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Defying Merchant Capital in the Gold Coast

Cyrelene Amoah-Boampong

Abstract
This essay focuses on cocoa producers in the Gold Coast during the early 20th century, and the strategies of resistance and compromise they adopted towards British merchant capital and the British colonial government. It argues that cocoa farmers were able to reduce and frustrate the attempts of British merchant firms through a combination of weapons of the weak and militant action. This indigenous farmer agency influenced colonial government policies and shaped the formation of the colonial economic structure with the introduction of agricultural marketing boards, which deprived the British merchant firms of their monopoly on the cocoa marketing process.

Key Words: cocoa hold-up, cocoa trade, Gold Coast, Nowell Commission.

Introduction

Europeans had a dominant presence on the West African coast since the 15th century.[i] They represented Europe's commercial interest and established trading firms on the coast. By the late 19th century, British commercial supremacy peaked in the Gold Coast. Until recently, this situation of a "dominant" imperial power presupposes acquiescent native economic actors. This was not the case in the Gold Coast where cocoa producers contested the appropriation of their surplus income from the inception of the cocoa industry in the late 19th century. This paper examines the avenue of contestation and negotiations between merchant capital and the colonial government on one hand and cocoa farmers in the early 20th century. It contends that cocoa farmers were able to reduce and in some cases frustrate the attempts of British merchant firms to exploit them through weapons of the weak such as diplomacy and direct contact with consumers, as well as militant action in the form of cocoa hold-ups. These mechanisms showed Gold Coast farmers as active societal actors and economically conscious agents rather than passive victims of European economic exploitation in West Africa. The active role of cocoa farmers eventually led to the direct intervention of the colonial state in the cocoa marketing process once the sole preserve of European firms on the coast of West Africa.[ii]

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Cocoa Trade in the Gold Coast

The turn of the 20th century saw the Gold Coast; become incorporated, albeit peripherally, into an expanding world economic system where production and consumption were geared toward external demands in Europe. Cocoa was one of these agricultural crops produced for the international market. The introduction of cocoa into West Africa, on the island of Fernando Po (now called Bioko) was largely triggered by the sharp downturn in prices for palm oil, the main agricultural export crop in West Africa at the time.

People from the Gold Coast and Nigeria worked on these plantations and gained valuable experience on how to cultivate the cocoa tree. One such Gold Coaster was Tetteh Quarshie. He worked for six years in Fernando Po and brought back five cocoa pods (swallowed and later passed), which he planted at Christianborg in Accra and Mampong-Akwapim in 1879. The cocoa pods planted in Christianborg germinated but withered shortly afterwards owing to unsuitable soil and weather. Those planted at Mampong-Akwapim, however, grew well, and Quarshie sold the cocoa pods to other farmers at the rate of £1 per pod. Thus began an astonishing tale of the development by indigenous farmers of an industry that was to transform the Gold Coast's economy. By the early 20th century, the Gold Coast became the world's leading producer of cocoa and the main supplier of cocoa to Western chocolate manufacturers.[iii]
From its humble beginnings, the Gold Coast cocoa economy had its roots in native adaptability and enterprise. The expansion of cocoa production was carried out by indigenous Ghanaians on small farms unlike the plantation economies in Cote d'Ivoire, where the French introduced export crop plantations, and made it mandatory for rural producers to cultivate cocoa.[iv]
In the Gold Coast, there was no direct assistance from British merchant capital or the colonial government, not even in the transportation of the cocoa crop after harvest. Cocoa farmers were therefore compelled to build their own roads and bridges to connect their farms. Many farmers had to carry their harvest on their heads and walk many miles to sell to British firms at established cocoa centers. Indeed, it was not until the 1930s that the colonial government and expatriate cocoa buyers knew how to organize production.

Cocoa production has always been in the hands of rural, cocoa producers who owned at least one farm and actively took part in farm work with the aid of family and hired labor. Many of these cocoa farmers had limited capital and borrowed money with their cocoa crop as collateral. On the other hand, the purchasing and marketing of cocoa beans was firmly in the hands of British buying firms in the Gold Coast.[v]

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These British firms operated mainly through local agents, known as brokers. The firms engaged them on a commission basis, with a retaining fee. Brokers operated mainly with credit from the merchant firms in the form of cash advances to purchase cocoa from producers at a lower price than would be charged once the harvest was collected. Brokers also employed sub-brokers to purchase cocoa on their behalf. Independent African brokers also existed in this saturated market. In this local trade network, the broker not only acted as middlemen between cocoa farmers and merchant firms, but served a vital function of arranging transportation of the cocoa to the coast for shipment.[vi]

