

Understanding Institutional Arrangements in the Maize Value Chains in Ghana

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Abstract

The study aimed at examining the cases of institutional arrangement for marketing maize in Ghana. This it is hoped to inform policy makers and other stakeholders involved in the development effort on how marketing arrangements can be supported to reduce transaction costs. The principal research question addressed is to develop a better understanding of how improvements in institutional arrangements can come about and potentially how this process can be supported. In this study is how alternative institutional arrangements for marketing maize compare in terms of transaction costs, and how any differences are related to characteristics of the product, market structure, supply chain, quality requirements or farmer characteristics. Such improvements could imply a shift to another arrangement but improvements within existing arrangements are equally interesting. A fundamental proposition arising from this research is that transaction costs in maize markets in Ghana are high. As these costs were not directly measured, it is not possible at this stage to substantiate this in quantitative terms. Nonetheless, discussions with various actors in maize supply chains strongly suggests that the costs, primarily in terms of the time spent by farmers or traders in the three stages of contact, contract and control are high relative to the costs of production and market prices. The magnitude of transaction costs probably plays an important role in inhibiting two kinds of improvements from taking place: an increase in the scale of production and marketing; and a greater use of contract farming or other more sophisticated arrangements (e.g. auctions) to improve the quality (value) of products.