International Journal of Arts and Humanities (IJAH)
Bahir Dar- Ethiopia
Vol. 5(4), S/No 19, September, 2016: 214-231
ISSN: 2225-8590 (Print) ISSN 2227-5452 (Online)
DOI: http://dx.doi.org/10.4314/ijah.v5i4.16

The Nigerian Cocoa Farmers and the Fluctuations in World Cocoa Prices in the 1930s

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Abstract

The dynamics of the international economy, such as the 1930s fluctuations in the prices of primary commodities on the world market, affected Nigerian economy and society a great deal. Of all the commodity producers in Nigeria, cocoa farmers were the worst hit. This is because cocoa farmers depended on the world market for sale of their produce and were thus subordinated to the vagaries of the international economy. This study examines the Nigerian cocoa industry within the deglobalized capitalism of the interwar years in order to show why and how the fluctuations in commodity prices of the 1930s affected cocoa producers in Nigeria. Archival materials provided data for this historical reconstruction. The 1930s global fluctuations in the prices of primary commodities gave rise to wide fluctuation in cocoa farmers' incomes and fall in their purchasing power. There was also increase in cocoa tax regime, resulting in cocoa farmers' inability to, among other things, send their children to school and pay their fees and tax easily. The study is a contribution to knowledge on cocoa industry, commodity price fluctuations, and inter-war years.

Key Words: Cocoa, Price Fluctuations, world market

Introduction

The 1930s was a period of "crisis and catastrophe" (Desai 2002, pp. 149, 158), as the body-economic and the body-politic were in the state of violent tension. It opened with the Great Crash of 1929 and closed with the outbreak of the Second World War in 1939. The economic crises associated with the 1930s included fall in aggregate demand, the fluctuations in prices of primary commodities on the world market, and economic depression. These culminated in the economic policies characterized by such protectionist measures as quantitative trade restrictions (tariff and quotas), and exchange rate management in the form of currency devaluation, described as beggar-thy-neighbour policies (Eichengreen & Sachs, 1985, p. 926). In the political and ideological sphere, the crises included the threat of German expansionism and the triumph of fascism.

These economic tensions of the 1930s, such as the fluctuation in primary commodity prices on the world market, affected the periphery countries in no small measure. This is because following the abolition of the slave trade in the early 19th century, the periphery countries became incorporated into the orbit of world economy through the mining of mineral resources, establishment of plantation agriculture and the expansion of peasant commodity production. Due to this integration, the dynamics of the world economy have affected the socio-economic development of these periphery economies.

In African history, for instance, the crisis has been "largely treated as a period of stagnancy. It was a period in which nothing happened due to the bankruptcy that befell colonial powers and their subsequent preoccupation with economic recovery to the detriment of public works and social projects" (Ochonu 2006:103). Many scholars have argued that the depression's only remarkable feature is that it was a period of unprecedented exploitation of African resources and peasants as colonial powers sought to transfer the burdens and sacrifices of recovery to Africans (Ochonu 2006, p. 103). The economic crisis of the1930s did two interrelated things: it exacerbated the violence, protectionism, and strategic elimination of Africans' choices often inherent in the British colonial order; and, more interestingly, it focused attention on colonial routines that often went unchallenged and undebated in normal economic times (Ochonu 2009).

This study focuses on the place of Nigeria within this global economic crisis of the 1930s and how the fluctuations in world cocoa prices of that period affected the cocoa producers in Nigeria. It tries to bring cocoa industry, fluctuations in price of primary commodities, and dynamics of the inter-war years into close conversation, in order to expose how these issues intersect with one another to create dangerous effects on the colonial Nigeria economy. It, therefore, examines the place of the Nigerian cocoa industry within the deglobalized capitalism of the inter-war years, with a view to demonstrating why and how the fluctuations in world cocoa prices of the 1930s affected the cocoa producers in Nigeria.

