



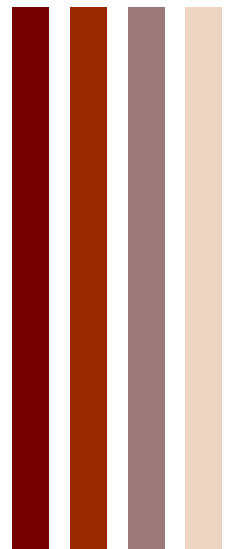
Ghana's Cocoa Trade

Navigating Regulations for Local and International Participation

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Introduction

Ghana ranks as the second-largest producer of cocoa globally, with its beans highly valued for their reliable quality and rich taste. Recognising its strategic importance, the Government of Ghana has instituted a comprehensive regulatory framework to govern the purchase, processing, and export of cocoa. This system is designed to uphold quality standards, ensure transparency, and prevent illicit trade.

Similar to minerals, oil, and other vital resources, cocoa is overseen by the government through the Ghana Cocoa Board (COCOBOD). The Cocoa Marketing Company (CMC), which operates as a subsidiary of COCOBOD, is responsible for overseeing the trading of raw cocoa beans for both export and domestic use. By holding this exclusive authority, the CMC guarantees that cocoa from Ghana is marketed systematically and preserves its status as the industry's gold standard.

The Licensed Cocoa Trade System

No individual or organisation may acquire or possess raw cocoa beans in Ghana without authorisation from COCOBOD. To facilitate the effective distribution of cocoa beans, COCOBOD has set up a licensing framework that specifies who is eligible to buy, process, and export cocoa.

There are three tiers of licensed participants:

- The first group is the Licensed Cocoa Buying Companies (LBCs), which are authorised entities responsible for purchasing raw cocoa beans directly from farmers before selling them to the CMC. They play a crucial role in connecting farmers with the larger cocoa marketing network.
- The second category is the Licensed Cocoa Exporters (LCEs). These entities buy beans from the CMC for export. While all LCEs can handle raw cocoa beans, not all are permitted to manage processed cocoa goods. The CMC enforces strict measures to ensure that raw beans do not remain within the country. Should beans be held domestically, the responsible organisation must possess a processing license.

- The third group consists of the Licensed Processors of Cocoa (LPCs), which are entities permitted to buy beans from the CMC and convert them into semi-finished products like cocoa liquor, butter, and cake. Only LPCs are allowed to consume raw cocoa beans in Ghana, ensuring that local processing is regulated and meets quality standards.

This system ensures that unlicensed individuals or organisations are barred from accessing or exporting raw cocoa beans. Once purchased, the beans stay under the control of the CMC until they are shipped internationally, enhancing government oversight and minimising the chances of diversion or smuggling.

How Cocoa is Sold and Exported

Sales of Ghanaian cocoa beans are conducted by skilled traders who keep a close eye on global futures markets in London and New York. Most standard sales occur under Cost, Insurance, and Freight (CIF) terms, though occasionally Cost and Insurance (C&I) or Free on Board (FOB) agreements may be utilized.

When an LCE acquires beans from the CMC, the beans are not sent to private storage facilities. Instead, they are kept at specific storage locations at Ghanaian ports under the control of the CMC until they are ready for export. The beans are subsequently shipped directly by the CMC to international buyers or provided to local processors with valid LPC licenses.

This strategy prevents the improper use of raw cocoa beans within Ghana and guarantees that exports remain closely tied to international trading norms.

International Participation: Opportunities and Constraints

For foreign traders, investors, and financiers, Ghana's cocoa sector offers access to high-quality beans but within a tightly regulated framework.

Key considerations include:

- Only CMC or LCEs can legally export raw cocoa.
- Foreign entities cannot act as exporters unless they obtain an LCE licence. A process that typically requires local incorporation and regulatory approvals.
- However, international parties may finance purchases, enter into offtake agreements, or provide trade finance through partnerships with LCEs.

The most common and compliant entry strategies involve:

- Collaborating with an LCE to procure beans from the CMC for export; or
- Purchasing processed cocoa products directly from LPCs.

In every scenario, the primary rule is that export authority remains firmly held by either the CMC or a licensed entity. Any efforts to circumvent this system could lead to regulatory violations and potential penalties.

The Strategic Advantage of Processed Cocoa

While the trade of raw cocoa beans is heavily regulated, processed cocoa products enjoy more leeway. Once cocoa is converted into butter, liquor, or cake, it is no longer under the sole control of the CMC. Licensed processors are permitted to sell these items freely, and international buyers can acquire and export them, subject only to general customs and food safety regulations.

This differentiation is crucial for global firms as investing in processed cocoa presents a more accessible entry into Ghana's cocoa value chain. Aside from avoiding licensing complexities, this route also aligns with Ghana's goal of fostering value addition and industrial development within the nation.

Conclusion

Ghana's cocoa regulatory system represents a thoughtful equilibrium: stringent monitoring of raw cocoa bean exports to safeguard quality and reputation, coupled with incentives for local processing to enhance industrialisation and job creation. For international participants, this creates both obstacles and prospects. Achieving success depends on comprehending the system and structuring engagements that comply with Ghana's laws while unlocking commercial potential. By collaborating with licensed exporters and processors, global stakeholders can legitimately engage in Ghana's cocoa trade, whether through financing, ownership arrangements, or purchasing processed cocoa. This ensures that the country's most valuable commodity continues to flourish on the global platform.

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