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BRITISH AGRICULTURAL MARKETING

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A STUDY IN GOVERNMENT POLICY

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GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
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FOREWORD

THIS is a publication of the Institute dealing with problems in an economy other than the Indian. It arose out of one year's study, at the Oxford Institute of Agricultural Economics by a member of the staff of the Institute, Shri V. S. Patvardhan. He had been asked to acquaint himself during this time particularly with problems relating to marketing of agricultural produce. It was in fulfilment of this assignment that he undertook the work, which is now being published. The subject dealt with by Shri Patvardhan in this publication has, I understand, not been intensively studied. It is, therefore, hoped that the publication will be found useful directly.

For those not closely acquainted with or interested in British conditions the publication may prove of interest by the manner in which it throws light on wider issues. I may illustrate by reference to what appears to me the central theme of Shri Patvardhan's work. This is the study of the relative role of three types of farmer organisations; statutory producer boards, farmers' unions and cooperative societies. Statutory Boards were set up in U.K. for helping in the reorganisation of agriculture and more particularly for providing a firm base, during depression, for the operations of agricultural industry. They represent a type of organisation, which in years subsequent to World War II, have become fairly common in many countries, especially in developing countries which rely on export of primary products for their foreign exchange requirements. However, while they lend support to operations of agriculturists, they are not, usually farmer organisations as such. Purchase and price policy and policy relating to the distribution of produce of these Boards are apt to be determined more in relation to policy of government and interests of the state rather than in relation to the specific interests of farmers. Ordinarily these organizations are also not dominated by farmers.

The constitutions and operations of farmers' union and farmer cooperatives are more directly comparable. There is, however, a basic difference in the approach of the two. While the farmers' union is essentially a type of organisation designed to protect interests of a vocation, or industry, the cooperative is directly a business organisation and is therefore, presumably interested in economically efficient operation. The interest of producer boards or of farmer unions in improving economic efficiency of farmers

is not direct or primary. On the other hand, the main emphasis of mutual cooperative effort would be on the organisation of certain operations in a coordinated manner and on a larger scale for the benefit of members and on enabling individual members to improve efficiency by technical and financial aid made available through mutual effort. Undoubtedly, there would be an admixture of objectives and results in actual working. A farmer union or a producer board may exhibit interest in efficiency of technical or business operations of farmers. The cooperative, on other hand, could also act as a pressure group in order to secure support for the point of view and interests of its members and may influence state policy in this behalf. For example, complaint has been made that some of the larger producer cooperatives in India devote more attention to obtaining special aids and concessions for members rather than to improving efficiency of operations either of the society itself or individually of its members. However basically, the bias given by the form of organisation remains; and one may go on to argue that the approach through cooperatives which can cover a wider range of objectives and activities than unions or boards is preferable. This would be so particularly in a developing country like India. In the advanced industrial countries the farmer interest is a minority interest for which it is possible to claim and obtain a redistribution of incomes in its favour. This is not possible, to any significant extent, in the predominantly agricultural underdeveloped countries. In these the emphasis has to be on better organization for securing technically efficient production and economic business operations; and for these the cooperative is the most suitable form.

Gokhale Institute of
Politics and Economics,
Poona 4 (India).
15 March, 1965.

D. R. Gadgil

P R E F A C E

THIS STUDY embodies the work done by me at the Agricultural Economics Research Institute, Oxford, under a Colombo Plan Fellowship in the three terms of 1961-62. I started off with a view to studying the working of commodity boards, price determinations and the various factors considered by Government at the Annual Reviews. This led me on to the problems of agriculture as an industry, Government's agricultural policy in general and then to its evolution during the last three decades. Throughout the writing of this monograph therefore, the central theme remained the working of commodities boards and their pricing system round which different aspects of Government policy and agricultural producers' organization were added up. This has led to a curious coverage; it is neither a study of agricultural policy in its entirety, nor a full assessment of all producers' organizations in U.K. All such aspects are covered so far as they helped understanding of Government policy on agriculture. Therefore, the monograph does not give a full account of the Farmers' Unions, which have a characteristic of political pressure groups and has not covered fully market structure as a whole and its implications.

