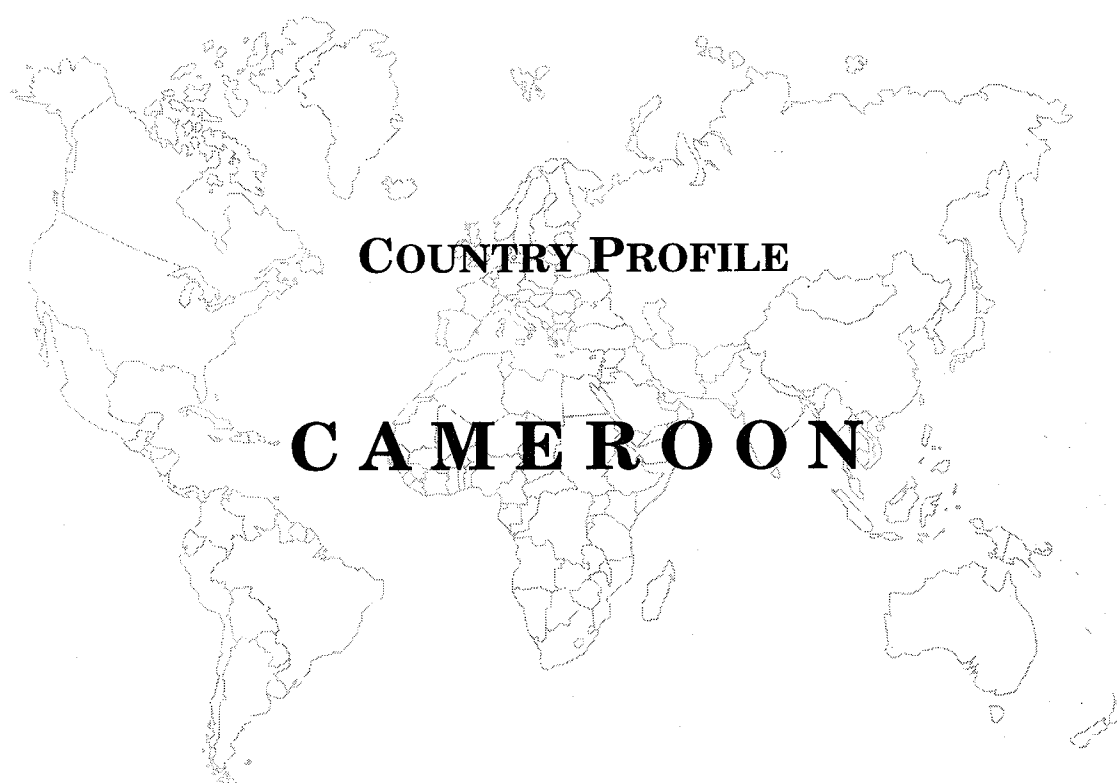


**ICO/CFC STUDY OF  
MARKETING AND TRADING POLICIES AND SYSTEMS  
IN SELECTED COFFEE PRODUCING COUNTRIES**



COMMON FUND FOR COMMODITIES



INTERNATIONAL COFFEE ORGANIZATION



THE WORLD BANK

*The experience gleamed from this and eight other country studies has been incorporated into an overall project review published by the Common Fund for Commodities (CFC): Study on marketing and trading policies and systems in selected coffee producing countries. Amsterdam, 2000. CFC Technical Paper No. 3.*

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Marketing and Trading Policies  
and Systems in Selected Coffee  
Producing Countries:  
CAMEROON COUNTRY PROFILE**

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## **Executive Summary: Cameroon**

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### **BACKGROUND**

Prior to liberalisation, coffee marketing was under the *Office National de Commercialisation des Produits de Base* (ONCPB). In the francophone areas, the ONCPB acted as a *caisse de stabilisation* and negotiated export contracts for private exporters (although some exporters could export directly once permission (*débloccage*) had been received from the ONCPB), while in the anglophone areas it acted as a marketing board and bought coffee directly from Licensed Buying Agents. All marketing costs were set out in a *barème*. The difference between the export price in the *barème* and the actual export price was either paid to the ONCPB, when it was positive, or re-imbursed to exporters, when it was negative. In practice, when the difference was positive, the monies were paid to the government.

In mid-1991, the first phase of robusta market liberalisation began. Mounting debts from price stabilisation, moves by the government to liberalise the economy and conditionality under the country's structural adjustment programme led to the disbanding of the ONCPB and a partial reform of the marketing system. Under the reforms, exporters were permitted to export directly and licensing requirements for domestic traders were removed. However, all marketing margins were still maintained in a *barème* to ensure the intra-seasonal stabilisation of grower prices. A formal stabilisation fund was established. The *Office National du Café et du Cacao* (ONCC) was established to regulate the system.

However, the system came under increasing pressure: the stabilisation fund went bankrupt and the ONCC increased its staff and operating costs. In 1994/95, with the adoption of a new structural adjustment package, the marketing system was further liberalised and the *barème* and stabilisation fund were abandoned.

### **THE REFORMS**

#### **Marketing Reforms**

The reform of the coffee marketing system brought many new exporters and intermediaries into the sector. With increased competition and lower taxation, grower prices as a proportion of the export price increased, although it was not until 1994/95 that the grower price was higher than pre-liberalisation levels. For robusta coffee, between 1980/81 and 1987/88, grower prices averaged 48% of the f.o.b. value, marketing costs accounted for 15% of the f.o.b. value while taxes both direct and indirect accounted for 37% of the f.o.b. value. The majority of these taxes were indirect, reflecting the difference between the actual export price and the export price in the *barème*. By 1997/98, the grower price had risen to 68% of the f.o.b. value, marketing costs remained at 15% of the export value, while the level of taxation had declined to 13%.

With an increase in the number of both exporters and internal buyers, the internal market initially became chaotic and speculative: inexperienced operators entered the market with limited capital and for limited periods bought any qualities. Invariably, they lost money only to be replaced by other inexperienced buyers. To attempt to establish some order, the industry association (CICC) has issued a *carte professionnelle*. The *carte* is voluntary and shows both farmers and international buyers that the company is "serious".

Increased competition has led to a deterioration in quality at both farm and export level. The increased competition has meant that farmers have effectively had a guaranteed buyer for their crop whatever the quality. Farmers now prefer to market dried cherry by the bag as opposed to hulled coffee as was the case prior to liberalisation. The coffee often has a high moisture content. Furthermore, an increased incidence of strip picking has led to a rise in the number of black beans. The deterioration in quality has been particularly marked for arabica.

Following liberalisation, the number of licensed exporters initially increased from around 60 to over 300. By 1997/98 the number of active exporters had declined to around 50, although 10 companies account for over 70% of exports. Four of the five largest exporters are foreign owned, although two of these companies were exporters prior to liberalisation.

With greater market uncertainty, a number of the newer exporters face difficulties in raising crop finance. A number of exporters are seeking and receiving pre-finance from international buyers. Generally, this finance is on the basis of warehouse warrants. Under this system, buyers issue the exporters with a green clause letter of credit and finance is provided on the basis of a warehouse warrant. The major transit companies, SGS, SAGA and SDV, issue warehouse warrants for graded coffee delivered in warehouses in Douala. SGS took the warehouse warrant system one stage further by establishing warehouses and issuing warrants up-country. In this case, an exporter would store coffee — in any form of dried cherry, parchment or green bean — in a warehouse up-country. SGS would then verify the volume of coffee in the warehouse and issue a warehouse warrant — on the basis of graded coffee delivered in Douala. The system collapsed in 1998 due to a collapse in confidence in the system.

Despite liberalisation, export regulations are cumbersome. In order to export, exporters require a number of certificates and stamps. A minimum of eight documents/certificates are required in addition to 17 stamps from various certifying agents. At best four to five days are required to obtain all the export documentation, at worst the procedures can take over ten days.

### **Supporting Services**

In addition to marketing the crop, the ONCPB funded and provided a number of services to the sector. These services are now provided by the private sector.

**Inputs:** Unlike most other robusta producing origins, Cameroon coffee farmers rely heavily upon purchased inputs, particularly fertilisers, since the coffee areas are regions of very heavy rainfall, and therefore nutrients are leached from the soil. Prior to liberalisation, ONCPB financed FONADOR which provided inputs to growers at highly subsidised prices. Input subsidies have been abolished and inputs are now provided by the private sector who have established a fairly comprehensive input distribution system. Estimates suggest that total fertiliser use among coffee and cocoa farmers has fallen to around 10,000 tonnes compared to around 30,000 tonnes prior to liberalisation. However, in the latter case, it is likely that the low price of inputs encouraged over-use.

**Credit:** Prior to liberalisation, inputs were provided on credit to farmers from both private buyers and co-operatives with the cost deducted from the price received for coffee. Credit needs were also limited as input costs were subsidised. Following liberalisation, private buyers are less inclined to advance credit to growers due to the difficulty of ensuring the delivery of coffee (and hence repayment) when the coffee is

harvested. The exception is the case of some locally based *usiniers* who have good local knowledge. These *usiniers* advance credit to farmers in return for the delivery of coffee.

**Rural infrastructure:** ONCPB financed the maintenance of rural roads. Since liberalisation, rural infrastructure has deteriorated as no agency has had the resources for rural infrastructure maintenance.

**Research and Extension:** Both coffee extension and research are provided by the government. There is no specific coffee extension service. However, both the Ministry of Agriculture and the Ministry of Livestock, Fisheries and Animal Industries operate extension services, and efforts are being made to integrate the two services. The operation of these services is delegated to the provinces. The extension services have suffered from budgetary constraints in the early 1990s and donor support was sought to provide funding and rationalise extension provision. Agricultural research is under the auspices of the Ministry of Environment and Technical Research. The coffee research programme is small and not considered as a priority.