The arguments and observations that underpin this paper are two-fold. First, it observes that extant bodies of literature on the Nigerian cocoa industry, on the world commodity trade, and on the inter-war years have downplayed the impact of the 1930s fluctuations in the world commodity prices on the Nigeria cocoa producers. Second, the fluctuations in world commodity prices in the 1930s had palpable effects on cocoa producers in Nigeria, due to the nature of cocoa industry. Unlike other products, cocoa had no local use and therefore no local market in Nigeria, until the 2000s. Thus, cocoa planters in colonial Nigeria depended upon the world market for sale of their produce. The result of this was their subordination to the vagaries and cycles of capitalist world economy. To be sure, the 1930s fluctuations in commodity prices led to the wide fluctuation in farmers' incomes and fall in their purchasing power. There was also rise in prices of imported goods, wages, and cost of living. And there was increase in tax regime. The implication of this situation for the cocoa farmers included their inability to, among other things, send their children to school and pay their fees and tax easily. It also led to petition writing.

This study is important to us because about 25 per cent of world merchandise trade consists of primary commodities, and many developing countries depend on one or a few commodities for the majority of their exports earnings (Coshin and McDermott 2002). The history of the impact of the 1930s price fluctuations on the Nigerian cocoa producers provides an interesting case study of the impact of the international economy on countries of the periphery as well as the consequences of economic dependence on external market. It is a contribution to knowledge in the areas of Nigeria cocoa industry, world commodity trade and the impact of interwar depression on the commodity producers in the periphery economies.

The study relies essentially on primary sources for its analysis. The primary archival documents include those generated by the Agricultural Departments during the colonial period. Documents deposited in National Archives Ibadan (NAI) in Nigeria were utilized. Such relevant sources as the Blue Books, Nigerian Handbooks, Official Gazettes, and files of the Colonial Secretary's Office (CSO) on cocoa matters and colonial economic policies provided data for the historical reconstruction. In the analysis of cocoa prices, the study utilizes the model provided by Christer Gunnerson (1978), namely, the United Kingdom prices, cost insurance and freight (c.i.f.), London as a proxy market prices, and export prices, free on board (f.o.b), the Gold Coast as a comparison.

The subsequent discussion is divided into five sections. The first is anoverview of the literature in the areas and themes that constitute the fulcrum of this study, namely, the Nigerian cocoa industry, fluctuation in commodity prices and the inter-war years. The second provides the background to the study as it deals with the dynamics of the world cocoa production, consumption and prices up to 1929, years before the time frame of this study. The third discusses the place of the world cocoa economy within the fluctuations in world commodity prices in the 1930s, while the fourth section examines the effects of these fluctuation in world cocoa prices on cocoa producers in Nigeria. This is followed by conclusion.

The Nigerian Cocoa Industry, Fluctuations in Commodity Prices and the Inter-War Years in Literature

Being a major export commodity in colonial Nigeria (just like the crude-oil in the post-colonial period), cocoa has attracted the attention of scholars. For instance, specialist studies on the Nigeria cocoa industry have focused on various themes, such as the beginnings of cocoa culture in Nigeria (McPhee 1926, Howes 1946, Webster 1963, Berry 1975). Others have studied the cocoa production processes (Galleti, Baldwin and Dina 1956, Berry 1975), curing and preparation (Are and Gwynne-Jones 1974), labour and migration (Walker 2000) as well as organization of cocoa trade in West Africa (Bauer 1963). Added to these are the narratives on the cocoa marketing board (William 1985, Hawkins 1958, Adamu 1979, Meredith 1988, Deutsch 1995) and the impact of World War II (1939-1945) on the West African cocoa industry (Olorunfemi 1980). The impacts of the modern developments in the world economic system on cocoa industry such as the structural adjustment programme have also received attention (Van da Laan & Haarem 1990). Aderinto (2013) has recently examined the land conflict generated by cocoa in southwestern Nigeria. However, studies on the Nigerian cocoa farmers and the fluctuations in world cocoa prices of the 1930s have not been reflected in the extant literature on cocoa industry.

Similarly, literature abounds on the dynamics of commodity prices in general and world cocoa prices in particular. The duration and magnitude of cycles in commodity prices have been examined (Cashin, McDermott and Scott 2002). The characteristics of the behaviour of commodity prices, such as the persistence of shocks to the price of primary commodities have also received attention (Cashin, Liang and McDermott 2000). The impact of world price instability on the prices producers receive in developing countries has been illustrated (Hazell, Jaramillo and Williamson 1990; Deaton 1999). The experience of sub-Saharan Africa in dealing with commodity-price variability has been dealt with (Deaton and Miller 1995). Joseph Weiss has used spectral analysis to empirically identify cyclical patterns of world cocoa prices, arguing that the knowledge of certain cyclical patterns is essential to effective potential price stabilization policies on the world market (Weiss 1970). A model that derives an optimal hedging strategy for a producing country that is subject to variability in both the price and production of its output has been presented by Jacques Rolfo (1980). The implications of international monopolistic cocoa pricing agreements have also been discussed (Behrman 1968).

