

Nested Markets and Common Pool Resources: a contribution from economic sociology

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Hansen family

- Imagine the Hansen family with 2 adults and 2 children driving for 3-4 hours. They are desperate for a break from each other. How could people living in rural areas help them?

- But first, check their demands:

- Mr. Hansen: fishing
- Mrs. Hansen: shopping
- Teenage kids (!): soccer (son) and horse riding (daughter)
- After 2-3 hours: DINNER



- Are rural areas able to meet this demand?



Outline

- Introduction
- Hansen family goes rural: fishing, shopping, sports, and a lot more (Krijn Poppe)
- Nested markets and CPR: conceptual framework
- Self-organizing CPR
- CPR in rural development
- CPR in practice: special tomatoes, LandMarket and Regional brands
- Discussion and policy implications (Krijn Poppe)



Introduction

- Nested market: : nested markets are segments of wider (more global) markets where the specificities of place and networks provide room for specific products, extra trade and premium prices.
- Nested markets imply permeable boundaries
- Often boundary organizations that actively deal with these boundaries
- They define a space that allows for premium prices, cost-reductions, specific connections, reduced transaction costs and differential development trends

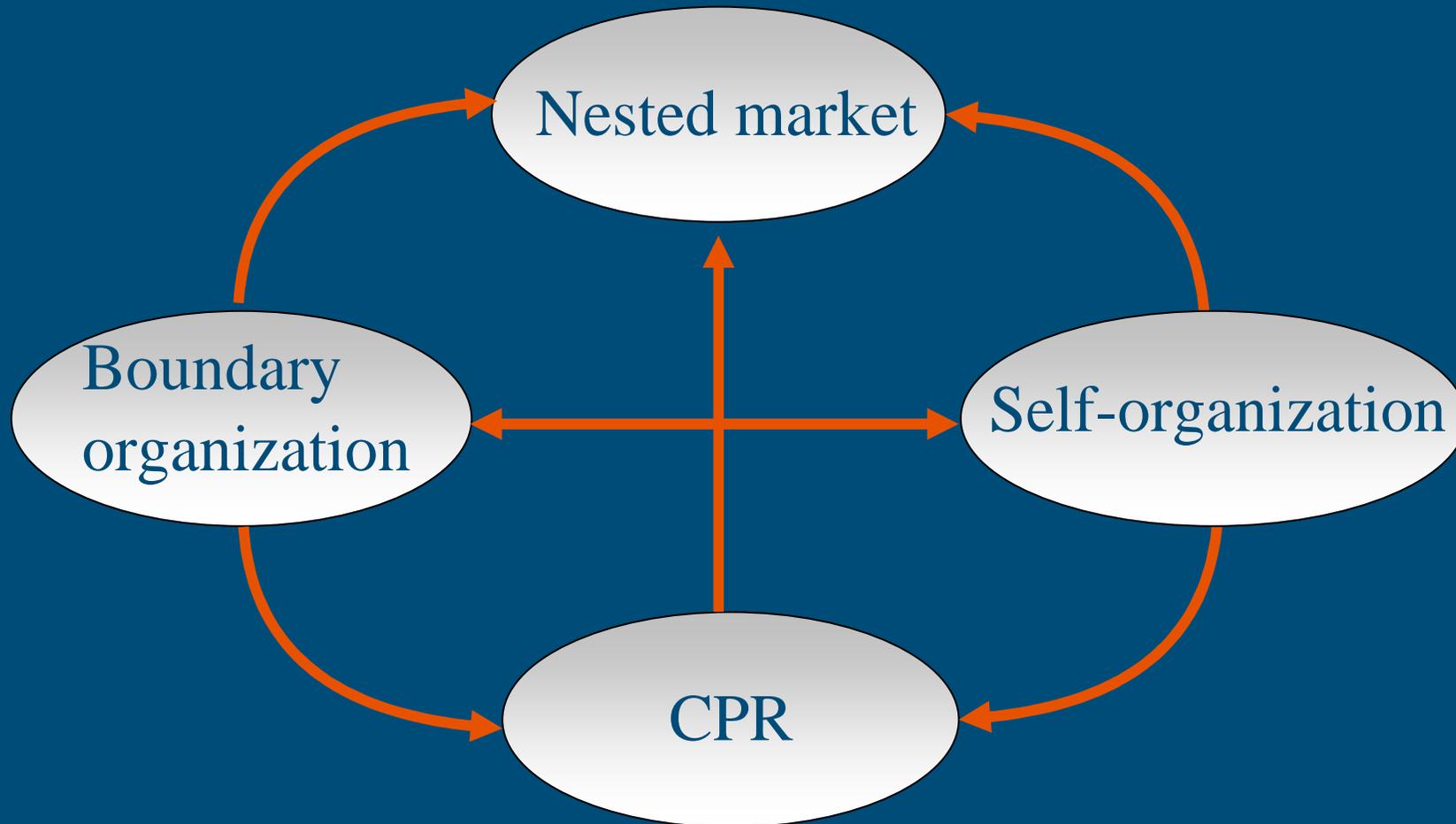


Key points of nested market concept

- It does not accept markets as a given and unchangeable entity
- It aims to bring the discussion on rural development beyond mere subjectivism and voluntarism.
- The concept aims to move the debate on rural development policies beyond the limits of the current project approach.
- Nested markets are not identical to niche markets. They can neither be equated to local markets.



Conceptual framework



Thesis

- The thesis that the nested markets that are emerging in the context of rural development processes are grounded in, and delineated by, Common Pool Resources (CPRs, see work of Elinor Ostrom).
- CPRs and nested markets both assume boundaries and, consequently, some kind of boundary organization.
- Governance of these boundary organizations assumes some form of self-regulation.
- Ostrom focuses at the resource system (e.g. water, mountain fields, forests) and our approach on the resource users (the “rule system”),