# Cameroon

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## INTRODUCTION

Cameroon is a producer of both robusta and arabica coffee and an example of a *caisse de stabilisation* type of marketing system prior to liberalisation. The coffee (and cocoa) market was partially liberalised in 1991/92 and fully liberalised in 1994/95.

In Cameroon, the transition to a liberalised market has not been smooth and although the proportion of the export price received by growers has increased, coffee quality has fallen and, in some cases, internal trading has become more speculative. A number of both private sector and government initiatives have been attempted to enhance the operations of the market, with varying degrees of success, particularly in the areas of warehouse warrants and institution building.

The Cameroon profile firstly provides an overview of the Cameroon coffee sector and the macroeconomic setting under which the marketing system operates. The profile then details the supporting services that are provided to the farmer and how the provision of these services has changed with liberalisation. The marketing system, both before and following liberalisation, is then described and the effects of the changes to the marketing system on pricing policy, regulation, crop finance, risk management, taxation and institutions are then discussed. Finally, the reforms are evaluated by examining changes to grower prices, quality and production. As eluded to in the profile, changes in production should not be viewed solely in the context of the change in the marketing system but should be seen in the wider context of the fall in international prices in the early 1990s and the macroeconomic background.

## OVERVIEW

### Trends in Coffee Production and Exports

#### *Production*

Coffee production in Cameroon is split between robusta and arabica in the ratio of approximately 8:2. In the 1970s, the proportion of arabica was much higher at nearly 35%.

Average annual production rose from 1.0 million bags in the 1960s to 1.7 million bags in the 1980s. In 1986/87, total production peaked at 2.2 million bags. Output then declined. In 1992/93, production fell below 1.0 million bags and has fluctuated around 1 million bags since. Declines in production in the early 1990s were attributed to a combination of falling international prices, falling yields, the removal of some government subsidies on chemical inputs and the switching by producers to food crop production due to higher returns (Table 1 and Diagram 1).

**Table 1: Cameroon — Coffee Production, Trade and Prices**

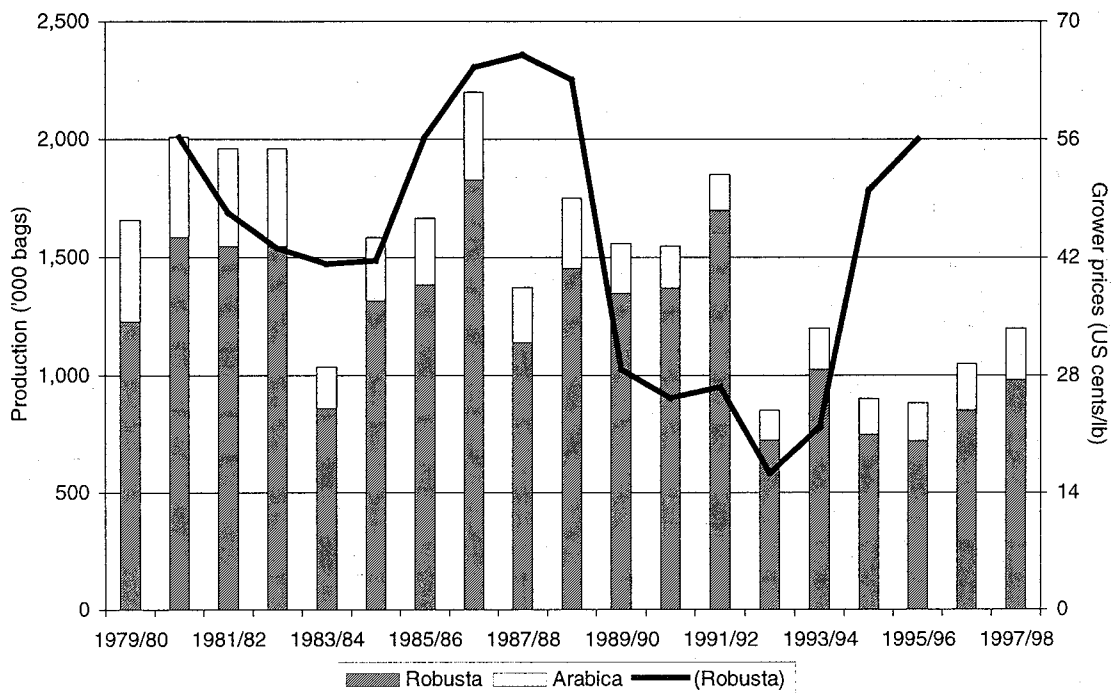
	Production (‘000 bags)	Arabica (‘000 bags)	Robusta (‘000 bags)	Exports (‘000 bags)	Grower Prices (Robusta) (c/lb)	Export Unit Values (c/lb)
1960s (average)	959					
1970s (average)	1,415					
1979/80	1,658	431	1,227	1,466		
1980/81	2,006	421	1,585	1,572	56	86
1981/82	1,959	411	1,548	1,589	47	92
1982/83	1,959	411	1,548	1,638	43	93
1983/84	1,034	176	858	1,588	41	105
1984/85	1,587	270	1,317	1,505	42	118
1985/86	1,667	283	1,384	1,823	56	139
1986/87	2,200	373	1,827	1,316	65	122
1987/88	1,375	234	1,141	1,585	66	94
1988/89	1,750	297	1,453	1,493	63	89
1989/90	1,560	210	1,350	2,338	29	52
1990/91	1,550	180	1,370	1,857	25	46
1991/92	1,850	150	1,700	1,737	27	42
1992/93	850	125	725	927	16	40
1993/94	1,200	175	1,025	1,026	22	50
1994/95	900	150	750	874	50	102
1995/96	880	160	720	417	56	79
1996/97	1,050	200	850	1,372		60
1997/98	1,200	220	980	946		

Source: USDA, ICO, ONCC and LMC

Robusta coffee is grown mainly in the Littoral, West, South-West and East Provinces. The Moungo, Nkam, Upper Nkam, Meme and Menoua Divisions contribute 75% of national production. Robusta coffee is grown on an estimated 200,000 farms. The majority of production is by smallholders with farming plots of under 3 hectares: 0.5 ha is the average plot size.

Arabica coffee is grown largely in the North West and Western Provinces on an estimated 200,000 farms. The average farm size is 1.9 hectares, although two thirds of the plots are less than 0.5 hectares.

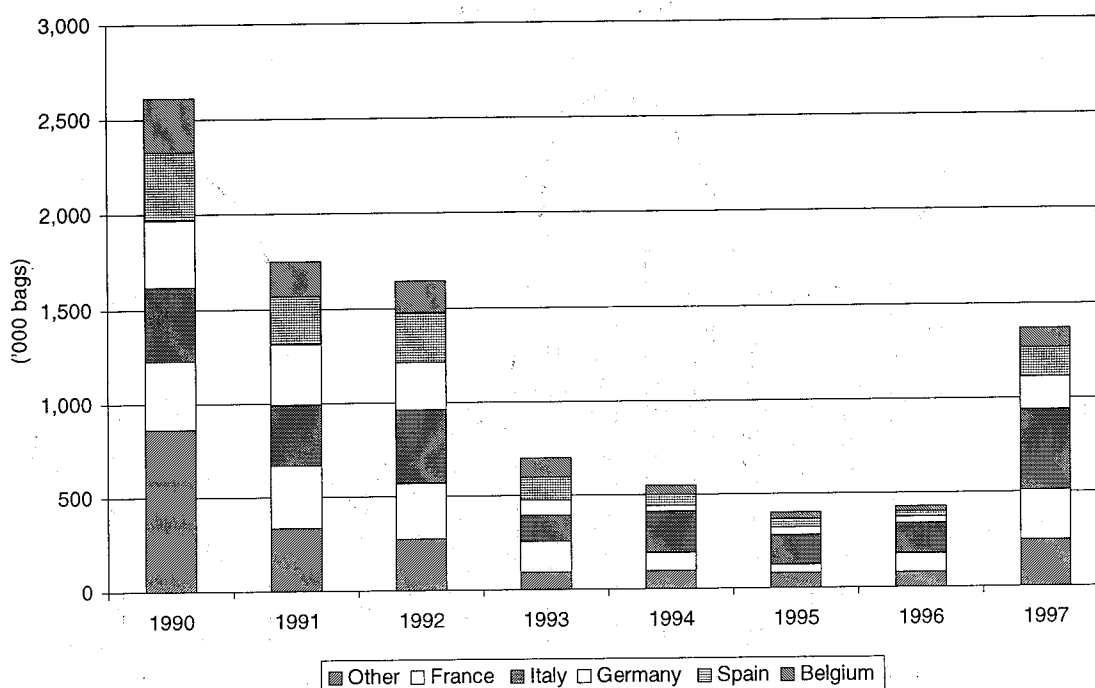
**Diagram 1: Cameroon — Coffee Production and Grower Prices, 1979/80-1997/98**



### Exports

Annual exports averaged 1.3 million bags in the first half of the 1990s, although there is considerable discrepancy between the figures issued by the ONCC and the ICO. The majority of exports are to the European Union, with Italy, France, Germany and Spain dominating. In 1997, ICO data suggest that exports rose to 1.4 million bags (Diagram 2).

