

AIPS Short-Term Research Grant-Final Report

Project Title	Asymmetric Information, Relational Contracts and Prices: Evidence from an Experiment with Farmers in Pakistan
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Location	Okara and Lahore, Pakistan

1. Significance to Pakistan Studies

Agriculture has been recognised by economists as a fundamental pillar of development, playing an instrumental role in developing economies where it contributes substantially to the GDP, and is a primary source of employment for a large proportion of the labour force. For instance, in Pakistan the sector employ 60% of the active labour force and contributes nearly 24% to the GDP (Pakistan Economic Survey, 2023). Since agriculture is central to interventions that tackle sustainability, poverty, food insecurity and climate change, it has been the subject of interest for economists, yet there are many questions that remain unanswered mostly due to the challenges unique to agriculture: dearth of reliable data, unwillingness of local institutions to work with researchers, informal nature of trades, highly perishable goods and several market frictions.

In this work, I use a novel field experiment to explore how introducing a new technology to potato farmers affects informal bargaining and contracting between farmers and buyers in the potato belt of Pakistan located in the district Okara. Farmers are often forced to sell local middlemen or pre-existing contacts who in turn sell to another intermediary such that a chain of such trades occurs between farm and market, with sizable margins earned by the middlemen at the expense of the farmer and end-consumes (Bergquist and Dinerstein, 2020). Introducing innovations in this system of entrenched and serial transactions presents formidable challenges due to the complex social relationships through which existing trade structures are maintained, and the ignorance and reluctance of farmers about selling to alternative, hitherto unknown buyers. A rich literature on the political economy of agricultural policies has shown that for efficiency-seeking agents on the outside, such as the government or market traders, it is often very difficult to penetrate, unravel and optimise what remains a complex and often undocumented system of intermediate trades between farm and market (Anderson et al., 2013).

The findings from this study come from a randomized control trial that will not be limited to Pakistan but advance the general development economics literature on prices, markets and the rigidities faced by farmers in South Asia and Sub-Saharan Africa.

2. Key Outcomes and Deliverables

The short-term grant provided me with the funding needed to make a visit to Pakistan for administering surveys for data collection from 970 potato farmers in district Okara. I also used this trip to meet officers in the Department of Agriculture, Government of Pakistan for obtaining administrative data and for highlighting the importance of this work for future adoption by the public sector.

This paper is a substantial part of my dissertation and I have been able to make significant progress in my writing based on the analysis from the survey and administrative data. Once completed the research effort will culminate in paper that will be submitted to top-tier peer-reviewed economics journals for publication.