The EcoProducers and the Market
<table>
<thead>
<tr>
<th>Title</th>
<th>Antall sider</th>
<th>Dato</th>
</tr>
</thead>
<tbody>
<tr>
<td>The EcoProducers and the Market</td>
<td>42</td>
<td>29.08.2003</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Faglig ansvarlig sign.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ellen Marie Forsberg</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>An essay to the PhD summer course titled: Money and Markets with People in Mind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sammendrag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapporten går igjennom ulike teorier om marked og prissetting, og er etterfulgt av en empirisk analyse av feldata. Forfatteren konkluderer med observasjoner om at rasjonelle, profittsøkende modeller om økonomisk handling må kompletteres av sosiale bakenfølgende motiver som kan være av moralsk karakter.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>The rapport contains a review of some theories concerning market behaviour and price-setting, followed by an empirical analysis of field data. The author concludes with the observation that rational profit-seeking models of economic behaviour need to be complemented by a social account of motives that may be moral.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stikkord</th>
</tr>
</thead>
<tbody>
<tr>
<td>Økologisk matproduksjon, priser, prisfastsetting, marked</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keywords</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic foodproduction, prices, pricesetting, market</td>
</tr>
</tbody>
</table>
The Ecoprodusers and the Market

av

Ellen Marie Forsberg

2003

STATENS INSTITUTT FOR FORBRUKSFORSKNING
postboks 4682, 0405 Oslo
Preface

This report was originally written as an essay to the PhD summer course titled: *Money and Markets with People in Mind* and lectured by Dr. Keith Hart at the Faculty of Social Science, University of Oslo, 2002. I want to thank Dr. Keith Hart, Marianne Lien, UiO and Arne Dulsrud, SIFO, for guidance and comments and also SIFO for all kindly support during the process of writing.

November 2003
NATIONAL INSTITUTE FOR CONSUMER RESEARCH
Sammendrag

Denne rapporten er et utdrag av en cand.polit.-oppgave om økologiske bønder og deres organiseriske arbeid i Norge. Hovedproblemstillingen er hvordan produsenter bestemmer prisene på sine produkter. Rapporten går igjennom ulike teorier om marked og prissetting, og er etterfulgt av en empirisk analyse av feltdata. Forfatteren konkluderer med observasjoner om at rasjonelle, profitssøkende modeller om økonomisk handling må kompletteres av sosiale bakenforliggende motiver som kan være av moralsk karakter.
Summary

This rapport is extracted from a cand.polit. research in social anthropology on organic food producers and their organizational work in Norway. Its chief concern is with the determination of price by the producers. It contains a review of some theories concerning market behaviour and price-setting, followed by an empirical analysis of field data. The author concludes with the observation that rational profit-seeking models of economic behaviour need to be complemented by a social account of motives that may be moral.
1 Part One - Introduction to the field

This essay is based on an analysis of empirical observations from a six-month fieldwork in an organisation of organic farmers, ‘the EcoProducers’, who are based in a small town in Akershus, a Norwegian county close to Oslo in the autumn 2000. My aim was to do a research in ‘the organic food market’ inspired by new economic anthropological studies and theories on modern, western contexts (Abolafia 1998, Callon 1998). I chose to do my fieldwork in an organisation for organic food producing farmers ‘the EcoProducers’, with three main informants, observing and taking part in their activities in a period of seven months. (Summer/autumn of 2000 and spring 2001). My main research questions in this paper are how do farmers and their representatives set the prices on organic products? What is the market of organic food in Norway? Do the price setting reflect a thinking of morality, like fairness or does it have a goal of maximising profit according to modern economic theories or are there other ways of thinking? Outgoing from the former discussions between the formalist's and the substantivist's understanding of economic meaning, I will base this paper on an emic understanding based on the substantivist's view on economic activities. A substantive meaning of economics derives from people's dependence of their living upon environmental and social systems. (Polanyi 1968: 122) I dealt only with the supply side of a market situation in this paper, i.e. conflicts between buyers and sellers are not illuminated.

'The EcoProducers' was founded in 1987 with 23 organic producing farmers. During the next 13 years the number increased to 169 ordinary members and 40 external members. The board is elected every year at the General Assembly and the members come from all parts of Norway. The members are farmers who produce organic agricultural food like vegetables, grains, herbs, meat, milk and milk products. I spent the

---

1 The original name has been changed.
days with my informants in the office where I participated in all kinds of works, discussions and communications with employees, visitors, journalists, bureaucrats and politicians. I also joined the informants in different kinds of meetings and seminars. For my informants, the office is a kind of information central of organic farming and the market for organic products, beside the tasks they are given by the board. They can spend hours of talking on the phone or in meetings with people who want more information about organic food and organic production in general or discuss problems with their members or others about buying and selling of organic food. The employers of ‘the EcoProducers’ call themselves promoters and mediators of buying and selling of organic products on behalf of their members, but the organisation is not an economic agent selling its own products in the market.