In the midst of this competitive cocoa trade, British firms with the aid of the colonial authorities attempted to undercut native competition. Initially, attempts were made to recruit independent African brokers, with the assurance of greater access to capital than they could obtain on their own. Next, working in tandem with the metropole, the Legislative Council passed a law in 1887, which imposed a license fee of five pounds sterling on all import-export ventures in the colony. A sum of five pounds sterling, while irrelevant to a British firm, broke an African trader.[vii] Chief Justice of the Gold Coast, Sir William Brandford Griffith's address to the Legislative Council illustrates the close ties between the colonial state and the trading firms in the Gold Coast. Griffith totally negated the role of rural producers in the cocoa industry, proclaiming, "…it is thanks to the European traders that we now have this flourishing Colony…what would the Colony have been without the traders to depot and to ship its produce?"[viii]

Cocoa farmers were further exploited as the price paid for the cocoa crop was dictated by the metropole. Usually the British firms in the Gold Coast only fixed the upper limits for their brokers. The local price for cocoa was therefore fixed at very low rates by the buying firms. To the cocoa producer this meant they would have to produce more cocoa if they wanted to make more money. Exacerbating the situation was cocoa farmers' dependency on cocoa as their sole income earner. Thus, during times of high prices, cocoa cultivation was expanded. However, cocoa takes between three to five years to yield. Thus, by the time the cocoa trees started to yield, prices often began to fall on the international market.[ix] The result was that increased production could not be adequately rewarded. This was the case from the 1920s onwards: a market glut leading to a steady decline in prices on the world market following the pattern of commodity prices in the 1920s.

Beyond the problems of lower producer prices, price fixing by merchant firms also plagued cocoa producers. In the vibrant cocoa purchasing trade that developed in the Gold Coast, British and European trading firms made a series of agreements, among themselves to keep their profits and dividend rates high. These agreements usually covered both the prices to be paid for agricultural goods produced by Africans, including cocoa, and the prices to be charged to these producers for imported merchandise thus controlling both the import and export trades. For instance, a report filed by the Acting District Commissioner of Saltpond (a commercial town in the Central Region) in 1938, stated: "merchants meet once or twice per month…and fix prices for their principal goods. An 'Approved Price List' is produced, and merchants are expected to adhere to these prices."[x] Basically, these agreements enabled British firms to try and monopolize the local market and attempt to place Gold Coast producers in the grips of merchant capital. British colonial government officials were unwilling to investigate reported price fixing unless it concerned price fixing of consumer goods, which affected Europeans. In spite of this strangle-hold by British firms on the local trade in colonial Ghana, cocoa producers and other societal forces in the Gold Coast economy contested the foreign firms and the colonial state's pattern of extraction and exploitation.

Local Reaction to Colonial Appropriation

One of the initial mechanisms for local activism was diplomacy. In 1918, a delegation of chiefs pointed out the problems of low prices of raw cocoa and high prices of imported European goods to Governor Hugh Clifford and demanded that something be done about the firms' behavior. The chiefs argued, "while the Gold Coast produce is taken for almost nothing…prices of European goods have reached such prohibitive heights that one feels unhappy." If nothing was done about the situation, they threatened, to "guard our people…against such manifest exploitation of the native's poor resources."[xi] In response, a deputation from the Chambers of Commerce in London and Liverpool visited the Colonial Office to protest against African participation in the cocoa export trade.[xii] Cocoa farmers countered by a Cocoa Growers Association and made a trial shipment of 700 bags of cocoa to Europe in an attempt to get a better price. The formation of this farmers' association kindled like-minded associations in the colony.

Another attempt at reducing the extraction and exploitation of local producers by British firms during the colonial period was to make direct contact with cocoa-consumer countries. In this regard, chiefs from the Eastern Region who attended the World Cocoa Conference in 1924 made arrangements with American officials to ship their cocoa directly to the United States, where cocoa producers received a guarantee of prices higher than the prices offered by European firms in the Gold Coast at the time, though only a quarter to a third of the full price was advanced to producers before delivery of the cocoa.