Due to the significance of the inter-war years in the history of the world economy, studies have been carried out in order to disclose its cumulative pattern and its ultimate characteristics. In these studies, the impacts of the crises of the 1930s on the economies of the metropolitan countries are well documented. In the periphery countries, such magnitude of studies has not been undertaken. The significant study is the work edited by Ian Brown (1989), which deals with the impact of the inter-war depression on the economies of Asia and Africa. In the specific case of Nigeria, Moses Ochonu (2006, 2009) has examined the impact of the Great Depression on Nigeria as a whole and on northern Nigeria in particular.

Thus, in these bodies of literature on the Nigeria cocoa industry, the world commodity trade, and the inter-war years, the impact of the 1930s fluctuations of the world commodity prices on the Nigerian cocoa producers has been a neglected theme. The result of this has been the lack of holistic understanding of the ways in which the dynamics of world economy of the inter-war years affected the cocoa industry, which was one of the major export commodities in colonial Nigeria.

World Cocoa Production, Consumption and Prices Up to 1929

The trade in primary commodities on the world market is one of the features of the capitalist world economy. It was on the prompting by the laws of motion of capital that the production of cash crops and natural resources in colonial territories was undertaken. This led to plantation agriculture and the expansion of peasant commodity production. The world plantation belt runs from Central and South America across the equatorial regions of Africa to Asia, to the Far East and Queensland in Australia (Courtenay 1980, Hartemink 2005, p. 11). The most important plantation crops are cocoa, coffee, tea, coconut, bananas, rubber, oil palm, jute, sisal and hemp (Burger 1994).

The focus of this study is cocoa, whose story begins with a fermented alcohol drink, discovered in the Ulua Valley of present Honduras, which dates somewhere between 1400 B.C. and 1100 B.C. For the next two millennia, the rest of the world remained oblivious of the existence of cocoa until 1502 when Christopher Columbus obtained the beans in his fourth voyage to the New World. The custom of drinking chocolate soon spread from Spain to other countries. The first chocolate house in England was opened in London in 1657. The drink also became popular in France, Holland, and Germany. However, the trade in cocoa on the world market did not become an important one until the second half of the nineteenth century. This was the period when the manufacture of chocolate was being considerably increased as the result of the perfection of a method of making milk chocolate in Switzerland in 1876. Firms such as Cadbury-Schweppes, Fry and Rowntree in Britain and Nestle and Peters in Switzerland were needing increased supplies of beans. According to Wickizer (1951),

> Cocoa butter, chocolate and chocolate syrups, cocoa powder, and prepared cocoa mixes are used widely in the confectionary, ice cream, baking, dairy, and soft-drink industries to produce a great variety of foods and beverages. In addition, cocoa butter has for many years had a significant non-food use as a base for cosmetics and various pharmaceutical preparations (pp. 261-262).

Increasing demand from Europe for cocoa beans led to the spread of cocoa cultivation in suitable areas in Spanish colonies in the New World. In 1822 seeds were brought from Bahia to the Portuguese island of Sao Tome off the west coast of Africa, where they were planted and where they subsequently flourish. Cocoa plants were introduced in 1840 to the island of Fernando Po by William Pratt. It was from there that cocoa culture spread to various parts of West Africa, Nigeria in 1874 and Ghana in 1879, Cameroons in 1892, and Cote d'Ivoire in 1905.