I intended to study market relations and economic behaviour in a Norwegian context through organic food and ‘the EcoProducers’. Why study organic food? Organic food is interesting because it is a special type of food and is viewed by many customers as a better alternative to conventionally produced food. Briefly, in relation to crops, ‘organic’ refers to foodstuffs grown without the use of artificial fertilisers, herbicides or pesticides. In relation to meat, it refers to animals raised in non-intensive farming conditions, free from unnecessary medication such as antibiotics, growth stimulants and eating feed or grazing pasture that is organically grown (James: 1993). Both informants and others often refer to the organic food as cleaner or purer, tastier and healthier. Organic food has established a firm foothold in the British market, despite the high price premiums that it commands, sometimes up to 35 per cent for organic beef (ibid: 1993). In Norway there is a similar development, but it has taken a longer time to establish interest for the products among distributors, wholesalers and not the least, agricultural corporations who have a firm monopoly in the food market in Norway. Today the market shares of organic food are much smaller than in the neighbouring countries. In the last ten years, general public awareness about organic food has increased in the media and among researchers, politicians as well as government and ministries. Many customers are interested in buying organic products but so far this type of food is mostly available in special shops and not in supermarkets. Despite all the ‘goodwill’ and interest about the issue, organic food seems to be difficult to distribute and sell and therefore difficult to find in the super-markets in Norway, where ca. 90 % of all food is sold in Norway. This gave me another reason
to choose organic food as a case study. Why is organic food difficult to buy and sell in the Norwegian market? Special types of agricultural products like organic food, with a small but growing market share is interesting because the issue raises heated discussions and shows quite different opinions among farmers, distributors, politicians and bureaucrats among others. The informants discussed the market situation and the supply of organic food with people in the distribution and supermarket chains frequently. The price of organic products varies from 5 - 100 % more expensive than the conventional alternative. Many argue that organic food is too expensive. The price setting will therefore be the main issue. The people in 'the Ecoproducers' try to solve problems of marketing for their members and find a way to overcome the different barriers in the ‘chain’ between the farm and the customers. I could in this way study their actions, strategies and discussions about 'the market', prices, supply and demand. I am not concerned with organic food as a symbol of environmentalism, or as a cultural construction of binary oppositions like nature: culture in this essay. I rather want to focus on an analysis of one type of economic activity around the selling of organic food, which I observed and participated in during my fieldwork. The paper is organised in three parts. Part two will describe various theoretical approaches to economy, market and price in anthropology. In part three I will present empirical observations and raise some questions around social aspects of economic activities in relation to morality and ways of setting prices. Part four contains a summary of my findings and some concluding remarks.
2 Part two- Theories

Economic relations and the market
How can we define and understand the market for organic food according to anthropological theories? The concept of market is central in economy and it is used in different ways. One level is to understand the market as an abstract model in theoretical discussions mainly used by economists. Another level is that market can be seen as an emic folk model, how people understand ‘market’ in daily life. The third level is as a descriptive concept about the real events (Dilley 1992). I use the concept here mainly from the emic perspective. The informants frequently talk and discuss about the market and I will investigate the notion more closely.

If we look at the origin of ‘market’, we can see the historical development of a word that reflects changes in its use and meaning. ‘Market’ comes from the Latin word ‘mercatus’ which means sale or ‘a market’ and its cognate form ‘merx’ which means 'products' and ‘mersor’ which means 'to buy' (Hart 2002). According to Dilley, use of the concept ‘market’ in history reflects in other words a development of ideas and social practices over time. Market place is the oldest meaning of the word; it simply means ‘a place where people come together’. In the 16th century, the word was extended to describe a process of buying and selling, in other words, to do business. One hundred years after that, the word gained another dimension. Now it is used to describe an aggregated geographical form, such as ‘the Norwegian market’ and also to describe as a measure for the turn over. (Dilley 1992) The informants in my field research used ‘market’ frequently in this way as something national and abstract. The ‘global market’ and ‘the European market’ was also a concept that often was applied in discussions at meetings and seminars. ‘Market place’ as ‘a place’ almost disappeared even though some of it is still used in the sale of agricultural products as part of ‘direct turn over’, when farmers sell agricultural products directly from their farms.
or when they go to towns to sell their products at the market places. This kind of practice lately has become more common amongst the producers of organic food products in contrast to the fact that most of the farmers after the second world war have been organised in co-operatives which have distributed all the products. The agricultural co-operatives have so far shown little interest in marketing and selling the organic products beside the conventional marketing channels. For some farmers, selling of products at marketplaces has also been the only way of reaching the consumers. Lack of organic products, high prices and a rather unstable quality of organic products in supermarkets make consumers seeking organic food to prefer either special shops like Helios or market places (in Norwegian: torg) or direct from the organic farms and shops operated by organic farmers. The prices are in the two last examples set by farmers themselves partially out of their own opinion and partially out of the prices that were recommended at the weekly telephone-meetings organised by the 'EcoProducers'. Prices are in other words set beforehand and therefore fixed and not bargained. The general market for organic food is not a physical place, but a term that describes the activities of buying and selling of organic food. Organic food is part of the food market in general and is competing with the conventional food sale. The lack of distribution channels leads many organic farmers to sell their products directly to the consumers in a physical market place or on the farm. This brings them more often directly into contact with the buyers.