What then is the justification for publication of this study? Despite the limitations referred above, it gives a fairly consistent account of the development of Government's role in British agriculture from the 'thirties to 'fifties and brings in one place the scattered information on working of different commodity boards and other marketing organizations in the U.K. It is also hoped that it will enable the reader to understand the problems of British agriculture in perspective. The first five chapters deal generally with Government policy; the next two give more detailed information about the operational aspects and discuss the producers' marketing organization for different commodities. Though the cooperative movement does not seem to play a vital role in British agriculture, it has established itself in the marketing field on somewhat solid footing. That is why a chapter is devoted to working of cooperative institutions.

I have greatly benefited by the many valuable discussions with Mr. George R. Allen of the Agricultural Economics Research Institute, Oxford who was my supervisor in the course of my stay in England. The work was finalized after my return to India and without Professor D. R. Gadgil's comments and guidance it would not have been completed. I cannot adequately

express how much I owe to Mr. Allen and Prof. Gadgil. I would also like to thank Mr. B. D. Kanetkar for his suggestions on many sections of this monograph. It is hardly necessary to emphasize that for the views and presentation as well as all shortcomings in the study the responsibility is entirely mine. Due to circumstances beyond anybody's control the publication has been delayed by almost one and a half years. Incorporation and use of more recent information would, however, have led to further delay and hence I have not attempted to bring the monograph up-to-date.

Gokhale Institute of
Politics and Economics,
Poona 4
February 1965.

V. S. Patvardhan

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CHAPTER I

AGRICULTURAL ORGANIZATION AND POLICY UPTO 1939

Introductory

A STUDY of the British agricultural producers' marketing organization in operation in the 'fifties cannot be complete without having a look at the circumstances, stresses and strains and pitfalls through which they have come to stay. One may be tempted to seek for the genesis of the present structure, organization and policies of the different commodity marketing Boards through which the agricultural policy is largely implemented, to the needs and situation in the aftermath of the Second World War. Though the broad policies of the Government and the marketing boards may have emerged through the circumstances obtaining in the post-war period, the marketing boards existed even in the pre-war period. For a proper perspective and appreciation of the Government's approach to the agricultural industry in general and the agriculturist's marketing problems in particular one has to go as far back as in the early 1920's. This chapter begins, therefore, with a brief review of the state of agricultural industry in the 1920's, measures taken to ameliorate the conditions of the farmer in the mid-twenties, the enactment of the Agricultural Marketing Acts in the 'thirties leading to the setting up of marketing schemes for different commodities and their operation upto the outbreak of the war in 1939.

A brief reference to the growth of agricultural organization (other than co-operative) in Britain may be appropriate here in its historical perspective. The numerous agricultural associations and farmers' clubs of the early nineteenth century were followed by different organizations meant to look after the welfare of agriculture, mainly led by landlords, tenant farmers, etc. In 1890's there was an attempt to combine agricultural workers, with landlords and tenants. The National Farmers' Union (N.F.U.) of England and Wales founded in 1908 and composed mainly of tenants, laid the foundation of a strong farmers' body and gradually replaced landlords as leaders of agriculture. As a result of the prosperity brought to agriculture during the First World War the Union found favourable atmosphere for expansion and continued to remain a forum of agriculturist's interests even during the depression of the twenties. The N.F.U. and its counterparts of Scotland and Ireland were thus in a somewhat unique position, without challenge from any competitor in the

thirties. Without directly involving itself into the political conflicts regarding Government's policy or organization of the industry, the Union adopted a line of securing more and more facilities for agriculture, such as relief from local rates, greater security for tenants, etc. The membership of the N.F.U. of England and Wales had risen from 20,000 in 1913 to about 100,000 by early 'twenties; after a decline in midtwenties, it had reached 120,000 by 1935.¹

