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Staff Paper

Evaluating the Impact on Market Performance of Investments in Market Information Systems: Methodological Challenges

**John M. Staatz
Andrew M. Kizito
Michael T. Weber
Niama Nango Dembélé**

Staff Paper 2011-08 June 2011



Department of Agricultural, Food and
Resource Economics
MICHIGAN STATE UNIVERSITY
East Lansing, Michigan 48824

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John M. Staatz
Andrew M. Kizito
Michael T. Weber
Niama Nango Dembélé

staatzt@anr.msu.edu

Abstract

Evaluating the impact on market performance of investments in agricultural market information systems (MIS) face several methodological challenges. These fall into two broad categories: (a) defining the dimensions of market performance to measure (which is a function of whom the MIS is designed to serve) and identifying reliable indicators of those performance dimensions, and (b) identifying the causal effects of the MIS. The determination of causal effects in turn requires establishing a credible baseline, measuring “treatment effects” (i.e., the effects on economic behavior of receiving improved information from an MIS), dealing with problems of endogenous placement of treatment, and interpreting the validity of stakeholders’ statements and governments’ revealed preferences regarding the utility of MIS. Many of these challenges arise because improved market information can affect the welfare of market actors through improved market policies and increased competition even if those actors do not have direct access to that information. The paper discusses these challenges and identifies approaches that may be useful in developing a “convergence of evidence” concerning whether investment in a given MIS is socially worthwhile.

Key words: market information services, impact assessment, market transparency, food policies

* A slightly modified version of this paper has been submitted to *Cahiers Agricoles*. The authors thank two anonymous referees for very helpful comments on an earlier version of this paper. They also thank the William and Flora Hewlett Foundation and the Bill and Melinda Gates foundation for support of the research that underlies this paper.

13 pages

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Problem Statement

Although investment in agricultural market information systems (MIS) in low- and middle-income countries has increased rapidly since the late 1980s, there have been very few assessments of their impacts on farmer incomes and overall market performance (Tollens, 2009). The lack of solid assessments reflects in part methodological difficulties in measuring and valuing the multiple ways that MIS potentially can affect market performance. This paper describes the different dimensions of market performance that MIS attempt to influence, the pathways by which they can do so, and the challenges these pose for evaluating impact.

For purposes of this paper, an agricultural market information system (MIS) is defined as an organization or a group of organizations that: (1) collects data on market conditions, (2) processes and analyses the data to transform it into market information, and (3) disseminates market information products to different stakeholders using one or more channels.¹ Market information products include: (1) market news (e.g., information on prices, quantities, market conditions, and business contacts), (2) market analytical reports (e.g., reports that analyze factors that cause changes in market conditions and their effects on stakeholders), and (3) business reports (e.g., providing information that can help stakeholders identify reliable trade partners). Not all MIS produce all these products. The MIS may be based in public-sector, private-sector, farmer and trader organizations, or NGOs. MIS stakeholders include farmers, traders, government policy analysts and policy makers, development organizations, input providers, banks, MIS personnel, and researchers who directly or indirectly express needs for MIS information products.

The unit of analysis in this paper is the MIS as defined above, and not the presence of an ICT (e.g., cell phones, internet, or radio), which in this paper are considered as one of the channels thorough which improved agricultural market information is disseminated to different stakeholders. An important contribution of this paper is the distinction between an MIS that produces improved agricultural market information and the use of ICT to transmit and diffuse improved information products to different stakeholders. This distinction makes the this paper different from other reviews that look at the role of ICT availability on market performance (Aker and Mbiti, 2010, Donner and Escobari, 2010, Jensen, 2010). Another emphasis of this paper is the distinction between access to market information (and the implied use of proxies such as ownership of a radio or presence of a cell phone network) and reception of market information; and their implications to measuring the effects of information on market performance.