**Economy and price**

"A commodity appears at first sight, a very trivial thing and easily understood. It's analysis show that it is in reality, a very queer thing...( ...)" says Marx in his discussion about the 'fetishism of commodities', labour and value. (Marx 1974:71) Marx' classical analysis of commodities, labour and value gives us a deeper understanding of price and values in relation to human activities in society. By analysing the commodity production and how producers are related in an economic system, we can see the importance of labour-time and how it influences the magnitude of values and prices. A commodity must not only be useful, but also useful to others, and thus becomes a commodity through the labour of individuals. The social character of each producer's labour is shown in the act of exchange. Marx calls this the material relations between persons and social relations between things. These two kinds of rela-
tions are what he calls the relations connecting the labour of one person to that of the rest at work. The products acquire a social status as values, which is distinct from being an object of utility. All products of labour have, according to Marx, one common quality, i.e. value. When commodities are brought into relation with each other as values, they are equated with the different kinds of labour expended upon them. To give an object value is therefore a social product. The quantities of value vary continually and are independent of the will, foresight and action of the producers. But Marx argues that the labour time required for the production affects the magnitude of the value.\(^2\) "The equality of all sorts of human labour is expressed objectively by their products all being equally values; the measure of the expenditure, takes the form of the quantity of value of the products of labour (...)(Marx 1974:72)

Today social science often stress the distinction between the traditional peasant economy with a market place as central location for sale on one side and on the other industrial economy in modern societies with high infrastructure and an abstract market. The transactions are in the first place often governed by social and kinship obligations and prices are bargained while the second is led by rational calculations of individuals and the prices are set by the sellers as so called posted or fixed prices (Alexander 1992). The main characteristic of the economic understanding of market in industrial societies is that sale is understood as a rational, impersonal and instrumental act where sellers maximise profits and buyers maximise utility. Alexander suggests the application of observed phenomena from the studies of traditional economy on the analyses of modern western economic relations. He wants to break down the dichotomy, peasant and modern market and rather apply models dialectically and compare the description of the two types of economy in an analysis without privileging either. The theory of instrumental price setting would be challenged if we follow Alexander's suggestion "that trading practice in all markets (...) are culturally constituted. Actors in any market are linked by commodity exchange and by social relationships, but they are also linked by shared, common sense, taken-for-granted understandings about the ways which transactions should be conducted and the ways, which they are conducted. To explain why market participants act in the way they do requires an

---

\(^2\) It was the introduction of money and prices, which led to establishing commodities as values. Marx argue here that to put a price on a commodity conceals, instead of disclosing the social character of private labour (Marx 1974: 93-94)
understanding of the concepts they use to plan, execute and justify economic actions in their day-to-day activities." (Ibid. 83) I find this approach useful in the analysis of my empirical observations of price-setting in part three.

What is price?
According to the modern western economic theories, a price is decided in a balance between offer and demand. (Stiglitz 1997) The price is expected to change due to short term swings in offer and demand but when the consumer buys the product the price is set. A market is considered effective when the offered products are accessible, when consumers can buy what they want for the price they can afford. (Keith Hart, 181:2000) These are theoretical models about economic relations which economists use in their analyses. Adam Smith is reckoned as the founder of modern economic thinking and the creator of the notion ‘the invisible hand, a metaphor for ‘free market’, which is a central term in the field. He wanted to proof that the economy should be left over to the free market of individual buyers and sellers in order to let it rule itself rather than be ruled by governments through regulations and other types of control in the economy of a country. On the other side, we talk about a western market ideology of capitalism, which is closely connected to these theories about economic relations. The followers of capitalistic ideology are more convinced that the market models give a ‘good’ receipt of how to carry out economical actions, according to Adams Smith's theories. You achieve a correct price by following the ‘receipt’ of free market. The free market term and capitalism can be viewed as a result of economic theories. My informants relate themselves to these theories daily when they set prices for their products but they also have other concepts on which they base other types of evaluations.

I took part in a price meeting together with my informants during my fieldwork, which led me to ask, what is price? What actions do my informants take when they decide a price on organic products? My empirical material shows that there are different interpretations of what price is and how to set it, and that they are different from western, instrumental understanding of price setting\(^3\). Market activities, sale and price setting are taking place within economic systems in a society. Today, this

\(^3\) Which is mostly referred to as the ‘Equilibrium price’ in the model for supply and demand.
includes all types of societies that are part of the global economy. Economists understanding of economy as something separate from the rest of the society has been challenged by anthropological studies (Dilley 1992) showing that economy can be seen as cultural systems and that economic activities are taking place within cosmologies and value systems. (Gudemann 1986) Attitudes about morals and values are also aspects in these processes.

In part three I present a part of my empirical material that takes a starting point in an extract from a telephone meeting on price setting involving different organic vegetables and fruits of the season at the EcoProducer's office. At this meeting a selected group of organic farmers, members of the 'EcoProducers' are discussing and setting the weekly prices of the products. The prices are often looked upon as given or decided by the buyers. Prices can be found high, suitable or low, but still given or decided by buyers. At this point, customers have little chance of influencing the prices. Hirschman has introduced three terms to describe the consumer's possibilities on influencing prices, which are exit, voice and loyalty. Loyalty is the situation where the customer buys a commodity of a special brand or type because he or she knows this well and has bought this for a long time, and continues with that although the price is increasing. Voice is a situation where the customers protest against the price increase. Exit is the situation where the customer chooses not to buy the commodity. (Hirschman: 1970) Organic food is mostly 5-20 % and in a few instances even 100% more expensive than conventional food products, thus most customers are choosing exit because the conventional food is a cheaper alternative. The organic food is also highly fungible. The farmers are aware of this. On the other side it is a fact that organic food is produced with higher costs than conventional food.

Price and moral
Carrier's historical analysis of commodity exchange (Carrier 1995) is inspired by Mauss' work on 'The Gift' which describes societies where transactions are divided in two types, one motivated by needs, the other by social obligations. Carrier sees a connection to the development of the modern western society of today, where market transactions are also often viewed as separated from other social relations. This separation affects people's understanding of economic and social transactions and relations. Economic relations are associated with something impersonal and rational,
whereas social relations are personal and emotional. Such a division is useful in the
description of the impersonal commodity exchange, where the seller and the buyer
sometimes meet physically (but not always) and exchange a commodity to a set price,
which are mostly not bargained. The personal exchange of gifts between friends on
the other side is an example of a transaction motivated by social obligations.

