Cocoa Export Permit and Quota System In Nigeria During World War II, 1939-45

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Abstract

The cocoa trade in colonial West Africa, before World War II, had been operated through market forces. All attempts made by foreign trading firms to form 'cocoa buying pool' and eliminate market forces met with stiff opposition by African farmers and middlemen, the famous of which was the cocoa hold-up in Ghana in 1937-8. However, following the outbreak of World War II in 1939, the British colonial government abrogated the virtue of free market and took control of the cocoa trade in West Africa, appointing the trading firms as its buying agents. This paper examines the organisation, operations and contradictions of cocoa permit and quota system which were the principal elements of the war-time cocoa control scheme in British West Africa.

Introduction

World War II (1939-45) was disruptive and destructive of the international economy. Produce trade on the world market was adversely affected, as export market was partially closed. To prevent the re-occurrence of untold hardship experienced by cocoa farmers during World War I (1914-18), as well as the concomitant upheavals, the colonial government in British West Africa introduced a scheme of cocoa control which enabled the government, through its agents, to purchase all cocoa offered for sale in the sub-region at a fixed price *per annum*. This was probably to insulate the local farmers from the vagaries and fluctuations of the world market engendered by the war-time situation, and to prevent supply to the enemy's territories.

Writing in a journal article in 1954, P.T. Bauer noted that there were three principal "elements of the wartime control over West African exports. These three elements in the machinery of export control were: licensing of exports to direct them to specific destinations; statutory monopoly in handling of the principal exports; and a system of quotas in the purchase of export produce" (p.204). Of these three principal elements in war-time trade control identified by Bauer, scholarly attention appears to have concentrated only on one - the statutory monopoly in handling the principal exports. For instance, D.M. Williams (1953), P.T. Bauer (1954a), Garvin Williams (1985), William Jones (1987) and Rod Alence (2001) have separately argued that the statutory control of produce marketing in British West Africa was an important legacy of World War II (This is because such institutional intervention by the colonial government in produce trade had never occurred before the World War II).

However, the remaining two elements—licensing of exports and a system of quotas in produce purchase—appear to have been neglected themes in the historiography of the war-time trade control in British West Africa. This article is, therefore, an attempt to fill this gap. By so doing, it examines the organisation, operations and contradictions of the cocoa export permit and quota system in colonial West Africa during World War II, with a special focus on Nigeria. The conventional wisdom has been that cocoa control scheme in British West Africa during World War II was mainly due to historical and economic considerations. This study shows that there were theoretical and practical motivations often neglected in the analysis of war-time trade control in colonial West Africa. The main thesis is to demonstrate that the licencing of cocoa exports and quota system were a means to direct government control of the commanding heights of the colonial Nigerian economy. It was this war-time cocoa control system that metamorphosed into Nigeria Cocoa Marketing Board in 1947. It, therefore, marked the beginnings of the extractive economic institutions in Nigeria, which in turn created extractive political institutions—a situation which has hindered or blocked economic growth in Nigeria, in what Acemoglu and Robinson (2012, 2013: 335) have described as a “vicious circle”. Archival sources provided the data for this historical reconstruction. It is an addition to the growing literature on the impact of World War II on global produce trade.

World War II and Cocoa Control Scheme in British West Africa

The introduction, into British West Africa, of cocoa control scheme has been explored at length by distinguished economics and historians including, among others, David Meredith, P.T. Bauer, A. Olorunfemi, and Josephine Milburn. Although their studies have their accomplishments, they also have their limitations. Meredith (1988, 285) gives a historical perspective to the rise of cocoa control in British West Africa during World War II, arguing that it emanated from the 1930s attempts by foreign firms to form a cartel in cocoa trade in British West Africa, which was aimed at removing competition among them and displacing the African middlemen:

> The far-reaching changes which took place in the structure of cocoa marketing in British West Africa during the Second World War, with the establishment of statutory marketing boards, developed from the close contacts established

> during the 1930s between major British firms and top Colonial Office officials, and from the successful attempts made by these firms to limit competition through the formation of a cocoa-buying cartel.