Background

Over the past 30 years, interest and investment in agricultural market information systems (MIS) in low- and middle income countries has increased sharply, for at least three reasons. First, there has been recognition that the structural transformation of the economy that accompanies economic development involves increased integration of the economy—across time, space, and

¹ Market data are measurements of market conditions that attempt to capture reality quantitatively or qualitatively. Information is data that have been processed, organized, interpreted and communicated to provide utility in a specific decision or problem context.

different sectors of the economy. This increased integration implies increased economic coordination, of which information is a key input (Hayek, 1945). Second, since the structural adjustment era of the 1980s and 1990s, most countries have moved towards market processes and away from central planning, government administered pricing, and parastatal marketing systems to provide such coordination (Rashid *et al.*, 2008). MIS were seen as one way of increasing *transparency* (i.e., reducing information asymmetries among traders, small farmers, consumers and government) in the newly liberalized markets, thereby offering some protection to the more vulnerable actors in the system (Tollens, 2009). There was also a belief in some countries, such as Mali, that improved market information could provide market stability that national grain boards had not been able to ensure because they lacked the resources to defend floor and ceiling prices (Dembélé and Staatz, 2002). Third, the ICT revolution has dramatically reduced cost and expanded access to a wide variety of information to economic actors, thereby creating new potential data collection, information delivery and cost-recovery mechanisms for MIS, offering the promise of lower costs, broader reach and greater financial sustainability.

As a result, the number and variety of programs aimed at improving farmers' access to agricultural market information in low-income and transition economies has skyrocketed in the last 10 years. For example, a 2009 joint CIRAD-MSU survey identified 49 MIS initiatives in 19 Sub-Saharan African countries. Whereas MIS created from the 1980s through the early 2000s, particularly in sub-Saharan Africa, were typically state-run efforts focused primarily on price reporting (Rakotoson *et al.*, 2010), since the mid-2000s, an array of alternative institutional models has emerged, including MIS housed in or run by farmer organizations (e.g., Observatoire du Marché Agricole in Mali, Economic Information System of Vegetables in Madagascar, and Zambia National Farmers Union SMS 4455 in Zambia), private-sector systems that offer the promise of financial sustainability through the sale of information to users—typically through SMS and specialized reports (e.g., Esoko Ghana, Infotrade in Uganda, KACE Market and Information Linkage System in Kenya, Reuters Market Light in India), and agricultural exchanges, such as the Ethiopia Agricultural Exchange, that generate some kinds of market information as a byproduct of their facilitation of open and forward-market trading. Examples of public MIS include the Agricultural Market Information Center in Zambia, Siarm in Senegal, the Agricultural Market Information System in Mozambique, Information System of Agricultural Markets in Niger, Information System on Livestock Markets in Niger; and the System of Agricultural Information Products of Guinea (SIPAG) in Guinea-Conakry. In terms of clientele, there is not a lot of variation in terms of the top-three clientele that the different types of MIS state that they serve (farmers, traders and government) among different MIS models (Kizito, 2011).

Even the MIS that generate revenues through user fees (such as charges for receipt of market information via SMS) typically require substantial initial funding from outside sources, such as governments or donors. In part, this reflects normal start-up costs of any enterprise; but more fundamentally, it reflects the non-appropriability, indivisibility, and ex-ante uncertainty qualities that characterize many types of market information and which lead the private sector to under-invest in it (Kizito, 2009). Thus, the outside providers of funds seek ways of evaluating the payoffs to these investments. Doing so requires first clearly delineating what dimensions of market performance MIS seek to improve.

What do we mean by market performance? What do MIS try to influence?

