

Markets and Institutional Capacity



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Adequate explanations concerning the introduction of production and consumption of organic food in Denmark imply the necessity to engage a certain understanding of markets. Markets should subsequently not be seen as entities nor places but as complex relations between human actors. Further, the establishment, maintenance and development of markets are depending on the capacity of the actors to enter into continuous and enhancing interplay.

Current empirical and analytical evidence from the COP project seems to support the conclusion that the introduction of organic alternatives has been rather successful in Denmark. Supplementary, the conclusions reveal that the success to a high degree must be attributed to specific agricultural policy means as well as specific social processes.

Policy means and processes have facilitated and coordinated adequate interplay between several actions and actors. The actions are concerned with a complex of issues like supply, demand, technology, marketing, regulation and administration, etc. Further, the actions are taken by a complex of actors from the public as well as the private sector.

However, these findings imply comprehensive challenges to the theoretical construct of mainstream agricultural economics because it tends to focus on optimization of the supply side only. In a theoretical WP we are thus aiming at engaging and evolving conceptual frameworks able to embrace and concurrently explain the findings.

A broader focus

Our analysis of the findings compared to mainstream theory, points so far at especially one issue where the latter seems to be unable to

provide satisfactory conceptual explanations: supply, demand and the meeting of the two in a specific context. Mainstream theory tends to focus on optimizing the supply side and to treat demand as well as the creation, maintenance and evolution of markets as exogenous and without relations to time and space. Subsequently, mainstream theory also tends to limit focus to supply-side issues detached from context when agricultural policy is investigated.

In search for adequate conceptual frameworks to explain the Danish case, we have experienced that fragments of institutional economics appear to be the most promising. Our focus is especially to throw conceptual light on the creation, maintenance and evolution of markets and the potentials of agricultural policies and politics in that connection.

Market types

The market is not an unequivocal entity. Several different phenomena can be characterised as markets. My local supermarket is one type of market and the internet quite another. Markets have different characteristics according to the field – e.g. markets for real estate have other characteristics than markets for food. And

context matters too: markets for food are different in Germany and Denmark, and we will also reveal several differences when we compare contemporary markets with those 50 years ago.

Markets are in general neither territorial fixed;

which are e.g. the GPS-coordinates for the grain market or the market for real estate? Producers and users does rarely meet in a direct, physical sense; nevertheless, relations are currently established which in turn imply buying and selling



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as well as new products, techniques, knowledge and types of transaction.

These relations are the expression of markets but their form varies depending on field, time, place, culture and tradition. Markets are subsequently not places but rather contextual, relational

phenomena.

The conceptualisation of markets as sketched above, imply the recognition that markets are not predefined, does not evolve on their own, and that they change form and substance according to context. Thus, it is necessary to create, main-

tain and develop markets as relations between human actors and to constitute and develop markets considering practice, routines and trajectories according to the specific context in question.

Markets as a complex of relations

The findings in relation to the relative success of bringing Danish organic foods forward also reveal that it is inadequate to look on the market for organic foods. It is necessary, instead, to conceptualise the market in question as an intertwined complex of markets. This complex, for instance, comprises markets for means of production, knowledge, finance, markets for supply from farmers to processing, markets from processing to whole sale and further to retail, markets for imports and exports, etc.

The complex of markets constituting what we in every day terms express as 'the market for organic foods' is constituted, maintained and developed in an interplay involving actions that are both economic and political as well as related to civil society.

It is further necessary to realise that the actions in that interplay are limited by the competences of the participants and based on fundamental rules of the game – according to the specific context – and that the actors can choose actions and interplay to make the market-complex more or less adequate and efficient.

Institutional capacity

The ability of a society to establish, maintain and de-

velop markets according to local/national competences and potentials as well as according to changing global challenges can be labelled as 'institutional capacity'.

That concept and its theoretical implications seem promising when explanations concerning the success of Danish organic policies should be generated.

When the organic sector was seriously introduced and institutionalised in 1987 (the first law concerning organic agriculture passed parliament) it was not by coincident. The introduction was an obvious result of the specific institutional capacity embedded in and around Danish agriculture. It was thus based on deliberative competences practised and developed for more than 100 years in an institutional triangle involving economy, politics and civil society. And grass root pioneers, agricultural organisations, political decision takers, public administration and private companies were the key actors.



Read more

Find more information about the DARCOF III project COP on the webpage: www.icrofs.org/Pages/Research/darcofIII_cop.html

The project is funded by the Danish Ministry of Food, Agriculture and Fisheries

