

Market shaping instead of blind faith in the market or market subjection!

In reaction to the most recent developments in the markets and especially with respect agricultural markets, the signatories call on academics and politicians to pursue a more responsible market shaping in the future.

1. The current worldwide economic crisis was triggered by investment banks' speculations. However, its magnitude and its drastic effects were only possible because of **the faith in the markets by academia** and politics as well as the tendency to **create unequal freedoms for market participants in the name of market freedom**. The way to a so-called free market becomes a way to further growing inequalities for the majority of market participants if the policy of privileging companies with a strong market position continues. This can be seen in the agricultural sector with the abolition of the milk quota: inequalities for consumers, whose freedom of decision is limited by further growing trade monopolies; inequalities for dairy farmers, who are reduced completely to mere suppliers of raw materials for the dairy industry; inequalities for third countries, where the dumping policy of industrial countries is destroying sustenance and creating hunger; and inequalities for broad levels of the population everywhere in the world, who have to bear the risk of an ever more gigantic and monolithic formation of the food industry.
2. Statements by agricultural economists claim "the dairy industry" has "become a free market" (Latacz- Lohmann/ Hemme 2009, 2). Part of the dairy industry are of course the milk farmers. However, those were and still are in a highly dependent relationship. They receive a milk price unilaterally and retroactively from the creamery. Therefore, calling it "a free market" is out of the question. The theoretical model of polypolistic supply structures, which confront a large number of buyers, does not have anything in common with practice. The dairy sector has a pyramid structure. Here, the participants differ greatly in their numbers as well as their levels of turnover: About 100,000 dairy farmers face 100 creameries, these again face just a few chains of stores. Within this structure, dairy farmers are dependent commodity suppliers. Only through a responsible, realistic market shaping would a **the reestablishment of farmers as equivalent market participants** be possible. Part of this is the creation of appropriate bodies for ensuring information (observing the dairy market, monitoring production costs, publishing the milk price). Additionally it is important to ensure that market participants are polypolistically arranged, so that they can take part in fundamental decisions of the industry (cooperation of producers, dairy market fund). Finally, there should be measures taken for market protection for homogeneous goods (body for milk quantity management).
3. German agricultural economists continue to refer to an unrealistic market model mechanism to describe latest developments in the dairy market. Following this market model mechanism results in "free price formation in markets according to scarcity relations between supply and demand," while the "intervention [...] of the government or alternatively the intervention of professional groups authorized by government [...] on the price structure and quantity structure" are not considered "normal" (Schmitz/Hesse 2008, 39). The BDM's price demands are said to be a "regulatory lapse" (Schmitz/Hesse 2008, 41). According to this unrealistic static conception of markets, the government establishes a framework, and within this framework a pricing mechanism is supposed to work. However, **markets are social structures** (Beckert et al. 2007). They develop and exist as an interaction of the players involved with simultaneous and constant necessity of regulation – the government is not external, setting a frame, but instead it plays a central role in this

constant regulation process, be it in “legislative process, in competition law, or in copyright” (Beckert et al. 2007, 56ff.).

