

Original Research Article

THE IMPACT OF SALES PROMOTION BY LICENSED BUYING COMPANIES ON COCOA SALES OF FARMERS-A CASE STUDY OF WASSA AMENFI EAST DISTRICT

ABSTRACT

Aims: The study sought to assess the effects of these sales promotional programmes on cocoa sales of farmers by Licensing Buying Companies (LBCs) in the district. The main aim of the research is to identify the influence of sales promotions on the purchases of LBCs in the Wassa Amenfi East Cocoa District. Specifically, the study seeks to achieve the following objectives. (1) To identify the incentive programmes (sales promotion) made available to cocoa farmers by Licensed Buying Companies in Wassa Amenfi East District. (2) To analyse the sales trend of cocoa in the Wassa Amenfi East District by the Licensing Buying Companies. (3) To identify the challenges associated with farmer incentive programmes (sales promotion) as a marketing strategy in the Wassa Amenfi East District. (4) To assess how incentive programmes (sales promotion) affect the purchases of Licensing Buying Companies (LBC's) in the District. (5) To propose ways of improving cocoa purchases in the Wassa Amenfi East District.

Study design: A case study was used to investigate into this phenomenon to give generalisation of that phenomenon. Again, the study did an in-depth review on the subject in Ghana to augment and validate empirical findings. Moreover, the study adopted a more scientific method in collecting and analysing data for presentation. This made the findings of the study both valid and reliable.

Place and Duration of Study: The study is focused on cocoa marketing activities in the Wassa Amenfi East District in the Western Region of Ghana between March 2013 and June 2013.

Methodology: The study identified fourteen (14) different LBCs in the district. Data for the study was obtained from both primary and secondary sources. Purposive Sampling, Simple random sampling and Snow ball sampling techniques were used to select respondents. The data was collected from one hundred and fifty-five (155) respondents who were cocoa farmers in addition to ninety eight (98) Purchasing Clerks (PCs) and fourteen (14) district managers of the various LBCs. The data was collated, synthesised and analysed with the use of SPSS and Excel. The study adopted the quantitative analyses (Regression Analysis)

Results: The analyses have shown that the provision of fertiliser to farmers by LBCs is one most important sales promotional package that greatly influences farmers' decision to sell to a particular LBC. According to a Focus Group Discussion with Farmers, it was discovered that farm related sales promotional inputs such as fertilizers helps farmers to increase their productivity. Sales promotional programmes also increase the purchases of cocoa by PCs of LBCs and influence the choice of LBCs by the cocoa farmer. Fertilizers assist farmers to reduce their expenditure and thus keep the providing LBC in remembrance during the cocoa seasons.

Conclusion: The study therefore recommended that there should be timely supply of Sales Promotional Programmes, development of mechanism to check default, motivation of PCs

by LBCs and equity in the Distribution of Sales Promotional Packages.

Keywords: fertilizers, productivity, mechanism, motivation, distribution

1. INTRODUCTION

Liberalisation of the internal marketing of cocoa started in the early 1980's as a neoliberal panacea for economic growth in most cocoa-dependent countries in the world. This consisted of demolishing the states monopoly over the purchasing of cocoa beans from farmers and the fixing of cocoa prices. All cocoa producing countries in the developing world, particularly in West African sub-region undertook such a liberalisation reform to reduce parastatal operational costs and offer better prices for farmers. Countries such as Cameroon, Togo, Nigeria, Ivory Coast and Ghana liberalised their markets to include private buying companies in the cocoa marketing sector (Lundstedt and Pärssinen, 2009) [34].

Previously, cocoa marketing in the leading producing countries such as Ivory Coast, Ghana, Nigeria, Togo, Brazil, Indonesia and others was replete with state control and interference. The states established marketing boards to monopolize the purchasing and export of cocoa beans and price fixation in their respective countries. However, there was a shift in this form of cocoa marketing when as a neoliberal mechanism these countries began to liberalize their markets in the early to mid-1990 (ibid.). In West Africa, countries such as Nigeria, Togo and Cameroon fully liberalize their system while Côte d'Ivoire and Ghana adopted a partial and gradual liberalization process. In the former category, prices are not fixed while farmers are also able to sell their produce to exporters without going through middlemen (ibid: LMC International and UG. 2000 [16]). However, in the latter, the state still regulates the price of cocoa beans and the number of private buying companies in the system (ibid.).

It is undeniable that, liberalization has led to an influx of a multiplex of marketing companies to compete with cocoa marketing boards across the world. This has therefore resulted in an intense competition at the local level for an increased share in cocoa purchases. The ability to gain access to cocoa beans by these private buying companies is therefore a product of the companies' capital and strategies. Central to these strategies are farmer incentives in the form of sales promotions. Incentives in the form of sales promotions have become a major tool for eliciting compliance from farmers on many agricultural-related issues. Many researchers have studied the impact of farmer incentives as sales promotions on a number of these issues with positive results. For instance, Hobbs (2003) [8] has shown that farmers tend to adopt good agricultural practices if there are incentives (sales promotions) for adoption. Saenger, Qaim, Torero and Viceisza (2012)[24] reported in their study of the Vietnamese dairy sector that, smallholder farmers are able to produce high quality milk if processors are able to incentivise them. Similarly, Quarminet al., (2012) [35] posit that "[cocoa] farmers [in Ghana] sometimes are unable or unwilling to invest resources into the recommended farm practices [to produce high quality cocoa beans] because there are little or no incentives to do so". The above underscores the indispensability of incentives (sales promotion) in influencing the activities and decisions of farmers.

In Ghana's cocoa marketing sector, the effects of sales promotion are even more visible and usually evident in the willingness of farmers to sell to particular buying companies (see Vigneri and Santos, 2007 [29]; Ananget, al., 2011[2] and Lundstedt and Pärssinen, 2009 [34]). Private buying companies – known as Licensed Buying Companies (LBCs) in Ghana – use various incentive programmes (sales promotion) to increase their share of cocoa purchases and the number of farmers in their domain. Some of these sales promotional programmes include the provision of credit facilities; gifts in the form of clothes, soap, food items, building materials; and scholarship schemes among others (see Owusu 2010)[22]. Thus this study was designed to carry out an investigation into the specific effects these

62 sales promotions have on cocoa purchases of LBCs in the Wassa Amenfi East District in the
63 Western Region.

64 1.1 Problem Statement

65 Until 1992, Ghana maintained a cocoa marketing system fully controlled by the state through
66 the Cocoa Marketing Board. As a condition under the Structural Adjustment Program, Ghana
67 liberalised its system to bring on board LBCs to participate in the marketing of cocoa beans
68 in the country. Despite this reform, Ghana is the sole country in the world with a hybrid
69 marketing system involving state control of the whole volume of exports, price fixation and
70 an indomitable presence in the internal marketing of cocoa through the Produce Buying
71 Company (PBC) and about 27 Licensed Buying Companies (Vigneri and Santos, 2007[29];
72 COCOBOD, 2009 [3] ; Owusu, 2010)[22].

73 The increased number of LBC's in Ghana since the reforms has resulted in intense
74 competition in the marketing of cocoa in the country. This competition is made more intense
75 with the dominance of the PBC's in the market. PBC alone captures 36.8percent of the
76 market share leaving less than 70 percent for the 27 LBC's (COCOBOD, 2009 [3]). Being
77 the only state-owned company in the cocoa marketing business, the PBC is able to deploy
78 the state machinery to outwit the other LBC's, creating a not conducive marketing
79 environment for the LBCs (Lavern 2007 [14]; Laven and Baud, 2009 [15]). Despite the
80 dominance of the PBC in the cocoa marketing business, private LBC's such as Olam,
81 Adwumapa Buyers Limited, Akuafio Adamfo are able to capture approximately 11 percent, 9
82 percent and 12 percent of the market respectively(COCOBOD, 2009 [3]). These buying
83 companies adopt strategies which are mainly in the form of sales promotions to attract
84 farmers to sell their produce to them. It must be noted here that LBC's are not able to adopt
85 "price- related" sales promotions since cocoa prices are fixed by the COCOBOD. This
86 implies that sales promotional programmes play important roles in increasing the shares of
87 LBC's in the marketing business and thus becomes a focal area of academic and policy
88 research.