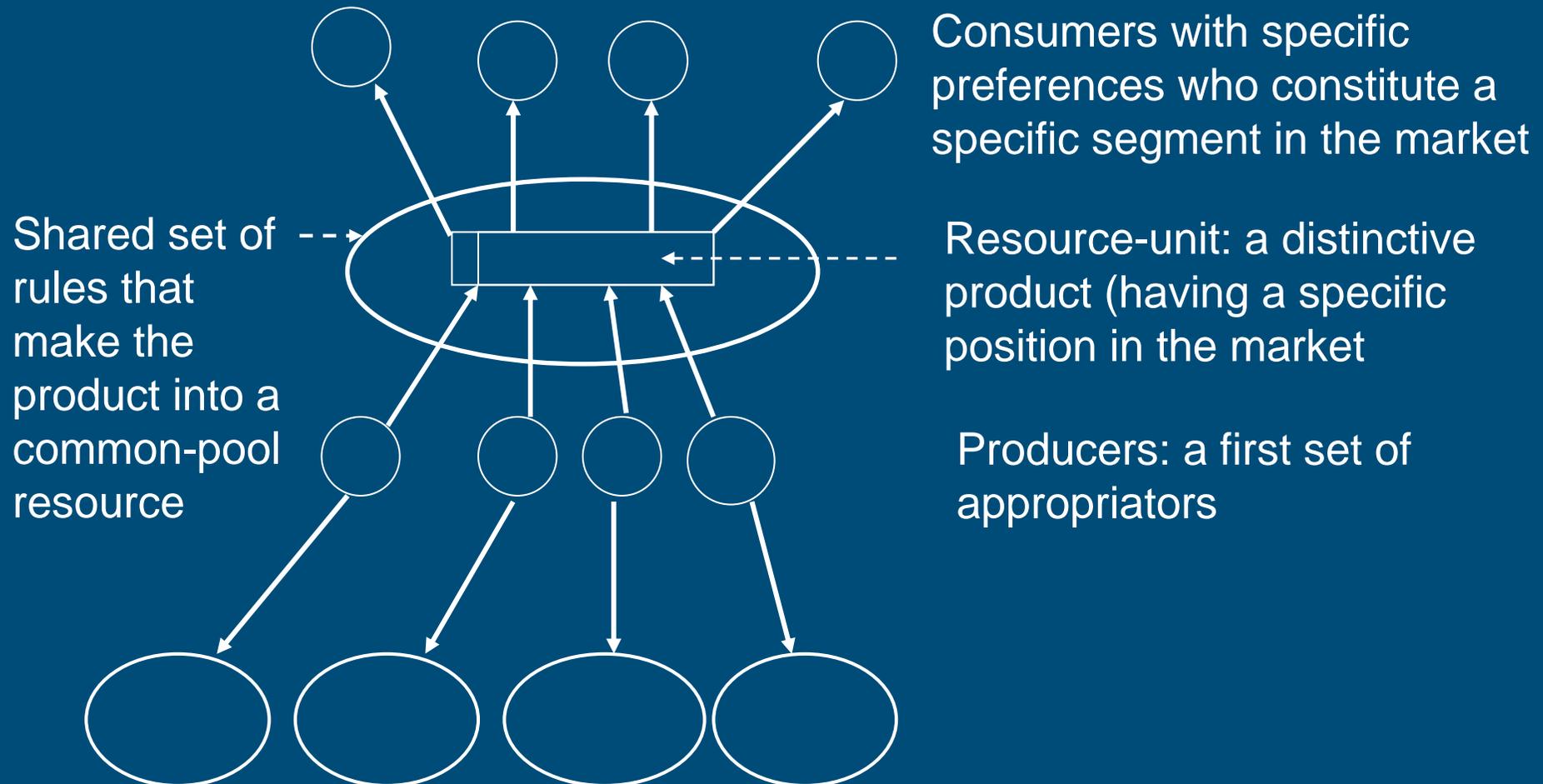


Examples of rural CPRs

- Attractive landscape
- A high quality product (a DOC wine, PR cheese, or whatever) is a CPR. The 'emblem' (or logo / label) that makes a cheese into a recognizable PR cheese, or a wine into a nice Chianti, etc. is not individually owned. The particular body of knowledge, the associated skills, techniques and networks are not individual property.



CPRs in rural development



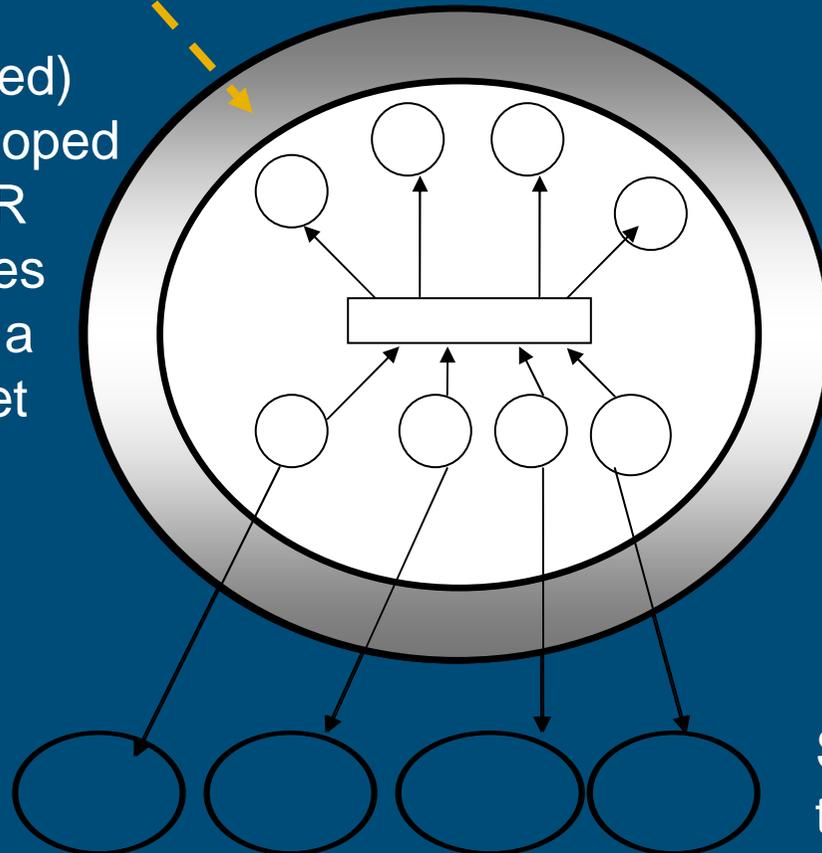
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- Agro-tourism.



CPRs in rural development

Shared normative framework (more or less institutionalized) that (1) developed around a CPR and (2) defines and sustains a nested market



Consumers with specific preferences who constitute a specific segment in the market

Distinctive product
Specific producers

Specific resources required for the making of the distinctive product



Empirical cases

- Attractive landscape
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Examples of rural CPRs

- Growers associations producing specific tomatoes are presented. It stresses the dynamics of making a common pool resource and nested markets.
- The LandMarket concept mirrors from the producer side the Ladegard and Romstad (2009) example given in the introduction.
- The case on regional branding highlights one of the vulnerabilities of nested markets as they are vulnerable for competition because their borders are permeable.



