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Global Overview of Agricultural Market Institutions

“Agricultural Market Institutions in the World and OIC”

10TH MEETING OF THE COMCEC AGRICULTURE WORKING GROUP
September 28th, 2017, Crowne Plaza Hotel, Ankara, Turkey



**Standing Committee
for Economic and Commercial Cooperation
of the Organization of Islamic Cooperation (COMCEC)**

COMCEC

AGENDA

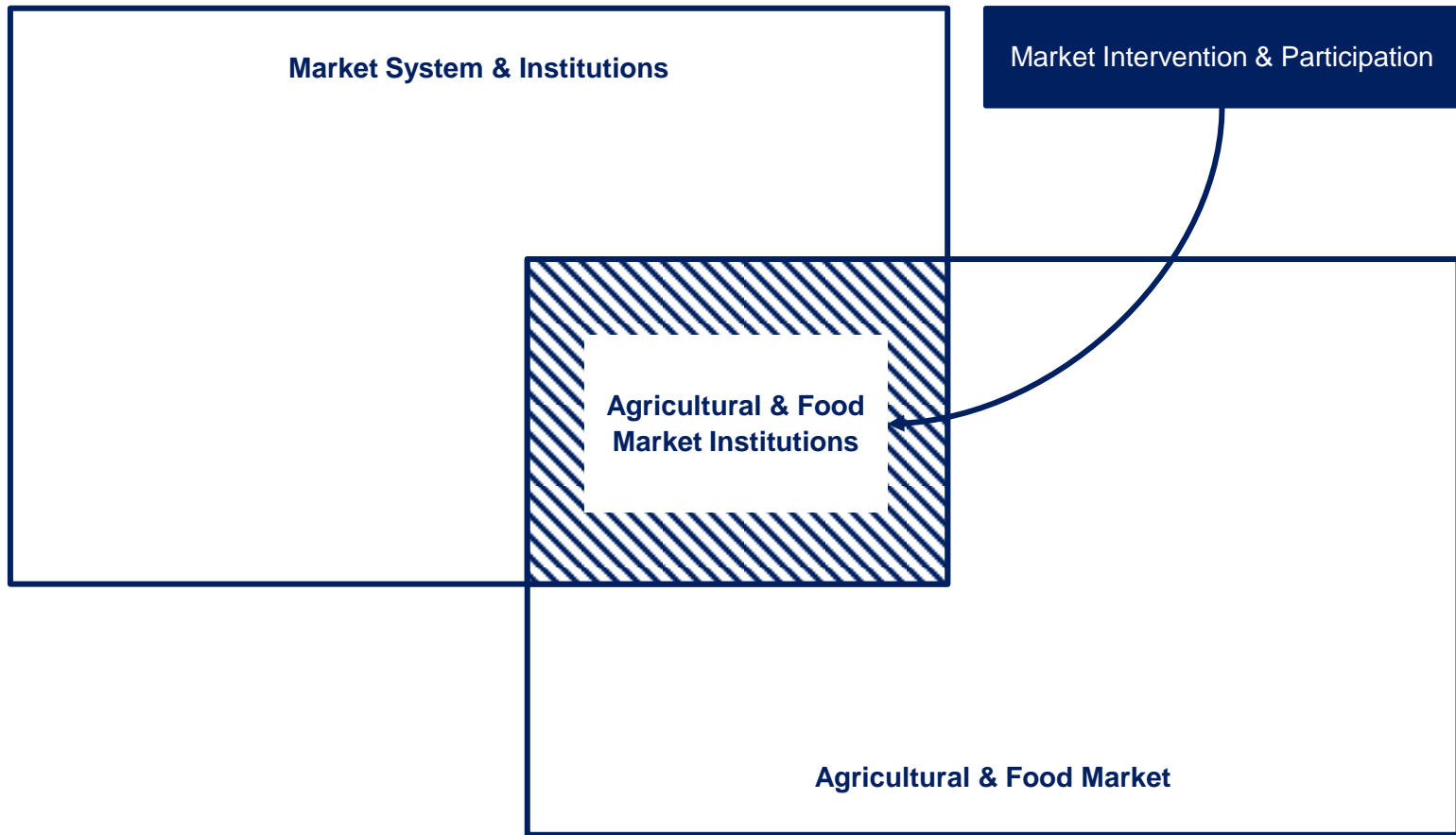
- Setting the Scene
- Development of Market Institutions in the World
- Development of Market Institutions in OIC
- Conclusions