Olorunfemi (1980: 676) seems to have corroborated this evidence of historical perspective, where he asserts that

> The ‘Cocoa pool’ crisis was not resolved by September 1939 when the Second World War broke out…The cocoa control scheme was therefore a part of more comprehensive control imposed on the marketing of Nigeria’s major export crops. The aim was to ‘regulate their dispatch to neutral countries in such a way as to ensure that the products did not eventually find their way to Germany or German-occupied territories.

Josephine Milburn (1970,73-4) puts it differently and arrives at the same conclusion, “It was from the relationships established during the hold-up that tends toward more permanent patterns of co-operation between business and government were begun. Relations with the inhabitants of the colony also changed. During World War Two some programmes for local control were instituted.”

Deviating from historical consideration, P.T. Bauer (1954) identifies three principal strategic and economic objectives of the wartime control over West African exports. These objectives were “to deny supplies to the enemy and secure them for the Allies, particularly the United Kingdom; to prevent a collapse of the local price of cocoa; and to increase exports of groundnuts and of oil-palm produce after 1942" (p. 202).

The foregoing explanations have emphasised historical and economic considerations, almost to the exclusion of theoretical and practical reasons for the suspension of free trade and the introduction of cocoa control scheme by the British Government in its dominion.

Theoretically, the interventionist economic policy during World War II was Keynesianism (a macro-economic theory propounded by John Maynard Keynes, which emphasises government role in the economy as an investor, employer and consumer in order to stimulate the economy, even if it leads to deficit financing). Keynesianism emerged in the 1930s when the orthodox neo-classical economic theory with its faith in free market or *laissez-faire* capitalism as a mechanism of economic equilibrium could provide no solution to the mass unemployment and pessimism characteristic of the Great Depression of the 1930s, a period of fall in prices and abnormally high unemployment. It was at this decisive moment in the history of capitalism that John Maynard Keynes (1936) produced his celebrated book, *General Theory of Employment, Interest and Money*, in which he advocates government's active role in the economy in contrast to the passivity advocated by the neo-classical theory of the free market. State expenditure, argues Keynes in the book, is also the key to economic recovery. This will stimulate demand and create a ripple effect on the economy. According to Desai, Keynes had proposed to the governments a perfect reason to do what they loved to do but were afraid of doing. This proposal had to do with borrowing for public spending.[4] It was three years after Keynes publication that the World War II broke out. Thus, Keynesianism became the economic ideology of de-globalised capitalism—a method of managing capitalism in order to overcome its contradictions. Keynesian theory, it may therefore be argued, might have informed the cocoa control scheme in British West Africa and was at the bottom of the Bretton Woods' arrangement of 1944.

Practically, the cocoa export trade of West Africa was believed to have been in an unhappy plight since the economic depression of the 1930s. For instance, world supplies of cocoa were tending to exceed the demand, with the result that heavy stocks had accumulated and prices remained low. It was amidst this distress that World War II broke out in August 1939. The war, undoubtedly, gave rise to trade and shipping dislocations and disruptions. It involved the disappearance of the important central European market. There were grave fears that the loss of markets in enemy countries might worsen the situation (The Nigerian Daily Times, 30 May 1940, in NAI CSO 36148/S.7).

As a reaction to this development, the British Government declared a state of emergency on the cocoa trade in West Africa. This enabled it to control the trade of its dominions and thereby prevented supply to the enemy countries. To this end, the Government introduced a scheme of cocoa control (The Nigeria Daily Times, 16 Nov 1939, in NAI 36148/S.7). A press notice from the Nigerian Secretariat dated 14 February 1940, containing the text of this decree of 13 November 1939, stated that the British Government had undertaken, as a war measure, to purchase the whole 1939/40 crop of British West African cocoa (NAI CSO 36148/S.7, p.1). It further stated that

> the price paid to producers would be fixed for the whole season on a basis of nine shillings per load for Gold Coast good fermented cocoa, and sixteen pounds, ten shillings for Nigeria F.A.Q. [Fair Average Quality] cocoa, ex-scale [cocoa of standard weight] port of shipment. The crop

> would be handled by European and other shippers already established in the trade, who will act as agents for Government and will be paid on agreed remuneration for their services. Each shipper would be allotted a share of the total purchase based, broadly speaking, in case of larger shippers, on purchase over the last three seasons and in case of smaller shippers, many of whom have only recently entered the trade, on last season purchases.