**Diagram 2: Cameroon — Coffee Exports, 1990-1997**



### Coffee in the Economy

Cameroon's economy is heavily dependent on agriculture although oil has also been a valuable source of revenue. The agricultural sector is relatively well diversified, employs over 75% of the work force, and accounts for almost 25% of GDP and over 25% of export earnings. Coffee is the most important export earner. An estimated 1.3 million people are involved directly or indirectly in coffee production.

## GOVERNMENT POLICY

### Macroeconomic Policy

Cameroon is richly endowed with natural resources and benefits from a diversified production base. From the 1960s to 1985, appropriate economic policy and a favourable external environment led to annual real GDP growth of 7% per annum. Agriculture was the foundation of the economy, but this was partially replaced in the mid-1970s by the discovery of oil. Higher revenues from the oil boom led to the growth of non-sustainable expenditure on the civil service, subsidies to public enterprises and low-return capital intensive investments. Falling commodity prices in the late 1980s, coupled with declining oil revenues and a substantial appreciation of the real exchange rate, led to a collapse in the terms of trade. In 1988, Cameroon embarked on its first structural adjustment programme. The programme aimed at reducing public finances, restructuring public enterprise and the banking sector, progressive liberalisation of export crops, and policy reform in the forestry, health and education sectors. However, little progress was made: between 1986 and 1993 real GDP fell by 30% and real incomes by around 50%.

In January 1994, the CFA Franc was devalued by 50% and a new stabilisation and structural adjustment programme agreed. The programme sought to reduce the budget deficit and limit domestic demand in order to contain price and balance of



payments pressures. Structural reforms were also undertaken to encourage the free movement of labour and encourage private sector participation in the economy. The programme aimed to reduce inflation below the rate of growth, attain a 5% growth rate from 1995 onwards, and to achieve an overall budget surplus. Parts of the civil service were to be downsized, the taxation system reformed and a number of state owned industries privatised. Reforms were also planned for the transportation and petroleum sectors. Export revenues increased by 40% in that year. However, difficulties in restraining public expenditure and low budget taxation levels led to the introduction of additional taxes: inflation rose to 35% and real GDP declined by almost 20% in 1994. However, over the last 3 years, GDP growth has stabilised at around 5% and inflation has fallen to 5%. The current account deficit has been reduced from 9.2% of GDP in 1993/94 to 2.8% in 1995/96. Improved external competitiveness has led to an upturn in trade and a shift in the structure of exports from oil to non-oil products. Exports increased to 19% of GDP in 1995/96, while the share of oil in total exports fell from 42% to 33% between 1993/94 and 1995/96. With higher exports, the current account deficit, including grants, narrowed from 4.2% of GDP in 1993/94 to 2.4% of GDP in 1995/96. In the area of structural reform, employment in the civil service was reduced by 14% between 1990/91 and 1996 and 16 state enterprises were privatised. The reform programme failed to fully fulfil all its objectives particularly in the areas of improving government finances, repaying external payment arrears and privatising public enterprises.

The government has set the following objectives for its economic programme for 1997/98-1999/2000: achieve real GDP growth of at least 5% per annum; limit inflation to 2% per annum; and stabilise the external current account deficit at around 2% of GDP. One of the primary focuses of the reforms is to increase government revenue in order to assure an adequate level of public investment and expenditure. Part of this programme has been to introduce a value added tax of 18.7% in January 1999 to replace the current "turnover tax". Social and environmental objectives are to invest in human capital, reduce unemployment and poverty; to improve the standard of living of the population; and to reduce the degradation of the natural environment. In August 1997, the IMF agreed an enhanced structural adjustment facility and in October 1997, an agreement was reached with the Paris Club to reduce Cameroon's debt servicing by 40% (Table 2).

**Table 2: Cameroon — Macroeconomic Conditions, 1990-1997**

	1990	1991	1992	1993	1994	1995	1996	1997
Nominal Exchange Rate, CFA Francs per US\$	272	282	265	283	555	499	512	584
Real GDP Growth	2%	-1%	-4%	1%	-18%	6%	5%	4%
GDP (1995 prices) Bns CFA Francs	4,968	4,941	4,730	4,776	3,901	4,130	4,345	4,514
GDP (1995 prices) Bns US\$	14.60	13.72	13.41	12.29	6.67	8.27	9.29	9.35
Per Capita GDP (US\$)	1,266	1,158	1,101	981	518	623	685	663
Interest Rate (lending rate) %p.a.	18.5	18.2	17.8	17.5	17.5	16.0	22.0	
Annual Inflation (CPI)	1.1%	0.1%	-0.1%	-3.2%	35.1%	13.9%	4.6%	4.5%
Population (millions)	11.53	11.85	12.18	12.52	12.87	13.28	13.56	14.10

Source: National statistics, IMF International Financial Statistics, EIU.

## **Agriculture/Coffee Production Policy**

Responsibility for the agricultural sector is divided among four core government ministries: Ministry of Agriculture (MINAGRI), Ministry of Livestock, Fisheries and Animal Industries (MINEPIA), Ministry of the Environment and Forests (MINEF) and Ministry of the Environment and Technical Research (MINREST). The Letter of Agricultural Development Policy, published in 1995, confirmed the government's policy of economic liberalisation and the withdrawal of the state from direct involvement in production and marketing activities. The roles of MINAGRI and MINEPIA are now focussed towards improving the provision of services to farmers.

The government's declared objective is, over time, to increase the flow of funds to the agricultural sector and increase its share of the budget to nearer the sector's contribution to GDP. However, the financial crisis of the early 1990s meant that while wages were maintained, budgetary allocations to agricultural investment and non-wage expenditure were severely curtailed. By 1993/94, only 25% of the agriculture budget allocation was for agricultural investment. This has increased, although the fiscal crisis meant that disbursements to the sector have been consistently below budget.

Three ministries impact on the coffee and cocoa sub-sector: the MINAGRI which has responsibility for crop production, extension and rural training and the MINREST which is responsible for agricultural research. The responsibility for monitoring the marketing of coffee and cocoa is in the hands of the Ministry of Industry and Commerce (MINDIC).

### ***Provision and Financing of Services (i.e., Extension/Research)***

There is no specific coffee extension service. However, both the MINAGRI and MINEPIA operate extension services, and efforts are being made to integrate the two services. The operation of these services is delegated to the provinces. The extension services have suffered from budgetary constraints in the early 1990s and donor support was sought to provide funding and rationalise the provision of extension services. A National Agricultural Extension and Training Project (PNAV) was funded by the World Bank between 1996 and 1998 to assist the government in implementing a national agricultural extension strategy. The medium term objective of the project was to introduce a unified extension system in certain areas of the country which would rationalise the existing overlapping provincial services.

The first years of the project were characterised by weak management, high unit costs and the poor performance of the research component. The poor performance was in part due to external factors, such as the falling export prices, but also due to inappropriate extension themes and messages. To counteract this, a participatory approach to determining research themes has been adopted. By 1997, over 150,000 families were receiving support from the project.

As part of the PNAV an Agriculture Extension Policy was devised. This focuses on: improving the professional skills of extension officers, reducing administration to allow extension officers to spend greater time with farmers, simplifying management structures, adopting participatory farming systems methodologies and encouraging other non-government providers of extension services. To encourage the private provision of extension in the proposed follow-up project to the PNAV, a distinction is being made between market orientated farmers and those who are producing for subsistence. In the latter case, the public sector would continue to fund the subsistence farmers while in the former case, market orientated farmers would be

encouraged to develop links with the private sector with a view to extension becoming self-financing, whether on a group or individual basis. Coffee is not considered a priority in the PNAV.

Agricultural research is under the auspices of MINREST and funded by the government. Prior to 1996, all agricultural research was conducted by the *Institut de Recherche en Agriculture* (IRA). In 1996, IRA was combined with a livestock research centre to create the National Agricultural Research Institute (IRAD) to provide research to the agricultural sector. Under the follow up project to the PNAV, the IRAD would be funded by the African Development Bank, although some funds would also be provided for the competitive tendering of research to encourage private sector research capability. A part of the project would involve developing methodologies to set research priorities to develop research programmes. The coffee research programme is small and not considered as a priority. Coffee research has included varietal, phytosanitary and fertiliser trials.

### ***Distribution of Inputs***

Unlike most other robusta producing origins, Cameroon coffee farmers rely heavily upon purchased inputs, particularly fertilisers, since the coffee areas are regions of very heavy rainfall, and therefore nutrients are leached from the soil.

Before liberalisation there was considerable involvement of parastatals in the provision of subsidised inputs, including: insecticides and fungicides, hybrid coffee, and farm equipment. In 1973 the National Fund for Rural Development (FONADOR) was established to channel some of the revenues from agricultural crop taxation to growers. One of its main functions was to provide subsidised inputs to growers. Subsidies on fertilisers were around 50%. In the arabica areas, FONADOR employed teams under the supervision of the MINAGRI to conduct spraying to control pests and diseases. The spraying service was provided free of charge although farmers paid for it indirectly through a levy on coffee exports. For coffee (and cocoa), inputs were also provided by the *Office National de Commercialisation des Produits de Base* (ONCPB). These inputs were then distributed by the co-operatives and, in some cases, private buyers.

In the late 1980s, the financial crisis, coupled with internal problems within FONADOR, led to its liquidation. Under the liberalisation programme, input subsidies have been withdrawn completely and distribution has been privatised. Two major companies are involved in the distribution of fertilisers and they have established stores in the major producing centres. Inputs are purchased from them by small independent input distributors for sale in outlets in the smaller towns. The two fertiliser companies extend credit to the input distributors.

