ENTERING COCOA BUSINESS IN SUB-SAHARAN AFRICA, THE CASE OF CAMEROON

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Rio de Janeiro, 2017
ENTERING COCOA BUSINESS IN SUB-SAHARAN AFRICA; THE CASE OF CAMEROON

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ENTERING COCOA BUSINESS IN SUB-SAHARAN AFRICA: THE CASE OF CAMEROON.

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DEDICATION

I dedicate this thesis to my wife Marianne and kids Brian and Brianna BETCHEM for their tolerance and support during these months of physical and mental absence, the effort they put all together to help on fulfilling each step of this Master program, their unconditional love that brought with motivation and determination every day of the program. My parents, brothers, and sisters that have been so close to me that I could feel them everywhere I was, motivating and helping to set higher targets and ambitions.

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<th>Description</th>
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<tr>
<td>Alucam</td>
<td>Aluminum of Cameroon</td>
</tr>
<tr>
<td>°C</td>
<td>Celsius Degree</td>
</tr>
<tr>
<td>CDC</td>
<td>Corporation of Development of Cocoa</td>
</tr>
<tr>
<td>CFA</td>
<td>Confédération Française d’Afrique</td>
</tr>
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<td>CHOCOCAM</td>
<td>Chocolate of Cameroon</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost Insurance and Freight</td>
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<tr>
<td>CPDM</td>
<td>Cameroon People Democratic Movement</td>
</tr>
<tr>
<td>°F</td>
<td>Fahrenheit Degree</td>
</tr>
<tr>
<td>Ft</td>
<td>foot</td>
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<tr>
<td>FOB</td>
<td>Free On Board</td>
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<tr>
<td>G</td>
<td>Grade</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>ICCO</td>
<td>International Cocoa Organization</td>
</tr>
<tr>
<td>Kg</td>
<td>Kilogram</td>
</tr>
<tr>
<td>KM</td>
<td>Kilometer</td>
</tr>
<tr>
<td>LN</td>
<td>League of Nations</td>
</tr>
<tr>
<td>MI</td>
<td>Miles</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information System</td>
</tr>
<tr>
<td>NCCB</td>
<td>National Cocoa and Coffee Board</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NOCBP</td>
<td>National Office of Commercialization of Basic Products</td>
</tr>
<tr>
<td>SODECAO</td>
<td>Société Camerounaise de Développement du Cacao</td>
</tr>
<tr>
<td>OS</td>
<td>Out of Standard</td>
</tr>
<tr>
<td>pH</td>
<td>Power of Hydrogen</td>
</tr>
<tr>
<td>Sq</td>
<td>Square</td>
</tr>
<tr>
<td>Sq.Km</td>
<td>Square per Kilometer</td>
</tr>
<tr>
<td>UPC</td>
<td>Union of the Populations of Cameroon</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
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</table>
Abstract

The culture of cocoa is one the main drivers of Cameroonian economy, bringing many promises in term of employment and revenues. The business organization around cocoa is developing, taking into consideration, the strategy of economic development deployed by the country, its image as the fifth producer of the world and the opportunity for Cameroon to answer the market increasing demand. We have developed in this paper the business organization around cocoa in Cameroon, the implication for people and administration, its potentialities in term of development and the rules to know when entering cocoa business in Cameroon. When we undertook to work on this topic for the master thesis, it was to connect both “our project of developing cocoa business in Cameroon” and “the analysis of local cocoa market and its connections to the international market”. Many sources of data have been analyzed including the information collected through the Internet, the Ministry of Agriculture in Cameroon, the Ministry of Trade, the provincial delegation of agriculture of Centre, cocoa buyers’ information such as Telcar, Sic-Cacao and the Cocoa Development Corporation with is the State corporate, developing cocoa seeds and training farmers. After reviewed the literature and meeting with people, we undertook the analysis of cocoa business organization. Interestingly, the results revealed the implication of local government and the effort they are putting together to reach their objective of positioning Cameroon by 2022 as the second producer of cocoa beans with more than 600.000 tons a year. Reaching such objective means develop business opportunities in term of production, increase export capacity to capture more value and develop local pre-transforming units.

Keywords: Cocoa Business, Cameroon, production, export.
I - INTRODUCTION

Business organization in Africa specifically in Cameroon is a culture that was initially used for complementary survival means. With the contact of European culture of business and the colonization, Cameroonians people started to learn a new way to make business, mixing initially African approach of business in which the profit was not the main objective, but the participation in community life and service, to the European business approach, based on profit and value creation. Today, Cameroonian society has deeply changed impacting people behaviors and the way to make business. From the exchanges “him”, the organization of business in Cameroon has embraced every rule of European business system, encompassing the run for profit and enrichment as well as value creation that include employment and development means.

Since the independencies the majority of Sub-Saharan African countries in the 1960s, many newly independent States of the region had based their economy on agriculture. The first goal of these newly independent countries were to sustain their population needs in term of food and build firstly the local economy system while before focusing on larger economy. Agriculture was then the main business activity and the principal driver of people economic participation. When the fundamentals of local governments were established, giving the opportunities to export, Cameroon economic policy focused on the culture of cocoa, coffee, and Bananas, on top of raw materials and minerals, using different methods and business organization.

Cameroon has transformed cocoa cultivation to a real modern business segment, building and implementing local regulations to organize and sustain the production and distribution of cocoa beans. Cameroon alone produces 272 thousand tons of cocoa a year, positioning itself as fifth cocoa producer in the world behind Ivory coast, Indonesia, Ghana, and Nigeria. Cocoa business is an entire business segment that helps the country to play a crucial role in international exchange and give internally, access to resources that provide living revenues to more than 600,000 people. The organization of this business segment has changed time to time since the independence fluctuating farmers’ life style, and income, and driving the international position of Cameroon on the trade sphere. We are going to develop how the organization of this business segment influences the internal market and the opportunities around cocoa business in Cameroon.
I – 1- Contextualization Relevance of the Problem

The consumption of chocolate and its derived products has been for years an exciting driver of cocoa business, fluctuating from year to year and depending of the stocks in Europe and in the USA, the production capacity in the producers’ countries and the level of chocolate and derived products worldwide consumption (COE, 2013). The progression of this consumption was lightly perceptible in the past years, as it was globally based on the USA and European market. The world has changed; China, India, and Brazil are taking their part in the world economy, increasing their production capacity, developing their middle class and their needs in term of resources. Chocolate is not exempt from the growing demand of resources from these countries, implying the necessity of more production in a sector where the space to produce is very limited. The growing consumption in China barely 40% annually is leading the high demand of cocoa beans worldwide\(^1\). Cameroon for its geographical position, its climate and vegetation offer many opportunities of business in the cocoa segment. The main purpose of this paper is to analyze the cocoa market in Cameroon, the opportunities, and how to proceed when entering cocoa business in Cameroon.

I – 2- Justification of the Research Theme

An important part of sub-Saharan countries economy is based on crops and raw materials. Cocoa in the particular case of Cameroon plays an important role in small farmers’ revenues and the country’s in building reputation. To meet is expected value, cocoa business should reach a level of organization that will comply with international business rules and organization. The compliance to these rules is a guarantee on investments convergence, production development and transformation capacity. The rules of business in this case must be clear for everyone entering cocoa business in Cameroon. Our choice of working on the subject of cocoa business is motivated by 3 elements. The first one is to point out, the impact of cocoa in the economic movements that are taken place in Cameroon, as the production of cocoa beans is held globally by small farmers (usual disadvantaged social class of people).

\(^1\) China consumption of chocolate is growing faster than the production
The second element is personal and it is based on a project of opening and running the cocoa business in Cameroon. Working on this project will help to collect and study the data that will provide with a larger view of the economy around this product, the perspectives and opportunities, as well as the evolution of the market, the possible future expectations and the levers that our future business should use to find its way on that economy segment.

The third element motivating to work on this particular project, is to provide with the information that could help the reader, to have a larger view of the impact of cocoa production and distribution in the country and in the world economy, as well as how well and deep, the small hands of farmers from tropical and poor countries are impacting world economy through cocoa business.

This thesis, will also describe the development of cocoa business in Cameroon, from the colonization period to today date, its impact on the development and the economy, its organization, the opportunities accessible in this segment, the contribution of cocoa business into the emergency of the country, the regulation, the levers used by the local government and institutions to sustain its production and the hope that cocoa beans arouses for the local farmers and country economy in general.

I – 3- Research Structure

The methodology of research that we used to collect data was based on the below needs:

- Brief description of the country including short history, the geography the population and the living conditions,
  - The description fed by the data collected online and from the ministry of wild and forest in Cameroon. The data collected were analyzed and synthetized to give a global view with main necessaries information.

- Description of economic, politic and social situation of the country (passed years, present and the projections),
  - Internet data and the ministry of interior documentations helped to feed this part of the project. We analyzed the statistical information based on the level of employment, average revenue, minimum wage, GDI per capita.

- Description of the environment of cocoa business in Cameroon,
• The environment of cocoa business was supported by the official data and the international analysis of the country production, the regional market, and the world market share. Data from World Trade Organization, the World Bank, the ministry of trade, the ministry of industrial development.

• The analysis of cocoa market in the country and the opportunities,
  • In this part of the project we have focused on the local market, the participation of the country in the regional developing market, the opportunities and the risks associated.

• Description of the existing infrastructures and the infrastructures in building in support of cocoa business development,
  • This part of our research was focused on describing the effort undertaken by the country in term of infrastructure building to facilitate cocoa plantation, transport and shipping and local transformation. We collected the data of existing infrastructures (roads, ports, energy) from the minister of water and energy, the ministry of urbanization the books and the online published from divers sources.

• Description of the institutions and legal administrations,
  • The institutional organization and rules that govern cocoa business in Cameroon were explored in this part of our work; we used data collected from different ministries and the online data to support our analysis.

• Description of investments opportunities and the planned projects for the years to come,
  • We did not have access to specific data to support our work in this part of our research. We then undertook analysis based on the online information.

• Description of the risks that can be encountered when engaging on making cocoa business in Cameroon as a local or as a foreign company.
  • As any countries where cocoa is produced, many risks associated to making cocoa business can be noted; Cameroon is not exempt from these risks, we developed associated risks based on local information collected from local existing businesses.
II. RESEARCH QUESTIONS AND OBJECTIVES

The increase in demand of cocoa beans and the difficulties for producer countries to fill-up such demand, the intention of participating in this business segment by creating a business entity, are the core reason in support of conducting a research in this segment of business. The objective is to investigate and evaluate the business segment in one of the larger producer of the world who is Cameroon in Sub-Saharan Africa, identify the evolution of cocoa business in the country, the regions and the rules applicable to local and foreign companies when entering cocoa business in Cameroon.

To reach this objective, several questions need to be answered that encompass the business approach in the region, compare to the international business organization, the model of business appropriate for the locality including the country internal culture of business, the difficulties, the usage, the barriers the environment. The research questions will then help to underline the market knowledge and risks for the entrepreneur as well as unencrypted messages that any local or foreign entrepreneur should know prior to engaged in cocoa business in Cameroon. These research questions include, how the environment of business is organized? What level of institutions does the country have? What are the level of education in the country and the available workforce? What is the state of the infrastructures contributing to the development of cocoa business? What is the level of market and the exchange with the foreign countries? What are the possible opportunities to enter business of cocoa in Cameroon? What is the social, economic and politic situation of the country? What is(are) the risks, associated to running cocoa business in Cameroon, and how can these risks be overcome?

The outcomes of the research will help to draw different patterns of cocoa market in Cameroon, and its organization with the consequences that could be for an entrepreneur willing to, or running a business in this segment of activities in the country.

III. LITERATURE REVIEW

The following sections will be feed with information collected from online journals and articles, books, internet sources, specialized cocoa organizations through their websites, and administrative documentations collected in Cameroon. All this information will be put together
and synthesized to help on clarifying the way cocoa business is organized. The data collection will follow the quantitative then qualitative investigation. The quantitative research is based on the level of information available, in support of this research, and the qualitative investigation that will be used to synthetize and structure this information in order to meet the targeted goals.

III.1. The Business of cocoa

The Commodity is defined as a reasonably interchangeable good or material, bought and sold freely as an article of commerce (Businessdictionary.com, 2016). The business of cocoa is a part of the agricultural commodity. Its development is based on production worldwide capacity that barely exponentially increased from 1.7 million tons in 1980 to 4 million tons in 2016. The evolution of the production capacity has accompanied the evolution of market demand, meaning the evolution of chocolate and chocolate derived products consumption.

![The World's Biggest Chocolate Consumers](https://www.statista.com/statistics/262620/global-cocoa-production/)

**Figure 1 World biggest chocolate consumers SOURCE: (Forbes, 2015)**

With the development of Chinese economy, the consumption of chocolate and chocolate derived products has becoming and integrated part of Chinese middle-class gastronomic habits. The China chocolate market is seen growing to $4.3 billion by 2019, which is up to 60% from $2.7 billion in 2014 (Hershey, 2015)

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Figure 2 Production of cocoa since 1980. Source: (STATISTICTA.COM, 2016)

Table 1 Data used for figure 2. Source: (Statista.com, 2016)
But China is not the only one market where the growth of chocolate consumption is remarkable. India, Mexico, and Brazil are also listed as countries meeting the highest growth of the chocolate market, based on their consumption (Mukherjee, 2015).

The evolution of cocoa consumption pushes for more production but also for the increase of cocoa beans price. Since 2007, the price of cocoa beans has continually increased. The craze of developing countries on the consumption of chocolate products is an aggravating factor of the increase of the request and then the price of cocoa beans. Even if the tendency of the pricing evolution is up, the fluctuation of cocoa beans price is remarkable. The results from trading can show that cocoa price decrease to 2680.21 a metric ton, from 2670.53, losing 0.36% on Monday, October 24th 2016 alone. Globally, cocoa changed +1.54% during the week of August, 25th 2016, when hits -6.36% during the last month and -16.05% during the last year. But these results cannot be taking as global tendency of the pricing, based on the fact that, the high collection season is on its way (September to December) in the producer countries, and the tendency of production in term of quantity and quality is one of the market element of pricing.

When we take a glance at cocoa history, from the Aztec to its today cultivation, the production of cocoa beans has globally been managed by small farmers.

The beverage used by the Aztec in complement of their culinary specificity has gained a worldwide interest that increases continually from decade to decade. Any people even those that
cocoa was not part of fundamental culinary habit, embraces the consumption of chocolate as soon as the population opens himself to the modernism (Afoakwa, Cocoa Production and Processing Technology, 2014).

The example of China is the recent confirmation of this assertion making cocoa one of the stamps of modernism. The growing consumption of chocolate and derived products in China has an incidence to the market of cocoa.

The evolution of Chinese and Indian’s middle class is an important turning point in cocoa consumption in Asia. The Chinese market alone has 30% annual growth of the chocolate market and its large population has attracted chocolate marketers from all corners of the world\(^3\). India for its part produces an average of 17,000 tons a year and import more than half of its requirement of cocoa every year with demand increasing at a healthy rate of 8% per annum\(^4\).