Regrettably, cocoa producers were never to see the balance of their funds. The broker of the Farmers' Association "misappropriated much of the proceeds and absconded; it was estimated that about £300,000 was lost…"[xiii]

Notwithstanding the bad experience with direct cocoa exports, cocoa producers in the 1920s devised other plans for improving the deteriorating position in the export trade. Realizing that it was at the international level that a greater percentage of their income was lost, producers came up with schemes to stabilize their income. One plan involved the relocation of the Cocoa Commodities Exchanges from London and New York to Accra, where the largest volume of cocoa was produced. The idea was that, if anyone should profit from speculating, it should be African farmers. This plan never came to fruition.[xiv]

An alternative plan involved organizing cocoa producers in all major cocoa-producing countries (Ghana, Ivory Coast, Nigeria and Brazil) to collectively control the quantities of cocoa that reached the world market and, as a consequence, the cocoa price. The cocoa farmers queried the inequality and difference in the price of cocoa beans (£25 per ton) as oppose to and the manufactured article chocolate (£100 per ton)."[xv] Farmers were determined to see that their interests, labor and enterprise were duly protected.

Regardless of whether these attempts by producers were feasible or achieved their objective of higher producer price, these plans reveal the level of sophistication, tenacity and refusal of producers to be hapless victims in the drama of their lives. No matter the level of exploitation producers responded to attempts at cocoa surplus extraction.

One of the most effective mechanisms that cocoa producers used in their attempt to break the price manipulation by British firms and the appropriation of their income was the cocoa hold-up. The cocoa hold-up was an organized withholding by producers of their produce with the expectation that their action would force up the producer price of cocoa. There were three major hold-ups in 1920, 1930/31 and 1937-38 crop season. The 1937-38 cocoa hold-up was a watershed in the evolution of the relationship between the state and cocoa producers. It led to the direct intervention of the colonial government into the marketing process and transferred the extraction of cocoa surplus by merchant firms to the colonial, and later, post-colonial state.[xvi]

The cocoa hold-up of 1937-38 commenced after the largest cocoa purchasing firms appeared to have entered into a price agreement, to control their cocoa-buying operations. Similarly, the major importing firms had a merchandise

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agreement that fixed minimum prices for imported goods.[xvii] It appeared that the big trading firms had formed a buying cartel, which would pass as much of the price loss to African agricultural producers. Unfortunately for the firms, the revelation of the agreements coincided with a fall in the market price of cocoa from £52 per load of cocoa in 1936 to £25 in February 1938.[xviii] Gold Coast cocoa farmers interpreted the market-sharing and price-sharing agreements of the European firms and their move to eliminate African brokers as nothing less than an assault on the enterprise and agency of cocoa producers. In addition, official regulations by the colonial state had not created a supportive environment to cushion the effects of the economic depression of the 1930s. Instead, colonial policies discriminated against cocoa producers in internal trade.[xix] This mixture of unfair profit sharing and policy discrimination squeezed the domestic producers from all sides. A hold up of cocoa sales and a boycott of certain European goods was called in November 1937 remaining in effect until April 1938.

The hold-up lasted for six months during which time cocoa exports fell and trade in the colony practically ceased.[xx] The hold-up organizers included all sectors of the Gold Coast community and they gained the support of a number of other groups unconnected with cocoa production, namely the market women and truck drivers, who were not a part of prior hold-ups.[xxi] In order to sustain cocoa producers, the organizers of the cocoa hold-up made contracts with American businessmen to ship cocoa on contract for striking farmers.[xxii] American chocolate manufacturing company, Hershey, was said to be behind the independent attempts to ship cocoa. Despite these efforts to ship cocoa directly to consumer nations, no large shipment was made.[xxiii]

Ultimately, all sectors of the Gold Coast economy came to a standstill. The Secretary of State appointed the Nowell Commission to examine the whole situation. A truce was negotiated that called for the establishment of export controls. The scheme stated that "while the Gold Coast Government should remain free to allocate license covering six percent of the crop amongst Africans and other shippers, licenses covering 94 percent of the crop should, throughout the period of the truce, be issued to regular shippers on the basis of the shipments in the past two years."[xxiv]

Conclusion

It is difficult to determine why the hold-up leaders agreed to this condition. The Nowell Commission asserts that it was possible that the mass of supporters were weary of the long hold-up and anxious about prices falling even lower as well as

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their cocoa crops deteriorating as the months rolled on. A plausible explanation for the capitulation might be the possibility that the guarantee of a six percent share of cocoa exports to African shipping companies went a long way toward satisfying a majority of hold-up groups whose primary objective was entering the cocoa export trade.