Investments of public funds in MIS have historically been justified on three grounds (Henderson *et al.*, 1983):

- **A more equitable distribution of bargaining power within the food system.** Politically, the desire to “level the playing field” among actors was the motivation for the creation of price reporting systems in many countries, including the US. While framed primarily in terms of income redistribution (reduction of monopsony rents accruing to large buyers in the system), the argument implicitly also has economic efficiency and growth justifications:
 - In the short run, moving the market from a position of monopsony or oligopsony to a more competitive outcome due to provision of improved agricultural market information should expand output and reduce dead-weight loss. This could come about, for example, from farmers organizing group marketing in response to knowledge of better prices in other markets; if even the threat of creation of such group marketing efforts is credible, it may improve farmers’ bargaining partners with traders. This is most likely when farmers have a storable commodity and access to finance to be able to hold off selling the product while they search for other markets. In practice, the size of the efficiency gains, however, of movements towards more competitive market structures tend to be small relative to the size of the rent redistribution (Azzam and Schroeter, 1995), implying that the latter may be driving the political demands for creation of MIS.
 - In the long run, the argument is that higher prices to farmers will induce greater production. The magnitude of the supply response, however, depends on the price elasticity of supply and hence the factors that determine it, such as farmers’ access to additional inputs (and hence the financing to attain them), improved technologies, and risk management tools. The higher the supply elasticity, *ceteris paribus*, the higher the return to improved market information (Kizito, 2009). But if this increase in prices to farmers simply represents a redistribution of rents from other actors in the system (e.g., large traders), then the increase in farm-level production needs to be weighed against the loss in production elsewhere in the economy that would have been engendered by the higher trader income (e.g., through the linkage effects emanating from the higher trader incomes). Whether redistribution of rents from large traders towards smaller actors (consumers, small farmers, and small traders) leads to more rapid economic growth thus depends on the marginal propensity of the different actors to invest domestically rather than to consume their additional income, the marginal productivity of investment of the different actors and the indirect (linkage) impacts that their changed investment and consumption patterns engender.
- **Improved market efficiency from better private decision making.** This argument for investing in improved information has received the most attention from economists, with interest focused on improving efficiency both in the short term and the long term:
 - In the short run, better information can lead to better spatial and temporal arbitrage (including discovery of new markets) of existing production through the reduction of search costs (Stigler, 1961).
 - In the long run, more informed decision making by farmers, traders, processors, and consumers can lead to better allocation of resources over time through the adjustment

of production and consumption to respond more closely to consumers' effective demands and to the opportunity costs of the resources involved in the production of those goods. Kizito (2009) describes these effects of improved information, which reduce the dead-weight loss when farmers and small-scale traders with rational expectations respond to improved price forecasts from MIS, as a reduction in the costs of being off the equilibrium price. Their magnitude depends not only on the price elasticity of supply, as discussed above, but also on the price-elasticity of demand. The more inelastic the demand, the higher the marginal costs of being out of equilibrium (i.e., the higher the disutility to consumers of having too little or too much of the good), and hence the higher the payoffs, *ceteris paribus*, to improved market information. In the long run, the adjustment in supply comes about through private actors having an improved information base to assess investment opportunities in the agrifood system. The magnitude of the impact of improved longer-term investment decisions is likely to be much higher than the short-run efficiency gains brought about by better allocation of existing supplies, but they are much more difficult to estimate.

- These long-run efficiency effects can include expansion of markets through reduction of transaction costs, gains from specialization induced by the broadening and the increased reliability of the market (at the level of individual farmers, zones within a country, and across countries), the expansion of credit to farmers and traders by allowing lenders to assess more accurately the value investments and working capital aimed at expanding agricultural production and trade, and the development of new, more efficient exchange arrangements made possible through the availability of improved information (e.g., formula pricing based on verifiable prices in key reference markets).
- **Improved design and implementation of government programs and of technology development.** Providing an improved information base for public policies and programs was a major motivation for the creation of price reporting systems in the US (where the first public price reporting system was implemented to monitor compliance with price-control regulations during World War I) and in the Sahel, where several MIS were created to track the impact of structural adjustment programs (Dembélé and Staatz, 1989, Henderson et al., 1983). The role of MIS in informing public policies and providing the information to implement public programs (such as deficiency payment schemes in the US) continues to be a major motivation for public support of MIS. For example, Mali's Council of Ministers requests weekly reports from the country's agricultural market information system and uses these reports in making food policy decisions, such as setting the level of taxation on rice imports. In addition, having accurate information on the market value of different commodities is essential in carrying out financial and economic analysis of technologies developed by agricultural research systems. If analysts focus solely on the direct benefits to private actors of improved market information while ignoring the potential impacts of improved information on better public policies and technology development, they will likely underestimate the benefits of such information. But as described below, constructing a credible counterfactual of what policies would have been without such information is extremely challenging.