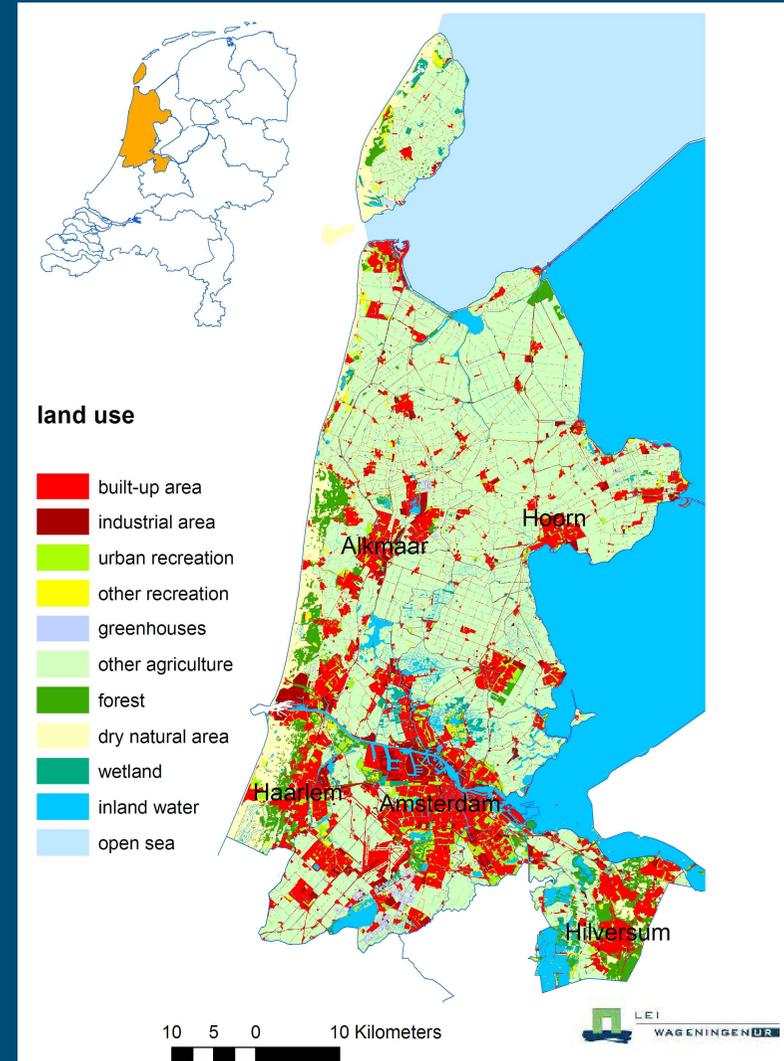
Growers associations

- Developments: (1) globalizing vegetable and fruit chain, (2) increased demands consumers with respect to convenience, quality and variation, and (3) increased market power retailers
- Independent growers associations (brands)
- To distinguish themselves among competitors in the chain and helps to build reputation
- Two main types: market orientation and countervailing power



LandMarket

- Farmers keep their control over their produce till point of sale to final consumer
- They pay a fee for their place in the market and additional services (e.g. marketing)
- Location of LandMarket should border attractive countryside (also to rent bikes, start a canoe trip, etc.)
- Parking places



Regional brands

- Regional branding: Wadden gold
- Initiated by non-profit foundation to promote sustainable rural development in the Wadden Sea (intertidal zone rich in biodiversity, wetlands, favourite holiday destination)
- CPR: the specific quality of region
- Large dairy processing company developed new cheese from milk produced by region
- Regional brand: Deich-Gold



Discussion and policy implications

1. For current policies

- it leads to a different view on multifunctionality in which private goods are taken into account
- Paying more attention to demand side, to networks and building of institutions



Discussion and policy implications

2. The importance of a regional view: demand and supply develop in the nested markets with specificities of place and networks
 - Governance issues between top down and bottom up
 - It is a step by step transition
 - A grand design is unlikely to work because of information needed



Discussion and policy implications

3. Connecting rural areas to urban areas
 1. The need to build spatially connective urban rural networks in addition to regional incentives and not only roads and high speed internet
 2. Not every region is suited (depending on available amenities)



To conclude

European agriculture is not so much a multifunctional agriculture producing public goods, but a region-based common resource agriculture.



implying



Investing in CPRs with nested market that are specific of place and networks