As statistics indicate, the production and consumption of cocoa have increased enormously since the early twentieth century. Trends of trade show that the production of cocoa has spread to various parts of the world: Africa, the Americas, Asia and Oceania. An examination of the detailed figures of production shows that in the 1895 to 1905, the countries where the principal expansion of production took place in order of relative importance were San Thome, Dominican Republic, Brazil, Trinidad, The Gold Coast, and Venezuela. In the years 1905 to 1910 the countries in which expansion was taking place, in order of importance were The Gold Coast, Ecuador, San Thome and Brazil. The expansion in other countries was unimportant; San Thome reached its peak during this period and its total exports greatly exceeded the average of the post-war period. Between 1910 and 1915, the principal expansion was in the Gold Coast, Brazil also had a substantial expansion and there were the first signs of some expansion in Nigeria. Table 1 (see Appendix) shows the statistics of cocoa production from 1915 to 1932. It shows that between 1915 and 1920 the position was much the same, a large expansion in the Gold Coast and moderate expansion in Brazil and Nigeria. Trinidad and Ecuador reached their peak during this period, but San Thome began to decline. Between 1920 and 1925 the last great expansion in the Gold Coast took place and production rose to 90% of the maximum production yet reached. There was also a large expansion in Nigeria and a small expansion in Brazil. Venezuela reached its peak and there were the first substantial signs of increase in the Ivory Coast. Ecuador began to decline. Between 1925 and 1930 there were substantial increase in Brazil and Nigeria and particularly in the Ivory Coast, a small increase in the Gold Coast and declines in San Thome and Ecuador. The Dominican Republic also reached its peak and began to decline during this period (NAI CSO 26/3 28604 Vol. II).

Turning to consumption, World consumers of cocoa in the 1930s included: Great Britain, Germany, Netherlands, France, the United States of America, Canada, Australia and New Zealand, South Africa. The figures of world consumption as shown in the Gordian are vitiated by the difficulty in distinguishing between imports and true consumption. It is not possible to obtain figures even as accurate as the production figures given above, since it is very difficult to distinguish between import purchases by manufacturers for stock (and not immediate use) and actual consumption. Moreover, in comparing consumption with production it is necessary to take account of the fact that between the period when cocoa is registered in the production figures and the period when it passes into consumption it suffers a loss of bulk of about 1½ % owing to shrinkage, wastage and other similar causes. In the United Kingdom, France and Germany, there were substantial duties on importation. As manufacturers can hold cocoa in bond, it may be assumed that any cocoa cleared from bond is rapidly consumed. Consumption calculated on this basis has been as follows in these countries. The summary is that there was an imbalance between production and consumption, between supply and demand which aggregated and cumulated into the depression in world cocoa prices of the 1930s.

Turning to price, in the early 20th century, cocoa enjoyed relatively good price. The good price which cocoa enjoyed on the world market since the early 20th century led to the expansion of cultivation of the crop as seen in Table I above. The outbreak of the First World War in 1914 led to dislocation and disruptions on the world market. Commodity trade on the global market also had a share of this trade dislocations occasioned by the First World War. These effects included the depression on cocoa market and price, uncertainty in the market in the form of price inflation, restrictions on cocoa trade, imposition of export duties on cocoa, reduction in the activities of agricultural stations, and new guideline in cocoa exports. In the specific case of price, on the eve of the war in 1913, a ton of cocoa was sold at £39. Following the outbreak of the war in 1914, the price dropped to £34. But in 1915, there was a rise in price to £40. Although it dropped to £37 in 1916, it was still higher than 1914 price. This rise in price in 1915 and 1916 cocoa seasons gave rise to an undue increase in the quantity of crop exported and the harvesting of immature pods due to economics of uncertainty. This increase in quantity of cocoa exported in the early war period due to the inflated price of produce helped to depress the price towards the end of the war. For instance, cocoa prices touched the lowest level in 1917 (£21) and 1918 (£14).

The end of the War in 1918 was followed by a scramble for commodities by the world's industrial economies which lasted through 1919 and 1920, leading to an increase in price. There was a dramatic rise in price from £14.11 towards the end of the war in 1918 to £50 in 1919, which was about 354.36 per cent increase relative to the previous year. With demand for tropical agricultural produce now exceeding supply, the export earnings of several African economies, including Nigeria, were little less than phenomenal. This led to further expansion in planting new cocoa trees and to the practice of adulteration of produce among cocoa producers. This in turn led to the transfer of the inspection and grading scheme from Customs to the Department of Agriculture.