A moratorium on cocoa sale and purchase was also declared in both Ghana and Nigeria with effect from 14 November, 1939, in order that necessary arrangements might be made by the Colonial Governments in West Africa (PH/PRAAD/CSO 8/2/167). The arrangement, according to the decree, would include the setting up of local organisation which would obtain a return of existing stocks and contracts. In this case, firms were requested to forward a return of outstanding overseas cocoa contracts they had entered into before 14 November 1939. They were asked to make a declaration to the Comptroller of Customs of their actual shipments of cocoa during the period 1 October 1938 to 30 September, 1939, quoting the name of the exporting ship and the date of sailing. A letter dated 19 November 1939 signed by the Chief Secretary to the Government indicated that such requests were put to Messrs C. Zard & Co. Ltd., The London African & Overseas Limited, Messsrs Flionis Brothers in Ondo, The United Development Trading Co., The Anglo-Nigerian Trade Corporation, Messrs S. Thomopulos, Messrs Odutola Bros. at Ijebu-Ode, The British West African Timber Co., Sapele, African Industrial and Shipping Co., Messrs W.E. Griffiths, Nwaniba—Uyo, P. S. Mandrides Esq. (NAI 36148/S.5, pp. 39-49).

During the period of the moratorium, all purchase or sale of raw cocoa and all advances to brokers and middlemen for purchase of cocoa were prohibited. The first installment of moratorium, which was to last for ten days, was later extended to 27 November 1939 and later to 5 December 1939 (NAI 36148/S7).

The Government purchase of the 1939/40 crop-season was expected to begin within a week or ten days of the announcement, and end on 31 August 1940. To facilitate the operation of the control scheme in Nigeria, a local controller was appointed to be assisted by a representative advisory committee, whose functions included fixing of local transport differentials; fixing of local brokerage rates; and allocation of quotas among small shippers. They included: The Cocoa Controller (Mr. G.F.T. Colby—Chairman), The Honourable D. D. Gibb, Mr. R. McL Watson (Chief Inspector of produce, Produce Inspection Department), The Honourable R.M. Williams (President, Lagos Chamber of Commerce), Mr. J.F. Winter (Representative larger exporters), Mr. Zard (Syrian Representative), Mr. E.F.G. Haig (Registrar, Co-operative Societies), Mr. P.M. Sellars (Representative smaller exporters), Mr. Akinpelu Obisesan (Co-operative & Producers), Mr. S. Akisanya (Representative of The Nigerian Produce Traders' Union), Miss E.M. Cotes, Secretary for this first meeting (NAI 36148/S.3 p.31). However, Mr. A.FR. Stoddart was Secretary in the second meeting held on 23 November 1939 (NAI 36148/S.3, p.1)

Shippers of cocoa were also required to declare to the Cocoa Controller all cocoa stocks in their possession on 17 November 1939, including stocks held by their agents. Nigerian Grade III cocoa was not to be purchased by the Government and export of this grade was prohibited too (NAI 36148/S.3). With this experiment on war time control during the 1939/40 cocoa season, the British Government considered it necessary to continue the cocoa purchasing scheme for 1940/41 crop (NAI 36148/S.8, p.19).

In October, 1940, the then Secretary of State for the Colonies approved the constitution of West African Cocoa Control Board (WACCB). Members of the Board included: Mr. George Hall, Parliamentary Under-Secretary of State for Colonies (Chairman), Mr. J. Cadbury, Mr. S. Caine, Mr. E. Melville, Mr. E.C. Tansley, who would act as Director of Marketing, Mr. G.H. Findlay, formerly Senior Resident in the Southern Provinces of Nigeria (later appointed), Mr. OGR Williams and Mr. G.W. Henlen (Secretary) (NAI 36148/S. 63, p.1). The Governor of Nigeria at that time, Bernard Bourdillon, recommended Captain E.J.G. Kelly to represent Nigerian interests on WACCB. Captain Kelly subsequently became Chairman of the Committee appointed in 1939 to examine recommendations of the Cocoa Commission (NAI 36148/S. 63, p.7).