4. According to the static concept of the market as pricing mechanism, only a few certain conditions have to be valid (information, polypolistic structures, and homogeneity of goods), and then the model can be applied to practice (Henrichsmeyer/ Witzke 1991, 311-312). **A realistic observation of markets shows, however, that these are dynamic and therefore have to be regulated constantly.** Due to the creation of something new (e.g. products), inhomogeneity of goods constantly develops and due to new knowledge, newly distributed knowledgeability arises. Similarly, measures for the maintenance of competition structures (anti-trust law) are constantly necessary because of constant processes of concentration. Depending on the position of the company and the influence of its lobby, as well as depending on the power relationships among actors, the involved may play a more or less influential role on the markets in the process of constant market shaping. The lack of oversight of market power has only helped the establishment of banks which are today “too big to fail.” Part of any future responsible market shaping is to prevent this in such fundamental economic sectors as food, housing, and transportation. Above all this means ending the double-tongued practice of regulatory favoritism of strong market participants through appeals to “market freedom.”
5. **The preferential treatment of strong market participants, realized through the one-sided reliance on economies of scale** (quantity) without the counterpart of an innovative economy creating something new (quality) also leads to the destruction of polypolistic structures, to market power, gigantism, to a dwindling influence of producers, which are on the front line in the chain of producers, as well as the powerlessness of consumers. For decades, agricultural economists preached “grow or die.” Agricultural economists significantly supported measurements like the introduction of direct aid, investment support, etc. which are characterized by the principle of Matthew: For to everyone who has, more will be given. Agricultural economists consider it's "normal" that "small" dairy farmer close down (Spiller et al. 2008, 1). This, so an other agricultural economist, that they give way to “entrepreneurs with the willingness to invest” (Schmitz/ Hesse 2008, 39). Similarly, agricultural economists have for decades provided so-called sectoral plans, according to which creamery structures (as well as slaughterhouse structures) are expanded with massive subsidies, creating such large units as the ones which exist today.
6. **The favoritism of more and more successful efficiency of single firms and at the same time passing on the consequent costs** to the whole society is similarly irresponsible. In the agricultural sector, these are not just the social costs which arise through the depletion of rural areas and the elimination of jobs as well as the consequent ecological costs from intensive agricultural production, but also predominantly risk-costs, like the costs society had to bear when BSE occurred. In 2001 alone, 1 billion Euro had to be spent here to overcome the consequences of BSE (mass slaughtering, carcass meal disposal, BSE-testing, etc.). A sustainable economy means expanding the view from a single-firm economy to a society-wide economy.
7. **The continuous advancement of the currently operated world trade in agricultural products based on the model of comparative advantage is also irresponsible.** Mutual advantages only develop in trade when the respective equal conditions exist. Products from limited sectors (production relying on limited space)

with limited sales volume (food) face different conditions compared to products without these characteristics. Therefore, trade between third countries with their agricultural commodities and countries of the so-called First World with their industrial products leads to unequal trade in favor of industrial countries. Similarly, the effects of the coercion for third countries to limit themselves to a one-sided cultivation of agricultural commodities are irresponsible. In this way, the subsistence structure of those countries is being destroyed. The consequences are devastating. 70% of the hungry of the world are small-scale farming families and farm laborers! The current developments in the dairy market show how far the global wedge of distribution has been driven: At the same time, when structures of milk production break down in Africa due to the re-introduction of export subsidies since 2009, and when milk producers in Europe have to give up because they cannot get by on money currently by the creameries, the press announces the successes of export trading companies with headlines like “Germany passes them all, Germany [...] is on top worldwide” (n-tv 2008). The double paradox of export subsidies (with anti-free trade effects) on the one hand and the promotion of free trade sectors for first countries (also through subsidizing the domestic farmers to maintain a stable resource supply for the food industry) on the other hand finally has to end.

Responsible market shaping means escaping the trap of the static model and likewise ending the one-sided favoritism of single firm efficiency at the expense of society as a whole. Therefore, it is necessary to develop and to implement organizational tools, which fulfill the requirements of dynamic markets. Among these are currently measurements in the dairy market like monitoring production costs to ensure the interests of producers and a milk quantity management which is geared towards the market and not towards expanding monopolies further. Only these measures make a responsible market policy possible – one which is not geared towards individual interests, but geared to interests of society as a whole, which include not only single-firm efficiency, but also food security and food sovereignty. Responsible market shaping – sustainable for the future – appeals not for “more freedom of the market,” but “more freedom for ALL market participants.” The signatories call for an end to the obligatory statements of the “freedom of the markets” without critically questioning them. This is the first step to ending “regulating the markets in the name of non-regulation.” The signatories call on academics to look critically into the one-sided model concepts of a static model economy which is based on single-firm efficiency through economies of scale. Similarly, the signatories call on politicians to take up the aforementioned proposals to be able to measure up to the future challenges of dynamic markets.

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