However, the collapse of 1921-1922 which followed this post-war boom was equally abrupt, bringing prices in levels back towards those prevailing in the mid-war years. According to Gunnarsson (1978:73), the years 1923/1924, export prices fell 57 per cent, while at the same time producer prices decreased by some 70 per cent. Put differently, after 1920/1921 until 1927/1928, the producers' share gradually improved from some 60 per cent to almost 100 per cent of the export price, while the market prices at the same time slowly started rising. During the subsequent years, the price continued to fall until 1933/1934. Lionel Robbins (1934: 8) puts it in a more graphic way and arrives at the same conclusion, arguing that although there featured a boom in the mid-1925, it was pre-eminently an industrial boom. The rise in profitability of certain lines of food production was relatively low. All over the world, the relative decline of agriculture was giving rise to severe political strain and desperate attempts, in the shape of pools and restriction schemes, to evade the consequences of technical progress. Between 1926 and 1927 export prices decreased by 69 per cent, while producer prices fell by 75 per cent (Gunnarsson 1978: 73). This situation led to a cut-back in the production of annual export crops. However, price of cocoa picked up in 1927-1928, given rise to rapid planting which later contributed to exacerbating the fall in price of the crop during the Great Depression of the 1930s.

Fluctuations in Primary Commodity Prices in the 1930s: The Case of Cocoa

The prices of primary produce on the world market have been volatile due to the periodic cycles, characteristic of capitalist world economy. In the 20th century, this volatility was exacerbated by the World Wars and economic depressions. According to Daniel Summer (2009), the two decades long agricultural depression from 1920 through the early 1940s stands out, with low prices in most years. Charles Kindlebereger (1973: xiv) has argued that the liquidity squeeze caused by the stock market collapse of October 1929 dropped worldwide commodity prices by 12 to 20 per cent in the year from August 1929 to August 1930. Jockob Madsen (2001:848) corroborates this evidence, maintaining that the contraction in world trade during the first phase of the Great Depression (1929-32) stands out as the strongest adverse shock to international trade in modern history.

Various interpretations have emerged to underpin the fluctuations in commodity prices on the world market. The Schumpeterian analytical framework and the Prebisch-Singer hypothesis are typical examples. Joseph Schumpeter has argued that commodity prices are directly related to the phases of prosperity and stagnation. In the period of prosperity, the initial competition for productive inputs (metals, minerals, agricultural goods) tends to increase their prices relative to manufactured goods. The rising commodity prices observed in the prosperity phases is reduced as the economy enters the stagnation phase (Erten & Ocampo 2013).

Similarly, based on data for Britain's terms of trade since late 19th century, Hans Singer (1950) and Raul Prebisch (1950) showed that given the then prevailing international division of labour, the improvement for Britain's terms of trade indicated deterioration for the terms of trade for countries exporting commodities to Britain. Paul Cashin and John MCdermott (2002) put it differently and arrive at the same conclusion, noting that the Prebisch-Singer hypothesis states that owing to the low income elasticity of demands for commodities and because total factor productivity increases have been smaller for manufactured goods than for primary commodities, the price of commodities relative to manufactured goods should decrease over time. If this hypothesis were true, they argued, then the long-term outlook for commodity-exporting countries would be quite unfavourable. Bauer and Paish (1952) also maintain that the inelasticities of supply and demand, especially of short-period supply are the principal factors responsible for the wide price fluctuations of primary products, and particularly of agricultural products. These price fluctuations in turn have often brought about wide fluctuations in incomes.

In terms of its historicity, the events that led to the depression in commodity prices in the 1930s had been in place since the end of the First World War in 1918. The equilibrium of the world economic situation throughout the first post-war decade (1919-1929) was unstable (Arndt 2014, p. 9). According to Arndt (2014, pp. 10-11),

> War conditions and remarkable improvements in agricultural techniques had led to an immense expansion of agricultural production during the years of the war. A constant demand for their products at steadily rising prices had encouraged overseas agricultural producers to take new land under plough and increase production per acre by the application of new techniques. With the removal of the exceptionally favourable conditions of the war, this unprecedented growth of productive capacity might in any circumstances have presented a serious problem. It was aggravated by the fact that after the war demand for some of the most important agricultural products, especially cereals, ceased to expand at pre-war rate, owing to changes in nutritional tastes, but also to the beginning of the trend towards stationary populations in north-west Europe and North America, and to measures of agricultural protection. The result was a relative surplus productive capacity of the large primary producing countries and a tendency for agricultural prices to fall relative to those of manufacture goods.