With the repeal of the financial provisions of the Acts of 1917 and 1920 aimed at guarantees of prices, in August 1921, an era of the State's role, as a passive observer of the situations in agricultural industry had begun again, which was interrupted only by the measures taken during the first War. The precipitous fall of agricultural prices of 1920-22 was followed by a gradual decline upto 1926. The agricultural industry was left to itself to face the ups and down in prices, while Government policy remained largely a *laissez-faire* one with only some minor measures meant to assist the farmer somewhat indirectly and on the fringe. The Agricultural Rates Acts of 1923, 1928 and the Tithe Act, 1925 were passed exempting the farmer from rates on agricultural land and buildings and reduced the indebtedness and standardized the tithe rent, respectively. Other legislations were permissive or enabling ones such as the Agricultural Credits Act 1928, the Agricultural Produce (Grading and Marketing) Act 1928 encouraging self-help and reorganization.

The Agricultural Wages (Regulation) Act, 1924 regulated minimum wages and established County Wage Committees representing farmers and farm-workers together with the Minister's nominees to fix hours of work, rates of overtime etc., on county basis. This legislation appeared to have worsened the position of farmers, inasmuch, as the wage rates of 1922 remained steady up to 1931 while the prices of farm produce had fallen by 30 per cent in 1931.

The Linlithgow Committee appointed in 1922 to enquire into costs of selling and distribution and the disparity between prices received by farmer and paid by consumer reported that the price spread was "unjustifiably wide", a determined effort was needed "to bring about reform and to increase the efficiency of all the marketing and distribution machinery as a whole" and recommended that producer cooperation could perform an invaluable economic service in this field. The findings of the Committee, however, do not seem to have received due attention, to be

¹ For more details about the circumstances in which the Union was set up in 1908 and relating to the manner in which it rose to position of strength, see Chapter II, of *The State and the Farmer*— P. Self and H. Storing, George Allen & Unwin, 1962.

seen from the lack of effort in subsequent period upto 1931 both by Government and farmers. The Agriculture Produce Act 1928, however, was a measure largely based on the proposals of the Linlithgow Committee enabling standardization of grades, packing etc., but had very little effect in arousing the producers.

Agricultural Marketing Acts

When the Agricultural Marketing Act 1931 was passed the producers in countries such as Holland, Denmark and Sweden selling their produce in U.K. had already formed nation-wide cooperative marketing organizations. Efforts to build up similar bodies in U.K. had not succeeded. The causes for this lack of success have been attributed to the individualistic, conservative characteristics of the British farmer. This basic attitude of the farmer would be seen to have continued, though 'in smaller measure, till even the 'fifties. It appears that farmers not participating in a cooperative effort were in a position to gain from the cooperative effort, without having to take up any responsibility. The Agricultural Marketing Act designed in 1931 removed this weakness by "making provision that there should be no outsiders except those whom the organization itself permitted."² If a scheme under the Act had support of not less than two-thirds of registered producers voting in terms of members and productive capacity it could come into force and was binding on all producers of the particular commodity within the area of operation of the scheme. It was, however, required that at least half of the registered producers (excluding exempted producers) voted in the poll. The Act thus provided for large scale organization of producers of a commodity enabling them to gain in bargaining power against the relatively few well organized distributors and processors. A few big processing concerns such as flour millers, bacon curers, brewers etc., had concentrated control while similar trends were noticeable in the wholesale trade.

While falling prices³ were making it more and more difficult and un-economic for the home-producer to survive, they led to other important developments. U.K., which was the food market for many producing countries, turned into an unwilling dumping ground for excessive production resulting from other countries. The Agricultural Marketing Act 1931

² Lucas Report, p. 5, (Committee appointed to review the Working of the Agricultural Marketing Acts, Economic Series No. 48, Ministry of Agriculture, 1947.)