Some coffee buyers and hulling factory owners (*usiniers*) also distribute inputs to farmers. In this case, buyers typically sell inputs as they buy coffee from farmers. Some inputs are also provided by the co-operatives.

With the devaluation of the CFA Franc in 1994 and the abolition of price subsidies and a 5% import duty, fertiliser prices have almost tripled since liberalisation. With higher prices, input use has declined. Estimates suggest that total fertiliser use among coffee and cocoa farmers has fallen to around 10,000 tonnes compared to around 30,000 tonnes prior to liberalisation. However, in the latter case, it is likely that the low price of inputs encouraged over-use.

Seedlings are produced at government nurseries as well as by co-operatives and some private entrepreneurs. However, with a low level of replanting, the demand for seedlings is low.

### **Credit**

Prior to liberalisation, inputs were provided on credit to farmers with the cost deducted from the price received for coffee. In addition, some longer term finance to farmers in the Western region was provided by the CENADEC (the Co-operative Assistance Agency). However, with mounting financial difficulties CENADEC was liquidated in the late 1980s.

Following liberalisation, private buyers are less inclined to advance credit to growers. This is due to the difficulty of ensuring the delivery of coffee (and hence repayment) when the coffee is harvested. In many cases, especially in the period immediately following liberalisation, buyers extended credit to growers only to find that at harvest time farmers had sold coffee to another buyer who was offering higher prices. The exception is the case of some locally based usiniers who have good local knowledge. These usiniers advance credit to farmers in return for the delivery of coffee. In this case, growers sign a contract with the usinier, which can be counter signed by the local police commissioner, to deliver a certain number of bags of dried cherry at an agreed price in a particular month. The usinier takes all the price risk and quality risk, although the price set is usually considerably below prevailing market prices implying high effective interest rates.

Some co-operatives still advance inputs to their members, however, it is increasingly difficult for co-operatives to ensure that their members market coffee with them, thus leaving the co-operative indebted.

A number of government backed projects have been established to improve the availability of credit to farmers. The *Crédit Agricole du Cameroun* was established to provide grower finance, although its funds were limited. However, with increasing indebtedness it was liquidated. More recently, MINAGRI has established smaller credit schemes aimed at rural areas. A micro-project financing faculty (FIMAC) and a savings and loans project, both backed by donor funds, have been established. However, these schemes have had limited coverage to date.

### **Rural Infrastructure**

Prior to liberalisation, ONCPB financed the maintenance of farm to market roads. With liberalisation, the majority of these roads are no longer maintained, this has reduced market access for farmers in more remote areas. However, Stabex funds have been used to rehabilitate some feeder roads.

## **MARKETING SYSTEMS**

Historically two separate marketing systems have operated: one in the robusta area (predominately Francophone) and one in the arabica area (predominantly Anglophone).

## **Robusta Marketing Channels**

### ***Pre-liberalisation***

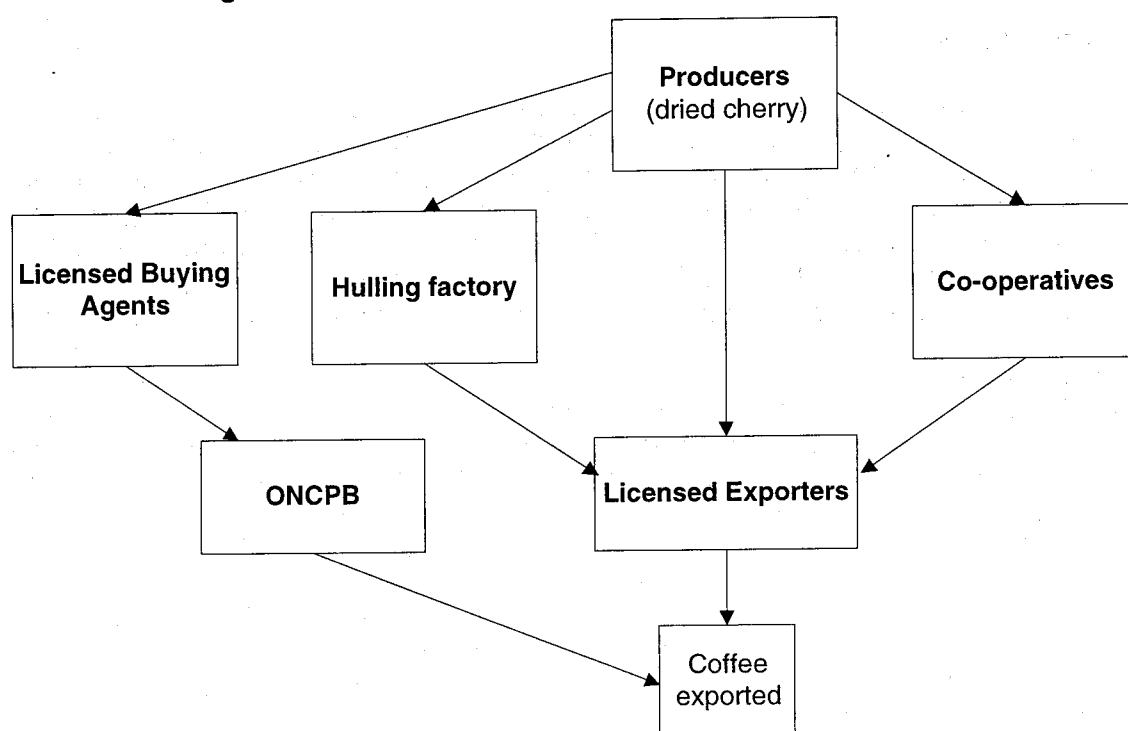
In 1978 the two separate marketing systems for robusta coffee and cocoa, the Produce Marketing Organisation (PMO) in the anglophone areas and the Caisse de Stabilisation in the francophone areas were brought together under the ONCPB. In the anglophone areas, the PMO was replaced by a system of Licensed Buying Agents (LBA) who delivered coffee to the ONCPB which purchased, graded and exported it, while in the francophone areas local exporters/chargeurs bought and shipped the crop, with the ONCPB either negotiating the export contracts or permitting direct exports.

Depending on the region, farmers delivered sun-dried robusta cherry to exporters, LBAs, co-operatives or private factories for hulling, and were paid on the basis of the hulled green coffee. The ONCPB guaranteed collection in remote areas. Farmers often accompanied their coffee to the hulling factories. The LBAs were linked to individual hulling factories. The hulling factories varied in scale from small scale units handling 500 to 1,000 tonnes per annum (some of which were mobile) to large scale installations with a hulling capacity of 10,000 to 20,000 tonnes per annum. These larger factories also had the capacity to sort and grade coffee. The resulting green coffee was then delivered to exporters. Grading and sorting were either carried out by the independent factories (including transit companies such as SDV and SAGA), exporters and to a lesser extent the ONCPB and co-operatives (Diagram 3).

All intermediaries were licensed annually by the ONCPB. Some intermediaries were allocated specific purchasing zones while others were licensed to buy in any area. Exporters received an annual purchasing quota (including a 15% margin of error).

Once coffee was purchased by exporters, the prepared coffee was stored either at the processing plants or at warehouses in Douala until export. Coffee exports were directly under the control of the ONCPB. For coffee that the ONCPB purchased from LBAs, the ONCPB arranged export contracts and shipped it. For coffee purchased by the exporters/chargeurs, in most cases, the ONCPB negotiated export contracts and instructed individual exporters/chargeurs to export on its behalf to meet the contract. However, some exporters were permitted to negotiate contracts directly with overseas buyers. In this case, the exporters/chargeurs had to obtain permission to export (*déblocaje*) from ONCPB prior to export. In the late 1980s, around 30% of exports were made in this way.

**Diagram 3: Robusta — Pre-liberalisation Marketing Chain**



All marketing margins were fixed at the beginning of the season in a *barème*. For coffee exported by the exporters/chargeurs, if the actual export price was higher than the equilibrium f.o.b. price set in the *barème*, the difference between the two (a *prélèvement*) was paid by the exporter/chargeurs to the ONCPB. If the actual export price was below the equilibrium f.o.b. price, the difference between the two (a *soutien*) was received from the ONCPB.