Whatever the reasons, in 1939, the colonial state intervened in the cocoa economy despite local producers attempts to circumvent price fixing and control by British merchant firms. In the larger context, local protest movements forced the metropole to undertake agricultural reforms, a trend which continued into the post-colonial period. These protest actions reinforce the assertion that local cocoa producers were not passive victims of the global economic forces in the early twentieth century

Endnotes

[i] The Portuguese were the first Europeans followed by other nationalities such as the Dutch, Danes, British, French, Germans, and Spanish.

[ii] Merchant firms refer to the commercial enterprise of merchants from Britain, France, Portugal and the Netherlands trading along the Atlantic coast of Africa.

[iii] By 1911 the Gold Coast was the world's leading cocoa producer and exporter, with 41, 000 metric tons. In the early 1920's, she produced 165,000 - 213,000 metric tons, and contributed about 40% of the total world output. Between the 1920s and 1970s, the Gold Coast (Ghana) lost her leading position to Cote d'Ivoire. See Rhoda Howard, "Economic Imperialism and Oligopolization of Trade in the Gold Coast, 1886-1939," *Ufahamu: A Journal of African Studies*, 7 (1976): 74 and Stephen H. Hymer, "The Political Economy of the Gold Coast and Ghana," in *Government and Economic Development*, edited by Gustav Ranis (New Haven: Yale University Press, 1971), 141.

[iv] Rhoda Howard, *Colonialism and Underdevelopment* (New York: Africana Publishing Company, 1978), 74.

[v] Companies such as United Africa Company (UAC), Paterson and Zochonis (PZ), G.B. Olivant, United Trading Company (UTC), Cadbury and Fry as well as J. Lyons. See

[vi] Sam Rhodie, "The Gold Coast Cocoa-Hold Ups of 1930-31," *Transactions of the Historical Society of Ghana* vol. 9 (1968), 110.

[vii] Rhoda Howard, *Colonialism and Underdevelopment*, 186.

[viii] Gold Coast, *Legislative Council Debates*, 26 October 1908, 30, Balme Library, University of Ghana.

[ix] From 1915 onwards, cocoa prices got higher inducing expansion in cocoa farms with increased output. The net result was overproduction in the 1920s, when the trees started yielding.

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[x] Public Records Archives Administration Department (PRAAD) ADM 11/1/1049, *District Quarterly Report: Central Province*, 1938.

[xi] Memorandum dated 5 March 1918 to Governor Hugh Clifford cited in David Kimble, *A Political History of Ghana*: *the Rise of Nationalism*, *1850-1928* (Oxford: Clarendon Press, 1963), 49.

[xii] Ibid., 50.

[xiii] Ibid., 53.

[xiv] Rhoda Howard, "Economic Imperialism and Oligopolization of Trade in the Gold Coast, 1886-1939," *Ufahamu: A Journal of African Studies*, 7 (1976), 327-328.

[xv] Gold Coast, Legislative Debates, March 27, 1924, 10. Balme Library, University of Ghana.

[xvi] Rod Alence, "The 1937-1938 Gold Coast Cocoa Crisis: The Political Economy of Commercial Stalemate." *African Economic History* 19 (1991): 80-87.

[xvii] P.T. Bauer, *West African Trade: A Study of Competition, Oligopoly and Monopoly in a Changing Economy* (London: Kegan Paul, 1963), 78-80.

[xviii] Government of the United Kingdom, Report of the Commission on the Marketing of West African Cocoa (London: Her Majesty's Stationery Office, 1938), 190. Hereafter Nowell Commission Report, Balme Library, University of Ghana.

[xix] Transportation costs for cocoa were set at higher rates than other goods controlled by British interests, in order to shift the burden of recovering the costs of infrastructure to the cocoa farmers. Cocoa shipped fell from 21, 606 tons, when the cocoa hold-up started, to 235 tons by February 1938.

[xx] Ibid., 64-65.

[xxi] Gareth Austin, "Capitalists and Chiefs in the Cocoa Hold-Ups in South Asante, 1927-1938," *International Journal of African Historical Studies*, XXI (1988), 63-95.

[xxii] PRAAD, SNA 11/1930, District Commissioner at Dunkwa to the District Commissioner at Cape Coast, 7 October 1938.

[xxiii] A. G. Hopkins, "Economic Aspects of Political Movements in the Gold Coast and Nigeria 1918-1939," *Journal of African History*, 7, no. 1 (1966), 140.

[xxiv] Nowell Commission Report, 63-64. During the two years in question no African had a shipper's license.

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