89 However, research on the cocoa marketing in Ghana has overly concentrated on areas such
90 as the debate on the success of the cocoa marketing reforms (Zeitlin, 2005 [32]; Ruf,
91 2007[23]; Williams, 2009[30]); liberalisation and cocoa quality (LMC International Ltd. 1996
92 [17]; Sakyi-Bediako 2011) [25]; the economics and benefits of liberalisation (Vigneri and
93 Santos, 2007 [29]; Kolavalli and Vignerin.d.;[12]); the activities of LBCs (Lavern 2007 [14];
94 Laven and Baud, 2009 [15]; Owusu 2010 [22]); farmer incentives and productivity and cocoa
95 quality (Takane 2000 [27]; 2002 [28]; Dormon et. al. 2004[5]; Zeitlin 2006 [33]; Dormon and
96 Sakyi-Dawson, 2009 [6]; Quarmin et. al. 2012 [35])at the expense of how sales promotions
97 affect cocoa purchases of LBC's in Ghana. However, the effects of sales promotions on
98 cocoa purchases or choice of LBC's have only been treated as a subsidiary issue in a few
99 research (see Vigneri and Santos, 2007[29]; and Anang et. al 2011) [2]. The lack of specific
100 in-depth studies on the above issue is regrettable since such studies can inform the
101 strategies and practices of LBC's and help improve cocoa marketing in Ghana and make it
102 more competitive and also beneficial to farmers. To close this gap therefore, this study will
103 depart from previous studies to look into how sales promotions influence their choice of
104 LBC's and affect the purchases of such LBC's. To provide a district specific study, the
105 research focused on the Wassa Amenfi East Cocoa District in the Western Region.
106 The main aim of the research is to identify the influence of sales promotions on the
107 purchases of LBCs in the Wassa Amenfi East Cocoa District. Specifically, the study seeks to
108 achieve the following objectives.

109 1. To identify the incentive programmes (sales promotion) made available to cocoa
110 farmers by Licensed Buying Companies in Wassa Amenfi East District.

111 2. To analyse the sales trend of cocoa in the Wassa Amenfi East District by the
112 Licensing Buying Companies.

113 3. To identify the challenges associated with farmer incentive programmes (sales
114 promotion) as a marketing strategy in the Wassa Amenfi East District.

115 4. To assess how incentive programmes (sales promotion) affect the purchases of
116 Licensing Buying Companies (LBC's) in the District.

117 5. To propose ways of improving cocoa purchases in the Wassa Amenfi East District.
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119 **1.2 The relevance and effects of sales promotional strategies**

120 Sales promotion has been used as a tool by companies in beguiling consumers/producers to
121 either sell or buy products or goods. This idea is supported by Maryam (2012) [19] who
122 posited that sale promotion is one of the key elements used by companies in marketing mix
123 in order to stimulate its customers or producers to purchase from them or to sell their
124 produce to them. He further mentioned that promotions have been rapidly growing with
125 marketers shifting their attention to sales promotional strategies more than other devices.
126 The increasing use of sales promotions have influenced customer/consumers to become
127 deal prone and it in turn stimulate marketers to rely more on sales promotions in order to
128 respond to this consumer behaviour trends (Maryam, 2012) [19]. This implies that sales
129 promotional strategies has become the main marketing strategy used by most companies
130 across the world to win producers or suppliers of a particular product, meet the needs of the
131 supplier, improve productivity, and finally increasing the profit of the company and thus it
132 impact or effect could not be downplayed.

133 Sales promotions are comparatively easy to apply, and are likely to have immediate and
134 considerable effect on the volume of sales/purchase (Hanssens et al., 2001)[7]. Institutions
135 use sales promotional strategies in order to entice their customers or suppliers to either buy
136 their products or sell their produce to them. This research looks at using sales promotional
137 programmes to influence producers or suppliers (cocoa farmers) to sell their produce to
138 Licensing Buying Companies in Ghana. According to Khandwalla (1995), sales promotion is
139 the ability of an organisation to achieve its objectives and meet the needs of its various
140 stakeholders. The quintessence of setting up a business organisation is to make profit.
141 Without profit, a business is bound to fail (Okoli, 2011)[21]. Loudon and Bitta (2002) [18]
142 added that sales promotion plays a significant effect on decisions which help in achieving the
143 organisational (company's) objectives. According to Anah (2008) [1], Kotler and Armstrong
144 (2008) [13], sales promotion are used to; identify and attract new customers, establish
145 fluctuating sales pattern, and to combat competitor's marketing efforts.
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147 **1.3 Trend and impact of Cocoa Production in Ghana**

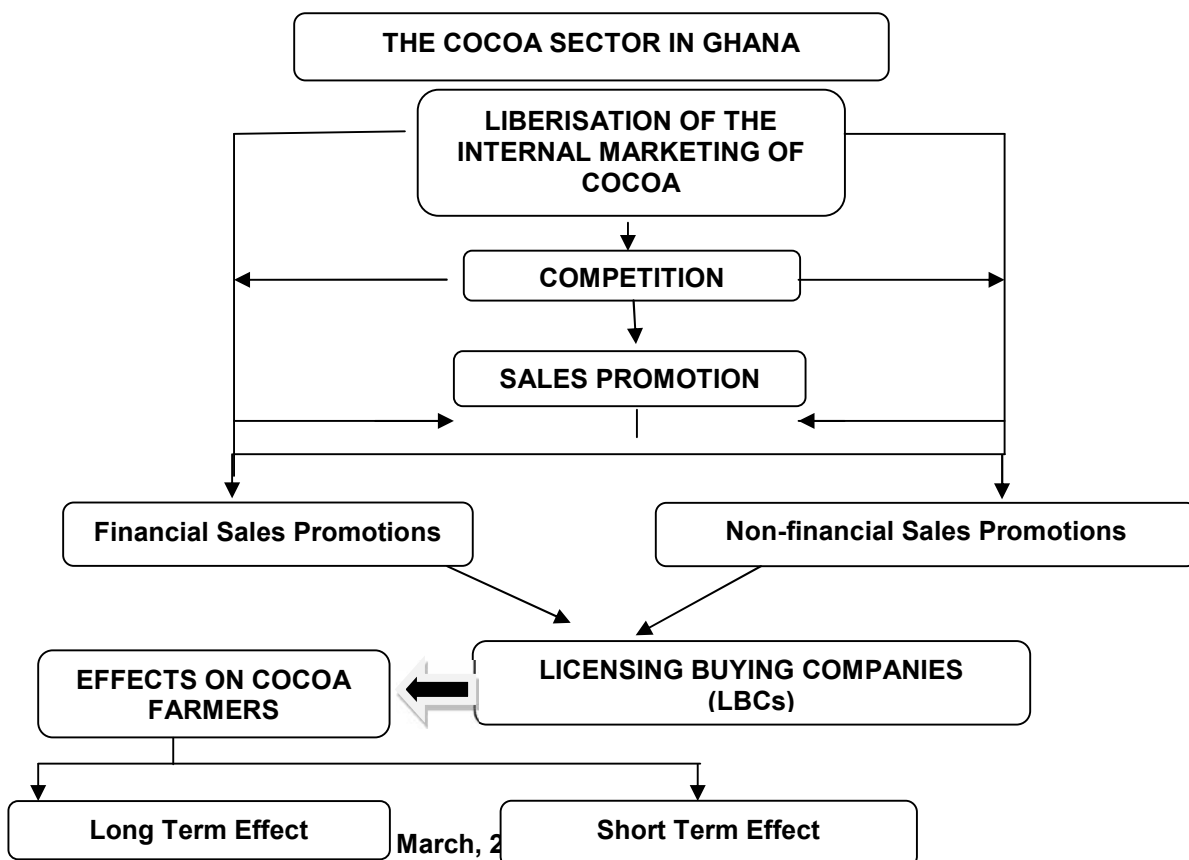
148 Cote D'Ivoire and Ghana continues to be the leading producing countries of Cocoa in the
149 world market. The splendid performance of these two countries had been noticed since
150 2000. For instance, over the last 10 years, Africa has firmly established itself as the leading
151 cocoa supplier. Much of this growth has come from Ghana, which achieved the largest
152 increase in output (up by 269,000 tons) and the second biggest producer after Cote d'Ivoire,
153 representing 21% of global production (World Cocoa Foundation, 2010 [31]). In 2009 to
154 2010, annual cocoa production has increased globally reaching 3.6 million to increasingly
155 concentrate in a handful of countries (ICCO, 2010) [10] such as Ghana and Cote D'Ivoire.
156 Another important recent contribution of the cocoa industry in the country is the development
157 of cocoa products. In recent years, because of technology many products have been

developed from cocoa. Both cosmetics and consumables alike have been developed from cocoa. A case in point is cocoa butter and chocolate of various kinds. It must be recognized that these aspects of the contribution of cocoa owe much to the technological advancements in the country according to the Institute of Statistical, Social and Economic Research (ISSER, 2005) [11]. The ICCO forecasts that annual global production will reach 4.5 million tons by 2013 which it expects will be primarily driven by West Africa (ICCO, 2008) [9].