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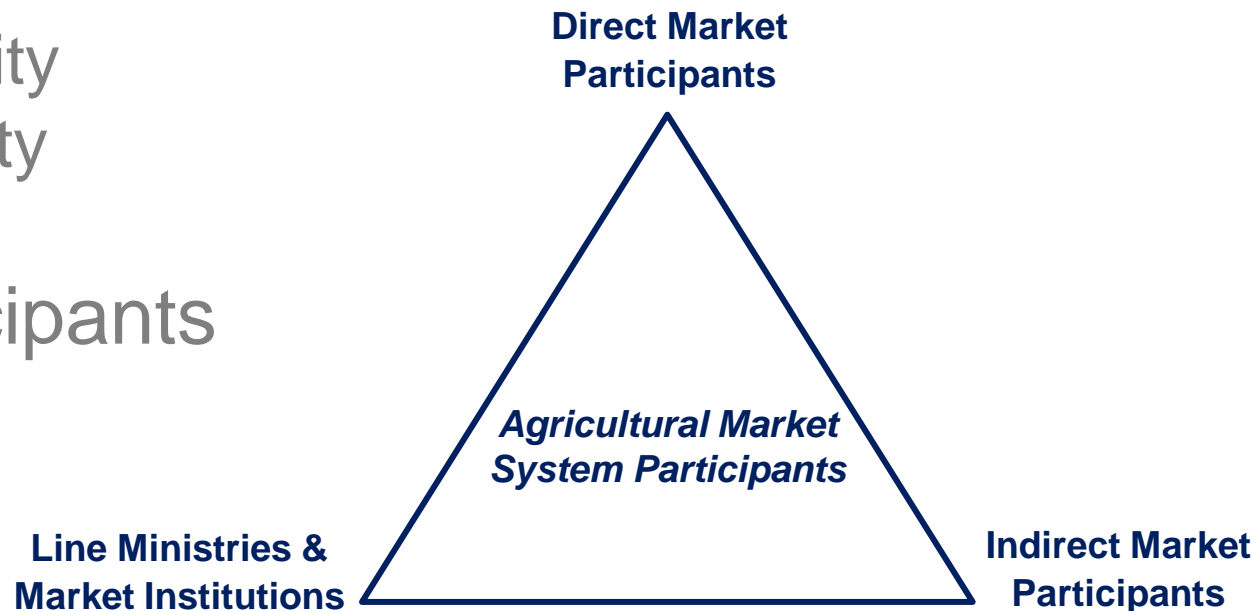
SETTING THE SCENE