³ The price index for all agricultural products had dropped to 77 in 1933 (1927-29 = 100). For more details please see Chapter II, *Principles for British Agricultural Policy*—Edited by H. T. Williams, published by The Nuffield Foundation, 1960.

gave home producers a long term policy and showed them the course they might follow, but it did not give any immediate succour nor did it affect imports. The Government did not give any assurance to the home producer regarding the restriction of imports. "On these grounds representative organizations of producers with certain exceptions condemned the 1931 Act as useless".⁴ The first measure in the field of import restrictions was taken in November 1931 when import duties were placed on certain horticultural products, which was followed by the Import Duties Act and Ottawa Agreements Act passed in March and November of 1932 whereby quantitative regulation of imports came into operation for the first time. The Government was slowly reconciling itself to the short-term needs of stabilization of the Agricultural Industry. The Wheat Act of 1932 which included a subsidy scheme, was an important step indicating the new direction of Government policy.

Thus along with the voluntary organization of producers of particular commodities on which the 1931 Act placed emphasis, complementary action in the field of regulation and control of imports was promised. The Agricultural Marketing Act of 1933 which was largely based on the experience of reactions of the producers and the recommendations of the Reorganization Commissions entrusted with the preparation of milk and pigs schemes, may be said to be the real turning point. It recognized the need to do something positive. The former Act enabled the marketing schemes to 'encourage' cooperation among producers while the 1933 Act provided for the schemes to 'promote and conduct' cooperation. In a way, the latter Act was more explicit in the powers of the marketing boards to be operated under the schemes to place quantitative limit on sales by any producer. It provided that such sales could be based on the producer's past sales. The Act also aimed at restricting imports into U.K. market with a view to maintaining prices of home produce. Having met the producers' objection to the limitations of the earlier Act, the latter one paved the way for the milk, bacon (and pigs) and potatoes schemes. The hops scheme had come into operation before the 1933 Act. Where the producers did not come forward with schemes for particular commodities, the Government would seem to have been forced to take action in subsequent years to help them. This action took the form of Commissions (Wheat, Sugar, Livestock) comprised of independent members to administer subsidies and help the Government in determination of rates of financial assistance, etc.

⁴ Lucas Report, p. 5.

The marketing schemes operated under the Agricultural Marketing Act, 1933, were those in respect of Hops for England, for Potatoes and Pigs and Bacon covering Great Britain and for Milk in four different areas in Great Britain. While the Potato scheme was commenced in 1934 the others had made their debut in 1933. Though the general conditions of depression prompted the launching of these different schemes operated through Boards comprised of producers' representatives, the objectives and methods of their operation were not the same. It may be noted that as regards liquid milk and hops and, to an extent, potatoes the problem was not of imported supplies but of stabilization of prices and production. In the case of bacon and hams and dairy produce the imports constituted about two-thirds of the total supply needs of Britain. The Pigs and Bacon marketing schemes came to be formulated not by the producers but by a Reorganization Commission; the Bacon Development scheme also originated from the recommendation of the Commission. The pigs and bacon producers were faced with a peculiar feature of production as pigs are fed mostly on imported feedstuffs. The rise or fall in feeding stuff prices abroad had led to corresponding low or high imports of the feeding stuff and to marked variations in pig production ranging between - 31 to + 41 per cent from year to year between 1921 and 1932.⁵

In the following is given a brief account of the operation of different marketing boards upto the outbreak of the Second World War, followed by description of the different Commodity Commissions, which emerged before 1939.