The functions of the Board included supervising, in consultation with the Colonial Governments concerned, the purchase and marketing of the 1940/41 cocoa crop in the Gold Coast, Nigeria and French Cameroons. The Board was also empowered to employ as its agents firms and individuals normally engaged in the West African cocoa trade, and it was to sell through them to the Ministry of Food cocoa requirements in the United Kingdom. The Board would further be responsible, under the direction of the Secretary of State, for disposal of any quantities of cocoa which might remain unsold in producing countries after the needs of those overseas markets which remained open would have been met. The Board would meet from time to time in London, but its day-to-day business would be conducted by the Director of Marketing and the Secretary, who would be stationed at Colwyn Bay (NAI 36148/S. 63, p.7).

A notice regarding the purchase by the British Government of the 1941/42 cocoa crop was released on 9 September 1941. The principles underlying the decision were thus the same as those of 1940/41 season. Control scheme continued throughout the war period and thereafter.

Cocoa Export Permit and Quota System in Nigeria During World War II

In order to assume control of the commanding height of the Nigerian economy and as part of the provisions of the moratorium, the export to all foreign countries of the commodities covered in the proclamation was prohibited. These included all domestically produced foodstuffs and raw materials of which the export normally exceeded one per cent by value of total exports. This was to preserve supplies of key commodities and an additional security against their finding their way to the enemy (NAI CSO 36148/S.23/I, p.1). One of the principal elements or mechanisms that facilitated this control was export permit. In this way, licence and quota were expected to be granted to exporting firms on application. The permits were to be numbered serially and should be issued in triplicates, one copy to be sealed, with the ‘Bill of Lading’ (a list giving details of the goods that a ship, etc, is carrying), to the master’s copy of the manifest, the second was to be filed with the ship’s file and the third forwarded to the Comptroller of Customs for transmission to the cocoa Controller (NAI CSO 36148/S.23/I).

In the conduct of the business licence was expected to be granted without restriction to all American countries, Portugal, Turkey, France, French colonies and protectorates, Egypt and to Iraq, it should also be granted at the discretion of the Governor to other non-European countries with the exception of Japan, Russia and China. Licence should be refused for any substantial consignments to European destinations other than to France and Portugal (NAI CSO 36148/S.23/I). The original intention was that no obstacle was to be put in the way of export of produce to France. Owing to this arrangement, the Food Ministry acted as buying agents for the French Government in the Colonial Empire. Only registered exporters would therefore be allowed to ship cocoa for the 1939 season. A list of such exporters would be forwarded to Comptroller of Customs (NAI CSO 36148/S.23/I).

In addition to licence and permit, there was the issue of contraband control. In a notice issued by the Ministry of Economic Warfare, all goods covered by the contraband lists, which were shipped on or after 20 November, 1939, to neutral countries in Europe, consigned to order, or to forwarding agents without specifying the name of the buyer, would be liable to seizure by the Contraband Committee (NAI CSO 36148/S.23/I). Arrangements were, therefore, made for consignments of goods covered by colonial export licence not to be detained by Contraband Control (NAI CSO 36148/S.23/I, p.51). In the first place, it was desirable that the master of the ships be in a position to inform the Contraband Control Authority without delay what consignments were covered by export licences. In the second place, it was essential that the name and address of the ultimate consignee should be known to the colonial government concerned before an export licence to neutral countries in Europe was granted (NAI CSO 36148/S.23/I, p.51). 'It is difficult to see how the export licensing system can be properly worked unless the names of the ultimate consignees were revealed' (NAI CSO 36148/S.23/I, p.45).

There were objections to inserting the name of the ultimate consignee on the bill of lading. This objection was probably because the new procedure detracted from the old practice in which the name of the principal or main office of the company in the UK was contained in the bill of lading. It was upon the receipt of delivery by the UK office that the final consignee could come to pay for final delivery. In this way, the final consignee was not used to paying money up-front until the goods were delivered in the UK. A firm based in Liverpool, Busi & Stephenson Limited, pointed out that the effect of this new procedure of inserting the name of ultimate consignee on the bill of lading was that the cocoa was shipped automatically to the order of the ultimate buyer, and that the shippers and owners of the goods consequently were in danger of losing title, as the buyer to whom the goods were consigned, could obtain delivery without the Bill of Lading, which meant that the buyer could obtain delivery without payment (NAI CSO 36148/S.23/I, p.44).