Challenges in assessing the impact of investments in MIS

There are two major categories of challenges in assessing the impacts of investments of MIS: (a) choosing appropriate impact indicators and (b) identifying the causal effects of the MIS.

Choosing the impact indicators

Economists studying agricultural markets typically use a number of different indicators to assess market performance. Some involve changes in market structure, such as an increased number of market entrants, which should lead to increased competition. Others involve reductions in marketing margins and measures of broader economic integration, such as a reduction of spatial and temporal price volatility (Aker, 2010, Jensen, 2007, Shahidur, 2004), which are hypothesized to benefit both farmers and consumers. Still others try to infer the impacts of market changes on prices received by some group of actors (e.g., small farmers) for their products and/or paid prices paid for their inputs (Svensson and Drott, 2010, Svensson and Yanagizawa, 2009); and increased incomes by selected target group(s), including both the immediate impact of the more favorable prices and the group's supply response to them (Goyal, 2010). Finally, some indicators attempt to measure the impact of market changes on overall aggregate economic welfare, as measured by changes in economic surplus (Kizito, 2009).

Identifying the appropriate indicator to use in assessing MIS performance is a function of whom the MIS is designed to serve, as different users (small vs. large farmers, small vs. large traders, government policy makers, and consumers) each has different objectives and hence different information needs. For example, one critical characteristic of market information is its timeliness. For a policy analyst interested in the long-term evolution of prices in the horticultural market, monthly average tomato prices may be satisfactory. For a trader trying to decide where to send her tomatoes tomorrow, such prices are worthless; she needs not current prices, but something that will allow her to more accurately forecast tomorrow's price in alternative markets (Bowbrick, 1988). Thus, in assessing payoffs to investments in MIS, one needs to always ask "payoffs to achieving what goal?"

As one moves from the more narrowly defined impact indicators such as changes in prices received to more broad and long-term effects on economic output, the challenges of establishing credible lines of causality become greater for reasons discussed below. Yet it is these broader transformational impacts on the economy that presumably are the strongest motivation for investing in improved market information (Natsios, 2010).² If one argues that the MIS's aim is to improve several different dimensions of performance (higher prices, better distribution of income, faster economic growth), then one is faced with the problem of assigning weights to these different dimensions, which is the equivalent of deciding which stakeholders interests count with weight—a difficult but inevitable choice in MIS design (Dembélé and Staatz, 1989).

Identifying the causal effects of the MIS

² Natsios makes the point generally that investments that have the broadest transformational effects on development are the ones that are most difficult to evaluate.

Once the impact indicators have been chosen, there are several challenges in identifying whether and how much MIS activities have caused changes in the levels of those indicators.

Establishing a baseline

In any ex-post analysis (as opposed to a randomized experimental approach) of the impact of MIS activities on the level or dispersion of prices, one needs baseline measurements of those indicators prior to the creation of the MIS. Yet it is the lack of reliable data on agricultural prices, particularly at the farm level, that typically motivates the creation of the MIS. Where data exist on such prices prior to the creation of the MIS, they typically contain a lot of “noise”, in part because of inconsistent methods used in collecting the data. Therefore, it is not clear whether studies that purport to show that the MIS reduced price volatility, for example, are really measuring a reduction in volatility or just in measurement error.