INTRODUCTION



MARKET SYSTEMS & INSTITUTIONS

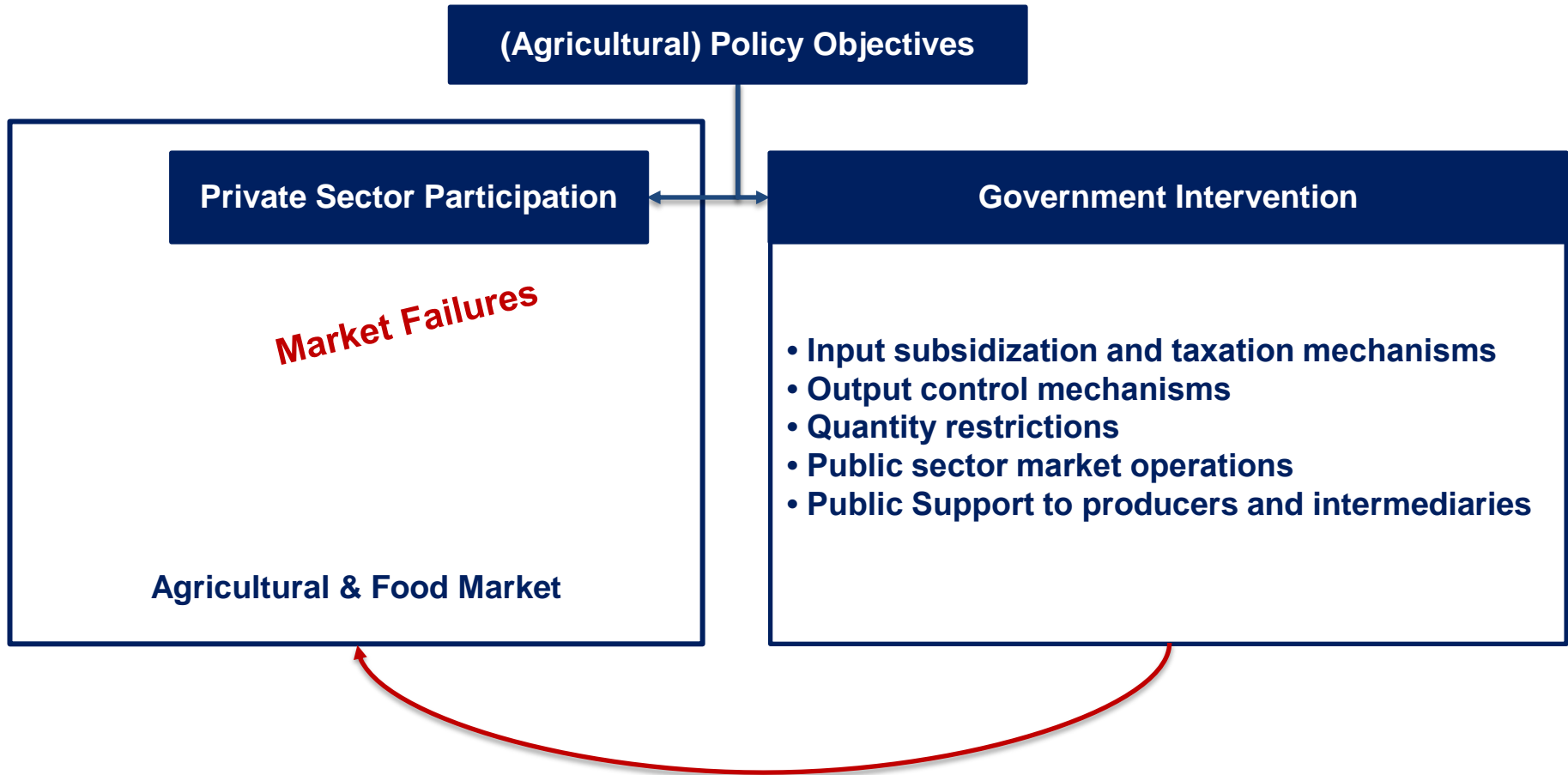
- Defining efficient markets and market systems
 1. Profitability
 2. Diminishability
 3. Rivalry
 4. Excludability
 5. Rejectability
- Market participants



AGRICULTURAL & FOOD MARKETS (1)

- Importance of agricultural & food markets
 - Food security (for urban population)
 - Food self-sufficiency
 - Equal access to reasonable prices
 - Protection of farmers and rural population
 - Encourage agricultural value-addition and exports
- Specific nature of agricultural & food markets
 - Geography
 - Seasonality

AGRICULTURAL & FOOD MARKETS (2)



