

### Session 5: Market Institutions

### SESSION SUMMARY

Chair: Derek Byerlee

Panel: Hosaena Hagos, Marcella Vigneri, Nick Minot, Philip Amara

For farmers to make investments in improving productivity through use of modern inputs, upgrading infrastructure or knowledge improvement, reducing risk and uncertainty of farm profits is critical. In this session, we discussed several market institutions which play a key role in reducing uncertainty for farm incomes as well as providing coping strategies for farming households when negative shocks occur.

Secure land tenure provides incentives for investment in good land management, essential for productivity growth. Insecurity of land tenure impedes investment in agriculture, efficiency-enhancing land transactions, and smallholders' access to credit [[GSSP Discussion Note #013](#)]. From our discussions, it seems that Ghana's land abundance has prevented tenure security from becoming a major issue for farmers currently. However, foreign investment and increased large-scale commercial investors in agriculture, combined with urbanization pressure for rural land convenient for urban markets, will increase demand for agricultural land for which the current land tenure system may not be sufficient in protecting the rights of populations and securing efficient land exchange. Additionally, several participants indicated that although Ghana is land abundant and traditional land tenure systems remain, the process for obtaining land can be a lengthy process (up to 18 months) and involves many stakeholders which are poorly coordinated. The temptation for land transfers to skip this long process increases, leading to 'land grabs'. In addition, the traditional land tenure system does not allow land to be used for collateral, which is essential if farmers are to access credit in order to finance long and short term investments in modern inputs and practices. For these reasons, it was suggested that an incremental approach for formalizing land rights may be a good approach, rather than a wholesale individualized land tenure reform.

We discussed the changing role of COCOBOD in the cocoa sector and the impact of productivity growth and growth in farmer in-

come. COCOBOD has scaled down over the last 10 years, although it continues to set producer prices and spends surplus revenue from exports on research and productivity enhancement for the sector. Farmers are getting an increasing share of the FOB price, and productivity is increasing. However, concerns were raised that quality is declining. IFPRI research found that as revenues of COCOBOD increase, the unit cost increases for its services indicating that there is no economy of scale and efficiency could be improved [[GSSP Discussion Note #015](#)]. Some of COCOBOD's operations could be decentralized, such as delivery of fertilizer and spraying which are currently delayed due to poor management by COCOBOD. However, participants raised the issue that we don't have enough evidence on whether the benefits of the services COCOBOD provides are cost effective or not. For example, expansion of cultivation into remote areas may mean economies of scale should not be expected. Also, COCOBOD's monopsony may be preventing private initiatives to begin processing cocoa, since it acts as the sole buyer in the market leaving little room for others.

Weather shocks and climate change are a reality of Ghanaian farmers with the example given that rain destroyed the millet crop this year. Farmers who hold insurance invest more in their farms and demand for insurance is dependent on local rainfall and past experience with payout of insurance. It was discussed that there is scope for rainfall insurance to support investment by farmers. However, other evidence shows that farmers' willingness to pay for rainfall insurance is lower than the fair premium rate for sustainable rain insurances, indicating that schemes may need to be subsidized.

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