

Book Review

Ulrich Koester: *Foundations of Agricultural Market Analysis and Agricultural Policy*. München: Verlag Franz Vahlen, 2020

German universities strive to promote the internationalization of their teaching activities. Although foreign students who come to Germany will almost always find that they are very welcome, in many cases they will also encounter a serious language problem, because most courses are taught in German. Therefore, for foreign students with a good grasp of English, it will be helpful to find an English title on the reading list. With the publication of Ulrich Koester's textbook in English students of agricultural market analysis may benefit from having the same title in two languages.

Since the first German edition was published in 1981 the textbook has become most popular, which is obvious from the fact that so far five editions appeared, the last in 2016, which is the basis of the translation. The success of the book is not surprising, because it is well written and accessible with regard to theoretical economic concepts: The methodology used presupposes only knowledge of economics on the Bachelor level. Even complicated market relationships are explained using either basic algebraic concepts or, more often, economic reasoning which appeals to intuition.

The book consists of two parts: Part I presents the basics of market analysis (demand, supply and price formation on agricultural markets), whereas Part II is devoted to agricultural policy with a strong focus on markets and the Common Agricultural Policy (CAP) of the EU. Topics discussed in Part II are policy makers and objectives of the EU agricultural policy (Chapter 6), instruments of EU agricultural market policy (Chapter 7), the political economy of EU agricultural market policy (Chapter 8) and basic principles of the EU agricultural market organizations (Chapter 9). It is supplemented by an epilog (Chapter 10). The second part of the book in particular bears testimony to the large experience of the author as a policy adviser on the national, European and international level, as Monika Hartmann already remarked in her review (2007) of the third German edition in this journal. Since in comparison with the third edition the structure of the book and much of the material is unchanged, this review is limited to some comments on the new material in Chapter 5 and the Epilog. Moreover, a few remarks on some methodological concepts in Part I are added.

Chapter 5 ("Agricultural markets as a policy problem") serves as an introduction to Part II. It provides an overview of major policy problems encountered in the area of agricultural market policy. The contents of Chapter 5 in the German edition has been replaced by an enlarged article by Koester and El-Agra (2011). The first seven sections of this chapter (among other topics on food security concerns, agricultural income, market stability, food safety and environmental concerns) also appear in the German edition. However, paragraphs of the German edition with specific content about the situation in Germany are now either shortened or relegated to an appendix. Some of the material in the following sections anticipates part of the discussion of policy instruments in Section 7.3 and, therefore, contains some redundant elements.

The Epilog in Chapter 10 is completely new. It consists of an outlook with reference to the current (2020) negotiations on the EU level on the reform and finance of the CAP. Koester provides a knowledgeable assessment of the problems and options at stake which is worthwhile reading. On the other hand, in the not so far future this chapter may look somewhat outdated once the political decisions have been taken.

The introduction to agricultural market analysis in Part I not only presents the topics usually covered in introductory textbooks like determinants of supply and demand and price formation on agricultural markets. Demand for environmental goods, the relevance of transaction costs for supply behaviour, the instability of agricultural markets and the role of commodity futures markets are only some of the additional topics. The presentation is clear and comprehensible even for second year Bachelor students. Some points, however, are worth reconsidering:

First, the factor demand curve, as discussed for a technology with two variable factors in Section 2.5, is identical with the curve of the value marginal product (VMP) only in the case where the other production factor is quasi-fixed.

Second, Figure 2.22 shows, again for a technology with two variable inputs, the effect of an increase in the price of one factor on the use of the other factor. The diagrams show a relationship of gross complementarity, whereas the corresponding text presupposes

(net) substitution. This is not a contradiction, but since this may be confusing for some of the readers, a few additional remarks concerning the distinction between the substitution effect and the output effect of a factor price change may be helpful.

Third, Figure 4.6 is supposed to show the simultaneous equilibrium on a product and a factor market. However, on the factor market the VMP curve is mistaken for the curve of derived factor demand. Since the position of the VMP curve depends on a specific value of the product price (which is not the case for the curve of derived factor demand), the product price must be predetermined. The error can easily be corrected, if the label of the factor demand curve is changed accordingly. However, a few words of explanation are certainly necessary.

Regarding formal aspects, the book, unfortunately, conveys the impression that the translation was prepared under time pressure. The non-uniform use of capital letters in chapter headings is one of the minor points. A considerable number of abbreviations of economic terms still refer to the corresponding German words (e.g. “G” for profit and “E” for revenue, derived from the German words “Gewinn” and “Erlös”), moreover, symbols are not always used consistently. Some further points: In Section 4.8 new

diagrams have been included, but the corresponding text has not been changed; the inscriptions of Figure 4.33 are hardly legible; on page 416 four points in a list of ten are double entries. A more thorough final check could have avoided these irritations.

The critical remarks do not, however, diminish the overall impression: This is a remarkable textbook which, hopefully, will find a large readership also beyond the borders of Germany. It provides a good introduction to agricultural market analysis and contributes to a better understanding of the driving forces, the history and the current problems of European agricultural policy in general. Therefore, not only students but also a broader professional public will benefit from this book.

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