Lionel Robins (1934, p. 8) puts it in a more graphic way and arrives at the same conclusion, arguing that "although there featured a boom in the mid-1925, it was pre-eminently an industrial boom. The rise in profitability of certain lines of food production was relatively low. All over the world, the relative decline of agriculture was giving rise to severe political strain and desperate attempts, in the shape of pools and restriction schemes, to evade the consequences of technical progress". Between 1926 and 1927 export prices decreased by 69 per cent, while producer prices fell by 75 per cent (Gunnarsson 1978, p.73). That in brief was the condition of the world commodity trade when disaster struck in 1929, triggering off the depression.

In practice, cocoa price on the world market in the 1930s was deplorably low. The selling price of Accra cocoa, for instance, stood below 50 per cent of the prices immediately before the First World War. Gold prices had fallen by more than two-thirds and the tendency of prices was still downwards (NAI CSO 26/3 28604 Vol. II). This was due to the Great Depression which hit the world economy in the early 1930s causing general fall in price. In times of depression, not only was there a certain natural tendency for consumption to be checked and even to fall instead of rising, there was also some danger that some countries which felt compelled to restrict their imports in order to protect their balance of trade and their currency position might restrict the importation of cocoa and articles manufactured from cocoa. This was the case in 1932 when there was a decided drop in consumption of cocoa compared with the preceding years. This was because in the period of falling prices and exchange fluctuations, manufacturers, who in normal times carry substantial stocks, "tend to live from hand to mouth". Again, the market in cocoa by then was comparatively a narrow one, because the greater parts of the purchases were genuine purchases by persons who required the cocoa for their own use. The speculative element in cocoa trade was only gradually emerging in New York.

The depressed prices of crops did not lead to decline in production, due to the principle of seasonal concentration of output. In this way, the cocoa trees fruiting in the period of depression were cultivated in 1927-1929 during the period of good price. Schumpeter rejected the idea that depressing prices caused declines in output which was a thesis proposed during the debate on the Great Depression of 1873-1896 in Britain (Erten and Ocampo 2013:15). Since cocoa production continued to increase amidst fall in consumption and price, it consequently gave rise to the heavy stocks of cocoa which were overhanging the market and which helped to further depress the price. This led to attempts by the stakeholders in world cocoa economy to mount a scheme of international cocoa restriction. These attempts failed due to the nature of peasant mode of production in West African cocoa industry.

However, from November 1936, the price of cocoa picked up. The large surplus which caused cocoa price to drop to an abnormal low level had disappeared. In the specific case of Nigeria, the Lagos price for fairly average quality (F.A.Q) from 8

December 1936 up 1937 was ₤43.10.0d per ton from ₤16.15.3., which had ruled since 1933 up to mid-1936 (See Table II in the Appendix for the profile of cocoa prices, 1929-1939).

According to *The Economist* of September 1936, quoted in Director of Agriculture's letter to Chief Secretary to the Government, the spectacular rise in the price of cocoa was hardly justified by the statistical position of the crop. It was largely due to speculation (NAI CSO 26/3 28604 Vol. IV), which was gradually emerging in New York. The rise in price was due to the change made by the entry into the cocoa market of large outside buying. The Bulletin of Wessel on Cocoa Conference, 1934, maintained as follows:

> The performance of the market during the last twelve months has shown that continuous buying is required to maintain or advance prices. The buying will not originate from manufacturers, most of whom are comfortably supplied; it must come from outsiders…The outside buyer stands between producer and manufacturer…He usually buys on advances when producers sell and he liquidates on weakness when manufacturers buy (Wessel, Kulenkampff & Co.1934).

Thus, in line with this forecast, the world excess supplies of cocoa had by 1936 been acquired by a conglomeration of buyers, principally in the form of 'futures' on the London and New York terminal market (Wessel, Kulenkampff & Co.1934). Accumulation on exchange had been responsible for an advance in price within a year. With many people in Europe and U.S.A turning to commodities as a relatively safe investment with reasonable profit chances, the trend of cocoa prices depended more than ever on the action of outsiders.

Chamberlain described the 1936 improvement in commodity prices in a different way, saying that 'the fundamental cause of the price of these commodities is neither armament nor speculation, but the rapid progress towards economic recovery over a large part of the world (BSK 1937, p. 3).

However, by the middle of 1937, the price had fallen back very rapidly from about 50/-d to 20/-d, approximating to the average price received for the years 1931 to 1935 (NAI S.2A/25807, 1938).