The global increase in cocoa demand is in complete opposition with the production capacity. As shown in figure 2, the production of cocoa has continually increased. But the level of variation of this production was based on Europeans’ and American needs of chocolate and chocolate derived products, and the increase of their respective populations. The impact of developing countries in cocoa beans consumption is today supplemented by another factor based Chinese and India that account together for more than 1/3 of the worldwide population\(^5\). It means that the development of 3% of the middle class in these two countries alone is as bigger as the development of 1% of middle class in the rest of the world.

Cocoa is a product from tropic. Only countries in tropical regions, and subject to certain conditions of climate and temperature can produce cocoa, the raw product of chocolate. The sensitivity of cocoa production, to the variation of climate, the climate change, the development of pests and the reduction of rain forest are in deep impact of cocoa production. While the demand in cocoa beans is in exponential increasing, the production tends to stagnate influencing deeply

\(^3\) Chocolate market in China is developing pushing chocolate marketers from all corners of the world to enter this market. http://marketingtochina.com/imported-chocolate-market-in-china/
\(^5\) China and India together account for 36.41% of total world population. http://statisticstimes.com/population/china-vs-india-population.php
the market pricing. This influence can be felt at any level of cocoa bean consumption, from the cost of chocolate barre and derived products to the price in the trade market.

The world cocoa production increases by 2.2% a year (Food and Agriculture Organization, 2003). The benefit that this situation can produce in a country like Cameroon are gorgeous, including farmers’ empowerment by earning more with the same production capacity, the involvement of new generation of farmers using moderns means of production, the development of industrial capacity in the production countries bringing in with industrial knowledge and jobs opportunities, the diminution of countryside exodus and the diminution of economic emigration.

III.2. The business of cocoa in Cameroon

Cameroon is one the biggest producer of cocoa in the world, occupying the fifth position after Ivory Coast, Ghana, Indonesia and Nigeria. Its production capacity hit 272,000 tons of cocoa beans in 2015 comparing to 232,000 tons in 2014⁶. Cameroon production has then increased by 17% in 2015 marking the ambition of the State to double its production capacity by 2020. But Cameroon increased production of 2015 did not really influence the gap between the worldwide demand and the worldwide production. The GDP of Cameroon increase every year by an average of 3%, but the participation of cocoa business in this GDP is low, due to the small part of the value that the country capture in this business. To overcome this situation, the country has decided to launch a call for pre-transformation of cocoa beans, expecting to increase by 25%, the value captured on the product.

![Figure 4 Cocoa value chain. Source: (Oxfam, 2016)](http://www.africaranking.com/top-cocoa-beans-producers-in-africa/)

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But getting to this point of retained value imply a lot of investments not only in public sector, but in the private sector by giving access to credits and/or loans, or implementing a funding system that will help in the creation of the said pre-transformation units. The deal is possible by involving foreign investors to support this ambition. But such approach implies important changes in the way that the country is organized and managed economically and politically, the building of adapted social and economic system. The creation of a business environment that will inspire confidence to the private institutions, entrepreneurs and investors.

The present situation of cocoa business in Cameroon indicate 272,000 tons of cocoa production, 41,000 tons pre-transformed locally, representing 15% of local pre-transformation, comparing to Ivory Coast that pre-transform 45% of its 1,448,992 tons, and Indonesia that pre-transform 100% of its 777,500 tons of production (World Atlas, 2016).

The sales of bean represent 3% of the value chain of cocoa, as indicated in figure 4 above; then the State capture 5% of the value chain through the taxes, for a total captured value of 8%. By developing pre-transformation units as Indonesia did, local captured value will be boosted from 8% to 25% which is 3 times the actual revenue of cocoa business in the country.7

Before moving forward with this analysis, we are going to describe in the following chapters the environment where this study took place and the way that the country is organized to manage the cocoa business.

III.3. Short Description of Cameroon

III.3. 1- Short History

The name Cameroon comes from Portuguese “Camarões”, given by Fernando PÔ a Portuguese navigator who, was passing by the “Golf of Guinea” in 1472, was amazed by the quantity of shrimps that he found in an estuary (today calls estuary of Wouri) connecting the country sea coast to the town city of Duala actually called Douala. Of cause of the excessive quantity of shrimps, Fernado PÔ gave the name of “Rio Dos Camarôes” (the river of shrimps) to the river, from with

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7 Cameroon intend to double its cocoa processing. http://www.reuters.com/article/cameroon-cocoa-idUSL6N0WI2VF20150316
will be derived later the name of Cameroon (Martin, 1990). But the Portuguese did not colonize the country; their enter some business activities that were not profitable enough to retain them in the Cameroonians’ coasts8 (Ngoh, 1996).

Cameroon was a central point of civilizations in Africa. The testimony of this point of connection in the region is the number of people coming from different regions of Africa and that are living all together in Cameroon. 232 tribes speaking more than 200 different languages (Meyomesse, 2016).

Cameroon had been colonized by the Germans, the only one European country that had officially colonized Cameroon from 1845 to 1922. After the defeat of Germans during the first world war, Cameroon, instigated by the League of Nations (LN) “The former organization who will become United Nations after world war II” was put under British and French protectorate, with the goal of helping the country to build its institutional organization and intellectual development prior to accessing the independence (OWONA, 1973), (Digre, 1990).

But the protectorate will not be backed only by these goals defined by the Leagues of Nations. The French and the British even allies in some fields are fighting each against the other for the control of resources. In Cameroon, any opposition between both countries has an impact on local policy and economy (Gascoigne, 2001). Both French and the British are working for their leadership in Europe and their position as leading Nations Worldwide (Kitchen, 2016).

Their management in Cameroon and the countries around is not for international first interest. The French part of Cameroon is not considered as a foreign territory, but as French Oversea Province, with French administration, but not French infrastructure development (The Editor of Encyclopedia Britannica, 1991). All exploited resources are exported to the metropolitan territories in Europe with no specific local investments (Atangana, 2009).

In opposition to these practices, local people are getting educated. After world war II, Cameroonians students started organizing to fight against this situation. From France and in Cameroon, the opposition against French administration is growing (Devisse, 1994).

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1946, the first African movements for the independencies was born. In 1948 its branch in Cameroon called UPC “Union of the Populations of Cameroon” was created under Ruben Um Nyobè Management. These movements will dig the fundamentals of the independency of Cameroon and African French countries. Many discussions and fights will conduct to the dissolution and reinstatement of these political movements, to finally terminate by the independence of Cameroon in 1960\(^9\) (Atangana, The end of French Rule in Cameroon, 2010).

None of the leaders that work against French for the independence will be allowed to manage its country. Cameroon will not be an exception. On September 13\(^{th}\) 1958, Ruben Um Nyobè will be killed by French police and will never see the independence of the country he fought for, for more than 20 years (Lambert M. Surhone, 2010).

The British and the French divided the country into two parts; the British in the west and the French in the East “see the country map from 1919 to 1960 (picture number 3)”. This situation will stay

\(^9\) The transition to the independence influenced deeply the business organization in Cameroon as well as the exchange with Europe. [http://www.icco.org/about-us/international-cocoa-agreements/search_result.html](http://www.icco.org/about-us/international-cocoa-agreements/search_result.html)
unchanged until the independence in 1960. During the independence negotiations, the British part of the country enters referendum in order to mark their choice to join Cameroon or Nigeria. The north region of the British part will vote to join Nigeria, while the south will be connected to Cameroon\(^\text{10}\) (Percival, 2008).

The country will enter the independence as Federal Republic of Cameroon with two governments. The French part government led by Mr. Amadou Ahidjo, and the British part governed by Mr. John NGU FONCHA. In May 20\(^{\text{th}}\), 1972, after a referendum organized by Mr. Amadou Ahidjo to end the federalism of Cameroon, the people of Cameroon will massively vote for one country and one government moving from the Federal Republic of Cameroon to the “United Republic of Cameroon” (Achankeng, 2015). In 1984, the United Republic of Cameroon will turn to Republic of Cameroon after two years of the presidency of Mr. Paul Biya\(^\text{11}\) (Konde, 2015).

The colonization and the protectorate period will contribute to the introduction of foreign languages in Cameroon. On top of the 232 local languages, French, English and German will be official languages of the country. The German will be spoken from 1845 to 1922, then English and French from 1919 to present (Ndille, 2016).

**III.3. 2- Geography**

The word “diversity” has its entire place in Cameroon when talking about geography (Bradt, 2004). The country is crossed by all African climates and vegetation’s; the desert in the Extreme-North, the savanna in the North and the Adamawa (Middle North), and the tropical forest in the South. Cameroon is divided into five major geographic zones distinguished by dominant physical, climatic, and vegetative features. The coastal plain extends 15 to 150 kilometers (9 to 93 Mi) inland from the Gulf of Guinea and has an average elevation of 90 meters (295 Ft). Exceedingly hot and humid with a short dry season. It is densely forested and includes some of the wettest places on earth, part of the Cross-Sanaga-Bioko coastal forests (Neba, 1987).

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\(^{11}\) The organization of the country led to a federal state that will be reunified in1972. http://gci-cameroon.org/about-cameroon/history-of-cameroon
The South Cameroon Plateau rises from the coastal plain to an average elevation of 650 meters (2,133 ft). Equatorial rainforest dominates this region, although its alternation between wet and dry seasons makes it less humid than the coast. This area is part of the Atlantic Equatorial coastal forests ecoregion (Ngwa, 1979). The southern plateau rises northward to the grassy, rugged Adamawa Plateau. This feature stretches from the western mountain area and forms a barrier between the country's north and south. Its average elevation is 1,100 meters (3,609 ft), and its average temperature ranges from 22 °C (71.6 °F) to 25 °C (77 °F) with high rainfall between April and October peaking in July and August. The northern lowland region extends from the edge of the Adamawa to Lake Chad with an average elevation of 300 to 350 meters (984 to 1,148 ft). Its characteristic vegetation is savanna scrub and grass. This is an arid region with sparse rainfall and high median temperatures. Two seasons are listed in the North; one long dry season (5 months) and one long rainy season 7 months. Four seasons are listed in the south and Centre of Cameroon, with two rainy seasons and two dry seasons. The country is opened to the Atlantic Ocean with 250 Miles of coast. This position gives it the role of passage point to the sea, for countries such as Chad, Central Africa Republic, and the Niger. Cameroon has borders with (CIA (Central Intelligence Agency), 2016):

- 1 975 km with Nigeria
- 1 116 km with Chad
- 901 km with Central African Republic
- 494 km with Congo Republic
- 349 km with Gabon
- 183 km with Equatorial Guinea

The diversification of the country in term of relief and climate gave it the name of “Africa in Miniature”. All African relief and climate can be found in Cameroon; from the desert of Sahel in the north to the deep tropical forest in the south, from the low and marshy coastal area, the land of Cameroon rises into a rain forest plateau.

From there, the land moves higher into the central Adamawa plateau, where some elevations reach over 8,700 feet above sea level, to the north of Benoue National Park, the land slopes into a savanna plain that extends to the shores of Lake Chad. An irregular chain of mountains, hills, and plateaus
known as the Cameroon range extends from Mount Cameroon on the coast—Cameroon’s highest point at 4,095 meters (13,435 Ft) almost to Lake Chad at Cameroon's northern border at 13°05’N. This region has a mild climate, particularly on the Western High Plateau, although rainfall is high. Its soils are among Cameroon’s most fertile, especially around volcanic Mount Cameroon (Editor of Encyclopedia Britannica).

Significant rivers include the Dja, Nyong and Sanaga Cameroon’s lowest point is the Atlantic Ocean. The diversification of the relief gives the country the adaptability to many different types of agriculture systems. Cocoa grow only in the south part of the country from Adamawa to the south headland of the country. The relief and the climate are convenient to its development.
III.3. 3- People

The country is composed of approximately 250 ethnic groups, speaking barely 230 local languages. There are a variety of ethnic groups of Africa including Bantus, Kirdis, Cameroon Highlanders, the Fulani, the Betis. These include 55 Afro-Asiatic languages, two Nilo-Saharan languages, and 173 Niger-Congo languages. This latter group is divided into one West Atlantic language (Fulfulde), 32 Adamawa-Ubangi languages, and 142 Benue-Congo languages (130 of which are Bantu languages). The official languages are French and English (Commisceo Global, 2014).

Kamtok, or Pidgin English, has in many ways been the lingua franca of Cameroon since the 1880s. It is commonly used as a vehicle for enhancing communication in this bilingual country that has approximately 250 native dialects. There are several variations on Kamtok based upon where it is used in grass fields, in the Catholic Church, in the Francophone areas of the country, in the southwest of the country, and among the Bororo cattle traders.  

Cameroon has a diverse population comprising approximately 250 ethnic groups that form 5 regional/cultural groups. These are western highlanders (also called grassfielders), which include the Bamileke, Bamoun, and many smaller groups in the northwest; the coastal tropical forest people, which include the Bassa, Douala, and many smaller groups in the southwest; the southern tropical forest people, which include the Beti, Bulu, Fang, and Pygmies (Jean-Jacques, 2015).

Cameroon culture is an amalgamation of the traditions and customs of the Cameroon people. Different facets of the culture of Cameroon is witnessed in the language, literature, music, art, religion and cuisine of the country. Cameroon language constitutes of various indigenous languages spoken by the ethnic groups. Cameroon religion is also based on indigenous beliefs.

Cameroon religion comprises of a number of religions including Islam, Christianity along with several indigenous religions. Catholic 38.4%, Protestant 26.3%, other Christian 4.5%, Muslim 20.9%, animist 5.6%, other 1%, non-believer 3.2% (Central Intelligence Agency, 2016)

12 Cameroon has diversified population composed with with more than 200 tribes.  http://www.commisceo-global.com/country-guides/cameroon-guide
The Constitution of Cameroon guarantees freedom of religion (Cameroon "General Secretariat", 1996). As a result, the citizens are free to practice any religion of their own choice. The northern part of the country is occupied by the Fulani tribe. The people of this community are mainly Muslims. The Bamoun community inhabiting the western part of the country also practice Islam. Christianity is the predominant religion in other parts of the country. The French-speaking people of the country inhabit the southern and western parts of the country and are mostly Catholics while the English speaking population of the western region is Protestants. The total number of Catholics in the country is far more than the number of Protestants. The Christian churches exert a strong influence in South Cameroon.

III.3. 4- The Family

The extended family is the focus of the social system. It is the extended family and includes grandparents, cousins, aunts, uncles, etc. Members of the extended family are considered as close as the nuclear family is in the West.

Family obligations take precedence over pretty much everything else in life. Individuals achieve recognition and social standing through their extended family. The young are expected to care for elderly members of the extended family; retirement homes are an alien concept (Mbaku, 2005).

As with many families orientated cultures nepotism does not seem to have the negative connotation. In fact, hiring relatives is part of the cultural context since it not only provides for the family, but also ensures that Cameroonians work with those they know and trust. But this culture is a part of discrimination and competency destruction, with the consequences of poor efficiency, when it comes to business\textsuperscript{13}. Cameroonians who have a common background tend to organize themselves into small groups commonly called associations. Individual members refer to themselves as sons and daughters of a given community.

The education system offers the possibility to learn others languages such as German, Spanish, Arabic, and Chinese. One of these languages can be chosen for at least 2 years by any student from 8\textsuperscript{th} grade as a third studies language.

\textsuperscript{13} Nepotism in small businesses. http://www.referenceforbusiness.com/smallMailOp/Nepotism.html
The population of Cameroon is estimated to be 24,360,803 in October 2016 (Central Intelligence Agency, 2016).