1.4 Development of Conceptual Framework for the Study

The identified variables from the review of literature are used to develop the conceptual framework for the study. The framework is developed through the review of literature on liberalisation and sales promotional programmes by Licensing Buying Companies (LBCs) in Ghana. According to the diagram (figure 1), the Ghana Cocoa sector was liberalised to introduce competition in the marketing of cocoa by different Licensing Buying Companies (LBCs). The competitive nature of the marketing system had resulted to the adoption of promotional strategies as incentives to control the market. These promotion strategies are adopted by the LBCs in the form of financial and non-financial incentives to win the loyalty of farmers to sell their produce to them. These sales promotional strategies have a short and long term effect on the farmers. In the short term, farmers shift their attention to a particular LBC providing the incentives while the long term effect is for the cocoa farmer to stick to a particular company. Figure 1 depicts the conceptual framework for the study.

Figure 1: Conceptual Framework for the Study



The effects of Sales Promotion on Customer Purchasing Decision

199 Sales promotional programmes have enormous effects or influence on purchasing decision
 200 of customers. It is used as an attraction by companies to win the loyalty of its producers
 201 (cocoa farmers). Companies use sales promotion as their purchasing power to acquire more
 202 cocoa beans from cocoa farmers. It is continuously said that most types of sales promotions
 203 affect the decision making and purchasing stages of the buying-process directly that is,
 204 effective in the long-run since it leads to increased sales/purchases and profit of the
 205 company Narasimhan et al., (1996) [20] posited that promotions typically cause a large
 206 bump in short-term purchase or sales of goods. They added that sales promotional
 207 elasticity's are higher for categories with a relatively higher producer propensity to stockpile
 208 (supply the goods or product).
 209 There is no doubt that sales promotions have a gigantic effect on the purchase and sales of
 210 goods. Companies use sales promotion as a strategy to achieve their goals, objectives, and
 211 win clients but the effectiveness of the strategy depends very much on the tendency of the
 212 supplier or producer to supply the products. Licensed Buying Companies (LBCs) in Ghana
 213 have found ways to ensure that farmers sell their cocoa beans to them alone and therefore
 214 have instituted incentives and sales promotional programmes. Some of the incentives in the
 215 form of sales promotions include credit facilities; gifts in the form of clothes, soap, food
 216 items, building materials; and scholarship schemes among others (Owusu 2010) [22].
 217 Farmers in turn maintain loyalty to buyers who provide such incentives and cash rewards.
 218 To add to the above, the use of sales promotion causes a switching of their clients or
 219 producers (cocoa farmers) from selling their produce (cocoa beans) from one company to
 220 another depending on the satisfaction receives from the company. Switching as used in this
 221 study is defined as a onetime decision taken by cocoa farmers to associate themselves with
 222 other companies (LBCs). When such a situation happens, then it becomes a cost to the
 223 company termed as 'switching cost'.
 224 Some researches prove that sales promotions do not have a constant or continued effect on
 225 volume of purchase/sales which tend to diminish and come at the initial level at which it was
 226 before the sales promotion is being offered (Srinivasan et al. 2000 [26]). Research
 227 conducted by Ailawadi and Neslin (1998) [36] revealed that sales promotions motivate the
 228 clients or producers (cocoa farmers) to make immediate sale/purchases of goods and also
 229 positively impacts the purchase/sales volume. A research was conducted by Dekimpe et al.,
 230 (1999) [4] on four different product categories to find out the permanent and temporary
 231 effects of sales promotions on sales volume. Their research has proved that there are rarely
 232 any permanent effects of sales promotions on the volume of purchase/sales of a product-
 233 thus, showing that sales promotion does not change the structure of purchase/sales over the
 234 long run.
 235 It is learnt from the above that, sales promotion though it influences sales or purchase of
 236 products, it is not the stronghold of enticing producers (cocoa farmers) to stick to a particular
 237 company for a long period of time but it is only encouraged at the short term and
 238 discouraged at the long term.

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242 **2. MATERIAL AND METHODS**

243 In looking at the heterogeneous nature of the population, the research cannot study all the
 244 population and therefore it was limited to cocoa farmers, the Purchasing Clerks (PCs),
 245 Quality Control Division (QCD) and the Licensing Buying Companies (LBCs) in the Wassa
 246 Amenfi East District. The District has thirty three thousand, five hundred and twenty four
 247 (33,524) cocoa farmers, fourteen (14) Licensing Buying Companies and about two hundred
 248 and sixty-one (261) purchasing clerks.

249 For the purpose of this study, the formula below will be used to select Cocoa Farmers in the
250 district.

$$n = \frac{N}{1 + (Ne^2)}$$

251 Where n is the sample size, N is the sampling frame and e is the margin of error.

252 N =Number of Cocoa Farmers (33,524)

253 e = 8% margin of error (92% confidence interval)

254 $n = \frac{33,524}{1+33,534(0.08^2)} = 155$, Therefore the sample size for cocoa farmers is 155

255 Sample Size for Purchasing Clerks

256 $n = \frac{N}{1+(Ne^2)}$ Where n is the sample size, N is the sampling frame and e is the margin of error.

257 N =Number of Purchasing Clerk (261)

258 e = 8% margin of error (92% confidence interval)

259 $n = \frac{261}{1+261(0.08^2)} = 97.73$, Therefore the sample size for Purchasing Clerk is 98 approximately

260 Categories of Respondents

Categories	Frequency
Farmers	155
Purchasing Clerks	98
District Managers	14
QCD Officer	1
Total	268

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263 Data was collected from 155 farmers in the district on cocoa marketing, LBCs and their sales
264 promotional programmes and their effects on their choice of LBCs. Again, 98 purchasing
265 clerks were interviewed on their operations, relationship with farmers, competing strategies,
266 performances, Sales Promotion activities and general challenges faced in cocoa marketing
267 in the district. Moreover, data gathered from district managers concern their operations,
268 sales promotion programmes and their effects on markets shares. Finally, the QCD officer
269 responded to questions relating to quality of cocoa purchased by LBCs, LBCs' performance
270 and the operations of the QCD in the district. These data are the bases for the issues
271 discussed in this section.

272 Field survey instruments such as questionnaires, interview guides and checklists were
273 designed to collect data relevant to the study. Open ended and close ended questionnaires

274 were designed and used. The research used both qualitative and quantitative methods of
 275 analysis. The intent of using quantitative method for this study was to establish, confirm, or
 276 validate relationships and to develop generalisations that contribute to theory. Qualitative
 277 method was used for this study because, it is less structured in description and it formulates
 278 and builds new theories. Structured interview was used by the researcher. The interview was
 279 done through a Focus Group Discussion with farmers. The researcher conducted Focused
 280 Group Discussion with Cocoa Farmers in five communities on the effects of sales
 281 promotional programmes on the sales and purchase of cocoa. The communities were
 282 Wassa Grumesa, Afranse, Saaman, Adesu and Adumako. The use of interviews in this
 283 study was deemed appropriate in order to get closer to the interviewee and be able to solicit
 284 information which was not divulged on the questionnaire. The use of interviews affords
 285 interviewee the opportunity to express themselves, the choice to ask other relevant
 286 questions pertinent to the study.

287 During the data collection, the researchers took into consideration ethical issues so the study
 288 did not encounter any crucial ethical problems. The researchers sought the consent of
 289 informants before interviews begun. Again, the researcher informed participants about the
 290 purpose of the study and ensure them of the confidentiality of their responses. The
 291 researchers anonymized responses to protect the interest of respondents.
 292 Data from the field was edited, rationalised and collated. Qualitative data was coded with
 293 each sentence given a unique code using Statistical Package for Social Sciences (SPSS)
 294 software. Subsequently, data was categorised and tabulated to respond to the study
 295 objectives.

296 Qualitative research was used purposely for describing, explaining, and interpreting data
 297 collected from the field. Quantitative data collected was also coded using the SPSS
 298 software. It was analysed and used to support the qualitative data for clearer understanding
 299 of the subject. The data collected was analysed with the aid of Excel and Statistical Package
 300 for Social Scientists (SPSS) computer software to provide descriptive statistics and
 301 frequency tables, and bar graphs etc.

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304 **3. RESULTS AND DISCUSSION**

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306 **3.1 Introduction**

307 This chapter narrows down the discussion of the issue of Sales Promotion in cocoa
 308 marketing in Ghana using data from the field. The major components of the chapter include
 309 key role players in cocoa marketing and their operations, Sales Promotion Packages of
 310 LBCs in the District, the effects of these packages and the challenges faced in Sales
 311 Promotion in the Wassa Amenfi East District. The analysis done in this chapter helped in
 312 answering the research questions posed by the study and thus the chapter forms the fulcrum
 313 of the study. The participation level of the respondents was satisfactory. The farmers,
 314 Purchasing Clerks and managers of the Licensing Buying Companies gave us the maximum
 315 co-operation in answering the questionnaires. In all, the response rate for the fourteen (14)
 316 LBCs in the District was 100%. Also, for the Purchasing Clerks (PCs), the response rate was
 317 95% whiles that of farmers was 98%.

