Competition

Competition between companies is often an effective way to improve economic efficiency. It can help deliver consumers a wide range of inventive products at the lowest prices possible. Today, UK consumers have more choice than ever before, and this is largely thanks to the creativity of the competitive market place.

Too much competition

Dangers arise when the market becomes ‘saturated’. Imagine, for example, that one hundred different apple growers are trying to sell their apples in the same town. Too much competition between these producers can cause prices to drop dramatically, making it difficult for producers and retailers to earn enough money to sustain their businesses.

Government regulations often help smooth the way for open competition, enabling businesses to operate efficiently. At the same time, governments can help lessen the problems caused by competition, such as pressure on producers to reduce prices. This might be achieved by protecting workers’ rights through trade union rules, or protecting farmers’ incomes through subsidies.

Supermarket power

While we are now presented with a wide variety of food choices, many campaigners on health, environmental and development issues, as well as many smaller food producers and traders, are very concerned. They believe that the growing power of a handful of major supermarkets makes it difficult for producers and retailers to focus on any issues other than driving down prices. In such a ‘saturated’ market, it is also increasingly difficult for new, groundbreaking food systems to be really successful, such as those that promote Fairtrade or animal welfare.

Fairer products?

Of course, many supermarkets and food manufacturers are now supplying a range of products that offer ‘fair trade’, ‘environmental’ or ‘animal welfare’ credentials, but these are often expensive products aimed at particular markets. The focus for retailers is often more about increasing choice, competition and economic efficiency than about creating fairer, more ethical products. Competitive pressure continues to focus on cutting costs, sometimes by adopting possibly ‘less fair’, ‘less environmental’ or ‘animal unfriendly’ practices, but not declaring these on the label.

It is likely that if we want an all-round fairer and more environmentally friendly system over the coming years – especially in response to climate change – we will need to change our ideas of what counts as ‘healthy competition’.
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