- 42.6% of this population is between 0 to 14 years old,
- 19.55% is between 15 to 24 years old,
- 30.71% is between 25 to 54 years old,
- 3.97% between 55 to 64 years old,
- 3.18% is over 55 years old.

The evolution of the population shows that; Cameroon population is in a constant progress of an average of 500,000 people in the yearly base. The majority of the population live in the cities and countryside with an average density of 48.5 per Sq/Km (World Bank, 2016).

The evolution of population density seems to be exponential as in 1960, it accounted for 11.58 people per square/kilometer, to hit 49.38 people per square/kilometer in 2015. The influence of high-level mortality compared to natality is low in the total evolution of the population.

The evolution of the rural population has been deeply impacted since the independence, with a decreased period marked by the economic crisis from 1989, until 2009.

The rural part of the country is recovering from the exodus, pushed by the dynamism brought by the increase of cocoa price and the hard conditions of living in the cities including the increase of...
unemployment high competitively. Rural population (in % of total population) in Cameroon was last measured at 46.18 in 2014, according to the world bank. Rural population refers to people living in rural areas as defined by national statistical offices. It is calculated as the difference between total population and urban population. This page has the latest recorded value, a historical data chart and related indicators for rural population (in % of total population) in Cameroon.

![Figure 8 Evolution of Rural population of Cameroon. Source: (Tradingeconomics.com, 2014)](image)

The new exodus from the cities to the countryside is in action. Even slowly, (as shown on the graph above since 2010), Many people especially young graduates that are struggling to access employment are encouraged to open their activities in the agricultural sector or farming. Young Cameroonians are following farming initiatives, but their success in this area will depend on the capacity of the State to provide them with support and access to the investments means. The financial system needs then to be adapted and organized to help on meeting this goal.

**III.3. 4- The Education System**

Cameroon has one of the most solid education system in Sub-Saharan Africa, but which is facing important challenges in term of quality education and global covering of the children. The education systems of Cameroon is the heritage of the colonization, two education systems, the British system (in the southwestern and northwestern provinces) and the French system (in the
former French provinces), and the languages of instruction are accordingly English and French. Both systems are progressively mixing giving the choice to students from any corner of the country, to choose British system or French one following their expectations. At the university, there is not separation of both education systems. In the past, the universities of Cameroon were more featured to French education, until the creation of the University of Bua that came to complement the British education by offering access to the high education to hundreds of students that graduated from “Anglophone high schools” (Sarauer, 2015).

Cameroon after the independence worked hard to caught up in education. The value for School enrollment, primary (% gross) in Cameroon was 113.55 as of 2014. Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Primary education provides children with basic reading, writing, and mathematics skills along with an elementary understanding of such subjects as history, geography, natural science, social science, art, and music (UNESCO Institute for Statistics, 2016).

Since 2002, three ministries manage the education system in Cameroon. The ministry of basic education in charge of pre-primary and primary schools. The length of this first part of education is 6 years finalized by a Certificate of Primary school.

The ministry of secondary education in charge of secondary and high schools cover the education level from 6 grade to 9th grade. Seven years are necessary to cover this part of education.
The ministry of high education in charge of Universities and equivalent specialized schools, including engineering schools, Medical schools. This part of education focuses on studies over A-level, leading to bachelor degrees and above or equivalent technical degrees.

By law, primary school is mandatory in Cameroon for everyone living in the country and under 16 years old. This system ensures a minimum of education to every young people living in the country, with the results as can be noted in figure 9. But many young Cameroonians, especially in the biggest cities of the country escape from the education system at the early age (before sixteen) (NGONGA, 2010). The economic crisis and today economy of the country make it difficult for the State of Cameroon, to keep ensuring that the law on basic education for all is completely applied and respected.

The economic crisis had deeply impacted the education system. The precariousness caused by the crisis including in the education sector, the low income derived from the devaluation of the money in the country pushed people to focus on finding different ways to maintain their live standing, rather than keeping thinking about doing their best as professional workers.

The private schools have been developed and compete on their results in an annually base. Many private schools are investigated and sometimes closed by State school administration services when there is the lack of means or results.

Eighty Universities, Engineering schools and specialized high education institutes are training thousands of young’s Cameroonians. Hundreds of others Engineers, Doctors and managers have trained abroad, specifically in France, Grand-Britain, the USA, Germany, Italia, Spain, Russia and China, making Cameroon, a diversified market of trained workers (APEJ, 2016).

The building of the formal education system in Cameroon started with the German by1884s. But the German education system was not specially to develop local leadership or managers that can handle the future destiny of the country, but they were looking for a colonial empire and a country in Africa where they can develop trade. They needed to communicate and develop local representative in different localities of the country. With no formal schools, the German will teach the language and started the organization of the country administration, managed by themselves. The education system will be really structured with the protectorate under French and British after world war I. The anchoring of French and British education in Cameroon will be done through
evangelization and imperialism. The country has built sufficient workforce capacity since the independence and training institutions to provide with the necessary level of human resources to the internal and external markets (Fonkeng, 2007).

**III.3. 5- The Economy**

The economy system of Cameroon is the commodity-based economy. Its organization is a heritage from French and British economy organization. The country exports a range of raw material and agricultural products that include cocoa, coffee, banana, palm oil, cassava seeds on top of wood, bauxite, aluminum and petroleum\(^\text{14}\).

After the independence in 1960, the economy of Cameroon will be organized by local government and structured to be competitive. This economy of course of lack of industrial workforce is focused on agricultural products and raw materials, specifically, Bauxite, Wood, and Petroleum. But raw commodities such as cocoa beans are the drivers of this economy growth, that fluctuates following the market pricing. The country will start diversifying the economy by gradually entering the development of industrialization that included Lumber, Petroleum refinery, cotton transformation, and services.

Cameroon is one of Sub-Saharan Africa country with abundant natural resources that include Gold, Gas, Wood, Bauxites, Manganese. On top of the natural resources, the diversification of its relief and climate gives access to a diverse type of agriculture production including tropical forest agriculture for the production of commodities such as cocoa, coffee, semi-Saharan for the production of tubers or root vegetables, and the Saharan for the production of cotton\(^\text{15}\).

The country enjoyed a long period of prosperity until the economic crisis that started by 1980s pushing the State to engage in the structural adjustment program with the objective of cutting off State investments expenditures, reduce administration expenses and privatize States controlled

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\(^{14}\) Cocoa beans is one of the main exported products of Cameroon [http://princereport.blogspot.com/2009/10/cameroons-executive-legislative-and.html]

\(^{15}\) Cameroon: overview of economy: [http://www.nationsencyclopedia.com/economies/Africa/Cameroon-OVERVIEW-OF-ECONOMY.html]
companies. The specificity of the crisis situation in Cameroon is not only based on the shrink of the market of commodities, but Cameroon also faced the reduction of its capacity of petroleum production that falls from 9 million metric tons to 5 million metric tons in 1987. These two effects will be increased by the lack of anticipation in State mismanagement of expenses and the reduction of unfortunate investment in the crisis situation. People of Cameroon will then pay the high price. Commodities are sold at lower price possible, and farmers are then forced to lift living basic products prices to try to leverage their revenues, public salaries, and amenities are sliced by 60 percent followed by the devaluation of 50% of the local money in 1994. This situation will press the country to adapt to these hard economic time but will stress the societal defects such as corruption and disorganization of the public service and morality where every basic service is subject of bribe.

By 1988, the economy of Cameroon will start recovering from the crisis but remains under the country capacity, due to the continual disorganization and poor efficiency of the States structures to manage and/or create a competitive environment to develop and sustains the development of private sector. The State is the main employer, consequently, many country resources remain idle and underexploited.

The economy will be recovering slowly and hardly. The diversification of local economy by 2000 and the liberalization of some economy sectors such the collection and export of commodities, will participate in the development of private sector. But the greater power of the administration to keep control of all input, arm the economy development especially the private sector where the continual involvement is in slower contribution, compromising the initiatives and their efficiency (Amin, 2008).

In spite of the beginning of industrial development, Cameroon trade balance is negative. The country imports barely everything, including final products of the raw materials and commodities it export. This situation leads to undermining trade balance as financial resources taking out are far more important than the income taking when exporting.
The influence of this situation in the country economy is significant. A majority of resources is invested in the importation of products shrinking the economy equilibrium of Cameroon. The graph of Cameroon economy growth below notes the difficult resumption of the economy since 1996.

The lack of local transformation of basic products is an important factor in term of country expenditure and low profitability. Increasing the local transformation will reduce the import and increase the country revenue. This action can be taken on some commodities that include cocoa, wood who are on the more exported commodities of the country.
The economic growth is calculated as the percent change in the GDP from one year to the next. It measures whether production has increased or decreased, and by how much.

The economy growth of Cameroon reported in the graph above is based on the GDP of the same period of time. The growth change from year to year, as the economy goes through recession or expansion. The average rate of economic growth is about 2 to 3 percent per year. The economy growth of Cameroon can be considered as substantial as the average growth for the last five years is over 5% per year.

Cameroon GDP from 2000 to 2015 has also increase reporting the re-begin of dynamism of Cameroonian economy by the last ten years\(^\text{16}\).

![Cameroon GDP Annual Growth Rate](image)

The Gross Domestic Product of Cameroon is the total market value of all goods and services produced on the territory of the country and sold during the given period. GDP, current U.S. dollars rankings around the world\(^\text{17}\).

The Gross Domestic Product (GDP) expanded 3.70 percent in the first quarter of 2016 over the same quarter of the previous year. GDP Annual Growth Rate in Cameroon averaged 4.60 percent from 2003 until 2016, reaching an all-time high of 8.50 percent in the fourth quarter of 2013 and

\(^{16}\) The GDP of Cameroon has continually increased gaining 3 to 4% each year. [http://www.theglobaleconomy.com/Cameroon/GDP_current_USD/](http://www.theglobaleconomy.com/Cameroon/GDP_current_USD/)

\(^{17}\) Cameroon GDP has increased continually since 2006. [http://www.tradingeconomics.com/cameroon/gdp](http://www.tradingeconomics.com/cameroon/gdp)
a record low of 1.90 percent in the fourth quarter of 2009. GDP Annual Growth Rate in Cameroon is reported by the “Institut National de la Statistique du Cameroun”.

Cameroon local market and international participation have increased every year showing up, the slow dynamism of the country economy, but the potential of development that the country could insure for its economic evolution for the next coming years.

According to Statistica.com, Cameroon gross domestic products (GDP) will keep increasing progressively with an average of 3 points yearly base, to reach 40.55 in 2020, against 30.3 in 2016 ((Statistica, 2016).

**III.3. 6- Politic**

Cameroon inherited from a political system based on presidential power. After the independence, the political organization of the country followed French political structure. It is important to remark that before the independence, Cameroon was represented to the French parliament, not as a specific country, but as a member of French union (L’Union Francaise), with the consequence for Cameroonian to be citizens of this Union and to benefice accordantly to the associated rights.

The legislative rights of Cameroon were under French parliament control, and all decisions or amendment defined in France when it comes to Cameroon organization, where only published in Cameroon. The first local assembly will be created in 1945 managed by an elected commissioner of the Republic, with the power limited to the deliberation in economic and finance and consultative power on the State-owned lands employment, labor and development programs (BRILL, 1974).

The organization of the country politic will follow the politic root implemented by French. As per the independence, Cameroon was running a federal structure in order to integrate both sides the French and British administration of formers protectorate, the country will unify both entities under a unique political institution in 1972\(^\text{18}\). The country will then follow a political organization managed by the president of the republic, with three separated powers:

- The Executive power at its head, the president of the republic,
- The legislative power headed by the president of Senate,

\(^{18}\) The reunification of the two parts of Cameroon will be organized in 1972 after a referendum.
http://lucy.ukc.ac.uk/chilver/paideuma/paideuma-REUNIF1.html
- The Judiciary power headed by the president of supreme court.

But the management of these powers will be modified to finally fell into the president of the republic fully responsibility, who has the power to lengthen or shorten National Assembly members mandate term, and ensure the nomination of judiciary members\textsuperscript{19}.

Even if the constitution of Cameroon was based on French constitution, with the specific amendment to adapt on the local approach of management and culture, the today constitution of Cameroon confers to the president of the republic, a wide range of power. He defines the policy of the Nation, watch over the respect of constitution, ensure through his arbitration the regular functioning of public powers. He has the executive power to guide the country institutions and install adapted policy that will ensure stability and development. Other powers independently managed to participate to the balance of global management of the country. These power that officially should not be under the president influence are the legislative power under the president of Senate management and the judiciary power under the president of Supreme court\textsuperscript{20}.

The three powers, the Executive, the Legislative and the Judiciary are supposed to be separated with no inclusive actions from one to another, but with limited relationship to co-operation in the realm of legislation, and no subordination from one to the other. But the mix of demission in the coordination of legislative and judiciary and the progressive intrusion of the executive into legislative and judiciary affairs are shrinking the politic and administration organization of the country. The three powers, even separated into the country constitution, have never really been separated from the field. The former president of Cameroon was assuming the executive with no limited intrusion into the legislative and judiciary power. As president of the unique politic party of the country representing 100\% of parliamentary members, he had the absolute power and could manipulate the legislative power, influencing the judiciary power as well as he could. He even had the power to direct and order condemnations with no specific court trial.

\textsuperscript{19} The executive overpower is in control of total power in the country.


The legacy of this situation of unique politic party era is still impacting democracy progress as, with multiparty politics system, the politic party in power represent than 82.22% of the parliamentary and more than 82% in Senate, driving any possible politic decision in term of national politic orientation or constitution amendments²¹.

The election of the senators from which the president of the senate should be elected gave access to 70 senators elected and 30 nominated by the president of the republic. One of the nominated Senator will become the president of the Senate, with the influence of the 29 others nominated and a part of the 70 elected all member of CPDM, the political party in the power led by the president of the republic. The approach into the organization of the senate election brings into the governance of Cameroon an impression of absolute power managed by the president of the republic that can push for the change at the head of the Senate or nominated the president of supreme court.

Cameroon was running by monotarism since the abolition of multipartism in 1966. The UNC (Union Nationale Camerounaise) led by the former president Ahmadou Ahidjo, was the only political party, defining the election and leading the political movement in Cameroon. By 1990s, fatter the fall of Berlin wall, the liberation movement reach Africa with the consequence in Cameroon of reopening the way for multipartism. Many new political parties were created and other banned from political activism since 1966, as UPC were resurrected after months of the fight and civil disobedience²².

The presidential elections of 1992 were the hope for Cameroonian people, to have a change at the head of the power; but the running president Mr. Paul Biya will be reelected and so on until today date. The politic situation in Cameroon is one of the major risks in term economic investment and country stability. The main fear for the country is the possible troubles that could arise during the transition.

In 2008, the parliament members represented by 82.22% of CPDM (political party in power) will modify the constitution to remove the limitation of the mandate for the president. The perversity of this system and the lack of transparency on the electoral organization lead to a continual stay

²¹ The main party politic on power represent 82.22% of National Assembly representation. http://www.ipu.org/parline-fr/reports/1053_E.htm
for anyone that reach to the top of the power. For example, the actual president is in power since 1982 (34 years) with the possibility of running a new mandate of 7 years in 2018\textsuperscript{23}.