Marketing Boards

(1) *The Hops Marketing Scheme*: The Hops Marketing Scheme, introduced in 1932 and applying to England, was the only one to operate through the Second War. The Marketing Board was given full control of the entire crop, which takes three years to bear fruit causing an amount of variation in the needs between planting and harvesting. The only market for hops is the brewing industry which uses them to flavour beer; and then, they represent only one per cent of the final cost of beer. Hops, moreover, have no other commercial use. In the circumstances, a little excess supply led to considerable fall in prices of hops and consequent hardship to the producers. Under the provisions of the Marketing Board, it was obliged to accept all hops offered to it, provided they were offered before a certain date. The Board was empowered to fix the price; after meeting the Board's costs it would distribute the proceeds of sales to

⁵ *Ibid.*, p. 25.

the producers in proportion to the hops supplied by them. The Board controlled the supply of hops by means of 'basic' and 'annual' quotas. Basic quota would be allowed to the farmers on the basis of their past performance; initially it was determined on the basis of production in weight during 1928-32. The annual quota represented a percentage of basic quota to be determined by the Board after estimating the year's demand from brewers and for export market. The annual quota was freely inter-changeable in between registered farmers at a negotiated price. In case of higher Annual quota, payment for basic quota from all producers was to be given priority over the payment for the excess over basic quota. The Board and the Brewers' Society arrived at the year's estimated demand through the instrument of a Permanent Joint Committee on which both were represented by four members each together with three nominees of the Minister as impartial members. All decisions regarding demand, supply and price were taken through this Committee. It may be noted, that an undertaking by the brewers to limit their imports of foreign hops to 15 per cent of the estimated total demand, formed part of the agreement between the Board and the Brewers' Society; in case of failure of home producers to supply the annual quota, the restriction would be rescinded. The Board was apparently successful in solving the major problems faced by the hop producers before its formation. Its working resulted in steady acreages and stabilized supply; through its quota system it guaranteed the growers an assured market. It is to be noted that the Board operated through allocation of needed supply and not *via* price; the Board, however, held a virtual monopoly in supply of hops to brewers and this constituted its strength in bargaining with them.

(2) *The Potato Marketing Scheme*: The Potato Marketing Scheme, applicable to Great Britain, was inaugurated in 1934. It was meant to tackle situations arising out of variable output from year to year owing to changes in acreage and to fluctuations in yield. Before the Potato Scheme came into force the acreage varied from 575,000 in 1931-32 to 671,000 in 1933-34; corresponding yields were 5.5 tons and 6.8 tons per acre respectively. Evidently, the output varied considerably. The imports of potatoes, forming between 9 and 16 per cent of total supplies, occasionally aggravated the situation in these years. It was further observed that the demand for potatoes did not rise substantially when prices dropped. These were generally the problems, the Board was faced with, when the scheme was commissioned. The Potato Marketing Board consisting of 31 members of which 29 were elected by producers and 2 were co-opted after consultation with the Market Supply Committee had an

executive committee of 7 which included one of the co-opted members. It was primarily a regulatory Board determining the size of potatoes by means of a contraption called riddle — a square mesh operated horizontally through which all the crop will have to pass; in times of large production the size of the riddle would be kept large, say 2 inches, so that potatoes smaller than 2 inches would fall below the mesh and would not be sent for marketing for human consumption; in case of low production, the size of riddle would be reduced to $1\frac{1}{4}$ inches so that relatively higher supply would go on to the market. For instance, in 1938-39 yields of over 7 tons per acre resulted in a large crop when the Board increased the size of the riddle to 2 inches for some varieties and to $1\frac{3}{4}$ inches for certain others. The Board also exercised control over production by allotting registered producers basic acreages relating to plantings in 1931-33. The producer was required to pay a levy of £5 per acre when he exceeded the basic acreage. The Board's regulatory techniques seem to have borne beneficial results from the fact that upto 1939 the actual acreage never exceeded the basic acreage. The Board was empowered to purchase potatoes when supplies exceeded the demand for human consumption; the distribution also was regulated by authorizing agents/merchants who alone were entitled to purchase from growers. In the first year of its existence, the Board helped in fixing prices by assisting formation of Market Plan Committees of authorized merchants who indicated the prices for different areas. This method was subsequently criticized by the Consumers' Committee and so was slowly dropped. The Board then took up market intelligence by means of collecting and announcing wholesale price data through notice boards and trade journals. The Board was assisted in its task of valorization of supplies by the Board of Trade from 1934 November, when the latter restricted imports by licensing. A complementarity was introduced in imports in relation to home production by means of issue of licences for imports by the Board of Trade after it had consulted the Potato Marketing Board, wholesalers, retailers etc., on the estimated demand in ensuing season.