Measuring treatment effects

In the context of MIS evaluation, “treatment effects” refer to the effects on market participants of receiving information from MIS. What is most often observable are proxies, such as ownership of a radio or cell phone (a channel through which MIS can transmit information), but not reception or use of MIS information per se. This does not pose a problem if the purpose of the analysis is to estimate the effect of ICT, but it becomes a problem if one wants to estimate the effect of an MIS using ICT because the ICT may itself have effects on the outcomes under study. Indeed, three of the most widely cited recent studies on the impact on market performance of improved access to market information via cell phones (Aker, 2010, Aker, 2008, Jensen, 2007) do not examine dedicated MIS investments but rather the impact of cell phone coverage in general. In the MIS literature, Svensson and Yanagaziwa (2009, 2010) are to our knowledge the only authors to tackle this problem by applying a difference-in-difference approach to treatment and control groups when MIS information began to be diffused by radio in Uganda.³

Endogenous placement of the treatment

Evaluating impact is complicated if the MIS “treatment” is contemporaneous with other activities that affect both reception of the MIS information and the ability to act upon it (a time trend bias) or if those who receive MIS information are non-random (selection bias, as discussed in Todd 2007).

Complementarity of investments in improved information and other actions. The value of information depends on actors’ ability to act on it. Thus, the payoffs to improved information depend on the level of complementary investments in elements such as improved access to factor and credit markets, access to farmer advisory services, processing technologies that allow consumers to shift consumption patterns more easily as relative prices change, and the overall policy environment (i.e., the factors that condition the supply and demand elasticities mentioned above). Many of the MIS established in Sub-Saharan Africa in the 1980s and 1990s were created as part of broader packages of market reforms and infrastructure investments. To the extent that

³ Hong (2010) uses a similar approach in studying the impact of Napster on music downloads.

other components of the reforms (such as withdrawal of state marketing boards from direct buying and selling in the wholesale trade, opening of export markets, programs to improve traders' and farmers' access to credit, improvements in road infrastructure) were contemporaneous with the creation of the MIS and affected all farmers, then it is difficult to disentangle the impacts on market performance of improved access to market information from the elements of the reform. Indeed, to the extent that these elements were perfect complements, it is theoretically impossible to estimate the marginal contribution of the individual elements of the package. In such a situation, one can only evaluate the returns to the entire reform package rather than to the individual elements. One way around the time-trend bias is to try to identify natural experiments where only market information access has changed in a relatively short period while other underlying conditions have remained the same. The few studies that have attempted to do this (Aker, 2010, Aker, 2008, Goyal, 2010, Jensen, 2007, Svensson et Yanagizawa, 2009) have, with one exception, focused on private-sector efforts to improve access to information, as these were typically not part of broader policy reforms.

Non-random placement of treatment. At the household level, many of the factors that affect the ability to act on market information (wealth, access to financial and input markets) may also be correlated with access to information (e.g., ownership of a radio or residence in an area served by an MIS). This selection bias, if not recognized and taken into account in the analysis, leads to overestimates of the impact of MIS activities on performance outcomes.

Researchers have used a number of different techniques to deal with this selection bias treatment effect. For pilot programs where researchers can work with MIS providers to structure the introduction of MIS services in an explicit experimental design, such as the introduction of cell phone-based MIS access, both randomized experiments and regression discontinuity approaches can address both the “complementarity” issue described above and selection bias. Such approaches are not suitable, however, to measure the impact of MIS implemented at a national level, however, or to pick up the effects of policy improvements resulting from better market information that affect all actors in the market (discussed below). In situations where only a quasi-experimental design is possible (e.g., in the case of natural experiments, where one area receives MIS broadcasts and another does not; or where baseline measures are available on the impact indicators of interest before the MIS begins operating and then are measured afterwards), tools such as propensity score matching and difference-in-difference (DiD) approaches are potential tools to deal with the problems outlined above.