### **Liberalisation**

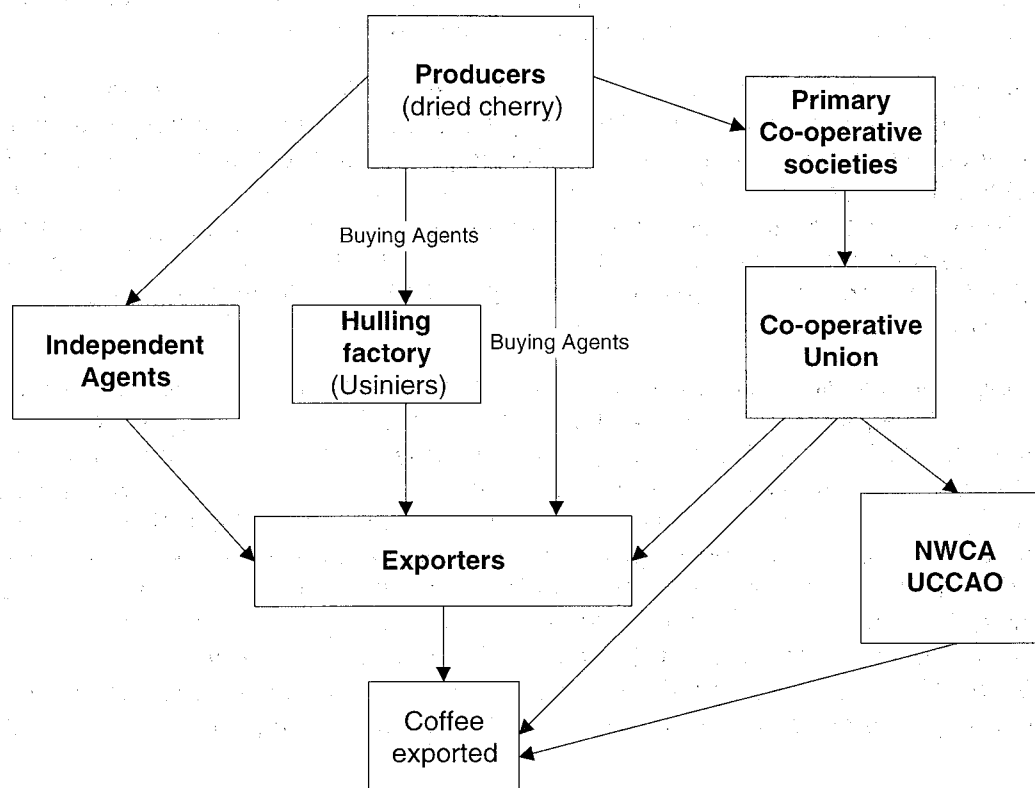
In mid-1991, the first phase of robusta market liberalisation began. Mounting debts from price stabilisation, moves by the government to liberalise the economy and conditionality under the country's structural adjustment programme led to the disbanding of the ONCPB and a partial reform of the marketing system. Under the reforms, exporters were permitted to export directly and licensing requirements for domestic traders were removed. However, all marketing margins were still contained in the *barème* to ensure the intra-seasonal stabilisation of grower prices. A formal stabilisation fund was established from the *prélèvement*.

The *Office National du Café et du Cacao* (ONCC) was established to regulate the system while the *Conseil Interprofessionnel du Cacao et du Café* (CICC) was created from representatives of the marketing chain to advise on problems facing the coffee and cocoa markets.

However, the system came under increasing pressure: the stabilisation fund went bankrupt as it was used outside of its intended purposes (see Pricing Policy); the ONCC increased its staff and operating costs; and the CICC, instead of representing marketing intermediaries, was dominated by the association of exporters. In 1994/95 with the adoption of a new structural adjustment package, further reforms were introduced and the *barème* and stabilisation fund abandoned (Diagram 4).

The reform of the coffee marketing system brought many new exporters into the sector. The number of licensed exporters initially increased from around 60 to over 300. By 1997/98 the number of active exporters had declined to around 50, although ten companies account for over 70% of exports. Four of the five largest exporters are foreign owned, although two of these companies were exporters/chargeurs prior to liberalisation. Among local companies, the leading exporters are mainly of Greek or Cypriot origin.

**Diagram 4: Robusta — Post-liberalisation Marketing Chain**



### **Pricing Policy**

Prior to 1994/95, the *barème* was the basis of the marketing and price stabilisation system. Under the *barème*, grower price, fees, commissions and taxes to be paid at each stage of the marketing chain were set annually by the government, in consultation with the ONCPB and the *Groupeement des Exportateurs* (GEX). Generally, the actual export price was below the equilibrium f.o.b. price and the *prélèvement* was taken by the government as a form of implicit taxation. Between 1970 and 1985, implicit tax levels varied between 35% and 76% of the export price.

With declining world prices in the mid-1980s, the government sought to maintain producer prices, which led to a situation where the export price was below the equilibrium f.o.b. price. As the *prélèvement* in previous years had been paid to the Treasury, the ONCPB was unable (and the government unwilling) to pay the *soutien* to the exporters. The ONCPB was forced to borrow commercially to pay some of the *soutien* and then became indebted to the exporters. When the ONCPB was liquidated in 1990/91, it had debts of FCFA 120 billion. A proportion of the outstanding debts were paid from Stabex funds and in the areas where farmers had not been paid for their produce, Stabex funds were used for direct payments to growers. Initially payments were made through intermediaries, although the majority of payments (over 50,000) were made through individual cheques to producers.

With the establishment of the ONCC in 1991, inter-year stabilisation was discontinued and grower prices were only stabilised intra-annually via a formally established stabilisation fund. In order to calculate the *prélèvement* or *soutien*, exporters had to register all export contracts with the ONCC. When the coffee was shipped, the actual f.o.b. price registered in the contract was compared with the f.o.b. price in the *barème* to determine the level of the *prélèvement* or *soutien*. However, exporters were allowed to register a number of contracts over the year and effectively selected which ones would be shipped. This enabled them to minimise the level of *prélèvement* or maximise the *soutien*, consequently the stabilisation fund went bankrupt. Stabex funds were used to support the stabilisation system in 1991/92. Since 1994/95 with full liberalisation, the grower prices have been determined by the market.

Prior to liberalisation, payment to the farmer was made after the coffee had been hulled. Varying arrangements existed for paying the farmer, including payment in instalments, with some payment before the beginning of the harvest. Co-operatives tended to pay a proportion of the grower price at hulling and a bonus at the end of the year. There were often long delays in payment. Also, in some years, growers had to store coffee before the ONCPB announced the price for the beginning of the season. In order to ensure pan-territorial pricing, the ONCPB arranged transportation from more remote areas.

Following liberalisation, prices have been determined by the market. Although technically illegal, there has been a dramatic increase in the tendency for growers to sell dried cherry instead of green beans and in many cases coffee is bought on a per bag basis. The *Système d'Information sur le Marché Arabica-Robusta-Cacao* (SIMARC) funded by the European Union, was established under ONCC to provide independent price information to growers and monitor growers' prices. The scheme expanded upon a scheme established under a USAID project in the arabica areas. However, the scheme ended in 1995/96 in part due to its politicisation and in part due to concerns over the accuracy of the information that was being provided. Reference prices (the New York and London futures prices) are announced daily on the radio. The majority of growers obtain price information by comparing the prices offered by buyers.

## **Arabica Marketing Channels**

### ***Pre-liberalisation***

Nearly all arabica is wet processed by farmers using small pulpers, although a small proportion of the crop is dry processed. Prior to liberalisation, almost all the arabica crop was handled by two Co-operative Unions: the *Union des Co-opératives de Café Arabica de l'Ouest* (UCCAO) who had a monopoly on purchases in the west and the North-west Co-operative Association (NWCA) who had a monopoly on purchases in the North West. NWCA and UCCAO bought coffee from the Co-operative Unions who obtained their coffee from the primary co-operative societies (Diagram 5).

The UCCAO was free to export directly, on payment of a fixed fee to ONCPB, while the NWCA sold its coffee to the National Produce Marketing Board (NPMB), a division of the ONCPB, which marketed it overseas. The NPMB effectively operated as a marketing board. The ONCPB inspected all coffee prior to export.

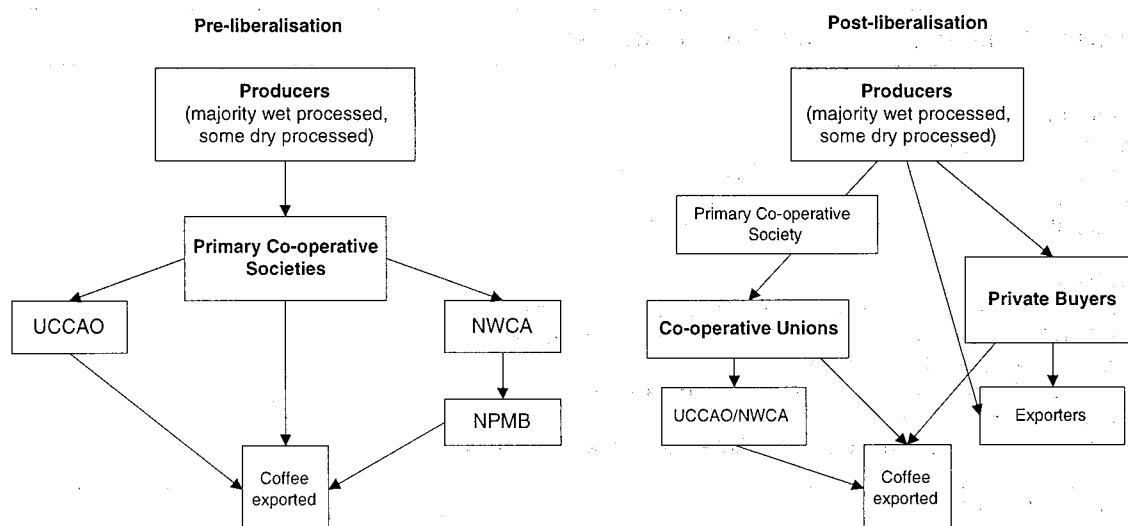
### ***Liberalisation***

The arabica market was fully liberalised in 1990/91, before the robusta market. The NWCA was permitted to export coffee directly and private buyers and exporters were



permitted to compete with the co-operatives for coffee. Likewise, the Co-operative Unions were permitted to purchase robusta and cocoa in competition with private exporters. The UCCAO became active in marketing robusta and cocoa and changed its name to *Centrale des Coopératives Agricoles de l'Ouest*.

**Diagram 5: Arabica — Marketing Chain (Pre- and Post-Liberalisation)**



Following liberalisation, the co-operatives' market share has been eroded by the private buyers. Some of the Co-operative Unions who supplied NWCA and UCCAO have started exporting directly. Exports by NWCA and UCCAO have accounted for around one-third of total arabica exports since liberalisation. The private exporters are the same companies who export the robusta crop (Diagram 5).