When a farmer today estimates the price of his or her product, there is often more
than a rational calculation behind the decision of the price level. The farmer wants to
sell the product but not at any price. The farmer has to cover the costs of production
and also be able to make a profit to secure a certain income. At the same time there is
a limit of how much he or she can charge. The wholesalers want to make profit from
their part of the deal, and the farmer wants or hopes that the customer can afford to
buy the product. Is this a moral consideration towards the buyer? Carrier discusses
this issue by stressing the importance of the openness in trade in the 17th century's
moral economy of Great Britain. Laws and sanctions were securing the local market
supplies while producers and wholesalers had to offer their commodities to the local
population before selling it to other regions. This should sometimes avoid the inci-
dence of speculation by wholesalers buying big quantities that tends to press up prices
through high demand. Trade was supposed to be invisible and the market should be
'open'. Selling and buying was regulated and carefully watched by everybody. The
intention was to secure a fair trade rather than a free trade. Traders who did not fol-
low the rules would be accused of greed and attempting to escape their social obliga-
tions. Commercial activities were rather based on moral criteria than a economical
one. Trade was a social concern that meant reciprocity and redistribution. Competi-
tion was looked upon critically, especially when somebody achieved something on
another's costs. This was a threat against the ethic and moral of society. This moral
economy is quite different from Adam Smith's theories about a free market and 'the
invisible hand'. Since the trading praxis has changed dramatically in the last century,
it does not mean that all moralistic considerations are replaced by impersonal and ra-
tional considerations.

At the meeting the prices will be set. However, what does that include? Do the prices
reflect what a statistical ‘average consumer’ is willing to pay? Do the prices reflect
how much it costs to produce the product? I argue that moral considerations are al-
ways present in people’s opinions of market and prices. But at the same time we also trace an opposite view, a view that prices can sometimes be artificial and cynical. How do the informants understand and set the prices and values in this context?

**Social embeddedness**

Karl Polanyi argues according to Hart that *the market had always been kept on the periphery in pre-industrial societies. People exchanged commodities like manufactured objects, but the main means of production and reproduction, like food, housing and working the land was kept outside this circuit of money and commerce. This meant that the economy was embedded in social relations that owed little or nothing to the market* (Hart: 2001:198).

Mauss' studies show ways of distributions like reciprocity among equals or redistribution in hierarchies, all depending on social relations to secure fairness. Mauss tried to show how individuals have to learn to be a member of a group to be socialised through reciprocity of exchange. This is what Mauss calls the gift. Recent studies of market relations in modern societies have provided new ways of analysis of economy and markets inspired by Mauss and Polanyi. (Ibid: 198) There might seem to be a huge difference between modern market exchange and a reciprocity-exchange, e.g. gift. But there are some common traits. The gift is defined to be a way of establishing relationships, whereas market exchange is an impersonal transaction, which is ended there and then. Studies of modern market systems are inspired by terms like reciprocity and social systems. Abolafia suggests in his ethnographic studies at the stock market in New York that markets must be viewed as cultures. This will avoid taking rationality as given, like economic models suppose. Abolafia’s approach is one way to look at economical actions in a modern market. I do not want to limit the market for organic food as an own culture of agents, according to Abolafia. I will rather use the theory in a wider perspective that allows us to see how markets are socially constructed. People in a market will be: ‘...socially embedded in a network of important social relations and culturally embedded in a meaning system of norms, rules and cognitive scripts. (Abolafia 69 and 84:1998) Producers in a market system will be connected with each other in different ways with agents in the production/distribution system, and customers who want to buy the commodities. Anthropology has a long tradition in empirical research of the so called non-western societies which
The Ecoprodusers and the Market

24

conclude that price setting is often negotiable and determined in a social context, and therefore are set in a meeting with other parties involved, e.g. seller and buyer of a product who are both determined by particular cultural ideas and values. (Dilley: 1992)

The studies of Keith Hart among the Frafra migrants in a slum of Accra (Ghana) led to the establishment of the notion ‘informal economy’ which shows us in another way, how economic actions are socially embedded or put in another way, how ‘... the personal dimension of economic life is more obvious...’ (Hart, 200:2001) Hart’s study describes how the Frafiras brought with them their own ways of creating and sustaining social relations in their economic undertakings in a big city. Family and ethnic relations were important aspects of people’s lives and activities. This example shows how economic activities embrace more than what is supposed in economical models and furthermore how that social relations and meaning systems can be very important in economical transactions. Economic activities, as a part of the informal or the formal economy, are strongly weaved together with human lives. One can expect that decisions and strategies are influenced by this fact beyond the ‘economic man’ and pure utility – maximising actions. By studying entrepreneurs among the Frafiras in the Ghanaian society, Hart investigates how they solve the problem with the contrast between individual accumulations and the social obligations of community consumption. Hart argues that people need to develop flexible combinations of opposite strategies to handle everyday challenges. An entrepreneur's success is dependent on how he or she is able to balance on the contradiction between individual accumulation and the ability to create new possibilities for income on one side and the others expectations about sharing profit with the community around. This is an example of how economic actions are socially embedded in human lives. Are such opposite or divided strategies to be found in a modern, western society?