Ivory Coast civil war brought with education in the fact that, the conflict was unexpected and Ivory Coast had experienced changing system comparing to Cameroon and was taxed democratic progressing country of course of continual renewal at the top of the power since, indeed social and tribal known tensions. Cameroon does not have this experience. The only change that the country experienced was 34 years ago due, not to an election, but the resignation of the former president Mr. Ahmadou Ahidjo, after 25 years as president. This lack of experience and uncertain democratic transition are crucial questionings of investors and businessman when it comes to developing business activities in Cameroon.

Other African countries civils wars due to policy instability are not for a positive image in term of business. Even if Cameroon has never known a long instability period, a risk of social instability during the next change at the top of power can at certain level lead to economic instability that could risk or extend the duration in return on investment or total losses.

But this possible instability and that will might be never happening, should not obliterate the high level of opportunities and return on investment that the country is offering. The business of cocoa is one of these opened opportunities of business in Cameroon with high return on investment.

**IV - BUSINESS HISTORY IN THE CAMEROON**

After the independence, Sub-Saharan countries started the building of a modern internal environment of business. International exchanges are piloted by the agreements signed during the negotiations of the independence, that bound the newly independent countries to have exclusive business treaties with their former colons’ countries, with the consequences of taxations for any business activities engaged with any other country\textsuperscript{24}.

\textsuperscript{23} The parliament adopted a constitutional bill removing a presidential tho-term limit.

\textsuperscript{24} France kept colonial taxes binding formers protectorates with unfair trade system.
On top of colonial treaties, French African ex-protectorates were forced to have no monetary reserve on their own, but through French central bank, who is acting as guarantor and banker for these countries with taxes liabilities. Entering business with Spain for example or any another country except French was then costly for Cameroon, as any imported product should support two customs fees, French and Cameroon, and any export from Cameroon is subject to be paid in the country bank account in France (Banque de France) and subject to taxations and fees. These agreements gave also exclusive exploitation of mineral resources to the former colons’ countries at the price defined by the colons.\(^{25}\)

With the long run, these agreements will be challenged by internal opposition from students and intellectuals. But the local administration, manipulated by the French administration will track and frost this opposition, using any possible means in their hands, including killings, disappearances, and acts of terror.\(^{26}\)

Foreign countries such as the USA and other countries that did not directly participated in the colonization will play a crucial role in the increasing of international exchanges and the creation of the external commercial relationship with post-colonial Cameroon. By 1994 after devaluation of the local money accentuated by the commodity crisis, China will become an important option. Starting 1988, Cameroon accelerates its relationship with China in spite of French economics agreements. China will become further one of the main pillars of Cameroon international exchange, including trade, engineering, education, and diplomacy.\(^{27}\)

The history of business in Sub-Saharan Africa, specifically in Cameroon is not only connected to the colonization. Cameroon was on a commercial relationship with countries such as Egypt, Libya, Fezzan, Chat in the antiquity, exporting many products that included, Ivory, Panther Skins, ostrich feathers, and natron, bronze objects, salt, and cloth. Making business in Sub-Saharan Africa was a long tradition.\(^{28}\) Before triangular trade (slavery), people of Sub-Saharan Africa used locally,


\(^{27}\) China became an important pillar of Cameroon international exchange. http://www.china.org.cn/english/features/focac/183577.htm

\(^{28}\) Cameroon had already a long tradition of business before the colonization. http://www.winne.com/cameroon/bf02.html
exchanges him to make business. The business activity was globally based on foodstuffs, beast skins, cultural articles, consumption products that were exchanged underestimation of equal value or gold. Over the following few centuries, African increased their exchanges locally and internationally. European interests regularized trade with the coastal people and Christian missionaries pushed inland. The trade was actively opened with the north including participating in Carthaginian trade with the use of money and gold (Green, 2013).

Progressively, the use of money and gold into the exchange system will be increased, specifically into Sub-Saharan Africa empires where the governance and administration were well organized. In Bafia the region of the centre of Cameroon, “Bafia potato mashers” was one of the currencies used in an exchange of products, covering the entire country of Cameroon29. During the colonization period, European business approach system is implemented everywhere in Sub-Saharan Africa. The business organization is globally led by the colons and the majority of profit is invested in Europe. Few local people are involved in external exchanges or can lead negotiations for their self-interests or the interests of their community.

During German colonization (1884), the use of money is extended and progressively replaces the measure of articles value exchange (exchange him). The colonial times helped to boost internal exchanges and organize international business relationships, specifically with Europeans countries. But these relationships were built and managed by the colons themselves, while the autochthone were limited in doing business locally with very limited resources.

The environment of business will be developing under European management, collecting exportable products from local people and driving the negotiations with other foreign countries. This situation that started with the British before the German colonization of the country will remain unchanged until the beginning of the internal movement of the independence30.

Pushed by the internal revolutionary movement, the decision of French to leave Cameroon accesses into its independence will be a consequence of politic movements that will take after

29 As the rest of the world, different measures were used to facilitate the exchange of good. Bafia Potato mashers in Cameroon helped in that sense. https://www.cryptocoinsnews.com/12-types-currency-throughout-history-eat-drink-smoke/
30 The international trade with Europeans was done through local representations, managed by Europeans themselves. http://eprints.ioe.ac.uk/6592/7/_d6_Shared$SUPP_Library_User%20Services_Circulation_Inter-Library%20Loans%20OE%20ETHOS_ETHOS%20-%20Redacted%20theses_GWANFOGBE,%20M.B._redacted.pdf
world war II. French African colonies and protectorates led by local intellectuals’ leaders and students, that were not anymore supporting the presence of French government in Sub-Saharan Africa. In Cameroon, the UPC (Union of the Population of Cameroon) managed by Mr. Ruben OUM NYOBE lead the movement mixing negotiations, riots and any action that could damage the colonial organization.

People trained or studying in Europe or local intellectuals were seeing as opponents to colonial system and therefore, were fought and kept away from accessing to the power. In Cameroon specifically, a Post office worker was appointed to run the power, in spite of students and growing intellectuals Cameroonians.

The choice of keeping away the access to the power from local intellectual people was a strategic step for French, with the consequence of biasing fair negotiations during the preparation of the independence (Bouopda, 2015).

The French established advantageous business agreements that will bound the country for decades after the independence, forcing Cameroon to take no economic or politic decision, any business with any other foreign country, without French express consent. Cameroonians businessman importing goods must pay double custom taxes; the French and the Cameroonian. The exports from Cameroon are globally oriented to France. Cocoa is one of the exported products with gas and others mineral resources. An average annual production of cocoa at that time is 76 000 tons a year between 1958 and 1970, globally designed for export31.

The first industrial factory “CHOCOCAM” will be built in 1967, seven years after the independence of Cameroon. But this factory will not have a specific accelerator impact on cocoa cultivation. Its creation will mark a new era of evolution in the industrialization of the country.

The ease of doing business in Cameroon has increased then from year to year. The European culture of business has been adopted generating new modern business habits focused on profit and capital development.

31 By 1960s, the production of cocoa was globally designed for export.
https://books.google.fr/books?id=0yw6bFW06aYCY&pg=PA86&lpg=PA86&dq=production+cocoa+cameroon+76000+tons&sourc e=bl&ots=g4XHgdxlUoP&sig=60k8hbcPvJowXtqg2bu04gsE&hl=en&sa=X&ved=0ahUKEwjzxwar8YnQAHXEBQKHdwbBjAQ6AEII DAC#v=onepage&q=production%20cocoa%20cameroon%2076000%20tons&f=false
As per note collected from tradingeconomics.com, “The Ease of doing business index ranks countries against each other based on how the regulatory environment is conducive to business operations, stronger protections of property rights. Economies with a high rank (1 to 20) have simpler and more friendly regulations for businesses”. The country evolution in business friendly environment ranks 114 in 2016, comparing to 172 previously. Cameroon government is pushing for better environment of business to attract more credibility and investments.

V - HISTORY OF COCOA

The Theobroma genus originated millions of years ago in South America, to the east of the Andes. Theobroma has been in the time into twenty-two species including T-cacao, the most widely known species. The Maya were the first that provided the evidence of cocoa as a domesticated crop by drinking its beverage as early as 400 before Jesus Christ. The Aztec culture, dominant in Mesoamerica from the fourteenth century to the Conquest, will place much emphasis on the sanctity of cocoa.  

By 1502, Christophe Columbus, searching for a sea route to spices of the east will be the first European to drink cocoa drink (Chocolate), but will not attach a particular attention to the beverage nor special interest on the crops. In 1519 Herman Cortés leader of the expedition to the Aztec empire who access cocoa beans for his first time in Tabasco “actual Mexico” will be the first

32 The Mayas were the first that domesticated the culture of cocoa and the consumption of Xocoati beverage http://abanico-chocolat.com/chocolat/40-tout_chocolat_histoire.
European to bring back to Spain the Aztec receipt for Xocoati (chocolate drink) by 1528. The drink was received unenthusiastically as with no sugar the taste was not especially attractive. With the addition of sugar to the drink, it became special and famous to the Spanish courts, and very soon in all Europeans’ courts. Europeans will then start importing cocoa and will try to develop local production that failed of course of the quality of soil and climatic conditions.

After a century, Spain lost its monopoly on the European chocolate market. By the mid-1600s, the drink made from the little brown beans had gained widespread popularity in France. It was praised as a delicious, health-giving food enjoyed by the wealthy.

According to the World Cocoa Foundation website “One enterprising Frenchman opened the first hot chocolate shop in London and by the 1700s, these “chocolate houses” were a common sight in England”. By the 18th century, every country, from England to Austria, was producing confections from the fruit of the cocoa tree. During this period, the introduction of the steam engine mechanized cocoa bean grinding, reducing production costs and making chocolate affordable to all.

In Africa, the history will be different. The explosion in demand for cocoa beans in Europe brought about by chocolate’s affordability will require the expansion of cocoa cultivation out of South America. Tropical regions of Africa that met the climatic conditions as tropical regions of South America, situated in a belt between 10°N and 10°S of Equator, and where the climate is appropriate for growing cocoa trees are the best places to expand cocoa productions.

After the introduction of cocoa trees in Principe in 1822, Sao Tomé in 1830, Fernando Po in 1854 then Nigeria in 1874, Cameroon will meet with cocoa crops through the German colonists’ in 1884. The German colonists’, looking to develop commercial goods imported the crops that will be first planted around Douala suburbs where the main town of German colonists was located. This was the starting point of cocoa venture in Cameroon that will initiate the process of cocoa farms, impact today’s country economy.

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34 The first chocolate shop opened in London in 1700s. Then the generalization with the mechanism in steam. http://www.worldcocoafoundation.org/about-cocoa/history-of-cocoa/
35 Cocoa cultivation will be spreading to the tropics including Africa. http://www.icco.org/about-cocoa/growing-cocoa.html
36 The German developed cocoa farming in the coastal region of Cameroon. http://www.siani.se/news/blog/chi_benieh_fule
V- 1- Cocoa Tree and Beans.

Cocoa is a product from a fragile tree that growth in regions where temperatures are with a maximum annual average of 30 to 32°C and a minimum average of 18°C to 21°C. The tree is not supporting great variations of temperature, a continual exposure to the sun or continual stay under shade. The influence of climate on the development of cocoa tree is the indicator of how well or not, the tree will growth up\textsuperscript{37}.

The natural habitat of cocoa tree is in the lower storey of the evergreen rainforest, and climatic factors, particularly temperature and rainfall are important in encouraging optimum growth. The weather and pests control will impact the production of the cocoa tree, defining the possible quantity of cocoa beans every year.

Variation in the yield of cocoa trees from years are affected more by rainfall than by any other climatic factor. Water deficiency soil cannot growth cocoa trees. The rainfalls should be then well distributed through the year, with the annual level between 1,500mm and 2,000mm in general. The hot and humid atmosphere is essential for the best development of trees with a relative humidity of 100\% during the day, and failing to 70 – 80\% during the night. The mix of light and shade is preferred for the best development of the trees. The forest providing natural shade trees and light is the cocoa trees natural environment. Shading is indispensable in a cocoa tree’s early years. Sunrays are also important to the development of the tree and the crop when into the production phase (Afoakwa, Cocoa Production and Processing Technology, 2014).

V- 2- Physical and Chemical Properties

The physical structure of cocoa plant requires adapted chemical properties of the topsoil, as the plant has a large number of roots for absorbing nutrients. The cocoa tree has taproots. The taproots descends straight into the soil. The branch roots go down very deep, but many small branches root also grow near the surface. If the soil is of good structure and contains much humus, the roots will

penetrate well and will ensure nutrient to the plant. The soil structure can be improved by spreading manure and working it into the soil. If the soil is deep, the roots can go down to a good depth in order to ensure water and nutrient at any season.

If a cocoa tree is to grow well, it needs more than anything else a soil
- of good structure,
- permeable and deep.


The soil must contain coarse particles with a reasonable quantity of nutrients to a depth of 1.5m to allow the development of a good root system. Cocoa can grow in a soil with a pH between 5.0 to 7.5 to cope with both acid and alkaline soil. Excessive acidity or alkalinity respectively pH below 4.0 or pH above 8.0 must be avoided.

Below a depth of 1.5m, it is important to not have impermeable material so that excess water can be drain away. Cocoa will withstand waterlogging for short periods, but excess water should not linger. Cocoa tree is sensitive to both, excessive water and the lack of water. Each or other of both situations will cause damage on the tree development, the level of the production, the quality of the product, or will cause the tree to die.

The soil must have both, water retention properties and good drainage. The soil should also have a high content of organic matter; an average of 3.5% in the top of 15 centimeters. It must contain

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anionic and cationic balances, otherwise, nutritional problems are likely to arouse\textsuperscript{39}. (Afoakwa, Chocolate Science and Technology, 2016).

**V- 3- Growing Cocoa Tree**

Cocoa tree is raised from seed that germinates and produce good plants when taken from pods, not more than 15 days. Tree cutting process is taken with between two and five leaves following the budding process that requires to cut the bud from a tree and place it under a flap or bark on another tree. When the bud is growing, the old tree above it cut off. But this process is not usual and it is not usual for farmers to follow it.

In Cameroon, farmers germinate directly seed from bags folds of earth, that they will be watering every day during three months, before the grounding.

![Germination of cocoa and seeds planting](The University of Queensland, 2016)

When the crops are planted the long process of plants maintenance starts. The young plants will need sunlight and shade to grow in a humid environment. The balance of light and shade must be done in order to avoid long exposure to under sunlight or shade. A good mixture of both will help the plant to grow up and respect the production timing (usually 3 years from the date of plantation). The excessive exposure to one or the other will impact the way the plant turns to maturity and can postpone the beginning of the tree production to one year or more, or can impact the production capacity of the plant. Two times a year, the plant must be delivered from the congestion of others grass to ensure its resources in water and its access to the sun rays. The maturity of the plant is

\textsuperscript{39} The particularity of soil is the guarantee of cocoa production. http://www.tcgabelize.com/cocoa/cacao/origins-and-types/
supposed to be meet after 3 years from the plantation time. With the scientific research and development of the process to fight against pests and underproduction capacity, new crops able to start the production after two years, from the time of plantation are developed.

