

AIPS STRG Abstract Omar Gondal

2023

Proposal: Asymmetric information, relational contracts, and prices: Evidence from fresh produce supply chain in Pakistan Farmers continue to receive low prices in Africa and South Asia. With a focus on Punjab, Pakistan, the aim of this research is to generate evidence on: (i) the improvement in the bargaining power of farmers due to removal of price information asymmetry and formation of increased market linkages; and (ii) the constraints that can keep them from acting on information that enables price arbitrage. The researcher has already documented significant unexploited intertemporal and spatial arbitrage opportunities in the potato markets in Punjab, Pakistan. Based on previous work of the researcher with 1070 farmers district Okara, it has been documented that potato farmers generally sell their produce at a time when the prices are lowest. Intertemporal arbitrage opportunities, e.g., by utilizing storage facilities or delaying the harvest by a few weeks, are largely unutilized. Data show that 87% of farmers significantly underestimate the actual, off-season prices of potatoes. This could be because either the farmers are unaware of the arbitrage opportunities, or because they lack output market linkages with wholesale agents. Specifically, this study is investigating the role dynamic price information and output market linkages can play in improving the economic return to small farm-holdings and transforming the structure of agriculture value chains. The design utilizes a randomized control trial, which will generate evidence at the frontier of economic rigor. The International Growth Center (IGC, LSE, UK), Abdul Latif Jameel Poverty Action Lab (J-PAL, MIT, USA), and the Mahbub-ul-Haque Research Center (MHRC, LUMS, Pakistan) are co-funding the field work for this resource intensive work. The researcher will use the short-term travel grant from the American Institute of Pakistan Studies (AIPS) to finance the cost of physical visit to Lahore and to the research site in district Okara. This study has three key aspects: i) a mapping exercise to create a detailed database of licensed commission agents in the main agricultural markets of central Punjab, Pakistan; ii) creation of a platform that provides up-to-date spatial and intertemporal price information as well as information on commission agents to facilitate market linkages; and iii) testing the potential efficacy of providing price information and market linkages on farmer decisions at sowing and harvest, farmgate prices, and the structure of value chains. This work will generate new evidence on the dynamics of rural markets in developing countries and will inform policy and research in countries that are at the same stage of development in South Asia and Sub-Saharan Africa. We hypothesize that removing information asymmetry and increasing competition in output markets can be key for kickstarting an agricultural transformation such countries. The key output from this work will be in the form of a peer-reviewed academic publication in a leading economics journal with associated policy reports for a less technical audience, based in Pakistan and the United States. The researcher has no doubt that this cutting edge work, with great external validity, on the rural market dynamics of Pakistan meets the intellectual merit that AIPS demands and will promote knowledge on the academic study of Pakistan.