Let's smash a cartel today [1]

Written by **Tim Worstall** [2] | Thursday 10 October 2013

I've pointed out here before that parts of the fertiliser industry seem to be run as a cartel [3]. Now we've evidence that much of the fertiliser industry is run as a cartel [4].

> C. Robert Taylor and Diana L. Moss have written "The Fertilizer Oligopoly: The Case for Antitrust Enforcement," as a monograph for the American Antitrust Institute. Those looking for examples of possibly anticompetitive behavior, whether for classroom examples or for other settings, will find the argument intriguing.

The effect of which is:

> Taylor and Moss write: "Damages from supra-competitive pricing of fertilizer likely amount to tens of billions of dollars annually, the direct effects of which are felt by farmers and ranchers. But consumers all over the world suffer indirectly from cartelization of the fertilizer industry through higher food prices, particularly low income and subsistence demographics. ... [I]t is clear that corporate and political control of essential plant nutrients may be one of the most severe competition issues facing national economies today."

Part of the detail of how the cartel works is that it is not allowed to affect domestic US prices (*Ho ho*). So therefore the richest farmers in the world are not affected: but all of the poor world ones are. And I rather hope that you would be as disgusted as I am at this rent seeking and regulatory capture. For really, it's just not on to be rooking the poor farmers of the world to enrich a few companies and their shareholders. The price of fertiliser is, for those poorest of the poor, something that makes a difference to one or two meals a day. Allowing some to profit from artificially raising this price is, in my little moral universe of course, vile.

And of course it's also violating that Smithian point that the purpose of all production is consumption, we should only pay attention to the interests of the producer in so far as they are vital for said consumer. Thus smash the cartel and make those poor world farmers richer by those tens of billions a year. Sounds like a plan.

Except, of course, that's not what is actually done [5]:

> There was some bad news for York Potash project developer Sirius Minerals last week, after approval of its mine was delayed yet again, causing the shares to plunge.

Yes, that's right, the British Government will not allow a new entrant into this fertiliser market because there would be no market for the production. Even when we know that it's a cartel making super-normal profits.

I'm sure that someone tried to offer us "joined up government" a few years back. Whatever the hell happened to that idea?

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