AGRICULTURAL & FOOD MARKET INSTITUTIONS

Market Institutions

1. Commodity market regulation authorities

2. Cooperatives

3. State-owned economic enterprises

4. Marketing boards

5. Licensed public warehousing companies

6. Commodity exchange platforms

7. Associations & federations

8. Education & research institutions

9. Development organizations

Functions

1. Exchange functions

2. Physical functions

3. Facilitating functions

Impact

1. Price volatility

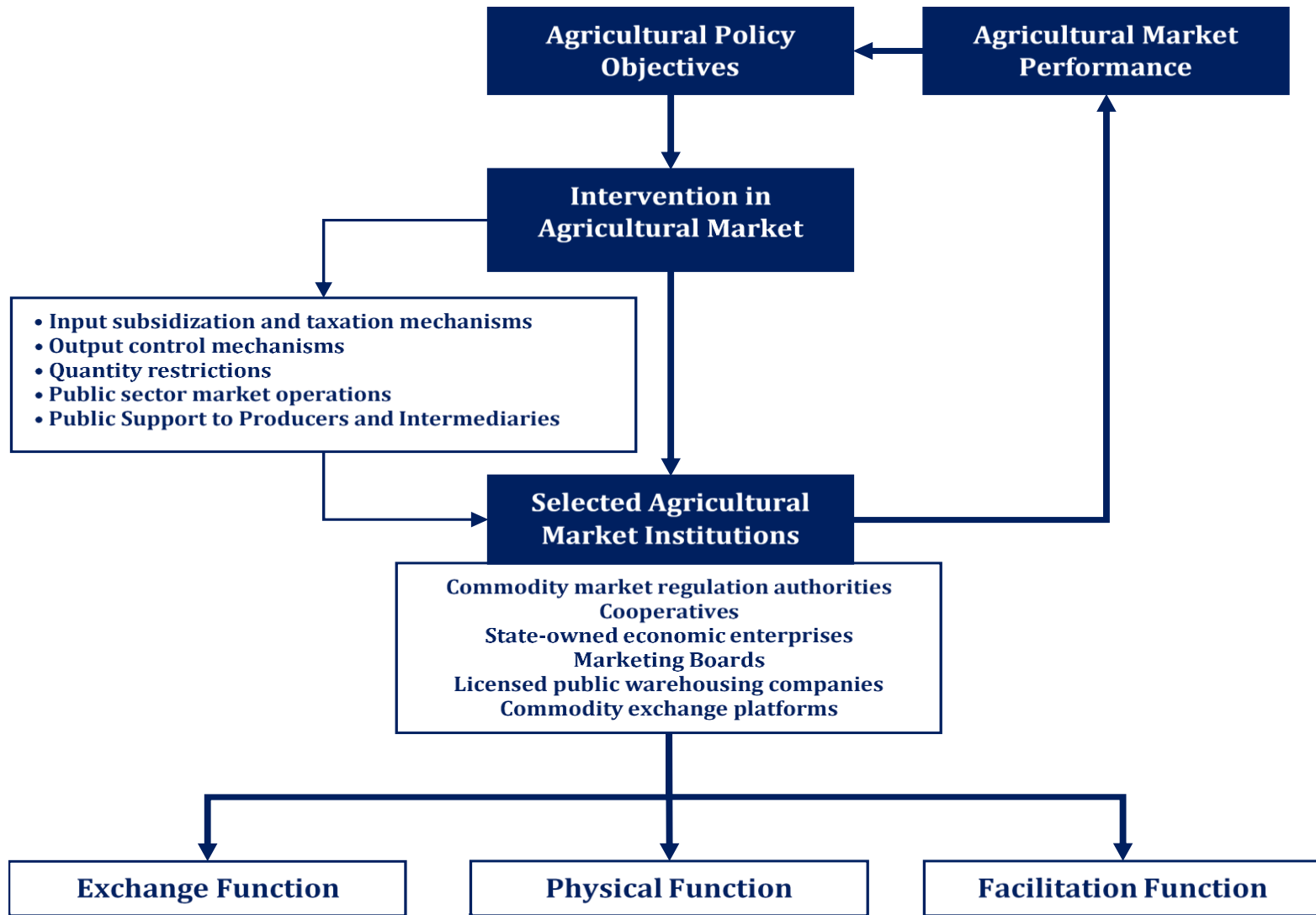
2. Supply volatility

3. Protecting farmers' income and risk exposure

4. Encouraging agricultural value-addition

5. Ensuring food for urban consumers

CONCEPTUAL FRAMEWORK



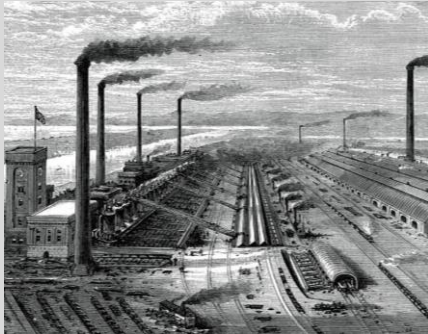


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DEVELOPMENT OF MARKET INSTITUTIONS IN THE WORLD

TRENDS IN THE DEVELOPMENT OF MARKET INSTITUTIONS

- Market intervention depends on the political ideologies and philosophical perspectives.