### **Pricing Policy**

Prior to liberalisation, arabica grower prices were set by the government and NPMB. Farmers were typically paid in instalments during the marketing year. Due to the financial difficulties faced by the ONCPB/NPMB from 1987 to 1991, the NWCA did not receive full payment for the coffee delivered to the NPMB. This resulted in delays in payment, and in some cases non-payment, to growers. From 1990-1994, the USAID Programme for the Rehabilitation of the Arabica Marketing Sector (PRAMS) helped to restore financial stability for farmers by paying most of the arrears.

Following liberalisation, grower prices have been determined by the market. Parchment delivered to the co-operatives is graded and a first payment is made on the basis of parchment quality. Any profits made by the co-operative are distributed to farmers at the end of the year, with the level of second payment determined by the quality of parchment. However, with private buyers paying cash for coffee, and with increasing competition, the co-operatives are being forced to pay cash for coffee in order to secure volumes.

## Regulation/Quality

### Quality

Both pre- and post-liberalisation, grading standards have been set according to screen size and the number of defective beans in a sample (Table 3).

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**Table 3: Cameroon — Export Grading Standards**

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#### **Robusta**

Large beans (GG)	Screens 18-20
Grade I	Screens 16-18
Grade II	Screens 14-16
Grade III	Screen 10

#### **Arabica**

Grade A 70% milled over screen 18, 30% milled over screen 17
Grade B 70% milled over screen 17, 30% milled over screen 16
Grade C Caracoli = PB/round beans
Grade D 70% milled over screen 16, 30% milled over screen 15
Grade E Elephant
Grade F 70% milled over screen 15, 30% milled over screen 14

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Source: APROMA

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Prior to liberalisation, quality controls were enforced by ONCPB both up-country and at the port. Following liberalisation and until 1997/98, the ONCC controlled quality at the port while the Ministry of Agriculture was responsible for checking quality internally. Since liberalisation, there has been no official quality checking in the field or at the factories.

In 1997/98, three private sector firms were given the responsibility of issuing quality certificates prior to export: they were SGS, *Cornelder* and *Observatoire Camerounais de Qualité*. An additional four companies were licensed to issue quality certificates in November 1998. The cost of quality control is CFA 35,000 per tonne.

### Regulation

Prior to liberalisation, the ONCPB was responsible for regulation of the system and all market participants were required to be licensed. Following liberalisation, licensing requirements have been reduced so that only exporters are licensed. In order to gain a licence, exporters have to satisfy a number of criteria, including proof of access to transport and storage facilities. Licences are issued by the MINDIC.

Since July 1994, SGS has been employed on behalf of the Customs service to check the quantity and quality of coffee shipped and to determine that actual shipments coincide with the details declared in Customs documentation. This is to counter the supposed under-declaration of export earnings by exporters to avoid export taxation. SGS' fee for providing this service is 0.95% of the f.o.b. price.

In order to export, exporters require a number of certificates and stamps. A minimum of eight documents/certificates are required in addition to 17 stamps from various certifying agents. The procedures are cumbersome and time consuming. At best four to five days are required to obtain all the export documentation, at worst the procedures can take over ten days.

With an increase in the number of both exporters and internal buyers following liberalisation, the internal market became chaotic. To attempt to establish some order, the CICC has issued a *carte professionnelle*. The *carte* is voluntary and shows both farmers and international buyers that the company is "serious". In order to obtain the *carte*, a company has to meet certain infrastructure, transport and warehousing conditions and have a bank guarantee of 10 million FCFA for exporters, 2.0 million FCFA for co-operatives and 1.0 million bags for usiniers and internal coffee buyers.

## Crop Finance

Before liberalisation, the Central Bank, operated a re-financing facility at the start of each season, whereby commercial banks lent to the exporters and drew on the re-financing facility to cover a proportion of any fall in their liquidity. Exporters' requirements for eligibility to the scheme were minimal as each exporter was given a buying quota from the ONCPB. However, liquidity in the banking system was severely curtailed in the late 1980s due to the increasing indebtedness of the ONCPB. Exporters were also heavily indebted, due to the non-payment of the soutien by the ONCPB. A similar situation occurred with the co-operatives, although their financing requirements were reduced as farmers were paid in instalments, thus additional payments could be made once the co-operative had been paid.

Following full liberalisation, with exporters no longer guaranteed a buying quota and reduced liquidity in the banking system, exporters faced greater difficulty in borrowing commercially. Exporters who are subsidiaries of the multinationals are primarily financed from overseas, while the more established local exporters (who existed before liberalisation) use a combination of own funds, local finance, international finance and pre-finance from overseas buyers. Interest rates on funds from local banks vary from 12% to 22% depending upon the exporter and its reputation, track record and collateral. Local banks are very reluctant to lend to the newer exporters. Increasingly, exporters are seeking and receiving pre-finance from international buyers. The Co-operative Unions also borrow from the local banking system, although interest rates are typically higher than those offered to the established private traders.

The NWCA pre-finances some of the Co-operative Unions who in turn supply NWCA with coffee.

Pre-finance from international buyers is generally on the basis of warehouse warrants (*Attestation de Prise en charge* (APC)). Under this system, buyers typically issue the exporters with a green clause letter of credit. The major transit companies, SGS, SAGA and SDV issue warehouse warrants for graded coffee delivered in warehouses in Douala. These warrants are then sent to the buyers (or their local banks) and credit is released from the buyer to the local banks to advance to the exporter. Funds are advanced at international interest rates of between 6% to 8%. The green clause letter of credit is generally for 80%- 82% of the value of the coffee. This proportion has increased from 70% in 1997/98 with the lowering of the export duty. For established exporters, foreign buyers also issue red clause letters of credit which allow funds to be advanced prior to coffee being placed into a warehouse.

SGS took the APC system one stage further by establishing warehouses up country and issuing warrants on the basis of coffee in store up-country. In this case, an exporter would store coffee — in any form of dried cherry, parchment or green bean — in a warehouse up-country. SGS would then verify the volume of coffee in the warehouse, rent the warehouse and lock it with a two keyed lock. The warehouse warrant was then issued — again on the basis of graded coffee delivered in Douala. For dried cherry and parchment adjustment factors were established to provide a

green coffee equivalent measure. This would allow the exporter faster access to funds. The system collapsed in 1998 due to a combination of factors. In some cases, at the beginning of the season, SGS issued warehouse warrants before coffee was in the warehouse to allow exporters to finance the initial purchases of coffee. Over the season, as the exporter bought coffee these volumes were deposited into the warehouses. In 1998, there appears to have been an increase in the number of warrants issued prior to depositing coffee in warehouses. In addition, it was difficult to keep track of dried cherry on which a warrant was issued as it was hulled and moved through the marketing chain. As confidence in the system declined, buyers demanded to see the coffee for which they had warrants in warehouses. With a shortfall in the volume of coffee in warehouses, the system collapsed.

ONCC has also sought to develop a system of warehouse warrants. Under this system, a \$10 million revolving credit line was agreed with Afrexim Bank (in Egypt) and channelled through a commercial bank. Funds were released to exporters on the basis of export contracts and a warehouse warrant. However, the system broke down in its first year of operation in 1996/97, as advances and contracts were made in francs, and with the depreciation of the franc against the dollar, the commercial bank sought to charge exporters for the foreign exchange losses. This has left a number of exporters with disputed debts with the commercial bank.

Where exporters employ agents, they are often pre-financed. Independent buyers are generally reliant upon own funds.

## **Risk Management**

Prior to liberalisation all price risk was taken by the ONCPB. Grower prices and internal marketing costs were set annually in the *barème*. In order to achieve this stability the ONCPB effectively operated a stabilisation fund. Technically, for both its direct sales and exports by the private exporters, when the actual export price was above the level set in the *barème* the balance was paid into the stabilisation fund and when the actual price was below that of the *barème* a payment was received from the stabilisation fund.

Following full liberalisation in 1994/95, exporters have been required to manage their own risk. Strategies vary and some are more successful than others. Exporters who are subsidiaries of the multinational coffee traders generally hedge on the London terminal market for robusta and the New York terminal market for arabica once they have purchased coffee.

Local private exporters generally enter into price to be fixed contracts with sellers' options. These contracts fix the differential for Cameroon coffee against the terminal market for a specified period and allow the exporter to determine when to fix the actual price against the terminal market. Contracts are typically for a maximum of two to three months forward. Strategies of when to fix the price vary. Some fix as they purchase coffee internally, thus covering their price risk and effectively trading back-to-back, while others speculate on price and fix when they consider the price advantageous. In the latter case, in 1997/98 this led to considerable losses for some exporters who purchased coffee when international prices were rising but did not sell until later in the year when prices had fallen. This price speculation also explains the demise of some of the large exporters/chargeurs following liberalisation. Most contracts are in French francs and hence buyers take the risk of fluctuation in the dollar-franc exchange rate. Following liberalisation the majority of contracts have moved from being on a c.i.f. basis to a f.o.b. basis.

The co-operatives generally sell coffee on an outright basis and tender it to a number of buyers. These sales are either made throughout the year or once the coffee has been purchased. In both cases, with fluctuating prices in 1997/98, the co-operatives have suffered substantial losses. In the case of UCCAO, the co-operative is still holding stocks which were purchased during the 1997/98 season.

For the independent intermediaries, there is a tendency to purchase coffee from the farmers, store it and wait for prices to rise before selling it. During the past two seasons, the intermediaries have been fortunate enough to be able to sell into a rising market.