The Effects of the 1930s Fluctuations in World Cocoa Prices on the Nigeria Cocoa Farmers

Both sharp fluctuations and long-run trend movements in commodity prices present serious challenges for many developing countries, owing to their large impacts on real output, the balance of payments, and government budgetary positions, and because of the consequent difficult problems they pose for the conduct of macroeconomic policy (Coshin and McDermott 2002, p.176). The effects of the 1930s fluctuations in world cocoa prices on the Nigerian cocoa farmers are discussed below:

Wide Fluctuation of Incomes and fall in Purchasing Power: There has been considerable discussion on the problem of fluctuations in commodity markets and the impact of these fluctuations on the producers of primary products. According to Benton Massell (1964, p. 47), the source of fluctuations in export proceeds is often believed to be concentration on an unnecessarily narrow range of products for export. This was the case with the Nigeria cocoa farmers. So enthusiastically had the farmers adopted cocoa that they no longer bothered about other crops including food crops. Similarly, unlike groundnuts and palm oil, cocoa had no local use. Cocoa planters in Nigeria depended on world market for sale of their produce. Thus, the fluctuation in world cocoa prices affected the income of the farmers. The implication of this situation for the cocoa farmers included their inability to, among other things, send their children to school and pay their fees and tax easily. The upkeep of the yam farm which was the source of his living was difficult (NAI S.2A/25807, 1938).

***Rise in Price of Imported Goods, Wages and Cost of Living*:** The price of imported goods rose drastically, deteriorating the terms of trade (Elsenhans 1991). The farmer had also suffered from a rise in the wages paid to his labourers. With the rise of cocoa prices at the end of 1936, wages were increased by from 25 per cent to 50 per cent for the calendar year 1937 (NAI S.2A/25807, 1938, p. 3). The cost of locally produced foods had also risen somewhat. Reports show that the cost of living rose risen by perhaps 10 per cent. Although the price of many raw materials had gone down, there were still many, such as iron, which now cost more. This was partly due to the re-armament going on in Europe since 1934 engendered by the emergence of Hitler in Germany. Thus, the manufacturers were busy constructing guns, aeroplanes and battleships for which they used great quantities of materials such as iron, with the result that they needed a larger quantity of these materials than was actually being produced—this caused the price to rise and that was why galvanized iron (pan), for instance, was now so dear in importing countries such as Nigeria. Moreover, the cost of the manufactured products did not entirely depend upon the cost of the raw products from which they were made. The wages of those employed in making them was an important cause in the fixing of the price, and wages in Europe had increased considerably during recent years (NAI S.2A/25807, 1938).

In a letter to the Governor of Nigeria, dated 16 February 1938, Ibadan Cooperative Cocoa Marketing Union pointed out that the price of consumption goods should follow the price of produce (NAI S.2A/25807, 1938: 2). Cocoa petitioners called for a standardized cocoa price. According to the them,

> It has already been pointed out that economic wheel as turned in Europe is not known to us here….The price of general merchandise

> rose up by 50% immediately the cocoa price rose in 1936 and it continues to be so till now: If the firms would like the producer to believe them why not the economic wheel that turned cocoa price up in 1936 alongside with merchandise price lower the prices from October 1937 correspondingly?...If the economic wheel is a thing that turns automatically and we have somebody to guard the interest of the producers, then we want no standardization of price, but if not we crave for it (NAI S.2A/25807, 1938).

False Hope and Rapid Planting: It is clear that high prices stimulated planting (NAI CSO26/3/28604 Vol. IV, 1936). For instance, such period of high prices occurred in 1927, 1928 and 1929, with the result that there was a sudden jump in production in 1932. Some of the cocoa trees planted in 1929 were only just reaching the full bearing stage when the price rose in 1936. The rise in price gave the farmers a forlorn hope. According to the Director of Agriculture, **"**We are in the fortunate position of being able to reap the full benefit of the rise in prices which has taken place this year. The Nigerian cocoa industry is therefore in a very satisfactory position. The farmers are getting the full advantage of the high prices which are now ruling" (NAI CSO26/3/28604 Vol. IV, 1936). This situation was expected to stimulate planting which would ensure a further increase of production in the future, giving rise to another problem of policy.

On matters of policy, it was decided that there was no need to take active steps to deliberately encourage planting, as it was going ahead quite satisfactorily. The Directorate of Agriculture was to give more attention to the possibility of increasing production by the rejuvenation of old plantations, and the use of manures. Added to this was the possibility of finding new areas where cocoa could be successfully grown (NAI CSO26/3/28604 Vol. IV, 1936).

