Innovations for Poverty Action

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Making Markets:
Experiments in Agricultural Input Market Formation

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Abstract: Making markets is central to theories of development, particularly when markets are missing. In our rural Malian study setting, seventy percent of smallholder farmers did not have village-level access to an ag-input dealer in the twelve previous months. We create rural input markets with a 'village input fair' varying market timing (spot market or futures market) when inputs can be ordered, the up-front deposit a farmer pays an ag-input dealer in a futures market, and whether credit is offered during the village input fairs. We estimate the intention to treat effects of differences in these market structures on market volume, consumer demand, and agricultural revenue. The results suggest that futures contracts for inputs substantially raise market sales when deposit amounts are low (10% deposit versus 50% deposit). The credit offers increase sales by USD63 in the 10% deposit group which increases fertilizer purchased by 140kg at market prices. Village input fairs led to increases in input utilization at the extensive and intensive margin. We conclude that innovations in market organization resulted in farmer intensification rather than diversification of production with strong effects on farmer yield and minimal changes in crop portfolio choice across all treatment groups.

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Making Markets in Mali

Making Markets: Experiments in Agricultural Input Market Formation

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