For growers, prior to liberalisation all price risk was taken by the ONCPB and, providing they were paid, growers were guaranteed cash throughout the year, although the timing of payments was uncertain. Following liberalisation, growers are paid promptly but subject to all the international price risk. A number of growers have increased their stockholding of coffee as a means of saving. In this case, robusta is stored in dried cherry form while arabica is stored as parchment. This has led to an increase in weevil damage and mould.

## **Taxation**

Prior to liberalisation, coffee was subject to ten specific taxes and a stabilisation tax, (i.e., the difference between the actual f.o.b. price and the f.o.b. in the *barème*).

Following liberalisation, higher international prices in 1994 and the devaluation, coupled with an increasing fiscal crisis, resulted in the introduction of a 25% export tax. The tax was reduced to 15% in 1995/96 and to 10% in 1997/98. In 1998/99 the tax was reduced to 5% and in June 1999, the export tax is to be completely phased out. There are also a number of other smaller taxes and levies. The treasury tax is 0.1% of the f.o.b. value and the IMF (turnover tax) was 1.1% of the f.o.b. value in 1997/98, and was reduced to 0.55% of the f.o.b. value in 1998/99. The IMF tax is due at the end of each marketing year. The larger exporters pay the tax on a voluntary basis each month. Many of the smaller exporters have not paid the tax and currently have large arrears. In some cases, exporters have closed their operations and established new companies to avoid paying the tax. A levy of 0.95% is paid to SGS to cover the costs of its role in providing customs services. Other levies include those to finance ONCC and CICC. Two levies are paid to ONCC, one to cover its operating costs and the other to cover membership fees to international organisations such as the ICCO/ICO.

## **INSTITUTIONS/ORGANISATIONS**

Prior to 1991, the ONCPB was the main co-ordinating body for the sector. The ONCPB licensed market participants, administered the stabilisation fund, controlled quality (both at the port and up-country) and negotiated export contracts. At the time of its demise in 1991, the ONCPB employed 3,000 staff.

Following liberalisation, the ONCPB was replaced by the ONCC. Its responsibilities were to control export quality, license exporters, collect industry statistics and represent Cameroon at international fora (such as the ICO, ICCO). In 1997/98, the role of controlling export quality was taken over by the private sector. The ONCC employs between 50 and 60 people. ONCC is government owned and its Board is dominated by government representatives. Of the ten board members, seven are drawn from government departments, two drawn from the industry (one grower representative and one CICC representative) and the chairman is from the Social and Economic Council.

The *Conseil Interprofessionnel du Cacao et du Café* (CICC) was established in 1991. It is funded by a levy on exports and is a forum for representatives of the marketing chain to advise on problems facing the coffee and cocoa markets. It is also assisting in building professional associations among industry participants. The CICC is run by an Executive Committee and a General Assembly of 60 members. The General Assembly comprises 24 farmers representatives, 24 exporters, six internal buyers and six usiniers. The CICC is proposing to establish committees in each of the producing regions. With the lack of organisation of the growers, the CICC tends to be dominated by the exporters' representatives.

The exporters are represented by two associations, GEX and AECC. The majority of the larger exporters are members of GEX, which existed prior to liberalisation. AECC represents many of the newer exporters and many of the small local exporters. Members of GEX account for around 90% of exports. Both associations seek to lobby for the interests of members. In addition, AECC sends daily price information to its members. Both associations are funded by a levy.

Traditionally, many growers have been members of co-operatives. The co-operatives are important market participants particularly in the North West and Western Provinces. To encourage the commercialisation of the co-operatives, co-operative law was revised in 1992/93 to reduce the influence of the government in their operations and to give them more commercial freedom. In addition, the law promoted the establishment of *Groupe d'Initiative Communes* (GIC) which are, in effect, producer owned small businesses. GICs are eligible to concessional finance under the *fonds d'appui aux organisations de rurales* scheme (FONDAOR) and to tax concessions. In 1995, MINAGRI with donor assistance, has also launched a project (*projet d'appui aux stratégies paysannes et à la professionnalisation de l'agriculture* (ASSPA)) to encourage producer associations and to enable producers to improve their production and revenue from rural enterprises. ASSPA provides technical assistance to producer associations to improve their professionalism in technical, economic, financial and organisational areas.

## EVALUATION OF REFORMS

### Grower Prices

In the early 1980s, growers typically received less than 50% of the export unit value, although the effective grower price was higher as inputs were subsidised. The low proportion of the export price received by the growers was due to a combination of high implicit taxation, the ONCPB's high operating costs and the *barème* which fixed marketing margins. With no internal competition, growers bore all the costs of an inefficient system. In the late 1980s, the proportion rose to over 70% as the government maintained the grower price despite the falls in international prices (which eventually led to the bankruptcy of the ONCPB). With the collapse of international prices in the early 1990s, grower prices collapsed and the proportion of the export price received by growers fell below 60% of the export unit value. Since 1994/95, growers' prices have been determined by the market and the proportion of the f.o.b. price received by the growers has risen to 70% (Diagram 6).

**Diagram 6: Cameroon — Growers' Prices (Absolute Values and as a Proportion of Export Unit Value), 1980/81-1995/96**



### Marketing Costs

For robusta, between 1980/81 and 1987/88, grower prices averaged 48% of the f.o.b. value, marketing costs accounted for 15% of the f.o.b. value while taxes, both direct and indirect, accounted for 37% of the f.o.b. value. The majority of these taxes were indirect, reflecting the difference between the actual f.o.b. price and the f.o.b. price in the *barème*. In 1997/98 the grower price had risen to 68% of the f.o.b. value, marketing costs remained at 15% of the export value, while the level of taxation had declined to 13%. Within the marketing costs, usinage and interest charges have declined while other costs have risen as a percentage of the f.o.b. value. Interest charges have fallen because coffee can be exported as soon as it has been processed and does not have to be stored for exporting throughout the year. In nominal US dollar terms, exporters' margins have remained around 10 c/kg (Table 4).

Table 4: Cameroon — Robusta Marketing Costs, Pre-and Post-Liberalisation

	Average (1980/81-1987/88)		1997/98	
	FCFA/kg	(%)	FCFA/kg	(%)
Grower price (cherry)			320	34%
Outturn (50%)				
Grower Price (green bean)	408	48%	640	68%
Hulling			22	2%
Middleman margin			30	3%
Transport	2	0%	9	1%
Green bean delivered Douala			701	75%
Usinage	60	7%	36	4%
Interest	34	4%	16	2%
Exporters' margin	34	4%	67	7%
Taxes/Levies	76	9%	120	13%
Transfer to Reserves	233	28%		
f.o.b	846	100%	940	100%
Exchange Rate (FCFA:\$)	352		600	

Source: CIRAD, LMC

For arabica, between 1980/81 and 1987/88, grower prices averaged 46% of the f.o.b. value, marketing costs accounted for 18% of the f.o.b. value while taxes, both direct and indirect, accounted for 36% of the f.o.b. value. The majority of these taxes were indirect, reflecting the difference between the actual f.o.b. price and the f.o.b. price in the *barème*. In 1997/98 the grower price had risen to 74% of the f.o.b. value due to falls in both marketing costs and taxation levels (Table 5).



**Table 5: Cameroon — Arabica Marketing Costs, Pre-and Post-Liberalisation**

	Average (1980/81-1987/88)		1997/98	
	FCFA/kg	(%)	FCFA/kg	(%)
Grower price (parchment)			921	
Outturn (80%)				
Grower Price (green bean)	408	46%	1,151	74%
Middleman margin			30	2%
Transport	3	0%	12	1%
Green bean delivered Douala			1,193	77%
Usinage	60	7%	50	3%
Interest	25	3%	36	2%
Exporters' margin	72	8%	69	4%
Taxes/Levies	76	9%	193	13%
Transfer to Reserves	239	27%		
f.o.b	882	100%	1,546	100%
Exchange Rate (FCFA:\$)	352		600	

Source: ONCPB, Industry estimates, LMC

## Quality/Regulation

### Quality

Following liberalisation, the increase in the number of exporters and increased competition for farmers' production has led to a deterioration in quality at both farm and export level. The increase in competition among internal buyers led to the deterioration of harvesting practices as it appeared to farmers that they had a guaranteed buyer for their crop whatever the quality. Furthermore, collection from more remote areas became weaker. The selling of dried cherry has led to an increase in the number of black beans as farmers strip pick coffee and it is impossible for the buyer to detect the quality of the beans from sampling the dried cherry. The proportion of black beans increased from less than 1% in 1990 to its current level of over 5%. Selling coffee per bag has also led to an increase in the proportion of foreign matter in bags, such as stones and glass. This increase in the number of defects is highlighted by comparing quality statistics before and after liberalisation. Between 1982/83 and 1984/85, over 30% of production was considered to be of Superior quality (i.e., containing less than 60 defects per 300 grams). Between 1994/95 and 1996/97 this proportion had fallen to under 6% (Table 6).

With buyers more concerned with volume than quality, farmers often sell coffee before it is properly dried and moisture contents can be over 20%. The hulling of coffee with a high moisture content results in damage in hulling and again increases the number of defects. A high proportion of coffee delivered to exporters is of very high levels of moisture. This can lead to fermentation, mustiness, tainted coffee and the development of mould. Some exporters/ factories and the transit companies have drying equipment to reduce the moisture content to 13% prior to export. Following liberalisation and the deterioration in field quality, hulling ratios have fallen from between 54% and 52% to 50%.

Following liberalisation, and despite lower input use, there has been almost no change to the bean size, with Grade I coffee still accounting for over 40% of total exports.