(3) *The Pigs and Bacon Marketing Schemes:* The Pigs and Bacon Marketing Schemes came into operation in 1933 on the basis of schemes drafted by a Reorganisation Commission. While the Pigs Scheme controlled the sale of pigs to registered bacon curers for conversion into bacon from which sales for other purposes were excluded, the Bacon Scheme covered curers of bacon from home-produced pigs. Both the schemes were applicable to Great Britain and had elected representatives of producers and curers on respective boards together with co-opted members nomi-

nated by the Minister after consultations with the Market Supply Committee. Clearly, the two Boards were operating for the complementary parts of a larger industry. The Pigs Marketing Board controlled the sale of pigs to bacon curers by means of contracts which were prescribed on consultation with the Bacon Board. The contracts would be based on variations in quantity and quality, prices of pig-feeding stuffs and of bacon and were to be conditional on a minimum offer for contract. This method of contract worked but not very smoothly for some years till in 1937 the two Boards could not agree on terms of contract owing to the opposite interests which had to be served; the matter was settled by arbitration recommended by the Minister. In 1935 the Bacon Development Board composed of three members appointed by Ministers and four each elected by the two Marketing Boards came into operation. It was entrusted with improvement in the organization of the bacon pig and bacon industries, licensing bacon factories, administration of quota for home production and general supervision over measures for efficiency in the two industries. It was found that the two schemes did not work satisfactorily as they represented conflicting interests. The operational difficulties arose largely out of the need to link the prices of pigs to feeding stuff on the one hand and to bacon on the other. If the prices of pigs were low they would adversely affect incentive to maintain production of pigs; if they were high the curers of bacon would find it hard to absorb bacon pigs at high prices. The Bacon Industry Act passed in 1938 provided for payment of subsidy to growers of pigs relating the prices of pigs to feeding stuffs. The main difficulty in running the pigs and bacon marketing schemes smoothly was due to the need to link the home producers' prices with those of imported feeding stuffs, bacon and pork and to the fact that bacon demand was more elastic than that in case of other products. The schemes, however, had a limited success to be witnessed from the relatively smaller variation in bacon and ham prices after the Boards came into being. For instance, before 1934, the price varied for a particular quality from 86s. to 126s. Whereas afterwards it varied between 95s. to 105s.

(4) *The Milk Marketing Schemes:* While one scheme covered England and Wales there were three schemes covering parts of Scotland. All of them were introduced in 1933 and 1934. The Marketing Boards for the different areas, operating largely on similar lines, comprised representatives of producers and of members co-opted after consultation with the Market Supply Committee. The features of circumstances faced by the Milk Boards were (i) milk demand over the year would be fairly constant

while the supply would vary in different seasons (ii) liquid milk supply would have to be in consonance with demand as imports would not be possible; (iii) as against liquid milk there would be imported supplies of milk products; and (iv) costs of feed for milch cattle would be high in winter than those in spring and summer when fresh grass is available. The aim of milk producers would be to sell as much liquid as possible as the prices of liquid milk would be much higher than those of milk products for which there would be competition from imported supplies. The Milk Boards had powers enabling them to determine contract terms between producers and buyers. The Board in England and Wales was party to all contracts and all payments for milk were to be made to or by the Board. Producers received an average price or 'pool price' arrived at after taking into account the Board's administration costs, transport charges etc.; the pool price was paid on a regional basis. The Scottish Boards were themselves trading boards, in the sense, that they purchased milk from producers and sold it to distributors. The main Scottish Board paid a 'pool' price as the English Board did; the other two Scottish Boards paid one price for basic quantity and a lower one for surplus milk. The basic quantities were determined on the basis of the respective producers' supply in November-January, preceding the determination. In all the four schemes, however, milk was sold at varying prices depending on its use, there being a binding on buyers not to divert milk from the stipulated use to another. By their use of the power to decide terms of contracts between producers and buyers the Boards could influence prices in different sections of distribution and thus acquired a virtual monopoly over supply within their areas. As a counteracting force there was provision in the Act for Consumers' Committees and Committees of Investigation to look into appeals against injustice from distributors or producers. All the Boards ran into difficulties in the process of prescribing terms of contracts at one time or other, when the matter had to be referred to the Minister for arbitration by an independent person.