Yet these approaches, as well as randomized experiments, still may not capture the full impact of investment in improved information. This is particularly true if the MIS, through its provision of better information to policy makers, leads to an improved policy environment for agricultural growth or if, by providing information to some actors, it improves market performance (e.g., driving the prices to more competitive levels) in a way that benefits even those who do not receive the MIS information. For example, the DiD estimator is defined as the difference in average outcome (e.g., in prices received) in the treatment group (e.g., farmers receiving market information) before and after treatment minus the difference in average outcome in the control group (those not receiving information) before and after treatment. The basic idea is that any change in outcome not associated with the *individual's* access to improved information from the MIS is attributed to other factors than the MIS. However, if MIS has been successful in

improving the policy or competitive environment, the benefits would accrue to all market actors, not just those having individual access to the MIS reports. Hence, the DiD approach would underestimate the impact of the MIS.⁴

The problem of establishing the counterfactual becomes more difficult the longer the period under analysis, as the potential long-term impacts of improved information on the policy environment, innovation in contracting arrangements, and farmer and trader strategies are complex.

Interpreting stakeholder statements regarding improvements in information availability

MIS sometimes rely on user assessment surveys, in which stakeholders are asked to report on the quality of information provided by the MIS and its impacts, in order to assess the quality of MIS services. These surveys have several shortcomings. These include the risk that: (a) respondents tell the enumerators what the respondents think the enumerators want to hear,⁵ and (b) the MIS could indirectly be improving market performance in ways discussed above even though the respondents do not perceive they are directly receiving or finding useful the MIS reports. These types of user surveys may be more useful in identifying types of information that users want but are not currently receiving from the MIS (for example, information on regulations governing cross-border trade) than on drawing definitive conclusions on the adequacy of current MIS services.

Interpreting revealed preferences of stakeholders to invest in MIS

One possible indication of the usefulness of MIS services is whether local stakeholders, including government, are willing to continue to finance them once external support is withdrawn. MIS, particularly sub-Saharan Africa, have frequently collapsed once external assistance has disappeared, and even “private-sector” MIS continue to be heavily dependent on external funding (Kizito, 2009, Rakotoson et al., 2010, Tollens, 2009). The failure to invest government’s own resources in MIS is likely an indicator that government judges the services not worth the cost (either directly to government or to politically important stakeholders) and should be taken seriously as a possible indicator of MIS worth, but it is not without problems as an indicator. In early stages of the development of information and analytic services, there is often an education process that needs to go on to demonstrate the value of such information. Furthermore, focusing simply on generating market data without investing adequately in transforming those data into useful information for stakeholder decision making or in carrying out outreach to demonstrate the usefulness of such information may lead to the perception that the MIS is not worth the cost. It is also possible that those who benefit from the MIS (e.g., small farmers) do not have sufficient voice in the political system to have their preferences count.

⁴ The same is true for propensity-score-matching approaches. Of course, if a poorly functioning MIS led to worse policy, then these approaches would overestimate its positive impact on market performance.

⁵ Bowbrick (1988) notes that during the 1980s, respondents to surveys about the adequacy of MIS surveys in Eastern Europe and southwest Asia often reported very positive current ratings for MIS that had ceased to exist several years earlier.

The converse is also possible. Willingness of domestic stakeholders (e.g., via government) to support the MIS on local budgets should be considered an important but not infallible indicator of the revealed preference of stakeholders regarding the value of MIS services. When the support is provided by private actors (as was the case for the Malian MIS in the Office du Niger in 1988, when government funding ran out at the end of the year and rice farmer cooperatives provided interim support for information collection and diffusion), it is a strong indicator of the perceived value of the services. When government provides support, it may also be a strong indicator of perceived value, but the history of bureaucracies around the world also shows that many government-supported agencies have succeeded in mobilizing support by providing services to a select group of beneficiaries even when the overall costs to society of the agencies exceed the benefits (Bartlett, 1973).