I will discuss how the process of setting prices is part of an economy that reflects cultural understanding, attitudes as well as moral considerations. At the same time, this discussion will also show how all this stands in the contrast to the instrumental understanding of the process of price setting and economic models. Taking the starting point in supply and demand in the market when deciding the level of prices is an usual practice, but not in all cases, as my empirical research will show. The price set-
ting meeting with my informants is an example of a modern context where people relate themselves to the market, prices and customers demand, where they act out of their experience, knowledge, shared attitudes and expectations. According to Alexander, these actions are culturally determined. This is summed up in the following quotation:

'Actors in any market are linked by commodity exchanges and by social relationships, but they are also linked by shared, common-sense, taken-for-granted understandings about the ways in which transactions should be conducted and the ways which they are conducted.' (Alexander, 1992:83)

I have in this part presented some anthropological theories of economy. The notion 'market' is central in the economic understanding, but is used in different ways and many levels depending on contexts. The informants use the notion in many ways, both as a market place and also more abstract, like 'the organic market in Norway'. Looking into the history, the market concept reflects a development of ideas and social practices over time. Marx has made an important contribution to the understanding of commodities value and labour-time in production of commodities. Alexander argues that all trading practices in markets are culturally constituted, a view which challenges the economists' understanding of economy as rational and impersonal. Studies of how prices are set can tell us about peoples attitudes, morals and values. Carrier suggests that transactions of any sort can be divided into two types, one motivated by needs and the other motivated by social obligations, as inspired by Mauss' work 'The Gift'. He sees the connection between transactions of needs to the understanding of economic transactions today as impersonal and rational. But by studying trading practices in European history, Carrier found what he calls a system of moral economy and ideas about fair trade. I therefore ask, are some traits of these ideas still found in a modern economic context? Finally, Polanyi, inspired by Mauss, argues that the economy in pre-industrial societies was embedded in social relations, separate from the market. This has inspired a new understanding of seeing markets as socially constructed. Hart's notion of 'informal economy' and the analysis of the Fra-fras show how economic actions are socially embedded in human lives and how opposite strategies are sometimes used, depending on the context. Alexander also argues, like Hart, that economic actions are culturally determined.
3 Part Three- empirical description

Introduction
On a grey autumn day I join Robert at his office in front of the telephone. Robert is the administrative director of 'The EcoProducers', and has worked in the field the last seven years. He has a background from the University of Agriculture and has worked many years selling agricultural machines. Presently he is enthusiastically promoting organic farming and food. We are going to have a ‘meeting’ with farmers over the phone for the next two hours. Robert is a busy man who rushes between the fax machine, copying machine and the PC. The meeting will start soon and everything needs to be organised beforehand. Robert has been calling in advance his contacts in shops and to some farmers and wholesalers to make ‘a picture of how they understand the market, how much they have sold, how much is stored, and what they think about the price.’ This should, according to Robert, provide him with certain background knowledge before the meeting.

This telephone meeting takes place every week and prices are set for organic vegetables and fruits. -This can be called a copy of the weekly price meeting at the Økern Market⁴. The prices set at this meeting function also as a guide for the farmers throughout the following week. Farmers, according to these prices sell afterwards their products directly to the customers or through some shops and wholesalers. ‘A price tip or a price advice’, says Robert about these prices. ‘Because we are not an authority in any way. This is just a friendly message about what we as a group find to be a reasonable price for organic products. And it is based on what we have found about prices i.e., to compensate for the costs of production (...) ...on the other side, how high we can set the price in the market and still be able to sell it.’

---

⁴ Økern Market is a place in Oslo, where all the biggest wholesalers are located with their store-, warehouses and offices. The price meeting is held in their office every Thursday here, at 8.30 a.m.
The price meeting is held at the same day as the weekly price meeting at Økern Market, which is a meeting between a varying number of small and big wholesalers in the fruit and vegetable trade. A consultant is leading this meeting and has in advance fetched information and statistics from last week's sale in relation to quality, amounts offered and what is in the storehouses. The consultant sets a proposal and the participants at the meeting discuss the list within an hour. Afterwards, the list will be published and this will set the 'price standard' for all involved throughout the country. The results from this price meeting will then be used at Robert's price meeting the following week as a comparison. The reason for having such a price meeting, according to Robert, is for the farmers, especially members of 'The EcoProducers' to have guidance for what they are entitled to by selling their organic products, 'to think out, on behalf of all the others, what a reasonable price is.' (Robert) Many farmers are unsure in the setting of prices on their products, therefore a price meeting involving members of the price group was established consisting of four organic farmers and the administrative leader of 'The EcoProducers' as the leader and secretary.

Robert: 'We try all the time consciously to be just above them (the wholesalers at Økern. My remark) So that we do not suddenly go away, that...our curve goes up. (the price curve. My remark) when Økern Market was stable...(...) It is very important to have an eye on that curve to make sure that we follow the natural variations of the year. ...Because it is a natural picture of the seasons in the price relations...(...) The price is the highest when new products are coming, because people are willing to pay a lot for the freshest and the best. However, more and more products are introduced for sale, when more farmers harvest their potatoes, for instance. And prices go down when more and more comes out in the market. The farmers will then require compensation for storage costs and losses incurred by storing. In late winter the prices will increase again while it falls in spring, parallel with the quality.'

Prices of vegetables and fruits tend to change according to ‘natural’ circumstances depending on the season and time of year.

