Receiving incorrect information is costly: Diffusion and accuracy of market information among farmers in northern Ghana

Giacomo Zanello*, Bhavani Shankar†, Chittur Srinivasan*

* School of Agriculture, Policy and Development. University of Reading (UK)
† Leverhulme Centre for Integrative Research on Agriculture and Health. School of Oriental and African Studies (UK)

Contacts: Giacomo Zanello (g.zanello@reading.ac.uk)
School of Agriculture Policy and Development
University of Reading
Early Gate, Whiteknights Road
RG6 6AR Reading
United Kingdom (UK)


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Empirical models

The diffusion of market information is estimated with a count data model. The number of prices known at the time of a sale ($p_k$) depends on the quantity to be sold ($q_i$), the quality of the crop ($w_i$), and the expected price by the seller ($\tilde{p}_i$), which in turn is proportional and based on the source of information ($s_i$, the technology, and household characteristics ($z_i$)).

$$p_k = f(q_i, w_i, z_i) \quad \text{Eq. 1}$$

Due to under-dispersion on the data, Eq. 1 is estimated with a Generalized Poisson.

The price received by a farmer can be lower/same/higher than its expectations. The quality of price information ($\tilde{p}_i$), meant as the difference between price expectation and price received, depends on the source ($s_i$), the technology to gather price information ($t$), and household characteristics ($z_i$).

$$\tilde{p}_i = f(s_i, t, z_i) \quad \text{Eq. 2}$$

A multinomial probit is used to estimate Eq. 2.

Preliminary results

Preliminary results show that the use of mobile phones and radios increase by 30% the number of prices received. Obtaining prices from neighbours is a way to gather several market prices, however the accuracy is low and increases by 26% the likelihood the expectations are higher. Prices reported by extension agents, instead, are likely to have a downward bias. Finally, the extent of market information is larger if the spouse of the head of the household bargains the transaction, and in those cases the households are more likely to receive the expected price.

Key points

Determinants of diffusion (quantity) of market information

• Farmers that received information via radios or cell phones know 30% more market prices than those who used “word of mouth”.
• Neighbours are more prolific sources of market information than extension agents.
• Women that bargaining the sale are more market informed than men.

Determinants of accuracy (quality) of market information

• Price information reported by neighbours has an upward bias, while prices reported by extension agents are likely to have downward bias.
• No significant differences between ICTs.
• More extensive is the market information received by the households, more they are likely to receive the expected price.

The data

We collected primary data in northern Ghana on 343 selling transactions made by 202 households. One of the most interesting aspects of the data is the availability of detailed information for individual selling transaction that is seldom available in other surveys. The data include the extension of market information available for each seller, how the information was received (mobile phones, radios, “word of mouth”), the different source of information (neighbours, extension officers), and the characteristics of the transactions (place, duration, etc.).