Industrialization



Laissez Faire

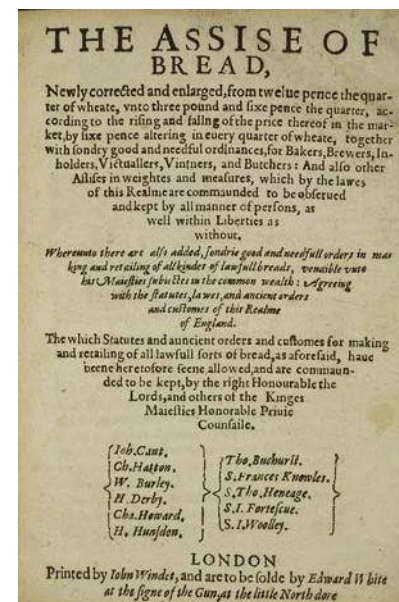


Welfare States

- More recently, market institutions have been subject to dramatic changes in political ideologies and philosophical perspectives:
 - 1960s & 1970s: Strong Government intervention.
 - 1980s & 1990s: Market-orientated liberalization.
 - 21st century: Revival of Government intervention.

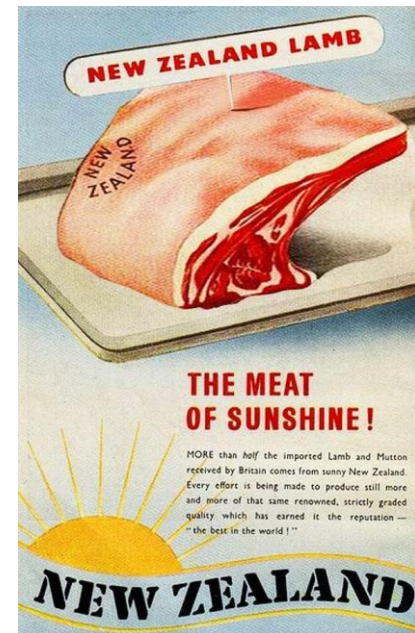
TRENDS IN THE DEVELOPMENT OF AGRICULTURAL MARKET INSTITUTIONS (1)

- Early forms of agricultural market institutions had a strong moral function:
 - Secured low food prices
 - Stable food supplies
 - Regulating the exchange of agricultural products for services and manufactured goods.
- Examples include:
 - Local institutions licensing marketplaces (e.g. Dutch city of Gouda)
 - Preventing from excess profits or monopoly power
 - Introduction of uniform standards and weights (e.g. Assise of Bread)
- Modern forms of agricultural market institutions date back to the 19th century.

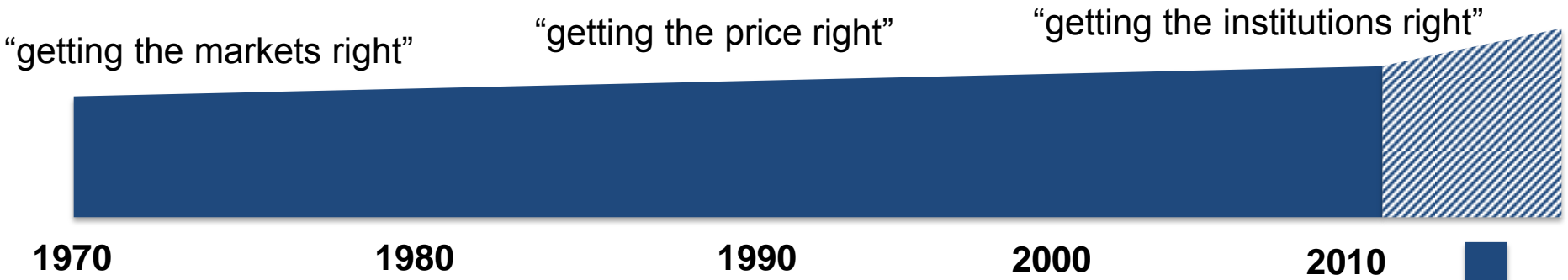


TRENDS IN THE DEVELOPMENT OF AGRICULTURAL MARKET INSTITUTIONS (2)