Many actions to prevent cocoa trees from the invasion of pests and diseases must be undertaken during the growing period. The treatments against pests and disease will continue during the lifelong of the trees with a clear defined timing, based on rainy and dried seasons. The production will also have a specific treatment to ensure the quality of pods and beans\(^\text{40}\).

**VI - PRODUCTION OF COCOA IN CAMEROON**

In the particular case of Cameroon, the country climate is broadly split into two parts:

- the tropical climate of the north with a single light wet season and high temperatures averaging 30°C which increase in the dry regions to the far north,
  - Saharan climate in the North, the extreme North and the Adamaoua sub-regions dominated by a long dry season (7 months) and five months of raining season. The temperatures are not the same for the three sub-regions; while the temperature varies from 22°C to 40°C in the North and Extreme-North, the Adamaoua has a specific climate with the temperature from 16°C to 30°C.
- the moderated climate of the south with fairly constant temperatures averaging 26°C composed with two wet seasons and heavy regular rains influenced by the proximity of the sea and land elevations.
  - The Guinean climate in the South and the Centre of the country more favorable to the plantations of cocoa are regulated by 4 seasons; 2 raining seasons and 2 dry seasons.
  - The Cameroonian climate who is a specific climate characterized by a long rain season (Nine months of rain a year) covering a portion of the country in the North-West region of Cameroon. This climate is specific to Cameroon as in certain place of this region, the rain period is twelve months a year.

\(^{40}\) Growing cocoa plan requires to respect each step of the growing process managing a timing of treatment.

The production of cocoa is located in the South part of the country, covering 7 of the 10 regions of Cameroon.

The surface of land dedicated to cocoa plantations is reported to be 400,000 hectares, representing 1% of the total surface of the country. 600,000 farmers are involved in the production of cocoa beans with an average plantation surface of 670 square/m.

Figure 16: Regions adapted to growth cocoa. Source: (Jacques, 1966)

The complexity of cocoa production and necessary means to sustain the quality and the quantity of the production are the real challenge that farmers involved in cocoa activities are facing. Studies report 30% of damage and waste into cocoa production; these waste and damages are caused by:

- Insects pests like the capsids bugs causing ripening of immature cocoa pods,
- Black pods cocoa disease when fungicides are applied at the wrong times and especially during heavy storms,
- Overheating and stress when trees are exposed to direct sunlight for long period of time,

41 Pests and disease are for an important impact on cocoa production. http://cdn.intechopen.com/pdfs/21173.pdf
• Parasites causing death of cocoa trees as mistletoe,
• The cultivation of certain type of products such as Cassava mixed in cocoa plantation causing the tilling of the ground cut and sucking water enough to endanger cocoa trees.

The regulation of sunlight, the distance between cocoa trees and the plantation of some crops such as plantain are the usual way for farmers, to ensure water drain into the plantation and to help young cocoa trees with water while producing on the same soil, other subsistence products.

On top of growing up cocoa trees and develop a plantation, harvesting, picking, the fermentation and the drying process of cocoa beans is also another challenge. Farmers should respect a certain timing for each of the steps listed above in order to provide the market, an acceptable quality of the product. The beans process start with the treatment applied to the trees to fight against pests (fungicide). The application of these products in respect of the timing will avoid cocoa pods to be contaminated with chemical products or downgraded by pests’ attacks. The treatment applied with the right timing will ensure the quality of the pods, but will not guaranty the quality of the beans that is based on the next step of the process.

The fermentation is the next step after picking. Fermentation constitutes one of the steps that will define the flavor and aroma of the cocoa. This phase of production is defined by an observation of time during which, humid cocoa beans are stockpiled and covered for a period of five to nine days. This process allows cocoa to gain aroma and flavor that will be fixed during the drying process

42 Instead of nine days of fermentation, many farmers will allow four to five days to this process that the main role is to allow cocoa aroma to enter and adhere into the beans.

The last step of the process is the drying process. This process is as important as the fermentation. The quantity of aroma earned during the fermentation process will remain into the beans following the way that cocoa beans will be dried.

Many types of drying platforms are used to dry up cocoa beans. The commonly used one is cemented platform, that negatively reduces cocoa aroma and perfume during the calorific exchange between cement and the beans, and based on the length of exposure of cocoa beans on

42 Fermentation increase the flavor of cocoa and participate on fixing aroma.
http://www.amanochocolate.com/blog/cocoa-fermentation-all-about-it-part1/
the cement and depending on the level of sunshine. The heat coming from the cement exposed on the sun and the direct sunshine rays on cocoa beans will not facilitate a progressive fixation of aroma and will not sustain this aroma during the drying process.

The indicated process of drying required a platform built with wood, and that will absorb a part of sun rays. If possible the woody platform should be covered with a filtration cover system that will reduce the quantity of sun rays entering in contact with cocoa beans. Under a such of the system, the drying period will be extended from five to seven days, to ten to twelve days. The quality of cocoa beans dried on a wood platform with this kind of sun ray filtration system is more likely to provide with better aroma and perfume requested to produce high-quality chocolate. The price of such product is high, barely 15% of the standard “grade 1” quality.

The filtration system, the wood platform for drying, required financial means that a standard cocoa farmer will hardly afford. The length of time required for the process when respected is an extra waiting time that farmers will not accept. Even if the quality of cocoa produce following this process is what chocolate makers are looking for. The local market segment for that type of quality is still difficult and few cocoa producers are contracted with chocolate companies to provide such quality of cocoa beans.

To invest in this quality, and be sure of getting payback on the investment and profit, farmers must be equipped with advertisement means that will help to make themselves known as high-quality producer. The advertisement is then also another extra investment that the farmers will have to make on top of the total investment of the plantation.

The advertisement investment usually pays back when the advertised product meet the requirement of high-quality products as described above. Many farmers are then working hard to reach this level of quality for production and ensure, by the way, extra revenues that can hit 20% of profit above of the standard selling of the same quantity of beans.

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43 The drying process helps to reduce moisture content from about 60% to about 7.5%. https://www.icco.org/faq/59-fermentation-a-drying/110-drying-cocoa-beans.html
VI- 1- State Cocoa Quality Policy In Cameroon

To keep the country on the top quality production and ensure the presence of international buyers in Cameroon, the state of Cameroon has defined three categories of cocoa beans. The categorization of cocoa beans is not based on intrinsic beans quality, but the selection of beans based on their physical properties.

- Grade I (GI): is the high quality with not more than 3% of moldy cocoa beans, 3% of slated beans and 3% of the other beans having defects.

- Grade II (GII): this category must not contain 4% of moldy cocoa beans, 8% of slated beans and 6% of others defectives beans.

- Out of Standard (OS): this category is out of normative quality that does not meet GII criteria, with beans having defects not exceeding 85%.

The pricing in the local marketplace depends on the category of the product. Based on the level of the production, the difference in price between grade I and grade II can hit 25%, and between Grade II and Out of Standard can easily hit 45%. The pricing difference force producers to invest themselves in making the first selection of the products, and undertake local actions to avoid wastes that could downgrade their production44.

The intrinsic quality of cocoa beans in Cameroon is reputed as one of the best quality in the world with a high density of butter and an important volumetric size of beans.

In the past, and in order to increase quality and quantity of production, the State of Cameroon used to employ trained agricultural engineers as advisers to farmers. These engineers working as employees for a State agricultural service called SODECAO or COCOA DEVELOPMENT CORPORATION 100% owned by the State, provided training, advices, cocoa crops and chemical products to fight against pests.

With the privatization of cocoa business, this corporation is still working, but farmers must go to the local office when they are in need of advices or products, comparing to the past where SODECAO agents were going to the farmers. Chemical products to fight against pests were giving to the farmers. Farmers must pay for them now, and with no specific education and sometimes no financial means, they can postpone the time of application of these products with the consequence of affecting their production in term of quality and quantity\(^\text{45}\).

Many factors arose on plantations, deeply impacting cocoa production and quality, instead of the existing of this advising structure:

- Poor knowledge of the exact period to apply fungicides and pesticides in the cocoa fields,
- Lack of inputs available for the farmers such as fungicides, pesticides, as well as the lack of transportation and production resources such as trucks to convey cocoa from farms to the marketplace or place of sale.
- Lack of warehouses to store dried cocoa,
- Lack of sound market knowledge to avoid prices been dictated to farmers by buyers,
- Poor and falling prices that can vary for any reason and drastically affect farmers living conditions and engagements,
- Poor farms facilities are not adapted to modern business conditions,
- Neglect of the sector by the government since this sector was privatized.

All these points affect the state of plantations and the production of beans in term of quality and quantity.

**VII - DEVELOPMENT OF COCOA CULTIVATION IN CAMEROON**

The German plantations were globally managed by the local population, but all commercial activities, as well as the income from the cocoa production was the German owned part of the business. In the long run, the local population started developing their owned plantations, producing cocoa beans and selling their production to the German for export needs.

\(^{45}\) SODECAO participate in promoting the development of cocoa production in Cameroon.

The production of cocoa beans will quickly be extended to the rest of the country, globally in the South, the Centre and East of Cameroon where the weather and climate are more likely favorable to growth cocoa trees. However, this production will remind limited as the infrastructures (roads) are not developed to import from countryside to the harbor city of Douala. The consumption of chocolate is not rooted in local population culinary habits, and the infrastructure not available to ensure the development and the transportation of cocoa beans.

After the world war I, the French and the British took over the country from the German. The country is not anymore under colonization, but protectorate, meaning independent, but under French and British supervision. The local people who fought against the German during world war II embraced European culture, the consumption of chocolate and coffee increased and hit all mains cities of the country. A local market is developed.

The second world war was the turn point during which, the involvement of Cameroonians on international exchanges will increase. Cocoa business is organized and now involve not only French and British businessman, but Cameroonians that are taking step up to exchange with Europeans. Their business actions are limited to collect cocoa beans from countryside to the port of Douala. The cultivation of cocoa is extended. Many Cameroonians coming back from the war after years and month in Europe cannot live anymore without chocolate and coffee. The cultivation of cocoa increase, but no specific factory is built in the country. 95% of local production is exported to Europe, specifically France (Clarence-Smith, 1996).

European demand for cocoa beans after world war II is high. Importing from South America is costly so, Europeans countries push on their formers colonies to produce. Ivory Coast Ghana, Nigeria, and Cameroon seems to be the best students on this production. These countries encouraged their populations, investing all their resources in the production of cocoa and coffee.

In Cameroon, cocoa is the main product of exportation after gas. To increase State incomes in a country where, there is no direct taxation in revenues from farmers, the government of Cameroon monopolizes the purchase of cocoa beans from the farmers. All private’s buyers are excluded and no private buying license cannot be granted.
Cameroon developed a five-years plan to follow-up the increase of the local production. Many state structures are also developed to accompany this production capacity specifically:

- (SODECAO or CDC “Corporation of Development of Cocoa”), a public administration institution created in 1974 to support cocoa production, in charge of the implementation of the program of the development of cocoa cultivation. This institution supports the continual improvement of cocoa production, sustain farms productivity and ensure cocoa quality through:
  - Production of plant material for successful regeneration programs, intensification and expansion of cocoa orchard,
- Improve research on cocoa production in collaboration with research bodies,
- Implementation and extension of control techniques against pests and diseases of cocoa,
- Organization of pre-control,
- Support for professional farming organizations through training, structuring, and professionalization of cocoa farmers.
- Promoting agricultural diversification.

- The National Office of Commercialization of Basic Products (NOCBP) created in 1978, with the official goal of centralizing Cameroonian basic products, including cocoa offer, in order to negotiate the best price possible with international institutions (buyers). This institution was the main state organization defining internal cocoa business under the supervision of the ministry of trade and the ministry of finance. In order to avoid pricing fluctuation to the farmers, the NOCBP with the ministry of trade support defined the basic pricing applicable to the farmers independently to the international market pricing. The price applied for the local farmers was defined by the only official buyer NOCBP engraining important profits for this State structure. In exchange for the low price paid to the farmers, the State of Cameroon guaranteed the same level of local pricing whatever the fluctuation of cocoa beans price in the international market, and provide farmers with training, advice, pests control chemical products and access to loans. The State ensured also a saving system that allows it to keep buying cocoa from farmers at the same price in case of international commodities crisis, for a certain number of years until the international crisis is resolved. But with the change of management at the top of NOCBP in 1984, the new management started using the money saved to diversify the company portfolio investing into different activities and constructions and increased internal expenses. In 1987 an economic crisis impacting commodities including cocoa and coffee business segment hit the country. The selling price of cocoa beans for NOCBP dropped from $0,94/Kg to $0,66. Rather than keeping its promise of maintaining the farmer price unchanged in the case of economic crisis, the NOCBP will apply the fall of cocoa price in

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46 The NOCBP was buyer, seller and pricing coordinator. www.oecd.org/fr/agriculture/politiques-agricoles/37472112.doc
international market for the farmers, keeping its profit from 75.9% per kilogram to 64.8%, paying $0.42/Kg to the farmers. This failure of management will have a devastating impact on cocoa business and production in Cameroon and will mark the beginning of a long and difficult period of recession47.

VIII - CRISIS EFFECTS ON COCOA PRODUCTION AND BUSINESS

From 1989 to 1994, the price of cocoa beans will decrease continually to hit $0.31 per kilogram in 1994. In January 1994, the devaluation of local money (Franc CFA) at 50% of its value will deeper the crisis situation that the farmers were facing since 1989. The devaluation of the local money will give the impression that the value of cocoa increased as the price paid to the farmers goes from $0.31/kg to $0.84/kg in 1995. When discounting with the devaluation of the money the real value of cocoa was $0.42/Kg.

The farmers will easily feel this situation in their day to day life when buying their usual living goods. The price of everything has doubled and sometimes tripled with the conjunction of economic crisis and money devaluation. All imported products are inaccessible the virtual increase of cocoa beans brought in with the devaluation of local money is not big enough to provide the farmers with minimum acceptable living revenues. Consequently, the exodus of countryman that strikes the country, pushing young populations from country side to move to the town cities to find better life conditions48.

The exodus is not only internal; young people are looking to leave the country for adventures abroad. Everything in the country is to be sell and for sales. No service, even public service is not anymore granted. On top of their salaries, everyone is in looking of extra revenue to sustains his


48 The crisis and the devaluation of local money impacted deeply the economy of the country and people behavior, leading to instauration of survival reaction, with the increase of corruption and lack of professional personal investment in public sector. http://cameroon-tour.com/economy/index.html
family living conditions. The cost of education has also doubled, forcing parents to leave private schools for public schools. But the level of salaries of teachers in public schools is so low that, public school’s teachers are now focus on working in private sector to ensure extra revenues, neglecting their usual position in public schools. The corruption is developed and no service is any more accessible for those that are not willing to pay or are unable to pay.

Cocoa business is not exempt from this situation. New private players with no rules and no law invaded the local market, trying everything to take into their advantage, possible profits of the cocoa business. With limited revenue and no means to protect themselves, cocoa farmers have no others choices that trying to get the maximum possible of revenue they can get from their productions, exercising themselves to play a business game that they do not have tools, training or education to play.

Consequently, thousands of young people migrated from farms to the cities as Yaoundé, Douala where the level of population is reported above 2 million for Yaoundé and 3 million for Douala.