The first part of the meeting is a telephone conversation between Robert and Petter from Helios5, one of the two biggest wholesale enterprises that supply organic prod-

---

5 Helios is a foundation started by consumers and organic farmers in 1969 in order to better the distribution and sale of organic food in Norway. Helios is today the biggest Norwegian wholesale enterprise, which supply organic and bio - dynamic products to their own shops, distributors and others.
ucts in Norway. In this conversation they discuss prices of the products in relation to prices in the week before and in relation to what the conventional prices are. Other issues discussed are current offer for different products and the kind of changes that can be expected within the next few months. Another important factor is the quality of the vegetables and the fruits. Many factors play a role or influence this process when the producers are setting prices for their products. This procedure is repeated in the second meeting between three organic farmers from different parts of Norway. They meet every week on the telephone to discuss and decide the price level on behalf of the other organic farmers. Robert is the chairman and says his role in the meeting is to try to take care of the farmers’ interests, as he also does as an administrative leader of the organisation. Robert says: ‘all the farmers are different and it always ends up with a situation one guy asking for an increase in price. The second is very careful and afraid that high prices will lead to poor sales...he wants the price to be stable. The third is more neutral. He does not have strong opinions. Consequently, it is very often the case where one wants to increase, one wants to reduce the price. They listen to what I suggest at the end. ’ 'My job is to make an agreement. That's my job, and they shall give the premises and I shall give the information. It is important that the farmers talk and agree while I try to negotiate'. The price setting from these meetings are important for the organic farmers, and the wholesalers also use them when they make their own price lists. The decision process of price setting can therefore be said to have moved from the market context to the producer's meeting.

Extracts of the discussion

In the following part I will present extracts of discussions from a price meeting. Setting the price is not a 'simple' process and as Robert comments: 'It is not correct to say that we want the prices to increase all the time. However, we feel trapped by the market.'

---

6 I do not introduce the specific commodities, natural foodstuff, involved in this paper, and therefore not as a variable in price setting.
At the price setting meeting, farmers discuss the earlier price level as well as the current and future level of prices. They all have a common price list worked out by Robert showing his suggestions for new prices of all the different vegetables and fruits listed. As a comparison, the weekly price of conventional vegetables and fruits are set up in a column on the right in the list. Exchange of opinions is based on the variety of their own experiences. They compare prices with conventional prices from the previous week alongside the ones that were discussed and changed earlier the same day (as guide for the following week) at the meeting with wholesalers that took place at Økern. They exchange information about the annual growth, weather, how good the harvesting was, what is available in which amounts and quality, on which they base their claims. Participants use frequently terms such as ‘small supply’ or ‘big demand’ from market economy models during this process as an indication of what factors influence the decision making of prices going either up, down or remaining at the same level.

To set a price is in many cases dependent on the demand for a commodity. That many customers want to buy the food product makes it possible for the farmers to sell, although they increase prices. If there is little demand, sellers will have to reduce the price. However it is not the decline in demand of a commodity that affects the price in that moment but rather the producer’s imagination and idea about demand and it's level increase the following week which inevitably leads to the decision to adjust prices. By checking the sale of last week and how much is stored by a certain time alongside what is expected to be harvested and supplied, they create a picture of the situation. This is an imagination of what the price can or should be from the assumptions, experiences and statistics collected in advance. The quantity of Norwegian agricultural food products supplied in supermarkets and marketplaces are dependent on the time of the year and changing climatic conditions during the summer season. All the conditions affect the price setting. This is what the informant calls ‘a natural picture of the seasons in the price relations’. The supply of cheaper, imported food is another factor that is competing with Norwegian products. These are in the summer and autumn seasons placed under customs fees from the Norwegian state as a regulation to protect the ‘home market’. This customs fee sets a limit on the extent to which prices of Norwegian produced food can be increased. The farmers have to stay
within a *price frame* depending on the size of the price of imported food and the customs fee. I have left out this relation in my analysis.

In the first example from the conversation, the idea is that, increasing demand results in hikes in the price of the product. This comes out of the introduction of the discussion where Robert suggests a strategy to Martin.

Robert: *'The environmental week soon begins at the NKL*. The products will not be adequate, therefore we can allow the prices be high. We have to balance between high prices and people who are willing to pay for it.

This example reveals the farmers expectations of increased demand among buyers of organic products. This will eventually result in increased sales. They therefore choose to keep prices at a high level or even increase them. The environmental week declared by NKL is specific weeks of the year when the supermarket chain profiles their environmental-friendly products, including organic food. The supermarket has to order more organic food and promote them through adverts and posters in order to increase sales. Therefore the farmers expect increased demand so they can increase prices in advance. Here price setting is clearly influenced by participants ideas about offer, demand and market mechanisms. On my question as to why they choose to increase prices, I get the following answer: *'Well, when NKL wants to have a campaign, they will need commodities to fill their shelves. They will have to order more than usual, because rendering themselves vulnerable. They will need the commodities. A campaign is underway, and they know if they do not get enough commodities, there will be frustration in the system. Therefore, they will have to accept the prices and it will be our turn, then we can set up the price and say, it cost so and so much... OK, they will say.'*

The fact that customers will have to pay a higher price is the responsibility of NKL. *'That is their problem',* the informant says. *'When they have filled up the shelves, they have to sell the food. If they raise the price too much, they will sweat and think about how to sell. Eventually they will reduce the price.'* *'However their profit will*

---

7 NKL means Norges Kooperative Landsforening, the Norwegian consumer's co-operation, one of the largest supermarket chains. They have now changed their name to COOP Norway, aiming to have a leading role as the most environmental friendly in the market.
be reduced, I say, and the farmer's profit will increase?' 'Yes', Robert says, 'That is buying and selling in a nutshell!'