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320 **3.2 Incentive Programmes by LBCs in Cocoa Marketing in the District**

321 **3.2.1 Sales Promotion Programmes of LBCs**

322 Responses from farmers, PCs and LBCs indicate that LBCs adopt various Sales
323 Promotional Programmes to attract farmers to sell their produce to them. The sales
324 promotional items include farm and non-farm related sales promotional programmes. The
325 non-farm related sales promotional programmes take the form of services LBCs provide to
326 their farmers. Some of these Programmes include

327 • Capacity Building Programmes for Farmers and PCs: Kuapa Kookoo has instituted
328 capacity building programmes in the district to train and sensitize farmers and PCs to
329 produce good quality cocoa beans. On the part of PCs, workshops are organized to train
330 them on how to increase purchases and customer care, records keeping, banking services,
331 and management of seed fund provided by the company. It also releases handouts to
332 Purchasing Clerks concerning their operations in their various societies. Similarly,
333 sensitization programmes are organized at the society (community) levels to educate
334 farmers through the District managers and the PCs. During these sessions, farmers are
335 taught application of agrochemicals, quality control of beans, COCOBOD and other
336 government issues regarding farmers' welfare such as COCOBOD scholarship, NHIS,
337 SSNIT scheme and mass spraying. These training programmes attract farmers since they
338 are eager to gain yield improvement skills.

339 • Provision of Incentives to Farmers: The LBCs in the district provide incentives to
340 farmers in the form of cloths, soaps, books, pencils and pens, salt, cutlasses, boots,
341 spraying machines and so on. The most prominent in this is the Produce Buying Company
342 and Kuapa Kookoo. Licensed Buying Companies such as PBC, Armajaro, Akuafu Adamfo
343 and Kuapa Kookoo supply subsidized fertilizers and other agrochemicals to farmers on
344 credit basis. Responses from a Focus Group Discussion indicate that the (early) provision of
345 fertiliser is the most important reasons why they sell their produce to particular LBCs in the
346 district.

347 • Motivation of Purchasing Clerks: Purchasing Clerks of LBCs are provided with
348 various incentive packages to boost their morale. For instance, PCs are paid commission on
349 each bag of cocoa they purchase from farmers. Additionally, some companies such as
350 Akuafu Adamfo and PBC have instituted annual award schemes for best performing PCs in
351 the district.

352 • Early Payment of Bonuses and Commissions: The survey revealed that the LBCs in
353 the district embark on early payment of bonuses and commissions to farmers and PCs
354 respectively. The PBC for instance supplies advance bonuses and commissions to farmers
355 and PCs before the cocoa season. Armajaro and Kuapa Kookoo also provide additional
356 bonuses to farmers, aside the government bonuses. Thus these farmers are always
357 motivated to sell their produce to the companies. It also serves as a mechanism for
358 attracting more farmers and PCs hitherto belonging to other companies.

359 • Timely Release of Funds for Purchase of Cocoa: Seed capital is needed by every
360 PC to be able to offer advance payment or pay farmers instantly. The PBC, Armajaro, Kuapa
361 Kookoo and Akuafu Adamfo provide timely capital for PCs to work with. Most often, the PBC
362 provides this seed capital in large amount as compared to the other LBCs in the district. By
363 so doing, PCs are able to provide credit facilities and buy more of the cocoa beans ahead of
364 their counterparts in companies such as Adwumapa, FEDCO, Diaby and other prominent
365 LBCs.

366 • The PBC also assists cocoa farmers in getting COCOBOD Scholarships for their
367 wards. This move usually elicits loyalty from farmers as they all want their wards to be
368 awarded COCOBOD Scholarships. This partly accounts for PBC's large share of the market.

369 • Provision of Infrastructure: LBCs such as Kuapa Kookoo and PBC have been
 370 providing socio-economic infrastructure in the cocoa communities. Kuapa Kookoo has been
 371 providing boreholes and school buildings to some communities while PBC has also assisted
 372 communities to install solar panels to provide street lights in the communities.

373 • Formation of a five-member committee: PBC has formed a five member committee
 374 in each society to campaign for PCs in their communities. This committee helps individual
 375 farmers to harvest their crops, transport them from the farm and dry them at the house. This
 376 serves as a motivation for the beneficiary farmer to sell his/her produce to the PC of PBC at
 377 the particular society. Further, they gather information of the particular demands of farmers
 378 and advice the PC accordingly. This ensures that the PC tailors his/her incentive package
 379 towards the actual needs of the farmers so as to win them.

380 • Payment of additional bonuses: LBCs such as Kuapa Kookoo and Armajaro pay
 381 additional GH¢2 on every bag of cocoa a farmer sells to each company. This serves as a
 382 motivation to the farmers to sell their produce to the companies.

383 It was realised that LBCs adopt similar sales promotional programmes with the exception of
 384 few of them. LBCs such as Transroyal Ghana Limited, Armajaro Ghana Limited, Akuafu
 385 Adamfo and Kuapa provide wrist watches, cloths, cooking utensils, hand and nose masks,
 386 spraying machines that other LBCs do not provide. In addition, companies such as Kuapa
 387 Koo provide free bonuses and pre-financing to farmers apart from those bonuses enjoyed
 388 from COCOBOD. Aside from these sales promotional packages, Licensing Buying
 389 Companies provide other incentives and services to their cocoa farmers. These include, but
 390 not limited to, the following; provision of solar streetlights, construction of bridges ,
 391 construction of school buildings and clinics for some communities, construction of boreholes,
 392 provision of technical advices on farming practices and inspection of farms. These activities
 393 are seen as the Corporate Social Responsibility (CSR) of LBCs in the district, beyond the
 394 provision of sales promotional programmes. LBCs extend their part of profit to the provision
 395 of the above mention activities to create a long-lasting image of the company so as to draw
 396 farmers' attention to them. Farmers in turn see these activities as helping them to meet their
 397 basic needs and thus influence them to sell their cocoa beans to a particular LBC.
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Table 3.1 gives the details of Sales Promotion Packages for each of the fourteen LBCs operating in the district.

Table 3.1 Sales Promotional Programmes by LBCs

Name of LBC	Type of Sales Promotional Items
Produce Buying Company	Salt, soap, scholarships and fertilizers, solar panel streetlights, construction of bridges, pre-financing, formation of five-member committee at the society level
Olam Ghana Limited	Exercise books, scholarships, distribution of mosquito nets, cutlasses, fertilizers, wellington boots, payment of bonuses
Armajaro Ghana Limited	Fertilizer, soap, provision and repairs of spraying machines, wrist watches, clothing, wellington boots and mosquito nets
Transroyal Ghana Limited	Provision of credits (pre-financing), mosquito nets, fertilizers, and cooking utensils, wellington boots, wrist watches, pre-financing, nose and hand mask
Adwumapa Buyer Company	Fertilizers, soap, payment of bonuses, clothing, exercise books, pens, pencils, and salt
Diaby Company	Annual distribution of soaps, exercise books and salt, Farm inspections and extension and technical advice
Sika Aba Cocoa Company	Fertilizers, soap, cutlasses, weedicides, pesticides
Kuapa Kokoo Company	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pre-financing, pencils, spraying machines, T-shirts, farm inspection and extension, boreholes, capacity building programmes for farmers and PCs, building of schools and clinics
Akuafio Adamfo	Soap, salt, fertilizers, payment of bonuses, exercise

	books, pens, pencils, spraying machines, clothes, nose and hand mask
CDH Commodity	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils
Federated Commodity Limited (FEDCO)	Soap, salt, fertilizers, exercise books, pre-financing
Cocoa Merchant Company	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils
MARRIE	Soap, Salt, books, pens, pencils, fertilizers
Dio Jean	Soap, Salt, books, pens, pencils, fertilizers

417 *Types of sales promotional run by the farmers*

418 **3.3 Trend of Cocoa Sales from Farmers in the District**

419 Cocoa marketing is a vibrant business in the Wassa Amenfi East District with about 33524
 420 farmers selling their produce to 14 LBCs in the district. The total amount of cocoa beans sold
 421 has been fluctuating since 2009/2010. Though the quantity (kg) of cocoa sold increased by
 422 21.5 percent in 2010/2011 over the previous year, sales have been declining since last two
 423 years as indicated in Table 3.2