This young population for many of them have no training on modern work and did not have the level of education to compete equally against the population of the cities. They will have to work on jobs that find no workforce or high safety risk jobs paying lowest salaries possible. Many other will turn in delinquency, killed or put in jail. Another migration out of the country is accelerated. Young Cameroonian searching for better opportunities around the world takes any risk to succeed.49

The farms left back with no appropriate workforce develop the use of child labor, poor hygienic and sanitation facilities, hunger and malnutrition, disease prevalence, poverty, lack of means to obtain medicines and prevent the spread of disease such as malaria, cholera.

But the plantations of cocoa are not abandoned instead their incapacity to provide standard living means to the farmers.

The farmers maintained cocoa plantations not anymore as main income means, but as possible complementary income way. They focused on food-producing agriculture. They will not be developing new cocoa plantations but will keep exploiting the existing plantations with no specific dynamism.

49 The consequences of economic crisis were devastator for the country.
After the cocoa crisis, period and the economic crisis accentuated by the devaluation of Franc CFA, the country, and the economy will start recovering slowly. During the crisis time, NOCBP is dissolved giving the impression of abuse to the farmers. The State of Cameroun will start the building of a new business organization around cocoa. The new cocoa business approach is not anymore a State business as it used to be. The dissolution NOCBP will open the door to private buyers financed by Europeans exporters.

The turning point from State cocoa buyer to private buyers will be painful for the farmers. The lack of regulation after the dissolution of NOCBP in 1991 will bring into the cocoa business private buyers from different horizons with different intentions. They deregulate the price from farmers buying cocoa as lower price as possible. With NOCBP, the farmers living in enclosed regions used to have their products bought barely at the same price that those living close to the cities. With the new market “rules” or the lack of rules, the farmers living in enclosed area must pay a high price for their products to be transported toward the cities or well-harmed area. Another option is to sell locally their products, discounting to the transportation costs that is usually defined by the buyer based on any specific rule.

To end this situation, the State of Cameroon will bring in with new regulation text that was supposed to reduce the unfair business developed during the transition from State buying to private buyers. This new regulation will be the starting point of new era of cocoa business in Cameroon.
IX - AFTER CRISIS COCOA BUSINESS ORGANIZATION

After the cocoa crisis, it took more than fifteen years for the cocoa business segment to recover and have an acceptable type of organization. The State of Cameroon, after a long silence and a period of time with no action on the business segment, started the implementation of new rules in order to regulate the business of cocoa. The business segment was then officially liberalized with three main sub-segments.

- The farmers that develop cocoa plantations and provide cocoa beans,
- Local buyers that are supposed to buy cocoa beans from the farmers and ensure the selling to the exporters,
- The exporters ensuring the export of cocoa beans abroad.

But the segmentation of cocoa business did not take into consideration, the limitation of local buyers to access finance and/or credits and be able to buy and sell cocoa to the exporters. The production of Cocoa beans in Cameroon was more than 200,000 tons a year; it hit 237,000 tons in 2014 and 272,000 tons in 2016. At the average price of $2.13/kg buying 200,000 tons of production required $426 Million. Unfortunately, local businessmen were not especially involved on cocoa business and the lack of financial means and the limited access to loans for people involved in local buying contributed to the disorganization of the State business organization approach.

The lack of financial means to develop local buying will push to shortcut the State organization. The exporters use their financial capacity to provide with means to local buyers in order for them to buy cocoa beans from the farmers. These financial provisions are not under loans or credit that these local buyers will reimburse, but as means allocated to buy a certain quantity at a predefined price against salary. These buyers even with salaries paid are not usually listed as exporter employees, but as partners, managing “usually” illegal entities as the cocoa buyer. With the long run, the exporter started getting closer and closer to the farmers at the point that, they are actively involved in any point of cocoa business, reducing the profitability that this segment of business could have brought to the local buyers, and deeply impacting the price paid to the farmers⁵⁰.

⁵⁰ The organization of cocoa buying follows a state defined scheme.
http://www.logistiqueconseil.org/Articles/Transit-douane/Cacao-commercialisation.htm
At today date, this organization is still suffering from the lack of investment. The pan of activity reserved for the local is bringing less profit as accessing financial means is the main point to handle the local buying part of the business profitable.

<table>
<thead>
<tr>
<th></th>
<th>(Thousands of tons)</th>
<th>(Million US dollars)</th>
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<tbody>
<tr>
<td><strong>Ivory Coast</strong></td>
<td>1.559</td>
<td>1.619</td>
</tr>
<tr>
<td><strong>Indonesia</strong></td>
<td>712</td>
<td>740</td>
</tr>
<tr>
<td><strong>Ghana</strong></td>
<td>700</td>
<td>727</td>
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<tr>
<td><strong>Nigeria</strong></td>
<td>400</td>
<td>415</td>
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<tr>
<td><strong>Cameroon</strong></td>
<td>272</td>
<td>282</td>
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<tr>
<td><strong>Brazil</strong></td>
<td>249</td>
<td>258</td>
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<tr>
<td><strong>Equator</strong></td>
<td>224</td>
<td>233</td>
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<tr>
<td><strong>Mexico</strong></td>
<td>83</td>
<td>104</td>
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Table 2: The Eight greats producers of cocoa beans. Source: (Perfect Insider, 2016)

The strategy for the country to sustain the business of cocoa is to develop the production by re-implementing the same strategy that was working in the past. The State of Cameroon has built a network of the cocoa bureau in every region of production where plantations of cocoa can be developed. The cocoa bureau gives access to care products at a lower price that farmers can use. The bureau also gives access to advice by structuring the agricultural engineers in a government advice structure that provide with advice and crops, specifically prepared to grow cocoa plants with a few use of chemical care products, and ensure the high capacity of production for each seeded plan.

The program engaged 10 years ago by distributing new cocoa seeds developed for their production capacity is not yet completely efficient. Farmers are still struggling to renew their plantations with the fear of having no income during the four first years that will be necessary for cocoa trees to develop and start producing. Forty years old plantations are then still in production, producing less than 40% of the capacity they should produce if renewed. Many efforts are putting together to help farmers move to the process of renewal of their plantations and adopt new productions processes and methodology that will ensure them best productivity in term of quantity and quality for a same surface of land.\(^{51}\)

\(^{51}\) Many organizations are investing on developing new methodology of production to increase production capacity with the same space of cultivation. [http://atlas.media.mit.edu/en/profile/country/cmr/](http://atlas.media.mit.edu/en/profile/country/cmr/)
The renewal of cocoa plantations seems to be a guarantee of future better productivity and the increase in revenues for farmers. But renewing a plantation means also that, have saving in the account or access loans to undertake renewal process (cost of process itself by removing existing cocoa trees, preparing the land, getting the seeds and planting new cocoa trees) and to ensure living means to the family during the renewal period that can be 4 to 5 years.

The financial system in Cameroon is not organized enough to allow farmers access credit for the renewal of their plantations. Cutting off their subsisting means for a period of 4 to 5 years is then barely impossible, as on top of the lack of revenue during the regeneration of cocoa plantations, farmers must invest an estimated amount of $600/hectare to renew the plantation. In a country where average revenue is $98 a month, a such of investment is a sacrifice that many farmers cannot afford.

An option based on renewing a portion of plantation every year is the approach that is commonly used. But this is possible for the farmers that have plantation large enough to process that way. The average farm plantation surface is 0,5 hectares. Such plantation old of more than 40 years will be producing an average quantity of 395 kilograms of cocoa a year, ensuring $1,004 of revenue to the farmer.

When renewed, the same plantation will hit its average production capacity of 1,005 kilograms after 5 to 6 years, ensuring $2,556 of income every year and for more than 30 next coming years.

**X - IMPROVEMENT OF COCOA MARKETING AND TRADE**

The vacancy of cocoa sector management and lack of rules led to undesirable effects such as degradation of cocoa quality and the increase in counter-party risks for financial institutions and international traders. The adverse effects of this situation such as reduction in trade finance available, the disappearance of the forward market and the installation of anarchy in the sector due to the total absence of adequate rules, regulations, structure and discipline52.

52 The dismissal of management during the cocoa crisis led to launch the liberalization of the sector http://unctad.org/sections/wcmu/docs/c1EM32p10.pdf.
With the support of the International cocoa organization (ICCO), a project is formulated to tackle the deficiencies identified in the cocoa sector. Six issues due to unorganized liberalization process are identified.  

- The deterioration of the quality of exported cocoa, considered as the major problem linked to liberalization and privatization,
- The financing of cocoa campaign of particular relevance to farmers, local traders, and cooperatives,
- Market information as market operators felt the need to have access to market information,
- The trade and price risks base on the instability of the price in the international market,
- The institutional framework relating to the organization, rules, regulations and procedures in the sector,
- The limitation in know-how of new market operators.

This project objective was:

- to improve the functioning of markets and marketing channels in cocoa-producing to optimize the benefits of all stakeholders in cocoa production and trade,
- to ensure full participation of local operators, including cooperatives in cocoa trading, both in national markets and in the export trade with a view of improving and maintaining quality,
- to provide market information and ensure the efficient functioning of the market by reducing, and aiming at eliminating the differences among market participants in access to market information relevant to them,
- to reduce trade and price risks associated with cocoa marketing and trade, with increased greatly with liberalization and privatization,

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53 The ICCO contributed to reorganize cocoa sector in Cameroon. [http://www.icco.org/about-us/international-cocoa-agreements/search_result.html](http://www.icco.org/about-us/international-cocoa-agreements/search_result.html)
• to improve the legal and institutional framework for cocoa trading and finance, thus ensuring the enforceability of the various measures to be put in place to improve or maintain cocoa quality, to finance production and trade and to alleviate counter-party risk.

Many actions were then adopted, including the promotion of a privately-run warehousing system, the development of a cocoa marketing information system, the development of a quality assurance and certification system, the development of a system of commodity trade finance, the implementation and coordination at local level, the project executive, staff training and dissemination of project results.

The benefit of this project would accrue to the private sector participants including producers, traders, processors, financial institutions and through enhanced export earnings. The substantial benefit would accrue to the international cocoa trade and industry in terms of improved consistency in the quality of cocoa imports and in dealing with more professional counterparts and trading partners. A major benefit for the world cocoa economy as a whole would be a more secure supply of good quality cocoa at competitive prices.

The project implementation included:

• An exhaustive inventory of all commodity warehouses (43 in total) was completed. The inventory can be updated and followed up thanks to a computerized program designed by the project’s IT expert;

• Detailed procedures for collateral management up-country have been devised;

• Training programs for warehouse keepers have been prepared and carried out;

• A detailed manual on warehousing and collateralization for operators has been written;

• Two software programs (REGINE and SENAC) have been created and are available to be used by collateral managers and bankers.

• A comprehensive tripartite agreement has been drafted and has been successfully used by some trade partners;

• A legal text organizing the profession of collateral manager has been submitted to the government and is awaiting publication.
The development of cocoa marketing system to facilitate the collection and distribution of price data along the internal marketing chain and international prices, and the collection of data on warehouse stocks (quality, quantity, location, etc.) that included:

- A new and improved MIS has been put in place. The new system now collects the international prices, the Douala CIF and FOB prices and the prices on internal markets. These prices are then processed using computer software called SIM Cacao and published in the following media and other vehicles: press, radio, television, regional CICC committees, cooperatives, NGOs, extensions and other services operating in rural areas. Recently, the dissemination vehicles have been expanded to include an internet server and an SMS server.

- Two training manuals have been prepared and a training session has been organized for users of the new MIS system.

- Two new legal texts have been published, one establishing a Monitoring Committee of the Coffee and Cocoa Information System, and another one amending the existing law on coffee and cocoa trade.

**X- 1- Development of Quality Assurance and Certification System**

A training program in Quality Assurance and Certification has been organized for the stakeholders in the cocoa sector, backed by four manuals produced for Producers and extension agents, Bankers and Quality Controllers, and Quality Procedures.

The amendments have been formulated to improve existing laws by incorporating into them the new principles of quality assurance and certification.

A new text has been approved on legal and regulatory aspects of cocoa marketing practices; New regulations on conditioning and marketing of cocoa beans have been adopted; New proposals have been submitted related to a phytosanitary code and to cocoa arbitrage procedures\(^\text{54}\).

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\(^{54}\) The organization to control quality and build a common certification process. https://www.icco.org/about-us/international-cocoa-agreements/cat_view/50-projects.html
X- 2- Development of a System of Commodity Trade Finance

The structured trade financing was to operate with three partners; the cooperative, the collateral and the bank. After extensive consultations, some partners were identified to take part in the tripartite agreements including Amity bank and Union bank as participating banks, SGS and CAMTAINER as collateral managers. No private traders were involved in the project. The conclusion was that empowering cooperative was the only way to try to implement the pilot operations with the conclusion that, warehouse, transportation logistics, funds for pre-financing must be self-reliant, well managed, become exporters and should be able to find foreign partners.

The success of the government initiative can be accounted first as the establishment and improvement of market information systems, warehousing up-country, quality assurance, quality enhancement, the building of a system to structure trade financing as indispensable components of a viable, efficient and transparent cocoa trade and marketing chain. As result of this initiative, The cocoa market information system has been up and running and can be improved and expanded to other commodities, documented analyses and descriptions of the situation, issues, and problems related to cocoa warehousing that includes quality issues, quality control, financing of cocoa trade.

The inventory and databases have been created on cocoa trade and warehouse. The description of “best practices” procedures and draft recommended to be applied in the sector, incorporated in manuals for different categories of actors. Training guidelines and brochures were developed for different categories of actors, ranging from farmers to bank staff and market participants.

Many actions undertaken from this initiative are still actives, but the results encountered are limited as financing cocoa at farmers’ level lack guarantees to ensure credits reimbursement that banks can handle during the duration period of credit. Plantations could have ensured the guarantee by transferring the ownership to the credit institutions during the duration of credit; but with no official ownership documentations, the possible guarantee cannot be used for credit or loans55.

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55 This information are generated from the ICCO reports. https://www.icco.org/about-us/international-cocoa-agreements/cat_view/50-projects.html
XI - THE IMPACT OF COCOA BUSINESS IN THE LOCAL ECONOMY

Cameroon is the 108th largest export economy in the world and the 102nd most complex economy of the world, according to the Economy Complexity Index (ECI). In 2014, Cameroon exported $5.88B of merchandise and imported $8.06B, resulting in negative trade balance of $2.18B. The GDP of Cameroon this year was $32.1B and the GDP per capita was $2.97K.

The trade balance of Cameroon has rarely been positive since 2009. The graph below presents the evolution of trade balance for the last ten years.

The top exported products of Cameroon are Crude Petroleum ($2,65B), Cocoa beans ($601M), Sawn wood ($427M), Refined Petroleum ($350M) and Bananas ($314M).

The top import products are Crude Petroleum ($1.42B), Refined Petroleum ($508M), Non-fillet frozen fish ($284M), Rice ($261M) and telephones ($231M).

The top export destinations of Cameroon are Spain ($814M), China ($721M), India ($520M), the Netherlands ($488M) and Italy ($474M). The top import origins are China ($1.53B), Nigeria ($1.36B), France ($789M), the United States ($292M) and Thailand ($253M).