- Eventually, similar market institutions were rolled out in other parts of the world. In particular, the creation of agricultural market institutions such as marketing boards in Africa, Asia, and Latin America can be traced back to these times:
 - New Zealand Meat Producers Board in 1922
 - New Zealand Dairy Board in 1922
 - Australia Queensland Sugar Board in 1923
 - Nigeria Cocoa Marketing board in 1947
 - Nigeria Groundnut, Cotton, and Palm Produce Marketing boards in 1949
- These institutions involved activities in all stages of the market system and were implemented as a tool to:
 - Regulate and control agricultural market
 - Distribute agricultural inputs
 - Serve political-economic purposes
- Intervention in the agricultural sector remained strong following the Great Depression and the Second World War.



TRENDS IN THE DEVELOPMENT OF AGRICULTURAL MARKET INSTITUTIONS (3)



SELECTED EXAMPLES



***Gambia Produce
Marketing Board***

- Marketing Board
Gambia



- Public-Private Partnership
Indonesia



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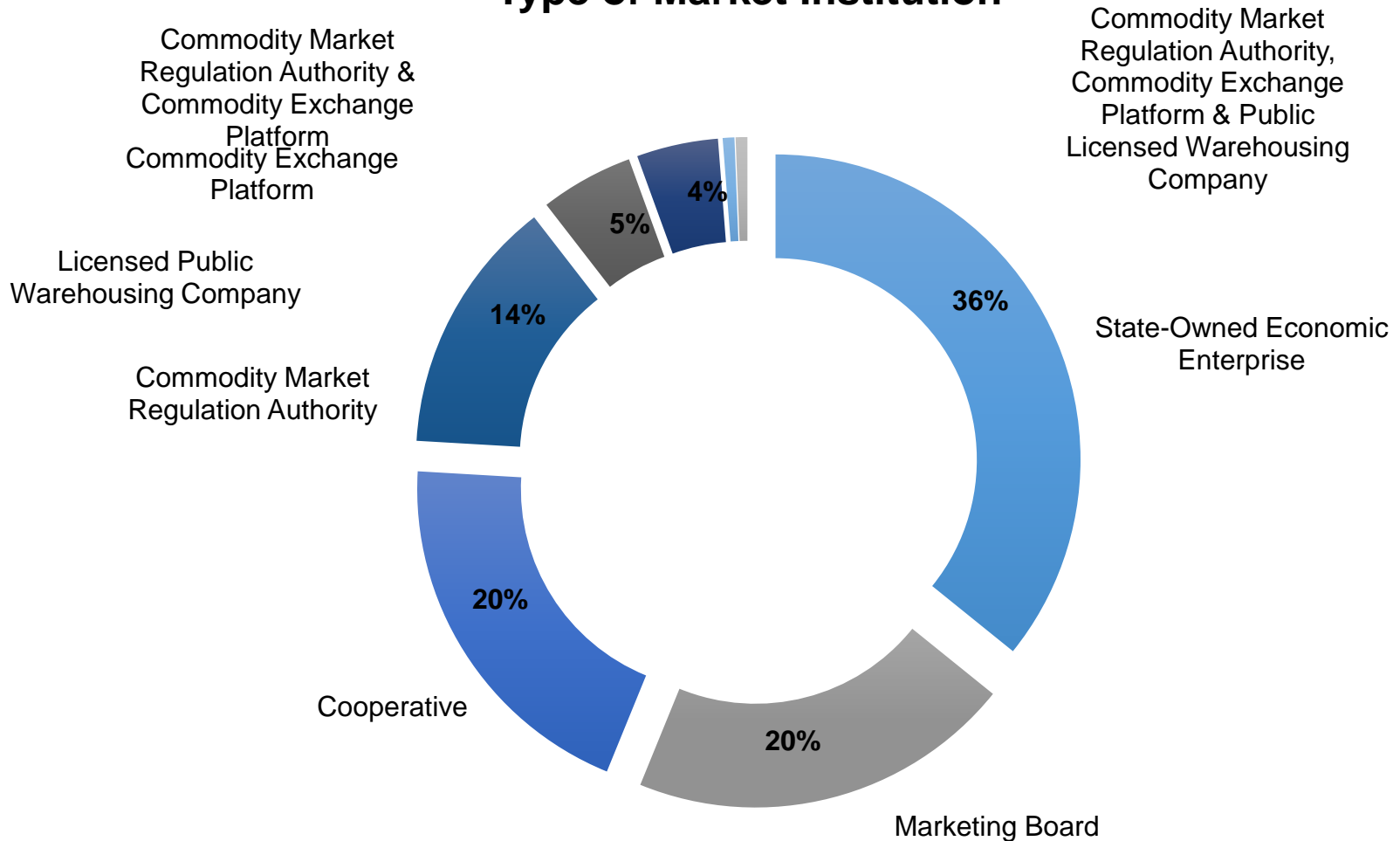
DEVELOPMENT OF MARKET INSTITUTIONS IN OIC