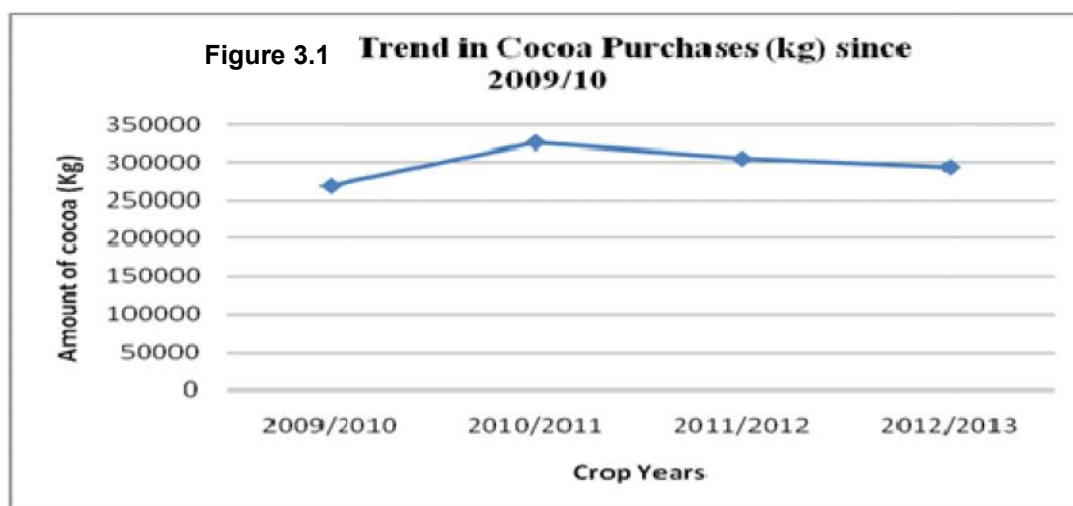
424 **Table 3.2 Cocoa sales in the district since 2009/10 Crop Season**

Crop Years	Amount of cocoa purchased (kg)	Percentage change
2009/2010	268053	-
2010/2011	325664	21.5
2011/2012	304667	-5.8
2012/2013	293425	-3.7

425 *Table showing the decline in cocoa sales since 2009/2010*

426 Table 3.2 and Figure 3.1 indicate that cocoa purchases in the district declined by 5.8 percent
 427 in 2011/2012 and further by 3.7 percent in 2012/2013. This decline in output can be
 428 attributed to the general low production of cocoa in the years in question. The supply of
 429 fertilizers to farmers was overly delayed by the LBCs and this affected productivity since
 430 farmers had no alternative means to secure fertilizers for their crops.

431 **Figure 3.1: Trend in Cocoa Purchases (Kg) since 2009/2010**



432
433

Trend of sales in crop years and the amount of cocoa sold

434 Following PBC are Transroyal Ghana Limited and Akuafo Adamfo with each commanding
435 more than 10 percent of the cocoa market in the district. The determinants of the positions or
436 shares of these LBCs are their Sales Promotional Packages and that of their PCs. Table 3.3
437 shows that percentage market shares of LBCs since 2009/2010.

438 **Table 3.3: Percentage Market Shares of LBCs since 2009/2010**

LBC	2009/2010	2010/2011	2011/2012	2012/2013	Current
	(%)	(%)	(%)	(%)	Position
Produce Buying Company	31.1	26.9	31.4	32.6	1 st
Transroyal	4.9	9.9	14.4	14.3	2 nd
Akuafo Adamfo	13.7	14.6	13.3	13.5	3 rd
Armajaro	8.9	9.6	7.7	7.9	4 th
Kuapa Kooko	3.9	4.9	6.5	7.1	5 th
Adwumapa Buyers Limited	13.5	8.3	6.1	6.0	6 th
Sika Aba	2.1	4.5	4.6	4.5	7 th
Diaby	10.5	7.3	4.7	4.4	8 th
Cocoa Merchants Limited	2.8	3.7	3.5	3.6	9 th
Olam	6.2	6.6	4.0	3.5	10 th
Dio Jean	0.8	1.3	1.3	0.9	11 th

CDH Commodities	0.6	1.2	1.2	0.7	12 th
FEDCO	0.6	0.9	0.9	0.7	13 th
Marraie	0.4	0.3	0.4	0.3	14 th
Total	100.0	100.0	100.0	100.0	-

Market share of the various LBCs

3.4 Effects of Sales Promotional Packages of LBCs on Cocoa Purchases

3.4.1 Effects of Sales Promotional Programmes on Farmers Choice of LBCs

The provision of sales promotional programmes has significant impact on farmer's decision or choice to sell their cocoa beans to a particular LBC in the district. According to a Focus Group Discussion with Farmers, it was observed that farmer's choice of LBC depends on the particular sales promotional packages provided. Some sales promotional packages have long term and short term effects on cocoa purchases. The sales promotional items identified in the study are grouped under farm related sales promotional inputs and non-farm related sales promotional inputs. Non-farm related sales promotional inputs such as salt, soap, watches, cooking utensils etc have short term effects on cocoa purchase of farmers by Licensing Buying Companies in the district. On the other hand, the farm related sales promotional inputs such as fertilizers, weedicides, pesticides, cutlasses, and farm inspections, capacity building programmes and spraying machines have long term effects on cocoa purchase of farmers by LBCs.

According to a Focus Group Discussion with Farmers, it was discovered that farm related sales promotional inputs helps farmers to increase their productivity. Fertilizers coupled with spraying machines to spray their cocoa farms for instance, help farmers to increase their yield. These items have high influence on cocoa purchases and choice of LBCs in the district. It was also observed that LBCs such as Transroyal Ghana Limited, Armajaro Ghana Limited, Akuafo Adamfo and Kuapa supplies farm inputs such as spraying machines and fertiliser to farmers without initial payment. This influenced farmers to sell their cocoa to those companies. There is no doubt that Transroyal and Akuafo Adamfo were the second and third LBCs with the highest purchase of about 41,946 kg and 39,653 kg bags of cocoa from farmers in the year 2013. However, Produce Buying Company (PBC) does not provide enough and consistent sales promotional packages, but hold the highest share of cocoa in the district. In 2013, PBC purchased about 95,677 kg of cocoa from farmers in the district. The reason was attributed to the fact that PBC is a government company and that by selling their cocoa to them, they feel secure. Also, PCs of PBC have good human relationship with farmers. Some PCs provide incentives to their farmers without the support from their LBCs. Farmers obtain loans from PCs without paying any interest, this enticed farmer to sell their cocoa beans to a particular LBC through the PCs. According to a Focus Group Discussion with farmers in Afranse, a community in the district, farmers of PBC for instance have made their decision to sell their cocoa beans to another LBC if the PC is transferred or stops working with them. This is strong evidence that some PCs have influence on cocoa purchase of farmers in the district. According to farmers, sales promotional programmes affect cocoa purchases and choice of LBC through various ways as shown in Table 3.4

478 **Table 3.4: Sales Promotions and their Effects on Cocoa Purchases**

How Sales promotional Programmes Affect Cocoa Purchases of Farmers	Number of Responses from Cocoa Farmers	Ranking
It is like a bait which trapped or forces them to sell cocoa beans to a particular LBC	57	1 st
It serves as motivations which convinced or encouraged them to sell their cocoa	48	2 nd
Sales promotional programmes reduces their expenditure and saves money	34	4 th
It shows that LBCs care about farmers	21	6 th
Sales promotional packages such as mosquito nets improve their health conditions	33	5 th
Farmers keep LBCs in remembrance during the cocoa seasons through sales promotional programmes	44	3 rd
Farmers develop trust in LBCs through sales promotional programmes	13	8 th
Sales promotional programmes are promising incentives	19	7 th

479 *Responses showing how farmers perceive how sales promotional activities affecting cocoa purchases*

480 From the above discussion, it can be concluded that sales promotional programmes by
 481 Licensing Buying Companies (LBCs) have much effect on cocoa sales of farmers in the
 482 Wassa Amenfi East District. Majority of farmers (57) said that sales promotional programmes
 483 are like baits which attract them to sell their cocoa beans to a particular LBC.

484 **3.4.2 Effects of Sales Promotion Programmes on LBCs share of the Market**

485 The sales promotional programmes of Licensed Buying Companies (LBCs) affect their
 486 marketing performances. As can be seen from Figure 3.2, some LBCs such as PBC, Akuaf
 487 Adamfo and Kuapa Kookoo have been increasing their market shares over the years while
 488 the market shares of Adwumapa, Sika Aba and Diaby have been deteriorating over the
 489 years.

490 The booming LBCs are increasing their shares of the market due to the use of extra and
 491 unique sales promotional packages. Aside from being a subsidiary of the COCOBOD, the
 492 PBC adopts a number of sales promotional packages that have maintained its lead in the
 493 market. Being a state company, it has a major influence in the award of the COCOBOD
 494 scholarship to farmers' wards and thus uses it agency to do so. As such more farmers sell
 495 their cocoa to PBC to guarantee the acquisition of scholarship for their wards. Moreover,
 496 PBC has been assisting communities to acquire solar lights and this has been instrumental
 497 in gaining more framers. Moreover, Kuapa Kookoo has been increasing its share of the
 498 market since 2009/10 due to the provision of extra facilities under its sales promotion
 499 programme. Since 2011, Kuapa Kookoo has been providing boreholes, school buildings,
 500 clinics, capacity building programmes for farmers and PCs and payment of extra bonuses to
 501 farmers. According to the District Manager of the company, these services and packages
 502 have won the hearts of many farmers and community leaders and these have pledged their
 503 loyalty to the company for a very long time. Moreover, with Kuapa being a farmers'
 504 cooperative, every farmer that sells to the company enjoys from the profit of the company
 505 and this retains them for a very long period. A combination of all these promotional packages
 506 has served to increase the share of the company every crop year.

