Abstract

Peer relationships affect production behavior of smallholder farmers, particularly in developing countries where farming is both an economic and a social activity. These interlinked aspects of farming are either treated lightly or completely ignored in the existing literatures on smallholder agriculture in Africa. In the empirical analysis, econometric methods are applied to primary data collected from Nyeri, a rural county in Kenya to estimate peer effects both on demand for farm inputs and on farm outputs. Since data on peer variables are not available, these variables are proxied by cluster level means of relevant covariates. The findings show that peer effects have positive effects on demand for farm inputs and farm outputs. Thus, ignoring peer effects can substantially bias the estimated behavioral parameters.