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Farmer participation on the Ghana commodity exchange: Does the risk attitude of resource-poor farmers matter?

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Abstract

The Ghana Commodity Exchange (GCX) was established as an alternative market platform that connects smallholder farmers in Ghana to the agricultural and financial markets throughout the West African subregion to ensure that farmers receive competitive prices for their products and can supply high-quality products that satisfy the country's nutritional needs. However, the number of farmers trading on the Exchange is low, likewise, the volumes of maize and soybean traded on the Exchange when compared to the volumes produced in Ghana and traded on the open market. Aside from the issue of information asymmetry and increased transaction costs that limit access to the Exchange, do the risk attitudes of these resource-poor farmers play a role in their participation in the Exchange? This study used a multistage sampling technique to sample 600 farmers (250 sampled farmers traded on the GCX, whereas 350 did not) from five (5) administrative regions in Ghana where the GCX has its warehouses located. The self-assessment test to elicit the risk attitude of farmers participating in the GCX was employed. The self-assessment test utilised a seven-point Likert scale from “not willing to take a risk” to “very willing to take a risk” to assess the risk attitude of farmers participating on the GCX. Based on the self-assessment test, the study finds that farmers are moderately risk averse. Older farmers are less likely to take risks, whereas male farmers are more inclined to take risks, although the results showed no statistical significance at the 5% level for either variable. More experienced farmers were less willing to take risks by participating on the Exchange. Farmers therefore need to be educated and provided incentives to participate on the Exchange to enhance their incomes and livelihoods.

Keywords: Farmers, Ghana commodity exchange, livelihoods, risk attitudes, self-assessment