It is a question of who makes the most profit out of the sale, the producer, the wholesaler or NKL. The situation is unsure and unclear. It depends to a great extent on the ability of hard negotiation and winning the 'price battle.'

Too much apples and copying the others

Robert and Petter reach the apples in the list and start a discussion around the situation:

Robert: Apples can still be delivered. The price was lower by one kroner lower the last week. The price of conventional products was stable, an acceptable price.

Petter: I have more apples than I need.

Robert: In Sogn they have too many apples.

Petter: This was a good year for apples, - indeed, for everyone. We did not sell so much, the sale decreased...

Robert: The conventionalists have the same problem in the Southern area especially. Therefore we shall keep the price of apples and pears on the same level.

Here the supply of apples is huge and according to the market models prices would decrease. But the informants agree on letting the price on the same level as the previous week. The explanation is probably that the price decreased last week and that prices of conventional apples did not change. They direct themselves towards the conventionalists, decide to do the same and keep the price from last week. I will call this to copy the conventional prices. They choose a copy strategy in spite of the huge supply. The price in this case is called reference price in economical terms.

An artificial price

During discussions, the prices are described in different ways, e.g. a price can be artificial but right:

Robert: ‘Price of onions has been 7 kroner per kilo for a while.’

Petter: ‘That is an artificial price, but let it be.’

Artificial here can be interpreted in different ways, - as unnatural, farfetched or unreal. The expression 'artificial price' is interesting because it implies that the price can also be the opposite or natural. This dichotomy artificial-natural gives us the clue about the fact that prices are understood as a complicated compound concept (for in-
formants). Robert talks about 'a natural picture of the seasons in the price relations'. The natural price follows the season. Artificial price is often used for prices that are too high: ‘...we found it too high, but...we couldn't find any reasonable explanation as to why prices are high. It's hanging up in the air, in a way. We couldn't fix it to the picture of costs or to that of consume. (Demand. My remark) The picture of costs, which the informant here refers to, is about the cost of production. He expresses uncertainty and is unable to explain the high price level, but chooses not to change it, calling it artificial but acceptable. An artificial low price is another type of price, and it is a situation that is easier to deal with. You just have to increase the price. The informant explains that artificial low prices can be a result of competition from big farmers who have lower costs of production due to large-scale advantages. Some of these farmers sometimes have contracts with wholesalers and set the price consciously below the suggested prices from 'The EcoProducers'. My informant describes this attitude as disloyal as it shows no solidarity with the small farmers. He finds it immoral and an egoistic action. The solidary price is another concept of setting a price.

Varying prices
Another side to the price is that it can vary. Price has its own logic, it shall go up and down.

Robert: Carrots...let it stay on that price level for the next fourteen days allow it go down again after that period, so that we can increase it again after Christmas.

Prices have an innate changing potential. They have different levels that should be taken advantage of at the right time. The right time is dependent on the season, and this is another example of the natural price. The changes are dependent on the amount of commodities supplied and are a part of the market mechanism thinking.

Sometimes this is also depending on what the informant assumes about the customers moods, emotions and therefore needs:

Arne: 'We can only charge the customers full price when they demand green salad in spring, - not now.'
This example shows that an expected increase of demand can lead one to increase prices. The idea of supply and demand mechanism from the market model is recognised.

**Cynic price**

Prices also provide us with the possibility of being *cynic* when setting prices.

Arne: *Cabbage has been selling well; therefore the conventionalists will now lower the price.*

Robert: *In my opinion we should keep the same price. We have to take advantage cynically due to the campaign.*

Lars: *Seven kroners is not all that bad after all.*

According to the dictionary *Norsk ordbok*\(^8\), to be cynical means to be shameless or inconsiderate. The expression ‘to take advantage a bit cynically’ describes an action as immoral or raw. This assumes a type of logic in an economic system where relations are not personal but free of social obligations.

The example from Carriers moral economy of the 18\(^{th}\) century is a parallel here, where hard sanctions were usually against greedy wholesalers and businessmen. It is however now accepted as a part of selling. On my question as to what it means to be cynical, the informant later answers that organic farmers are not really cynical: *'We have a basic attitude of being too kind. An organic farmer is basically too kind when it comes to selling. He sells too cheap. He wants to be nice, thus he reduces the price too often ... When we use the word cynical, we use it mostly to describe the big wholesalers, who do not pay so much as we find appropriate. They pay less. We therefore find the big wholesalers cynical.'*

One of the participants at the meeting suddenly spoke up: *'Nobody thinks about the price if the product is good!*’ This statement shows a strong belief in the fact that the quality of a product is more important than anything else when customers are in question. The customer will buy so long as the product is good. This is an important premise for doing successful business.

---

\(^8\) Norsk Ordbok, Kunnskapsforlaget, Oslo 1998.
A just price

In a discussion about prices, an alternative way of setting up the price was also introduced. A price shall sometimes reflect work expenses of the production. This is a just price.

Robert: Parsley roots?

Petter: Here the turnip-rooted celery is more expensive than parsley roots and that is wrong. It is supposed to be the other way round. I will rather pay 17 kroner for parsley roots because it involves a lot more work invested in it.

In my conversation with Robert earlier, he described two possibilities for setting prices. One is based on logic of the market where they seek to set prices out of (...)
how high up we can go in the market and still be able to sell it.' and on the other side: ’what the price should be, to compensate for the costs of production (...)