**Table 6: Cameroon — Robusta Exports by Grade (%) 1993/94-1994/95**

	1982/83-1984/85	1994/95	1995/96	1996/97
Supérieur	34%	6%	1%	3%
Courant	31%	53%	46%	55%
Limite	19%	14%	26%	31%
Brisures	2%	0%	0%	0%
Triage	1%			
Non-conforme	14%	27%	27%	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

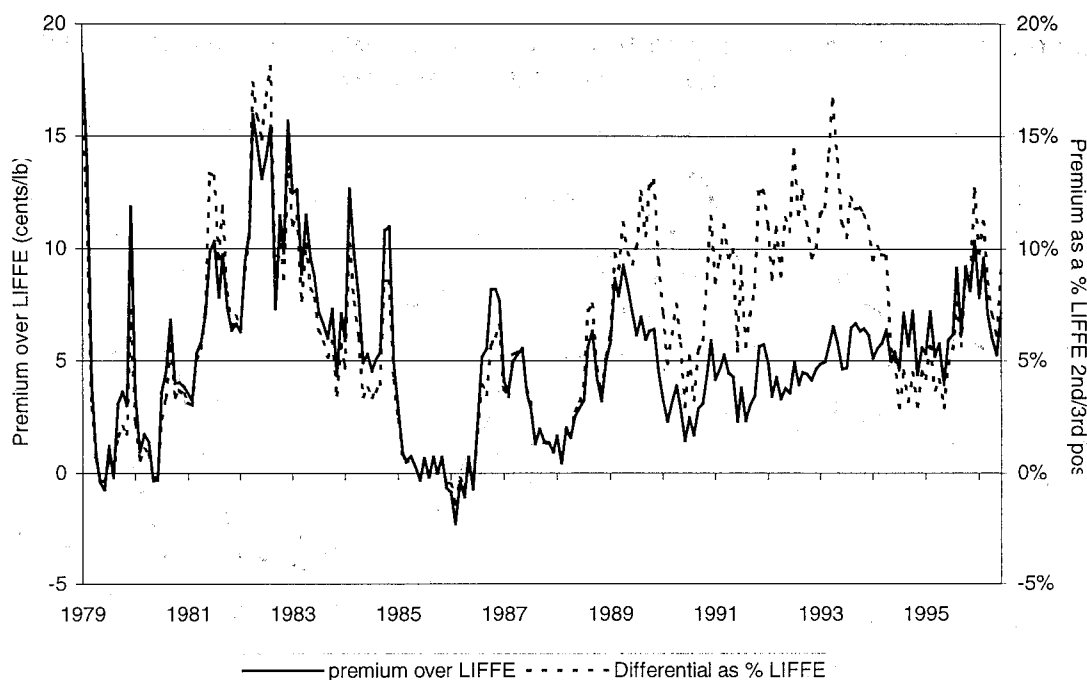
  

	1982/83-1984/85	1995/96	1996/97
GG	16%	21%	18%
GI	47%	44%	45%
GII	32%	28%	32%
GIII	5%	5%	5%
Other	0%	1%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ONCPB, ONCC, CICC.

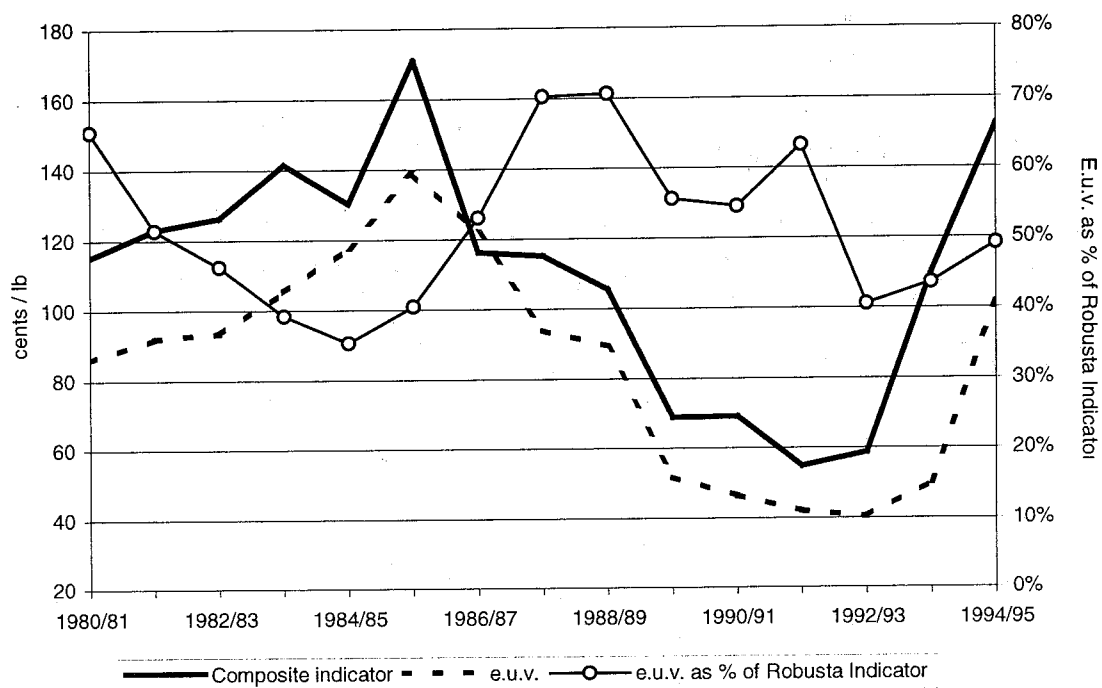
Some good quality coffees are still being produced, however, and this is highlighted in Diagram 7 which shows the premium for Cameroon Superior Grade 1 over the LIFFE futures market 2nd and 3rd positions. The differential for Superior Grade 1 increased from mid-1991 to 1996. Part of the reason for the rise in the differential is due to the increased scarcity of superior quality coffees as quality has deteriorated.

**Diagram 7: Cameroon — Superior Grade 1 Differentials, 1980-1996**



While differentials for Superior Grade 1 have increased, the proportion of good quality coffee produced has declined. Diagram 8 reveals that during the 1980s, Cameroon's export unit values accounted for over 80% of the ICO composite indicator price but this fell to around 60% of the composite indicator in the first half of the 1990s. This was largely due to the export of coffee with a higher number of defects. Table 6 presents a breakdown of coffee exports by grade in 1993/94 and 1994/95. With full liberalisation in 1994/95, the proportion of coffee exports which did not conform to the export quality standards (*non conforme*) rose to 31% of total exports compared to 14% in the mid-1980s.

**Diagram 8: Cameroon — Export Unit Value as a proportion of the Composite Indicator Price, 1980/81-1994/95**



### Arabica

Prior to liberalisation, the buying procedure for arabica coffee offered an incentive to farmers to produce quality coffee as parchment was given a preliminary grade at the delivery point by the co-operatives and payment was made on the basis of that grade. However, following liberalisation, coffee has been purchased by private buyers and co-operatives alike on the basis of 50 kg bags of parchment with little attention to the quality of product being purchased. It is common for unwashed and washed arabica to be mixed before marketing. As is the case with robusta, the number of defects in each sample has increased following liberalisation resulting in less *supérieur* coffee (Table 7). The deterioration in arabica coffee has been greater than that of robusta since liberalisation and because of the limited volumes produced it is harder to market internationally. Arabica differentials have fallen from an average of around 110 Francs per 100 kg under New York in 1995/96 to around 140 Francs per 100 kg under New York in 1997/98.

**Table 7: Cameroon — Arabica Exports by Grade (%) 1993/94-1994/95**

	1982/83-1984/85	1994/95	1995/96	1996/97
Prima	0%			
Supérieur	58%	20%	14%	20%
Courant	16%	34%	70%	65%
Limite	13%	23%	7%	11%
Brisures	0%	10%	2%	1%
Triage	8%			
Non-conforme	3%	13%	7%	3%
<b>Total</b>	<b>99%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	1982/83-1984/85	1995/96	1996/97
A	16%	21%	21%
AB	2%	4%	
B	26%	27%	30%
C	12%	11%	13%
D	23%	19%	22%
F	13%	9%	11%
Non-conforme	1%	4%	3%
<b>Total</b>	<b>93%</b>	<b>95%</b>	<b>97%</b>

Source: ONCPB, ONCC, CICC

### Regulation

With an increase in the number of exporters and buyers the internal market has become less disciplined, in particular there can be a high degree of speculation which forces up grower prices to unsustainable levels. For instance, in 1997/98 prices were forced up by speculation of a devaluation of the FCFA and by some exporters seeking to buy coffee to deposit into warehouses as the SGS APC scheme began to fail. Inexperienced operators are able to enter the market with limited capital for limited periods and buy any qualities, and when they lose money they are replaced by other inexperienced buyers.

The CICC's *carte professionnelle* has sought to bring some order to the internal market. However, the *carte* is voluntary and its issuance carries no weight. Thus there is no guarantee that an exporter or trader with a *carte* will operate on more professional lines than an exporter who does not possess a *carte*.

### Production

Annual production declined in the early 1990s due to falling international prices (which lead to some growers uprooting their trees), falling yields, the removal of some of government subsidies on chemical inputs and the availability of higher income-earning alternatives (particularly food crops). With higher international prices and growers receiving a higher proportion of the export price since the mid-1990s this trend has been arrested. However, the higher prices have not led to widespread replanting. A long term increase in coffee production will be dependent upon coffee's comparative

advantage compared over competing crops. Particularly in the arabica areas, the returns of vegetables are considerably higher than those of coffee (and the turn around in cash much quicker), which suggests a long term decline in production despite liberalisation.



