



Tropentag, September 14-16, 2010, Zurich

“World Food System —
A Contribution from Europe”

Assessing the Market Integration of Locally Produced Groundnut in Ghana

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Abstract

The raising global food prices and food insecurity of many poor rural households in developing countries can partly be attributed to the failure of the existing market structures. The study specifically examines the trends in the monthly prices of groundnut, ascertains whether the groundnut markets in the North and the South markets is integrated. It further identifies the distribution channel used in the groundnut market and the constraints facing the groundnut market. The study used the Ravallion Model concept to analyse monthly time series real retail prices data, and the Kendal's coefficient of concordance to test the agreement between rankings of constraints. Results from the graphical trends and the growth rate estimates show that prices of groundnut generally tend to fluctuate throughout the year with an annual growth rate of 1.9 to 2.9% from 2004 to 2006 marketing year. The econometric analysis of data testing for market integration shows that the local groundnut market was not integrated neither in the short nor the long run. This means that prices are not immediately transmitted between the markets. The channel of distribution followed the orthodox type were the main participants in the market where producers, wholesalers, retailers and consumers. Transportation difficulty, lack of standardisation for the local market and inadequate credit were ranked as the top three major constraints facing the groundnut sub-sector. This also accounts for the constant instability in the prices and low returns to farmers. The study concludes that for groundnut market integration, consideration should be given to providing timely appropriate transportation services and low cost credit to traders who facilitate movement of the product from the North to the South. It is also recommended that appropriate standardisation and market price control mechanism should be carefully implemented to adequately compensate groundnut farmers.

Keywords: Distribution channel, Ghana, groundnut, integration, market, rural farmers