56 Main export of the country are basic products. http://atlas.media.mit.edu/en/profile/country/cmr/
Instead, Cameroon is the fifth producer of cocoa beans in the world, the participation of cocoa in Cameroon GDP represent 3\%\textsuperscript{57}. The low representation of cocoa on the GDP is due to the low part of income that is kept into the country as the big part of the profit for this product is not the production, but the pre-transformation and transformation to the derived products.

Comparing to others majors’ producers of cocoa, only 15\% of cocoa beans produced in Cameroon is transformed locally against 45\% in Ivory Coast and 100\% in Indonesia. Cameroon globally sells cocoa beans as a raw material to chocolate manufacturers in exporter base. 41,000 tons of the 272,000 tons of cocoa produced in Cameroon is pre-transformed or transformed to cocoa by-products and chocolate locally\textsuperscript{58}.

In the production of chocolate, cocoa beans represent 5\% of total generated profit. This 5\% of profit are the only part that Cameroon account as cocoa revenues, missing the 95\% of the business profit of cause of the lack of investment in structures to pre-transform cocoa beans to cocoa by-products. 26\% of profit is generated when turning the beans to cocoa liquor, powder and butter. This pre-transformation process is the step that some countries as Indonesia turned to, ensuring 34\% of the profit from the production of cocoa, against 5\% only in Cameroon, instead the country produces 27\% of total world production\textsuperscript{59}.

To increase the participation of cocoa in the country GDP, the State of Cameroon launched in 2002, the production plan with the goal to meet 200,000 tons in 2011. The objective was met by producing 210,000 tons of cocoa beans, but the impact on GPD was not that important, as increasing the production did not change the participation of production of the beans in global profit. From the first objective, the government of Cameroon launched the second plan of development of cocoa production with the ending date in 2020. The goal of the new plan is to meet 600,000 tons of cocoa beans a year by 2020 and increase the local pre-transformation of cocoa

\textsuperscript{57} The participation of cocoa in Cameroonian economy is still low. http://www.mays-mouissi.com/2015/05/21/debat-impact-de-la-filiere-cacao-sur-leconomie-du-cameroun/

\textsuperscript{58} The production of cocoa is led by Ivory coast http://affaires.lapresse.ca/portfolio/affaires-internationales/201310/07/01-4697165-principaux-pays-producteurs-de-cacao.php

\textsuperscript{59} Cameroon produces 27\% of world cocoa production http://www.planetoscope.com/sucre-cacao/464-consommation-mondiale-de-cacao.html
beans from 15% to 25%, increasing, by the way, the participation of cocoa into the country GDP from 3% to 7%.60.

The building of the pre-transformation units will help the country to increase the revenue of cocoa in the economy, from 7% to 16%. In the past, the main pre-transformers countries were the USA with 1,335,000 tons a year in 1965, Holland, Sweden, France and the UK. The pre-transformation is reducing progressively in these countries to the advantage of producer’s countries. For example, the USA pre-transforms at today date, less than 78,000 tons annually61. The increase of the revenue is based on the fact that, a kilogram of cocoa liquor is sold $28 against $2,7 for a kilogram of cocoa beans, and no more than 2 kilograms of cocoa beans is needed to produce 1 kilogram of liquor.

Cocoa beans represent 25% of total exportations products. Nearly 8 million people live directly or indirectly from cocoa production and a majority of these populations live in middle South of the country62. Even during the time of economic crisis, the south of Cameroon was dependent on cocoa production. Some farmers engaged in diversification by developing plantains and/or bananas plantations, in order to ensure themselves others possibilities of income. Since the increase of cocoa price and the new local market dynamism, everyone is trying to have a portion of cocoa production with the hope of getting a part in the movement on the way.

**XII- DEVELOPING THE COUNTRY INFRASTRUCTURE TO INCREASE PRODUCTION AND COMMERCIALIZATION**

Cameroon faced the lack of infrastructures that were essential for the investment and business development, specifically, cocoa business. The great part of the production of cocoa takes place in fare countryside farms into the forest, making it difficult for farmers to get their productions into the cities when it comes to selling. The evacuation of cocoa beans for the farmers living in these

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61 Developed countries are reducing their cocoa pre-transformation part to the profit of cocoa producers such as Cameroon. http://www.persee.fr/doc/jatba_0183-5173_1979_num_26_3_3802
62 The value of people living from coco is not exact. In certain web site it can be 10%. The one we reported in this document was collected from: 2,000,000 people live directly from cocoa production.
areas is then a puzzle and an expensive operation. In spite of these difficulties, the Government of Cameroon is putting everything in place to help in this situation. The multiplication of small cities is an important part to facilitate the transportations of goods and people. All these small cities are connected to the closest mains cities, contributing to increasing possibilities of goods circulation. No region of Cameroon is completely isolated from the North to the South and from East to West (International Business Publications, 2015).

Based on its geographical position, Cameroon could play an important role, in term of freight transit, commercial goods export for the neighbor countries, such as Chad, Central Africa Republic and Niger who have no access to the sea. The road network after the independence was not developed and the existing roads portions not maintained, leading to an important risk for the goods, people and for the evacuation of products from the countryside, to the main ports of Cameroon, situated in Douala and now Kribi.

The connections between different parts of the country were difficult; reducing internal commercial exchanges, and the attraction of foreign investments.

The postal offices were rare in certain regions, keeping people away from communicating with the potential business partners living in the others parts of the country or abroad.

The Internet, as well as modern means of communications, took a time to be developed, due to the lack of wired or wireless transmission means.

The railway was limited to serve four provinces rather than the tens. Only one line was existing in which, any incident or accident could stop the routing of the equipment’s, goods or people for weeks leading to deterioration of goods, projects delays, with the associated costs (Salaries to be pay to the employees not working, waiting for materials to be delivered, costs of goods deteriorated, company’s debts and interests running, the costs of immobilizations and others associated costs). The country is served by five airports, listing three international airports in the

63 The transit of good from Chad is developing including petroleum, cotton. But mains products from Niger go through Nigeria rather than Cameroon. http://www.cameroonweb.com/CameroonHomePage/NewsArchive/Chad-Cameroon-oil-transit-fees-increase-by-85-98-324503

64 Many infrastructures have been developed since the independence, but not enough to sustains the economic development that the country is looking to faced social and development needs. http://www.cameroonweb.com/CameroonHomePage/transport/?lang=en
North, the Centre (Yaoundé) and the Littoral (Douala), but these airports could not bring the profit they could have brought of course of limited air traffic and low level of business activities. With no proper infrastructures to penetrate easily inside the country and access easily the part of the country covered by the tropical forest, many business activities are limited to the main cities or to the cities, keeping the agriculture under the country real capacity.

So far, the situation is changing and the market is opened with everything to be build. The infrastructures are in building; these infrastructures include hydroelectric dams to increase electric power capacity.

Three existing dams are in use since the 1970s.

- Edea dam with the capacity of 224 Mw,
- Song-Loulou dam with the capacity 335 Mw
- Lagdo dam with the capacity 72 Mw.

These three dams were sufficient to supply power to the country in the 1980s. With the industrial development, the increase of the country population that double in 30 years (10 million in 1980, and 23 million in 2015) the increase of use of electrical equipment, the development of the country’s towns and the increase of electrical demand from the neighbors’ countries are putting pressure on the country, to develop new electrical infrastructures.

Two new dams are in building (Tamo Tatiets T., 2010):

- Lom-pangar dam built to regulate the Edea and Son-Loulou dams, by increasing their production capacities by 70% during the dry seasons (meaning increase their annual production to 750 Mw). It will also be producing locally 30Mw of electricity.
- Memve’elé dam that became operational ending 2015 with the production capacity 200 Mw of electricity.

The building of two others new dams is estimated to start in 2017:

- “Grand Eweng” with a capacity of 1500 Mw,
- “Logé” with the capacity of 330 Mw.

In addition to the hydroelectric dams, many thermal power plants have been built, representing a production capacity of 560 Mw. A new contract has been signed in September 2015 with a Norway
company "Grenor SA" to develop a new thermal power plant of 300Mw, that has been delivered in the first semester of 2016.

The cover of rural and isolated areas with electrical power and infrastructures is also on the way. The campaign of information led by the local energy company INEO is on its way. Many diesel power plants are installed to overcome the lack of electricity in these areas but a lot of work is still needed to complete this initiative.

The building of infrastructures is the key to facilitating the development of business in general, and cocoa business specifically, by ensuring the routing of good from one point to another. The development of roads is not anymore a project, but a fact that the State of Cameroon is investing on. A new highway is in construction between Yaoundé the politic capital and Douala the economic capital and main entry port of the country.

The road network connecting Ngaoundéré (Middle North province) and Yaoundé (Centre of Cameroon) is already built, allowing to relive the existing railway and facilitate the transfer of North, Extreme-North, and Chad commercial goods to the international ports of Douala and Kribi. Through this last road construction, the road map between the Extreme-north province, the North, the Adamaoua, the East and the Centre is completed. Many other provincial roads are in building, giving access to enclosed part of the country, opening, by the way, new business opportunities.

Three maritime ports are supporting the import and export of goods and equipment. The port of Limbe with the capacity of 4 million tons, the port of Garoua with the capacity of 3 million tons, the port of Douala with the capacity of 10 million Tons a year. This last port is overload; since January 2015, 10,592,021 million tons of goods passed through the port, hitting 5.9% over its capacity.

A fourth port and the biggest one is in building since three years in Kribi, the first part of the project (first merchandise part) has been delivered in July 2015. The new port of Kribi is built on an area of 70 hectares. Its capacity is estimated over 100 million tons of merchandise a year.

The new port will integrate a terminal Aluminum connected to the newly in building aluminum factory of RIO TINTO, and will also support the exportation of aluminum from the factory of

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65 Cameroon launched many energy project that are their way to be finalized. http://www.skyscrapercity.com/showthread.php?t=1885399
Alucam (Aluminum of Cameroon). Others terminals including natural gas, petroleum connecting the production from both local production of gas as well as the gas coming from CHAD through the built pipeline\textsuperscript{66}.

The terminal of merchandise will be the main one for the export of cocoa beans. At today date, the collection of beans is insured by the exporter from their warehouse to the port of Douala from where, the beans are forwarded to Europe, the USA or ASIA. The main transporters are:

- CMA,
- MAERSK
- DELMAS,
- COTCO

Many others transporters are listed ensuring the delivery to China Singapore and others out of Europe destinations. The new port of Kribi’s with its diversified terminals will open a wide range of business opportunities, participating in the development of local export to usual destinations and newly opened destinations. The infrastructures are in building to facilitate the growth of the businesses and the development of diversified opportunities in term of local industrialization and new markets\textsuperscript{67}.

**XIII - FARMERS FINANCING SYSTEMS**

Running a farm in Cameroon used to be a kind of cultural heritage that was passed from parents to their children as a familial legacy. In African traditions, specifically in Cameroon, many tribes celebrate the period of time that a boy becomes an adult (a man). This turning point of a boy life was the time that he should start assuming his one life by starting the building of his one family. The ceremony organized to celebrate this turning point of life was market by different tests that the new “adult” had to pass in order for the tribe to validate his maturity\textsuperscript{68}.

\textsuperscript{66} The construction of Kribi Port is on its way, bringing more opportunity to facilitate Cameroon and the countries around exports.

\textsuperscript{67} The Limbe port will increase the capacity in term of ships building and repairs. http://www.inros-lackner.com/en/projects/maritime_engineering_and_ports/ferry_terminals_shipyards/shipyard_construction_cameroon

\textsuperscript{68} The rites of passage in Africa are the important moment for families and a notable transition time from childhood to adult. https://www.google.com/culturalinstitute/beta/exhibit/african-ceremonies-passages/QQJfgg2?hl=en
Getting marriage was the next step to confirm that maturity. During the wedding celebration, the new adult was giving a portion of land from the tribe, usually from his closed family (Parents and uncles) to develop his plantation and subsistence crops, building, by the way, a legacy for his descendants. The limits of these lands owned by the tribes were virtual, usually bordered by rivers or fruit trees, with no official documentations to certify the rights of the tribe as proprietary.

The modernism and development of new lifestyle have deeply shocked these traditions, that progressively are disappearing. The State of Cameroon appropriates all the lands not exploited and imposes administrative procedures, costs, for private land owners. These costs are not usually affordable for some tribes, risking then by the way their piece of land. In many villages, regulations about land ownership are not known of course of lack of education and/or lack of people to explain them in details what are the consequences of change in land ownership regulation in these populations’ life.

The lack of ownership official documentations for these lands is one of the main exclusion factors to access farm loans and/or bank credits. Banks and credit institutes need tools to check on the solvency of the loan requestors and need guarantees of reimbursement of their invested capital as well as interests. Unfortunately, a majority of cocoa plantations owners do not have official documentations, nor have the record of their annual selling that they can use as proofs of income when applying for loans.

Local buying of cocoa from farmers is done in cash, with no receipt in exchange. There is no traceability and no document that the farmer can use as proof of their sales. As usual, no documentation is giving in exchange of cash paid during buying or selling transaction. Farmers have no taxation on their sales and no data reported. They cannot then prove their solvency to access credits or loans. They are then excluded from normal loans processes, and cannot expect to get investments from financial institutions to renew formally their plantations. With no selling data and no documentations to report their ownerships, no saving education, and no investment

69 The lack of guarantee and documentations is an important factor keeping farmers away from loans and credits. http://www.businessincameroon.com/agriculture/1701-4584-cameroon-hopes-to-create-a-medium-term-loan-facilitation-fund-for-farmers
knowledge, many farmers are living in poor conditions. They usually can get private living loans from the local businessman, money sellers or tontines at high rate interest from 10% to 40% monthly base, and sometimes more than that. The lack of means to access finance is one of the main dilemmas that farmers are facing, as there are requested to product more, but have not accessed to means that they can use to increase their production capacity70.

This situation is on the way to change. Educated people are getting interested on agriculture, specifically cocoa plantations. The evolution of cocoa beans price is one of the factors that drive the interest for this business segment. Even if this new population of farmers is struggling to access credits and loans, the tendency of bringing in, new business approach and investment system can be noted. The dilemma for this new population of farmers is the lack of regulation in farmer’s taxation in support of the evolution of this business activities and the interest of staying out of taxation load during the startup period to gather of a better profit.

Unless the taxation of their productions, the only proof of production capacity that can be used at today date to apply for loans is land’s ownership certificate, that the bank could analyze to determine the possible level of the loan amount that could access the farmers. But getting the land ownership certificate is an important financial investment that only a few farmers are able to afford. The process is costly and there is no way to split this cost into portions with no possible access to loans71.

During our investigation with the ministry of agriculture, we have been sending to the delegation of agriculture of the province of “Centre” in Yaoundé where, meeting the delegate deputy, our question about farmers’ taxation seemed strange. “We have no farmer’s taxation policy by now and no means to have the traceability of production for individual farmers”.

The answer from the deputy delegate of agriculture can be seeing strange. But the State can only get taxes paid from companies or individual when is possible to collect data about their incomes. This situation is unfortunately not at the advantageous for the State of Cameroon either for the farmers that cannot justify their revenues, then cannot access credits to increase their production capacity or develop industrial production.