Ways Forward

Given the challenges discussed above, evaluation of the impact of investments in MIS needs to take a “preponderance of evidence” approach, drawing on multiple indicators, rather than relying on a single approach. In particular, it should be recognized that estimates of rates of return (ROR) to investment in MIS and similar estimates of aggregate economic impact of such investments depend heavily on assumptions about supply and demand elasticities, which, for the long-run, in turn embody numerous assumptions about the indirect impacts of MIS on the evolution of government policies and private investment decisions. While plausible arguments can be made that high-quality information can have important impacts on policy and investment decisions, it is difficult to come up with credible ex-ante (and even ex-post) estimates of how a specific MIS affect such decisions, making ex-ante ROR estimates subject to large margins of error.

In developing a “preponderance of evidence” approach, the following points should be kept in mind:

- MIS are highly heterogeneous, serving multiple stakeholders with multiple objectives. Thus, the same set of evaluation criteria is unlikely to fit all MIS. For example, some recent discussions of publicly supported MIS have focused on their perceived shortcomings in serving certain farmers and traders while ignoring that a major motivation for their creation was to improve public-sector decision making. Therefore, the first step in evaluation is to identify what the stated objectives and targeted stakeholders of the MIS are in order to come up with a set of evaluation criteria. An effort should also be made to look at the MIS’s unintended consequences, both positive and negative.
- Evaluation needs to pay close attention to the incentive structure within the particular MIS to provide and preserve the quality of information reported. This includes examination of issues such as use of consistent, clear, and market-relevant definitions of products and market levels (farm-gate, assembly, wholesale, retail, etc.); quality control on data collection, entry, processing and analysis; and incentives for strategic misreporting of prices by respondents.⁶

⁶ The latter may be a particular problem in wiki-based approaches when there are few people reporting prices to the system. Wiki-based approaches rely on a large number of participants to “self-correct” errors.

- It is important to differentiate between improvements in information access in general (e.g., through the spread of cell phones) and dedicated MIS investments. The two may be complementary, but demonstrating returns to information in general does not prove that MIS investments are worthwhile.
- In evaluating various MIS and broader investments in access to improved information, it is important to recognize the potential complementarity among the various approaches. For example, radio broadcasts of MIS reports may prompt private actors to turn towards cell-based systems to gather additional market information that in turn leads to better decision making. Even if the actors report that the information gathered by cell phone was the basis of their business decision, it would be incorrect to say that the MIS had no value in leading to that decision. Similarly, in much of the world, private market information services (including analytic services) base their work on publicly collected data, adding value to it through further analysis and packaging (Aldridge, 1992).
- To the extent possible, reliance of natural experiments or randomized trials where some groups have access to improved market information while others do not (such as occurs with the roll-out over time of MIS radio broadcasts or cell-phone coverage) is useful in trying to compare with- and without market information situations. Yet analysts need to recognize that these approaches are likely to yield *minimum* estimates of the returns to improved information, as they focus on the short-term private benefits of direct access to the information. They miss the longer-term dynamic effects that can result from improved market performance resulting from better government policies and increased competition that benefits even those who do not have direct access to the information.
- Despite some of the caveats raised above, some reliance on willingness to pay (particularly by the public sector) is a useful indicator of MIS value. Rather than unconditional donor support for such systems (which may crowd out public and other stakeholder funding), some progressive withdrawal of donor support over time is likely to provide evidence of whether such programs are valued by government and other beneficiaries. Nonetheless, given the “public good” characteristics of some types of market information, it is unlikely that private funding alone will provide a socially optimal level of market information.
- In evaluating different models of MIS, particularly between “public” and “private-sector” MIS, it is important to distinguish between funding models and models of service delivery. Private-sector firms can, under contract with the public sector, provide MIS services. In ex-ante evaluation of potential investments in MIS, therefore, focus should be on the type of services desired, the incentive structure in different types of MIS to deliver those high-quality services, and the potential institutional arrangements (including possible private-public partnerships) to deliver them rather than a dogmatic approach favoring either “private” or “public” MIS.

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