Agricultural Commodity Prices and the Demand for Land Titles:

Evidence from Uganda

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Extended Abstract

Preliminary - do not circulate

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In this paper, I investigate how agricultural commodity prices affect individual demand for land registration in a developing country, focussing on Uganda as a case study.

I use panel data on the tenure of land harvested by Ugandan farmers from the World Bank's Living Standards Measurement Study, price data from the IMF and the US Bureau of Labour Statistics, and land-use data from GAEZ. The analysis spans the period 2005-2011, and is performed via fixed effects regression, controlling for various household-level covariates.

My main regressor is a price index weighting international prices of agricultural commodities by the structure of land use at the sub-county level, whereas my outcomes of interest are various measure of land tenure and land market activities of Ugandan farmers.

I find that commodity prices encourage land registration, land market activity and land improving investment. Results are robust to several alternative specifications for the price index.

To account for the observed findings, I build a simple theoretical framework where I hypothesise that the impact of prices on individual demand for land property rights results from the interaction of an income effect, a composite incentive effect stemming from increased land values and higher insecurity, and unbalanced opportunities created by the social context where farmers operate.

I support the claim with empirical evidence of a positive impact of prices on sales revenues, and by observing that results on land certification are stronger for the prices of cash and tree crops, which (i) are more highly valued on local and international markets; (ii) represent a fixed investment on land that is best internalised when the plot is registered and property rights formalised; and (iii) are therefore more subject to the threat of expropriation and land grabbing.

I finally document the asymmetric nature of the observed results across different groups of the population: the farmer's relative social position, together with the overall extent of social capital in their social context of reference, substantially influence the strength of their response to crop prices. Privileged groups like wealthy households benefit disproportionately from an increase in prices, but the effect is attenuated in areas with higher social capital. Households belonging to ethnic minorities instead fare significantly worse in ethnically concentrated areas than in fractionalised ones.

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