In the period upto 1939 the Milk Boards were striving to benefit the producers of milk by securing the highest possible price for liquid market. The Boards put in efforts to promote demand for liquid milk and so endeavoured to improve the quality of milk. The English Board provided for payment of a bonus of one penny per gallon over and above the pool price to all producers supplying 'A' grade milk; the Scottish Boards stipulated a minimum fat content.

The Milk Act, 1934 provided for tubercle-free herds, testing of herds and entitled producers participating in the attested herds scheme

to a bonus of one penny per gallon of milk from attested herds. The Milk Industry Act 1939 provided from October 1, 1938, for payment of a subsidy from Government for certain quality of milk. The gradation of premia payable on Tuberculin tested milk, from attested herds, standard milk, etc., was made applicable. All these measures taken by the Boards with the assistance of enactments enabling them to improve the quality of milk and the subsidies led to a steady and assured return to producers of milk. The milk used in milk-products was, however, receiving low price, as it was largely determined by prices of imported butter and cheese; the Government, therefore, through the Milk Act 1934 and its extensions upto 1939 provided for minimum price of 5d. in summer and 6d. in winter per gallon as guaranty to the Boards for manufactured milk. The Boards established a number of creameries for manufacture of dairy products to provide outlet to the surplus milk-supply of producers. The effect of the schemes was not as much in increasing total supplies as in stabilizing supplies at steady prices. The total estimated supply has been stated to have risen by just under 5 per cent in 1938-39 over that of 1270 million gallons in 1933-34 in England and Wales. The corresponding supply handled by the Board rose from 856 to 1119 million gallons. The liquid sales rose from 643 to 767 million gallons from 1933-34 to 1938-39 while sale of milk for manufacture registered a rise from 213 to 352 million in the same period. The Boards operating in Scotland seem to have shown similar progress. The Milk Marketing Boards were thus entitled to fix prices, through price they could control production, which they could not directly regulate.

Commodity Commissions:

The Wheat Commission: The Wheat Act of 1932 which established the Wheat Commission was brought in to fulfil an assurance given earlier by Government that it had recognized the special importance and urgency of the cereal situation and that a scheme would be designed "to secure for producers a certain market and to enable them to obtain an enhanced price for wheat of milling quality". The Wheat Commission having two independent members and representatives of homegrown millable wheat, flour-millers, importers of flour, etc., was the outcome, thus, of a very unfavourable circumstance for wheat growers. The acreage under wheat had dwindled from 2.0 million acres in 1921 to 1.2 million acres in 1931, the corresponding production of wheat having dropped from 40.6 million to 20.2 million cwts.; the total arable area also had registered a fall from 16.0 to 13.8 million acres during the period. The Wheat Commission was

charged with responsibility to encourage wheat cultivation by promising growers secure market and better price by means of 'deficiency payments' on the basis of their sales, the payments representing the difference between average market price to be determined before end of each cereal year and a standard price of 10s. per cwt. The Wheat Commission was to charge quota payments (levy) on flour millers/ importers and these funds were to be utilized for 'deficiency payments' to growers. The Wheat Act also provided for a Flour Millers Corporation for the purchase of unsold stocks of millable wheat within the limit of the anticipated estimated supply earlier (27 million cwts.). As the supply increased, the deficiency payment would proportionately diminish. The whole operation of the Wheat Commission was expected to lead to production of quality wheat for milling which had an assured market. The original aim was to restore the acreages grown in 1910-14 period.