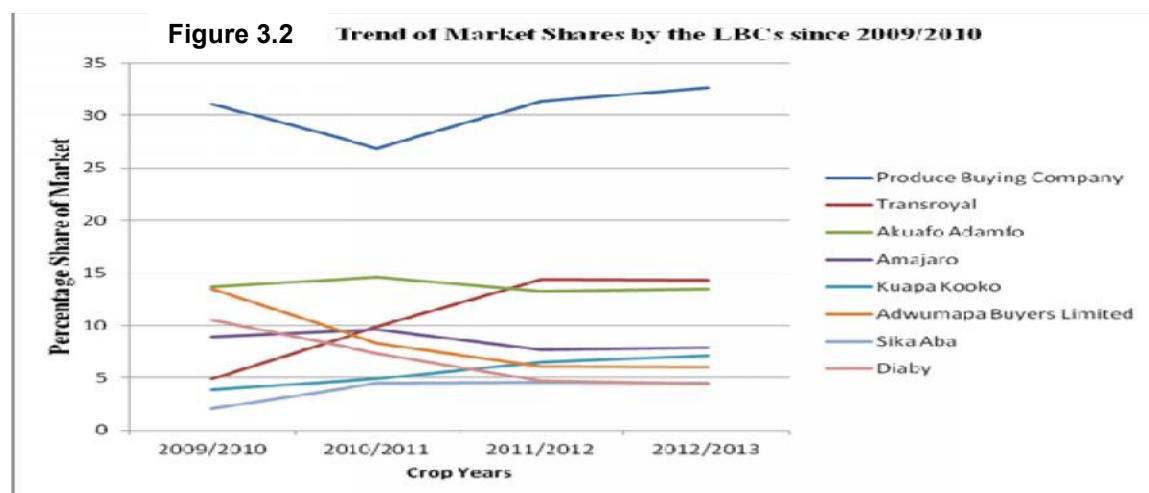
508 Though Akuaf Adamfo has not been providing extra promotional packages aside from the
 509 conventional provision of fertilizer, salt, soap and spraying machine, it embarks on early
 510 release of seed capital to its PCs to command a sizeable share of the market. The early

release of the seed fund helps PCs to pre-finance or provide loans to farmers before the seed funds of other LBCs arrive. This helps the PCs to buy more from farmers since the provision of loans to farmers pins them to the PCs.

Contrary to the booming market for the companies discussed above, others have been losing their market shares due to some reasons relating to Sales Promotion. Firstly, though these LBCs provide (late) fertilizer and essential commodities to farmers, this is a conventional practice by all LBCs and has little impact on sales. Fertilizer is the only exception but the late arrival of these chemicals from the LBCs limits its potency to attract farmers. Secondly, Adwumapa used to supply early seed capital, early fertilizer, insecticides, provision of bikes and spraying machines and prompt payment of bonuses. This accounted for the promising performance in 2009/2010 and earlier. However, according to its PCs and the District Manager, the company has ceased the supply of all these promotional packages and that has resulted in its abysmal performances since 2010/2011. Thirdly, companies such as Diaby and Sika Aba do not provide any additional promotional packages apart from the conventional ones discussed above. This has therefore made these companies unattractive to farmers. In fact, farmers have been abandoning these LBCs for “better” ones.

The analysis indicate that the use of Sales Promotion Packages such as early supply of seed funds, provision of infrastructure, early payment of bonuses and assistance in scholarship acquisition are very critical in affecting the sale of farmers’ cocoa to LBCs and subsequently, the latter’s share of the cocoa market.

Figure 3.2: Trend of Market Shares by the LBCs since 2009/2010



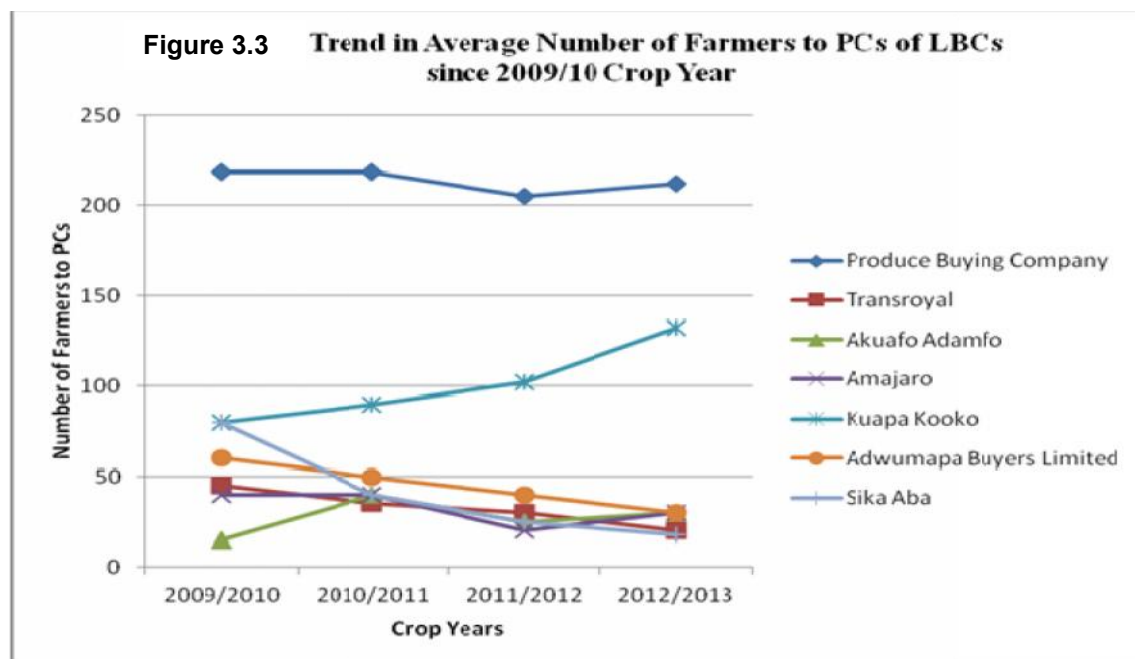
Market trends of LBCs

3.4.3 Effects of Sale Promotion Packages of PCs on Farmers’ Choice of LBC

Aside from the packages provided by LBCs, PCs have their own packages they use to influence their share of the local market. These strategies have been explained in previous subsections. In Figure 3.3 it can be seen that PCs of some LBCs have been increasing or maintaining their farmers’ while others have been shedding farmers. The study revealed that the ability of a PC to attract or retain a farmer largely depends on the early supply of fertilizer, financial assistance or capacity and good interpersonal relationships. Only the PCs

of PBC and Kuapa Kookoo had a combination of all these factors and this accounts for the increasing numbers of farmers they have as depicted in Figure 3.3.

Figure 3.3: Trend in Average Number of Farmers to PCs of LBCs since 2009/10 Crop Year



Other PCs from LBCs such as Sika Aba, Adwumapa, Diaby and Transroyal lack the financial means to purchase fertilizer on their own for the farmers and also provide prompt financial assistance to farmers when the need arises and these accounts for their inability to attract more farmers and/or retain their loyal farmers. While PCs of Kuapa Kookoo and PBC see it expedient to supply farmers' fertilizers and loans from their own coffers early in the season, the PCs of other LBCs have relented in their efforts awaiting supplies from the companies and this has adversely affected their performances over the years. Table 3.4 provides the reasons for the performances of the PCs and goes to affirm the fact that it is the provision of sales promotional packages that affect the market shares of PCs and subsequently LBCs in cocoa marketing for every particular year in the district.

3.4.4 Multiple Regression Analysis of Sales Promotional Packages and Farmer's decision to sell to LBCs in the Wassa Amenfi District

A multiple regression analysis was done to establish a linear relationship between the decision to sell to a particular LBC and the various sales promotion packages of LBCs. For this study, the number of farmers selling to a particular LBC is used as the measure of farmers' decision to sell to an LBC and is taken as the dependent variable (y). Three most prominent sales promotion packages affecting farmers' decision to sell to a particular LBC are supply of fertilizers, supply of spraying machines and provision of essential commodities. These are used as the independent variables. Table 3.5 gives the values of each variable from the field survey.