70 Money sellers usually called « Usuriers » are unfortunately farmers only option. http://www.kongossa.fr/societe/quand-lusure-use-indefiniment-les-poches

Some NGOs are working with farmers to develop a system that can help them access to finance, providing guarantees and coordinating the reimbursement of loans by acting as coaches or collateral for these farmers, or as intermediaries between the financial institutions and the farmers. They can then provide some guarantees in support of farmer’s applications for loans, and/or training to farmers in order to help them understand the implications of loans and the obligations.

**XIV - ENTERING COCOA BUSINESS IN CAMEROON**

Enter cocoa business in Cameroon will depend on the statute of the structure you will be running and the sub-segment of business you will be working in.

**XIV- 1- Running a Farm**

Developing farms in Cameroon as the native citizen of the country has no specific request, except own or inherit a land. The creation of a business entity to run a farm is not at today date, mandatory for native Cameroonians. This is still an exception as the average size of farms in the country usually less than 700 square/meters. The arriving of new farmers with large cultivable space will for sure change the taxation system of farmers, opening a new era of farmers implied to participate to the development of the country by paying taxes.

The regulation of the ownership of land is strict and authorize foreigner to acquire land only for business purposes, with many restrictions. The foreigner looking to run the business of agriculture by developing plantations or farm must apply for the land rental that will conduct not to ownership, but to a contract of exploitation of land with the State of Cameroon.

The contract can be over 15 years contract extensible, but cannot exceed 99 years. In this type of contract, the product that will be cultivated must be indicated ahead and the means that will be allocated to the farm must be traceable, for the state of Cameroon to avoid foreign States undeclared investments in Cameroonian agricultural business. When fill-up these requirements, a foreigner can then be involved in agriculture business, in respect to the signed agreement. The agreement usually includes the priority of local market sells in case of shortage or agricultural
crisis. The rules of buying land for native or Cameroonian citizen are clear. In Cameroon, the land is owned by the State with the exception that, the populations occupying a piece of land with the regards to the installation of their family in that piece of land before the independence, have the right to exploit that piece of land for agricultural purposes or housing construction but they cannot sell it on their own until they follow “land rights transfer process”.

If their want to transfer their right of land exploitation to another person, they will then resign officially from their right to financial compensation or not. The new person authorized to exploit that piece of land will have to undertake the administrative process in order to validate the transfer of rights and, if he wants can then enter buying process of the indicated land with the State of Cameroon.

The State will validate the new ownership of the indicated piece of land and provide the documentation to the acquirer, giving him the right to sell the indicated piece of land or to keep it following his needs. The new owner can use the land for whatever cultivation, with the exception of mineral exploitation that will need State validation and specific contract who will bound the State and the landowner in partnership.

XIV- 2- Running Buying and Selling Activities

Buying cocoa beans from farmers with the intension of selling to the exporters, is a part of buying and selling activities reserved to the local small business owners, that are legally the only one authorized to buy cocoa beans from farmers. Running this part of cocoa business require to have a legal licensed business entity. The lack of capital to run business in this segment, bounded small business owner to run business in this segment under exporters names. The example of Telcar is descriptive of how things work in the segment.

Telcar is a Cameroonian business entity buying cocoa beans for Carquille inc (American privately held global corporate). Telcar uses local small cocoa beans buyers that are collecting beans from farmers. The small buyers should have used their financial means to collect the beans that will be
sold back to Telcar. But rather than using their one’s finances, more than 95% of these buyers are financed by Telcar based on the following process:

The buyer register to be a Telcar cocoa buyer. Following the level of confidence based on the experience of buying cocoa for another entity or working under the supervision of known Telcar buyer. Telcar will sign a contract with the buyer. When the contract is signed, Telcar will allow on a weekly or two weeks base, a certain amount of money to the buyer for him to collect cocoa beans from farmers. The allocated amount and the frequency can vary following the level of beans available and the capacity of the buyer to collect these beans.

The contract signed with the buyer does not allow the buyer to be considered as Telcar employee, but as a contract for provision of a certain quantity of cocoa at a certain price. For example, if Telcar decides that, the price to be paid to the farmers is $2 per kilogram, when allowing $20,000 to a buyer, Telcar expects a delivery of 10 tons of cocoa beans. Telcar will then pay back the buyer an average of 1% to 2% of the total amount of beans bought by the buyer, following the fact that, the buyer use Telcar means of transportation to collect cocoa beans or its one means of collection. In this example, a buyer could receive from Telcar, $200 to $400.

In order to increase his incomes, the buyer will negotiate to get the lower price possible from farmers, using any possible reason to reduce the price, from the quality of beans, to the perfume, through how dried the beans are and the level of humidity. Paying $1.8 /Kg to the farmer will help the buyer to make an extra $2,000. These buyers pay no taxes or only a little as many are not running legally licensed business entities. With their one means, the process will be different. On top negotiating with farmers, buyers will have the choice of selling to Telcar or any other exporter with some opened possibilities that will allow him to sell his product to the exporter that will be ready to pay the higher price possible. In this case, the buyer must license his business entity, meaning that, he will have to pay taxes, but will also be accessing credit or loans provided in this segment of business.

73 The intermediary buyers use whatever they can, to reduce farmers’ price in order to ensure more profit to their business. http://www.cameroon-info.net/article/cameroun-vente-du-cacao-des-planteurs-arnaques-dans-les-villages-203205.html
74 The information collected from Telcar representative and Telcar main office were not supported by legal documentation. The process as describe ahead was describe and documentations shown, but not giving to support this thesis.
XIV- 3- Exporting Cocoa Beans from Cameroon

Running export of cocoa beans in Cameroon require and import/ Export license. The exporter is supposed to be buying cocoa beans from the port where a selling market for exportation was supposed to be developed, giving the opportunity to the sellers, to meet with different buyers (exporters) at the same place and then compare different offers. But in reality, the business is not organized that way. Any exporter has its warehouse located around the city of Douala and thousands of small buyers around the countryside that are collecting cocoa beans from farmers, using exporters finances as described ahead in the Telcar example. Many exporters ensure the transportation of the beans from the countryside closed cities, to the city of Douala, and provide finance to their buyers in order to help them get their one transportation means that they could use to collect cocoa beans from the farms to the local closed cities.

The exportation process start when the beans are collected and stock piled in the exporter warehouse. Cocoa beans, even dried remain sensitive to the variation of temperature and humidity. The warehouse must be then equipped with temperature and humidity control systems that will help to maintain the beans in a good condition before the shipping.

The region of littoral where Douala is located in a humid region with the mold infecting everything. Cocoa beans are not exempt from the mold infection. The beans should then be kept with the humidity level no more than 8% to maintain the quality and the quantity of aroma into the beans. Many freight companies specialized in the commodities are running shipping transportation business, including Delmas, Soccar and many other European’s shipping companies. Cameroon used to run its one shipyard company called Camship. But the privatization of State’s company pushed by the world bank led to lost the control of Camship75.

The transportation process of cocoa beans can be describe following the shame below: After farms production, fermentation and drying process, cocoa beans are put into bags for an easy collection. Trucks are used to collect cocoa beans from farmers to the export shade. From export shade, cocoa

75 The privatization process was a failure that impacted cocoa business. http://directories.lloydslist.com/services-browse/ss/5696/country/Cameroon
beans are collected to be shipped in Europe, specifically in Amsterdam where 75% of total production of Cameroon is shipped. In Europe, cocoa beans are stocked in import shed for factory distribution or for the selling into the European market.

The costs associated with the shipping transportation depend on the type of packaging and the distance between the country of production and the country of delivery as in our example, Holland. Two systems are globally used; bagging or bulking.

**XV - Risks Associated to cocoa business**

Indeed, the opportunities that cocoa business is offering in Cameroon and the profits that can be generated, running the cocoa business in Cameroon can present many risks. These risks are different based on the part of the cocoa business you will be focusing on. These risk will include:
Natural risks: Natural risks are the risks associated with the environment such as pests, erosion of soil, climate change that could affect the production of cocoa beans from year to year. The climate has an important impact on cocoa plants and the production. The progressive increase of temperature in tropical regions has deeply affected the production of cocoa beans reducing year after year, the capacity of production by a square meter in the cultivated areas. The deforestation and the rainforest are also important risks factors.

Commodity risks: commodity risks are those connected to the management of cocoa beans as a commodity, taking into account, the conditions of stockpiling the duration of stock and the means adapted to the transportation of cocoa beans through the country, the sea until the final destination of the product. These risks include the condition of storage of cocoa beans (temperature, humidity, their variation, the duration of storage), the transportation conditions (type of cover use during the transportation, the state of weather during the transportation after drying process, exposure of the beans to the rain or humidity during the transportation).

Market risks - Cocoa pricing is based on external demand and international market pricing. Even if the price of the beans has increased for more than 19% in last three years. Market variation can still deeply impact cocoa pricing. The high demand of today Chinese market could be reduced for any national or international reason that could reduce the demand for beans or chocolate consumption, leading to low the pricing in the international market, with the consequence of profit reduction and the drop of the revenue in Cameroon. The analyst data shows the expectation of the increase in pricing for the next coming years, but the market risks for external reasons are still to be considered.

Financial risks – Any investment is a risk taken that the investor evaluates before investing in any business. Investing in the cocoa business is risky at any stage of the business segment. Developing cocoa plantation can result in insufficient production or a production beyond the investor expectation. In this case, the length of time allocated to investment and the return of investment

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deadline will be review generating financial losses. Financial risks can also be generated by an inappropriate conservation of products causing damages on quality that chocolate manufacturing will not buy, dedicating the say production to destruction, meaning the loss of amount invested.

**Country Security risks** – Risks associated with security can be listed in different types. The supply chain risk connected with the transportation of cocoa beans have increased these lasts years. Many cocoa beans transporters faced robbers’ attacks during the evacuation of beans from the farmers to the closed cities. These risks are now overcoming with the new organization of cocoa buyers to convey their products at the same time and sometimes accompanied by the police officers. Security risks implied also the fund transport as attacks happen when the buyers are getting to the farms to buy cocoa beans. The buying of cocoa beans from farms is a cash part of business. No credit card is used no check is accepted. The paper used during the transaction is money. So to buy a ton of cocoa beans at the price of $2,7 a kilogram, $2,700 is necessary. During the high season, a buyer can buy 100 tons of cocoa beans a week. Of course of the competition, he cannot afford to make round trip between the town city and the farmers to buy such quantity. His best option is to have money enough to be able to get the big quantity of beans possible. He will be then opting to get into the farms with $270,000. In a country where the average salary is $98, such amount is a fortune that many people will risk their life to try to get.

**Political risks** - Politics situation in Cameroon is not critical at the moment, but present many risks. As in Ivory Coast, Sub-Saharan Africa policy is a non-controllable factor that anyone should take into consideration when entering or running a business in the region. The lesson learned from Ivory Coast crisis was a generic lesson of political instability that could turn to social instability and blow-up for a certain period of time the investments and business activities running into the country. In Ivory Coast case, the political issue turned to economic paralysis. All international exchanges, including the cocoa business, were impacted (Mangala, 2010). The politic situation in Cameroon could lead to possible social troubles that could modify the dynamic of cocoa production and local market. The country is undertaking proactive actions to ensure calm elections period in 2018 and possible non-violent transition at the head of the State.\(^78\)

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\(^78\) The country security risks and political risks are somewhere associated. Even if Cameroon did not face violent long period of instability since the independence, the country is in critical politics turn point that could generate
XVI- CONCLUSION

Cocoa business is growing up in Sub-Saharan Africa, participating into the stability of the local economy. In Cameroon, cocoa business is a great part of farmers’ income involving more than 600,000 farmers for a gross income of $734 Million annually. The increase of cocoa demand pushed by the increase of Chinese and the Indian chocolate consumption has accelerated the craze of the cultivation of cocoa. The kilogram of cocoa increased 19% in less than three years and the estimations show that this evolution will not change for the next coming years. The business of cocoa is then changing from the traditional cultivation methodology to the new industrialized system. Traditional plantations of an average one to two hectares are replaced by wide farms hitting sometimes more than one thousand hectares. The development of the infrastructures such as roads, ports and transportation means participate in facilitating the evacuation of the production. Many new educated farmers are involving into the cultivation of cocoa and cocoa business, building by the way, the new era of African agriculture strategy.

But the development of cocoa production is still facing many difficulties that include the financing system, an aligned regulation that could turn the majority of farmers to economic active participants, paying their taxes and accessing loans and credits to develop their activities, the development of local pre-transformation units that will increase the revenue of cocoa into the local economy, bringing more profit and more employment into the country as well as the acquisition of new industrial technologies and knowledges.

Cocoa business in Cameroon is still developing, creating more opportunities and bringing more profit for those involved or investing into this segment of business. A kilogram of cocoa bought from the farmer at $2.5 is sold $3.4 in Europe, generating 36% of profit, exclusive of evacuation load. When pre-transformed, cocoa beans profit is 10 times, the profit of standard beans selling, as a kilogram of cocoa liquor is sold $28, more than ten times the price of a kilogram of cocoa beans.

Developing business in the cocoa segment in Cameroon is an opportunity. This thesis has helped to cover different aspect possible of business in this segment and investigate to the corner of cocoa business that we did not work on during the market study.
XVII- RECOMMANDATION

The cocoa business is a great opportunity of investment and business development for entrepreneur interested to the business of crops and agricultural commodities.

The major finding of this research for the specific case of the cocoa business in Cameroon brought in, many elements of opportunities and concerns, that any entrepreneur should take into consideration at different stage of its business and set ahead, the solutions that can help in overcoming, the eventual unfortunate situation.

The economy system in a country like Cameroon is in building, meaning offering interesting opportunities in different business sectors connected to cocoa. But these opportunities are undermined by the historical politic instabilities of Sub-Saharan Africa countries, and the lack of financial systems that can support the development of local and foreign investments. In spite of this lack of financial organization, Cameroon farmers, pushed by the State new policy, to meet 2020 set goal in cocoa production, are working hard to have their part in this growing segment of business.

The most important part of this people involvement, is the young educated Cameroonians that are embracing the culture of cocoa, using modern’s methodologies of cultivation, and running larger farms, with the hope that, the increase of production, will contribute to the increase of local processing, bringing into the country, industrial jobs opportunities for their children.

To reach their goals, these young people emphasize to build partnership with foreign investors or businesses interested to cocoa sector, and then be able to receive a part of the investments that they are in need to reach their production goals. Many barriers including the knowledge of investment rules are to overcome. But social media and the actions of some NGOs are helping in this regard. If the lack of confidence in local government is not helping in bringing in foreign investments, Cameroon is stand to be one of African country that did not face important political or social troubles for decade. Investing in Cameroon can be of course a risk to take as anywhere else, but it also an important guarantee of profitability. The choice for an investor in regard of the outcome of this study, is to set its investment and/or business goals and use the published information to anticipate in indicated risks, taking into consideration, the country ongoing culture of business.
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APPENDIX A

Projection of the GDP growth rate in 2012 from the Cameroon Ministry of Economy, Planning and Regional Development (MINEPAT)

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<td>GDP at constant prices</td>
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<td>Oil GDP</td>
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Real GDP growth from 2012 to 2016 sourcing in trading economics and based on World Bank data.
APPENDIX B


Estimation of Cameroon rural population growth from FAO source
Rural growth could be motivated by the dynamism of agriculture sector, including cocoa.
APPENDIX C

Loans to private sector; (data sourced by tradingeconomics.com)