LINE MINISTRIES AND REGULATION AUTHORITIES

- **Ministries of Agriculture**
 - Present in almost all members of the OIC.
 - Sometimes combined with other areas of interest.
- **Ministries of Supplies**
 - To control prices and quality of food staples
 - To distribute subsidized commodities and inputs.
- **Ministries of Health & Safety**
 - Translates legislation into executable regulations with regards to food safety, quality, hygiene, and testing.
- **Ministries of Commerce & Industry**
 - Supervising trade in agricultural and food products.
- **Inter-Ministerial Bodies**
 - Coordinating policies and strategies across multiple Ministries and institutions.

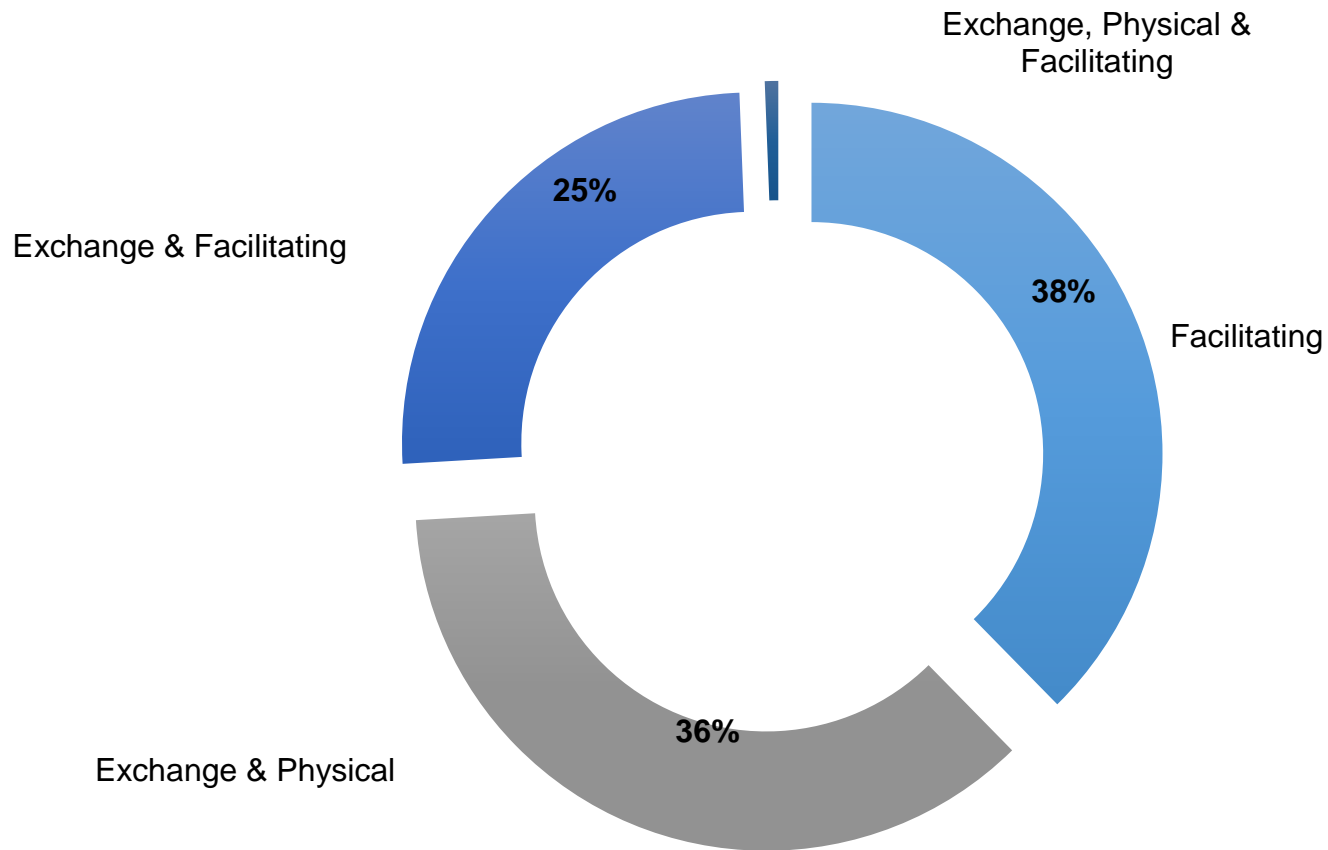
AGRICULTURAL MARKET INSTITUTIONS IN THE OIC MEMBER COUNTRIES (1)