573 **Table 3.5: Values of Variables from the Field**

LBC	Number of Farmers	Supply of fertilizers	Provision of Spraying machines	Provision of essential commodities
Produce Buying Company	51	51	40	23
Transroyal	22	22	21	8
Akuafo Adamfo	21	21	19	6
Armajaro	12	12	11	5
Kuapa Kooko	11	11	7	4
Adwumapa Buyers Limited	9	2	1	0
Sika Aba	7	2	1	0
Diaby	7	1	0	0
Cocoa Merchants Limited	6	1	0	0
Olam	5	1	0	0
Dio Jean	1	1	0	0
CDH Commodities	1	1	0	0
FEDCO	1	1	0	0
Marraie	1	1	0	0
Total	155	128	100	46
Mean	11.071	8.714	7.143	3.286
Standard Deviation	13.356	14.510	11.961	6.318

574 The regression analysis showed that Sales Promotional programmes have a strong and
575 direct relationship with the number of farmers who decide to sell to a particular LBC with a

strong linear trend in the normal probability plot shown in Figure 3.4. Moreover, the Multiple Correlation Coefficient (R), Coefficient of Multiple Determination (R^2) and Adjusted Coefficient of Multiple Determination (Adj. R^2) shown in Table 3.6 indicate that put together, the correlation between all the predictor variables (sales promotional packages) and the criterion variable (decision to sell to a particular LBC) is strong, with about 96.4% of variation in decision attributable to the combination of Sales Promotional Programmes.

Figure 3.4: Normal Probability Plot

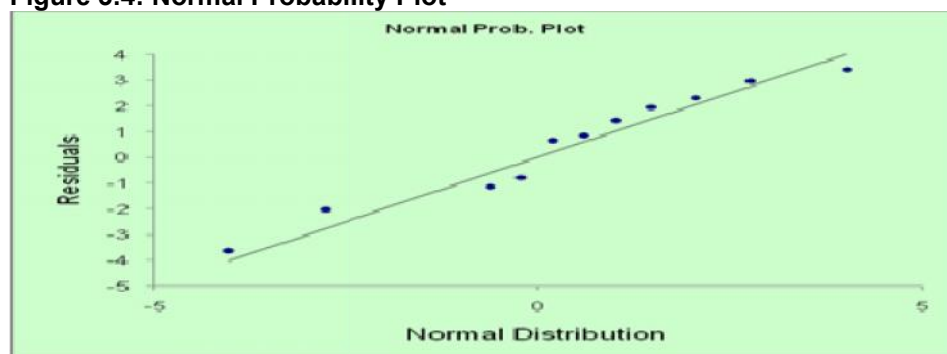


Table 3.6 Summary of Regression on Farmers' Decision and Sales Promotional Programmes

R^2	R	Adj. R^2	S.E. of Estimate
0.972	0.986	0.964	2.547

Source: Analysis of Data collected from the Field Survey, 2013

Again, The Snecdecor's F-Test of Significance or Analysis of Variance (ANOVA) in Table 3.7 is large (115.831) and this suggests that Sales Promotional Programmes are significant predictors of a farmer's decision to sell to a particular LBC. Again the P -value of 0.000 is an indication that these programmes have strong relationship with farmer's decision to sell to LBCs in the district.

Table 3.7 Analysis of Variance on Farmers' Decision and Sales Promotional Programmes

Source	Sum Sq.	D.F.	Mean Sq.	F	Prob.
Regression	2254.062	3	751.354	115.831	0.000
Residual	64.867	10	6.487		
Total	2318.929	13			

Sales promotional programmes are significant predictors of a farmer's decision to sell to a particular LBC

Furthermore, Table 3.8 shows the regression coefficients of the various Sales Promotional Packages considered in the study. The results indicates that for a unit change in the supply of fertilizers to farmers by LBCs, the decision to sell to a particular LBC is likely to change by 1.624 holding all other packages or components of Sales promotional Programmes constant. Moreover, a unit change in provision of spraying machines can change a farmer's decision to sell to a particular LBC by 0.704 while a unit change in the provision of essential

commodities such as salt, soap, exercise books and others can change a farmer's decision by 0.328. This implies that the supply of fertilizer as a component of sales promotional programmes has higher impacts on farmers' decision than the other sales promotional packages used by the LBCs in the district.

Table 3.8: Regression Coefficients

Source	Coefficient	Std Error	Std Beta	-95% C.I.	+95% C.I.	t	Prob.
Intercept	3.026	0.903		1.013	5.039	3.349	0.007
Supply of fertilizer	1.624	0.814	1.764	-0.190	3.438	1.994	0.074
Provision of Spraying machines	-0.704	0.650	-0.630	-2.153	0.746	-1.082	0.305
Provision of essential commodities	-0.328	0.895	-0.155	-2.323	1.666	-0.367	0.721

Fertilizer as a component of sales promotional programmes has higher impacts on farmers' decision than the other sales promotional packages

Similarly, the partial plots shown in Figures 3.5 show the relationship between a predictor variable considered in this analysis and the dependent variable after accounting for the contribution of all the other predictor variables used in the analysis. By principle, a strong linear trend suggests a substantial contribution of the predictor variable in question to the explanation of farmers' decision to sell to a particular LBC over and above the other independent (predictor) variables. Thus a look at the partial plots below indicates that "Supply of Fertilisers" contribute substantially to the interpretation of farmers' decision to sell to particular LBCs followed by "supply of spraying machines" and "provision of essential commodities" which have weaker relationship with farmers' decisions

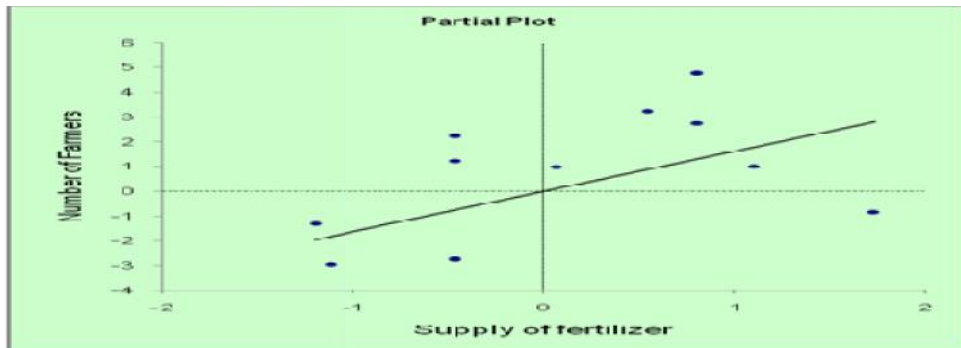
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630 **Figure 3.5: Relationship between a Predictor variable Dependent Variable**

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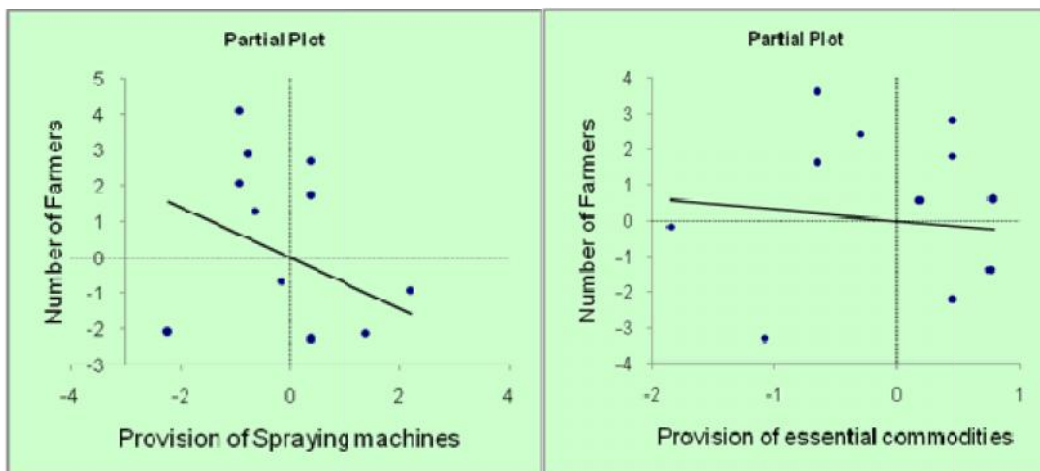
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The quantitative analyses (ANOVA and Regression Analysis) established a strong and direct relationship between Sales Promotional Programmes of LBCs and the decision of farmers to sell to them in the district. The analyses have also shown that the provision of fertiliser to farmers by LBCs is one most important sales promotional package that greatly influences farmers' decision to sell to a particular LBC. Though farmers regard other packages as important, the analyses have shown that when LBCs increase the timely provision of fertilisers to farmers in the Wassa Amenfi East District, the tendency to attract more farmers and increase cocoa purchases is high. This accounts for the booming performance of LBCs such as PBC, Kuapa Kookoo and Transroyal, Akuafu Adamfo and Armajaro which provide fertilisers to their farmers early in the season. It can therefore be concluded that if any LBC wishes to increase purchases in the district, it should focus more on timely supply of fertilizer and sometimes spraying machines to farmers since these sales promotional packages have been statistically proven to yield greater impacts on cocoa purchases in the Wassa Amenfi East district.