Increase in Cocoa Tax Regime: Since the inception of the Great Depression and the concomitant fall in consumption and price, efforts had been made by the colonial authorities to stabilize the price by discouraging planting and production of crops. There was the idea of international cocoa restrictions which was the subject of consideration among cocoa consuming countries. As a part of this restriction agenda, the increase in export duty was also considered. According to Donald Cameron, the Governor of Nigeria, 'the export duty which we should have to impose in order to purchase a proportion of Nigerian cocoa to keep it off the market would therefore have to be very large with no advantage to the Nigerian producer' (NAI CSO26/3/28604 Vol. IV, 1934) This eventually culminated in the imposition of an export duty of 23/4 a ton, from which the government raised revenue of about £80,000 a year. In the Ibadan area, a tax based on the number of a man's cocoa trees was re-imposed after becoming practically obsolete. This amounted to 1/- per 100 trees in 1936/37 and 6d per 100 trees in 1937/38.

Conclusion

Trade in primary products on the capitalist world market is prone to fluctuations. Between 1900 and 1960, the greatest period of volatility was the 1930s, when price of produce depressed the most. The cocoa producers in Nigeria were vulnerable to price fluctuations. In the 1930s, the years with the lowest prices were 1933/1934, while the years with high prices and with the largest producer share were 1936/1937. The fluctuations in world cocoa prices in the 1930s led to wide fluctuation in farmers' incomes and fall in their purchasing power; rise in prices of imported goods, wages, and cost of living; and increase in tax regime. It also led to their inability to, among other things, send their children to school and pay their fees and tax easily.

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Appendix

Table 1: The statistics of World cocoa production from 1915 to 1932

Countries of production	1932	1931	1930	1929	1928	1927	1926	1925	1920	1915
Gold Coast	231,791	241,336	189,764	236,208	223,339	208,349	229,537	216,684	126,596	78,514
Nigeria	68,834	50,602	50,209	53,124	46,322	36,670	36,573	41,725	17,429	9,260
San Thome	10,516	14,175	9,646	18,529	14,636	16,768	12,471	20,861	20,023	27,956
Ivory Coast	25,776	19,895	22,239	16,314	14,315	7,808	6,837	6,278	1,036	114
Brazil	97,513	75,863	66,662	65,558	72,395	75,543	63,310	64,526	56,664	44,980
Ecuador	15,668	14,661	19,989	18,206	22,395	23,575	21,770	32,895	46,773	37,015
Trinidad	18,970	25,939	24,415	28,072	22,961	23,556	22,710	22,442	28,466	24,518
Venezuela	16,500	16,125	16,107	21,126	26,312	16,922	15,052	22,942	17,598	18,281

Domin Rep.	16,366	25,516	20,701	21,322	19,969	26,313	20,084	23,432	23,390	20,223
Grenada	4,400	4,453	4,311	4,311	19,302	5,104	4,024	3,719	6,261	5,056
Jamaica	2,223	2,687	3,052	3,050	4,646	2,982	3,233	2,882	2,562	3,479
Costa Rica	5,000	6,600	7,318	3,907	3,050	3,429	3,318	4,114	2,154	579
Ceylon	3,658	3,895	3,890	4,017	5,207	4,007	3,372	3,490	2,819	3,986
Neth.East Ind.	1,700	1,406	1,463	1,291	4,017	983	1,061	1,201	1,201	1,534
Other Countries	45,730	40,424	46,569	38,141	1,291	36,007	30,575	29,748	20,779	19,262
World Total	564,645	543,577	486,335	525,369	38,141	488,216	475,927	497,019	373,751	294,777

Source: Gordian 1933

Table II: Profile of Cocoa Prices, 1929-1939

Year	Price (£)	% Change in Price (£)
1925	28.16	0
1926	33.11	117.58
1927	56.14	169.56
1928	44.15	78.64
1929	34.7	78.60
1930	26.3	75.79
1931	17.1	65.02
1932	15.19	88.83
1933	14.14	93.09
1934	14.19	100.35
1935	16.15	113.81
1936	16.6	102.79
1937	43.10	169.28
1938	14.7	52.31
1939	13.7	93.20