eric Boachie Yiadom -0273561082

Dr. Hayford Ayerakwa -0243135822



Contact Us  
+233 24 092 0170



Email Address  
[info@africapolicylens.com](mailto:info@africapolicylens.com)

[www.africapolicylens.com](http://www.africapolicylens.com)