Type of Market Institution



AGRICULTURAL MARKET INSTITUTIONS IN THE OIC MEMBER COUNTRIES (2)

Type of Function



AGRICULTURAL MARKET INSTITUTIONS IN THE OIC MEMBER COUNTRIES (3)

Type of Function per Market Institution	Exchange & Facilitating	Exchange & Physical	Exchange, Physical & Facilitating	Facilitating
Commodity Exchange Platform	X			
Commodity Market Regulation Authority				X
Cooperative	X			
Licensed Public Warehousing Company		X		
Marketing Board				X
State-Owned Economic Enterprise		X		X

AGRICULTURAL MARKET INSTITUTIONS IN THE OIC MEMBER COUNTRIES (4)

- 1. State-owned economic enterprises, which...**
 - Regional economic development and agricultural intervention.
 - Credit or loan provider specifically for the agricultural sector.
 - Production and trade.
- 2. Licensed public warehousing**
- 3. Cooperatives**
- 4. Commodity exchange platforms**
- 5. Commodity market regulation authorities**
- 6. Marketing Boards**

AGRICULTURAL MARKET INSTITUTIONS IN THE OIC MEMBER COUNTRIES (5)

- National Agricultural Research Organizations



- Development Organizations & Donors
- Banking & Finance





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CONCLUSIONS

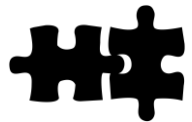
CONCLUSIONS



- The performance of agricultural markets is subject to the **influence of a great many institutions**. Hence, their effectiveness can be assessed only by **looking at the entire system of institutions**, and the position of those institutions within a **wider policy context**.



- Independent, **private sector institutions** are critical to the effective functioning of market systems. Robust **non-Government market institutions** such as sector associations cooperatives, and exporters' federations, are also essential if markets are to work effectively.



- Markets tend to perform better when institutions **harness market forces** to serve social goals and try to make markets work more effectively, than when they try to **displace market forces** with uneconomic and ultimately unsustainable controls.



- Market institutions tend to be **most effective** when their interventions focus on **eliminating or mitigating market failures**:
 - Transmitting information and mediating transactions
 - Reducing volatility and managing competition
 - Facilitating the transfer and enforcement of property rights and contracts
 - Increasing the market power of producers



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