

# Market Structure in Agricultural Markets: Experimental Evidence from Sierra Leone

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## Abstract

This paper proposes an experimental approach to study competition in agricultural markets. In a randomized controlled trial in Sierra Leone, a subset of cocoa traders received a per-unit subsidy on their purchases from farmers. A standard model of imperfect competition shows how treatment and control prices and quantities should respond to the experiment. By matching the experimental results, as well as estimates of pass-through rate of wholesaler prices, to their theoretical counterparts, we find that: i) the market features a differentiation rate among traders of 0.25 (on a 0 to 1 scale) and that the provision of advance payments is a candidate source of differentiation; ii) the effective market size is twice as large as the village. The methodology developed in this paper suggests that, when combined with standard models, individual-level randomization can shed light on market structure.