The other possibility is a just price which is rooted in the idea of moral and what is right and wrong. The farmer should get his costs of production covered by producing parsley roots. Some vegetables require more work than others to grow.
4 Part four - Summary

Many relations affect the changing of price and there are varying comprehensions if these changes are just, unjust or correct in many instances. According to the economist Arthur Okun, prices (statistically) are more responsive to changes of costs than to demand. Therefore, the price can sometimes even increase, although demand is decreasing. The explanation is culturally conditional: 'Price increases based on cost increases are generally accepted as fair, but many that might be based on demand increases are ruled out as unfair' (Okun 1981:170) Prices can be just and morally acceptable, if they rise due to increasing costs of production. While increasing prices as followed from increasing demand is not always just, it was however accepted by the participants of the price meeting. From the evidence presented here, the seller seems to behave like a powerful cartel concerned only with keeping up prices. Yet organic food is quite recent in Norway and is met with resistance not only from wholesalers and consumers, but also from traditional farmers.

I have here identified four different ways of thinking about setting the price:

1. Price setting based on a kind of ‘market logic’ of supply and demand, depending on quantity and competition.
2. Price setting based on copying 'the others'. A reference price.
3. Price setting based on solidarity among the producers. A fair price.
4. Price setting based on a principle of ‘moral logic’ connected to costs of work. A just price or reciprocal price.

The first way of price setting is that prices can be decided dependent on demand and supply of a commodity, as the economical models suggest. Prices can also be copied from the conventional price lists (also called reference prices in the second example).

---

⁹ According to Okun, price is cost plus a mark-up, consisting of expenses and the desired profit. I have not discussed mark-up in this situation.
which is also based on a market logic of supply and demand. When the product has a
*good quality*, i.e. when a farmer has put down a lot of work and knowledge in the
production and succeeded in producing a product of high quality, is it also possible to
increase the price, according to the statement: *'Nobody thinks about the price if the
product is good!'*. This follows market logic where the farmer thinks he can take a
high price because customers are willing to pay for a good product or a product with
high quality. On the other side, one might say that a good quality *justifies* a high
price. Here we find traces from a morality discourse, e.g. when you offer commodi-
ties of high quality, you also deserve a good price. It gives a morally strong hold for
a producer or a businessman to sell good products and not cheat the customer with
bad products and high prices. The quality of the product leads us to the other way of
setting prices, a way of *'morality logic'*, about just price and labour time (and costs)
of producing a commodity, according to Marx theories of commodities and values.
Prices can be an expression of a huge amount of effort, which is not dependent on the
logic of supply and demand in a market. The *parsley roots* need more effort to be
produced than the *turnip-rooted celery*, therefore it has to be more expensive. The
price reflects a moral concern in this case. The instance given by my informant
shows that if some producers accept a price below the prices in the price list, they are
greedy because they take an advantage out of the situation of being ‘big’. A feeling
of solidarity is a social attitude connected to the idea of fairness. I argue that these
ideas of getting paid for work or showing solidarity are part of an economic behav-
iour that shows social embeddedness, according to Polanyi and Alexander.

We see here clear signs that the informants have an ambiguous relation to price set-
ting. This happens in the way of changing between just prices, which are based on
costs of production and the opposite, and prices based on market mechanisms, which
is independent of the costs of production. I observed this change during the discus-
sion at the price meeting, - an unproblematic changing made by the informants. Set-
ting the price is not a simple process. The price reflects the magnitude of value. The
examples show that there are several kinds of strategies used in the setting of prices
and values of commodities, which in different situations affect the price levels, and
that informants at the price meeting can 'switch' between the different strategies dur-
ing the discussion. I suggest that these changes indicate that people use different
combinations of opposite strategies by economic transactions as in Harts example.
But when is a price supposed to be artificial or cynical and when shall it be just? To understand modern economic actions, it is necessary to understand people's comprehensions and understanding of price, according to Alexander. The price setting situation reflects how people in everyday life plan, undertake and justify economic decisions (Alexander 1992:91). The observed unproblematic changing between 'market price' and just price' among the informants comments on peoples multiple ways of setting prices in a western, modern context.

The moral economy of the 18th Century might be a part of the explanation as to why we today find comprehensions about right, not right, just or unjust prices out of a moral concept of the informants. The market logic and cynical price setting might be a result of the general economic development in the western society, with far-reaching acceptance of 'free market', according to Adam Smiths theories, where profit stands as the 'first commandment', and where the market capitalistic ideas about buying and selling, demand and supply shall give the basis for price level. It can be found in my example that a process which does not take place in a market as an 'abstract place’, but among people in a meeting whose decisions are based on the idea or imagination about demand in the near future. Which type of logic chosen by the informants to be used in the price setting process is dependent on the persons involved, the commodity, the production and the situation. The quality and the expected customer's response to the commodity can be the connection between what I have chosen to call the market logic- and the moral logic - way of setting price. A good quality justifies a high price, beyond what is reckoned as suitable. Economical relations are very often associated with something impersonal and rational, led by the wish of making profit. But rational profit - seeking models of economic behaviour need to be complemented by a social account of motives that may be moral.
References


Mauss, Marcel 1990: The Gift, the form and reason for exchange in archaic societies, Routledge, London.

Marx, Karl 1974: Capital, Lawrence and Wishart

Norsk Ordbok 1998, Kunnskapsforlaget, Oslo