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3.5 Challenges Associated with Sales Promotional Programmes in the District

651 Despite the overwhelming effects of sales promotional programmes on purchases of cocoa
652 by Licensing Buying Companies (LBCs) from cocoa farmers in the district, the programme is
653 faced with challenges. These challenges are categorized from the perspective of farmers,
654 Purchasing Clerks (PCs) and Licensing Buying Companies (LBCs).

655 **3.5.1 Challenges of Farmers**

656 The challenge a farmer faces has to do with LBCs and PCs. Farmers complained that sales
657 promotional programmes favor some cocoa farmers than others. For instance, the
658 scholarship schemes provided by PBC favor more farmers in the urban communities than
659 those in the rural communities. Farmers complained that people who are not farmers enjoy
660 the scholarships. Also farmers with small sizes of farms enjoy the scholarship than farmers
661 with large farm sizes. Linked to the above, there is limited quantity of sales promotional
662 items supplied by PCs. There is also delay in their supply. To some farmers, the supply is
663 done at the time they do not need. For instance, fertilizers are supplied in the month of June
664 and July instead of March which becomes non-beneficial to farmers at that particular time.
665 The inability of LBCs to supply fertilizers to PCs on time for further distribution serves as
666 threat to the production of cocoa in the district since reduces the crop yields for those
667 particular years. Others complained that PCs keep most of the items in their houses which
668 does not augur well for farmers.

669 **3.5.2 Challenges of Purchasing Clerks (PCs)**

670 Purchasing Clerks (PCs) face challenges in receiving and distributing sales promotional
671 packages to farmers. These problems or challenges have to do with their LBCs and farmers.
672 PCs complain that sales promotional packages are supplied late and sometimes they are
673 inadequate. PCs are usually faced with the problem of unfaithfulness from farmers. PCs
674 mostly, provide all incentives prior to the sale of cocoa. However during sales, farmers
675 default and sell their produce to other PCs for cash. Farmers' default affects PCs
676 commission since such financial loss from the seed fund is usually deducted from the
677 commissions of PCs by the District Managers. There is also intensive competition among
678 PCs in the various communities in the district. This forces PCs to device means of attracting
679 farmers to increase purchase of cocoa beans but they are constrained by funds.

680 **3.5.3 Challenges of Licensing Buying Companies (LBCs)**

681 The challenges LBCs face have to do with the company and their LBCs. LBCs receive
682 reports from farmers that the sales promotional items are not of good quality. LBCs
683 resentfully emulate marketing strategies of other LBCs, restructure and use against them to
684 attract their cocoa farmers. LBCs also experience higher operational cost in the distribution
685 of sales promotional packages to farmers. Lastly, there is high risk in seed funds provided by
686 LBCs to their PCs during cocoa seasons. LBCs face the risk of PCs running away with seed
687 funds thereby resulting in losses to the company.

688 **4. CONCLUSION**

689 Ghana has liberalised the internal marketing of cocoa beans in the country and this has seen
690 an influx of many LBCs into the system. In the Wassa Amenfi East District, there are 14
691 LBCs currently purchasing cocoa from farmers. The Produce Buying Company has
692 dominated cocoa marketing in the district with over 30 percent share of the market. This has
693 generated intense competition in the district. Thus to attract more purchases, LBCs including
694 their PCs have adopted sales promotion programmes to attract and retain farmers. Some of
695 these programmes include capacity building programmes, supply of fertilizer, and provision
696 of essential commodities, financial assistance, assistance in scholarship acquisition and
697

provision of socio-economic facilities. The study revealed that these sales promotion programmes have greater impacts on cocoa purchases by the various LBCs in the district. Sales promotional programmes influence farmers' choice of LBCs, the market shares of LBCs for a particular crop year and the ability of a PC to attract and retain farmers. Empirical data from the field confirm that LBCs such as PBC, Kuapa Kookoo, Armajaro and Transroyal have been able to obtain a sizeable share of the market due to the provision of Sales Promotion programmes other LBCs do not provide. Despite the promising effects of sales promotion packages in the district, LBCs, PCs and farmers have been faced with so many challenges in this area. Undue competition, low quality of cocoa, late and inadequate supply of packages, loan payment default on the part of farmers and risk of losing seed funds supplied by the companies are some of the major problems faced by these three categories of respondents. The study has therefore made recommendations to help solve these problems. The LBCs and the PCs should consider adopting these recommendations to reap the full benefits of Sales Promotion in cocoa marketing in the district and Ghana as a whole.

4.1 Recommendation for Effective Sales Promotional Programmes in the District

Findings from the study indicate that recommendation could be made to enhance the effectiveness of sales promotional programmes by Licensing Buying Companies (LBCs) in the district to increase sales of cocoa and to improve the livelihood of farmers. The following recommendations should be given much attention;

4.1.1 Timely supply of Sales Promotional Programmes

One specific area farmers and PCs complained was the delay in the release and distribution of sales promotional items in the district. Fertilizers for instance, are supplied in the month of June and July instead of March which does not benefit farmers. It is therefore recommended that sales promotional items should be released on time to PCs for further distribution to farmers. Moreover, sales promotional packages such as financial assistance, bonuses should be executed after the cocoa season. This is because after cocoa season, farmers pass through hardship. This could be used to attract more farmers to a particular LBC. In addition, sales promotional packages should be enough to supply to all farmers of LBCs.

4.1.2 Strengthening of Institutional Collaboration of LBCs

As part of the Corporate Social Responsibility (CSR) of LBCs in the district, efforts should be made to link farmers to international agencies and Non-Governmental Organisations (NGOs) operating within or outside the district. This would help to increase their support to farmers and therefore used as a conduit to win farmers and increase their market share of cocoa. The study revealed that only Kuapa Kokoo Company Limited has adopted this strategy.

4.1.3 Mechanism to check default

LBCs and PCs have reduced the distribution of sales promotional packages such as financial assistance and loans among others. This is because farmers default in payment of the loans and sell their cocoa beans to other LBCs. It is therefore recommended that PCs should develop pragmatic measures to reduce the high default. The PCs should get a disciplinary action to tackle the problem. PCs could form an association where incidence of default could be reported and recorded so that when a farmer default a loan, he/she cannot sell the cocoa beans to another PC. This will make farmers pay for their loans. PCs should also agree on any PC that accepts or purchase from a default farmer could be punished.

4.1.4 Motivation of PCs by LBCs

It was unveiled from the study that the decision of a farmer to sell to a particular PC is not always depended on sales promotional packages from LBCs but the PCs. With regards to this, PCs of LBC should motivate PCs to encourage them do an effective work. Annual

award schemes, bonuses to PCs on each bag of cocoa purchased and increase in commission of PCs are all motivational packages that could be adopted and implemented by LBCs to their PCs to boost cocoa purchases.

4.1.5 Regular visiting and inspection of farms

Farmers are influenced by farm related sales promotional programmes such as the provision of extension services. This service is only practiced by Diaby Company and Kuapa Kokoo Company Limited in the district. Other LBCs could adopt that strategy to win more farmers.

4.1.6 Equity in the Distribution of Sales Promotional Packages

Sales promotional packages such as scholarships should benefit farmers who are located in the more remote areas. There should be equity in the distribution of sales promotional packages. The distribution of these packages should go to those who merit it. There should not be bias in the distribution of those packages.

4.1.7 Capacity Building for PCs and Farmers

LBCs could institute capacity building programmes in the district to train and sensitize farmers and PCs to produce good quality cocoa beans. On the part of PCs, workshops could be organised to train them on how to increase purchases and customer care, records keeping, banking services, and management of seed fund provided by the company.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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885	DEFINITIONS, ACRONYMS, ABBREVIATIONS		
886	LBCS	LICENSED BUYING COMPANIES	
887	PBC	PRODUCE BUYING COMPANY	
888	COCOBOD	GHANA COCOA BOARD	
889	ISSER	INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH	
890	SSNIT	SOCIAL SECURITY AND NATIONAL INSURANCE TRUST	
891	QCD	QUALITY CONTROL DIVISION	
892	PCS	PURCHASING CLERKS	
893	NHIS	NATIONAL HEALTH INSURANCE SCHEME	
894	SPSS	STATISTICAL PACKAGE FOR SOCIAL SCIENCES	
895	WAED	WASSA AMENFI EAST DISTRICT	
896	FEDCO	FEDERATED COMMODITIES LIMITED	
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