> We have no objection to make with regard to the name of the ultimate consignee appearing in the application for Export License, but what we object to is the name of the ultimate consignee or buyer, appearing on the Bills of Lading, because as we have already explained, if the cocoa is consigned, as is being done, in the Bill of Lading, to the order of the ultimate consignee or buyer, it means that such party is able to obtain delivery of the goods without payment. While we appreciate the necessity of the consignee's name appearing in the application for License, there is surely no need for same to appear also in the Bills of Lading (NAI CSO 36148/S.23/I, p.46).

In order to facilitate the efficient operation of export control by the colonial governments, the British Government considered the compilation of a 'White List' of ultimate consignees in contiguous countries in Europe to which exports might be sent. Firms were permitted to buy co-operative cocoa in addition to their fixed quotas. This condition was aimed at giving firms an incentive to compete for the commodity (cocoa) since its purchase and sale would entail additional receipts by way of commission paid to the buying firms by the government (NAI 36148/S.11/II).

Another mechanism used for facilitating cocoa control in British West Africa during World War II was quota system. Quota allocation was devised so as to ensure that no new entrants were admitted as shippers, and that when competition would have been restored all shippers engaged in the trade in the pre-war period should start again in the same relative position (NAI 36148/S.11/I, p.5). The crop would be handled by European and other shippers already established in the trade, and who would act as agents for government and would be paid on agreed remuneration for their services. Each shipper would be allotted a share of the total purchase based, broadly speaking, in case of larger shippers, on purchase over the last three seasons and in case of smaller shippers, many of whom had only recently entered the trade, on last season purchases (NAI 36148/S7, p.1).

Buying agents were classified as ‘Group A’ or ‘Group B’ shippers. The ‘B’ shippers operated only in West Africa and sold their cocoa to ‘A’ shippers there. The ‘A’ shippers consisted of the Pool firms plus the English and Scottish Wholesale Co-operative Society and the Greek trader, A.G. Leventis (Meredith 1988, 291). No shipper was permitted to make sales on his own account (GH/PRAAD/CSO/2/173). The schedule of marketing expenses was reimbursed to shippers (NAI 36148/S.8). Reimbursement of ‘A’ shippers was normally effected in the United Kingdom. On this point, the ‘B’ shippers were expected to notify the Cocoa Controller when their purchases of light crop were available for handing over. And then the Cocoa Controller would issue instructions to them and make the necessary payments (NAI 36148/S.8).

Group 'B' shippers could also sell either through the United Kingdom agents appointed by them or, if they so preferred, locally to Group 'A' shippers. The schedules of marketing expenses for both groups 'A' and group 'B' shippers remained unchanged, although prices payable to producers had been increased (Daily Service, 19 Sep 1941, p.2).

The quota system, it should pointed out, offered firms opportunities of making considerable savings. There were in Ibadan Division alone (excluding Ibadan itself) at least five large village-buying centres where co-operative societies and firms' salaried clerks were actively competing for cocoa. Firms normally saved on overhead costs by allowing the co-operative societies to handle the cocoa and sell to them through the Marketing Union in Ibadan (NAI 31648/S.11/1, p.5).

Conclusion

Produce trade on the world market was adversely affected by World War II. This was as a result of the partial closure of export market. The British colonial government in West Africa, therefore, introduced a scheme of cocoa control, which enabled it, through its buying agents, to purchase all cocoa offered for sale in the sub-region at a fixed price per annum. This was to prevent supply to the enemy's territories. There were three principal elements of the wartime control over West African exports: licensing of exports to direct them to specific destinations; statutory monopoly in handling of the principal exports; and a system of quotas in the purchase of export produce. The war-time trade control metamorphosed into the marketing board in the post-war period, an institution used by the ruling class to extract surplus from peasant producers until its dissolution in 1989 following neo-liberal economic reforms.

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