The Wheat Act resulted in a rise of 500,000 acres under wheat upto about 1939 which was accompanied by an equal fall in total arable area. This was largely due to the sudden fall in area under barley and oats during the period. To ameliorate the oats and barley growers the Government made provision for payment of deficiency payments under the Agriculture Act, 1937. The payments, however, were based on acreage such that the maximum payment was limited to £ 1 per acre. The Wheat Commission was entrusted with the administration of oats and barley subsidies. It was not supposed to regulate the production as in the case of other commodity boards; it was supposed to supervise the deficiency payments, to administer on behalf of Government the standard price and to co-operate with flour millers in lifting the unsold supplies of millable wheat, if any. It was not to interfere with normal trade channels nor was it required to play a role in determination of price. (By the Agriculture Act 1937 the maximum quantity of home-grown millable wheat which the Flour Millers' Corporation were required to buy was limited to 4 million cwts instead of 12.5 per cent of the anticipated supply which was determined year by year by the Minister after recommendations in that behalf from the Wheat Commission).

The Sugar Commission: The Sugar Commission to supervise the beet-sugar industry and to advise the Minister relating to matters of sugar was established in 1936 along with the British Sugar Corporation (created by amalgamation of various factory-owing companies) under the Sugar Industry Act, 1936 to continue the growing of sugar-beet and for a stabilized rate of assistance related to prices and conditions of operation. The Sugar Commission had no marketing functions but was designed to

supervise and regulate subsidy to sugar-beet growers, to prescribe maximum total acreages for growing sugar-beet under contract. The British Sugar Corporation, representing the manufacturing industry, was to make contracts with beet-sugar growers for supply of home-grown beet and to process beet with maximum efficiency. The Sugar Commission was empowered to determine the terms and conditions of the contract if the beet growers and the Corporation failed to reach a satisfactory agreement. The Sugar Commission actually prescribed the maximum total acreage of beet sugar but did not recommend individual acreages. The Sugar Commission was generally a super-body over and above the beet growers and the Sugar Corporation designed to assist the Government in supervision over the industry and to look after such matters as freight rates, redistribution of factory capacity, etc., in the country.

The Livestock Commission: There was a Cattle Committee set up under the Cattle Industry Act, 1934 to administer fat cattle subsidy. The initially temporary character of the subsidy was placed on a permanent footing by the Livestock Industry Act, 1937 under which was set up the Livestock Commission mainly to determine rates of subsidy after consideration of market conditions and variety of quality, with an upper limit to State's liability at £ 5 million a year. The Commission was also responsible for improvement of the marketing system; for this purpose it was to set up three slaughter houses on an experimental basis; actually schemes to start these at Edinburgh, Leeds and Leicester were in progress when war broke out and the work had to be abandoned. The Livestock Commission in effect was an independent body to sponsor measures on behalf of the Government and to improve and supervise the livestock industry's marketing generally.

Comments on the Pre-war Period

In the foregoing is made a quick survey of the circumstances through which the agricultural industry passed in the inter-war period and of the more important developments affecting the industry. At this stage, it is appropriate to recapitulate briefly the events of the pre-war period.

The Agricultural Marketing Act, 1933 required reorganization of home industry of a particular commodity before aid to it in the form of quantitative regulation of imports could be given. The Minister was empowered to constitute a Reorganization Commission for a commodity for preparation of schemes for marketing and for inquiry into and investigation of any marketing scheme in operation. Such Reorganization Commissions were appointed from time to time, the first of which were for

Milk, Pigs and pig products, fat stock and eggs and poultry in 1932-33. It is evident that reports of such Commissions did not necessarily lead to formation of marketing boards for the respective commodity; for instance fat stock and eggs and poultry commissions did not lead to any marketing boards. These commissions, however, assisted the Ministry in arriving at decisions regarding the marketing of a particular product, but the reports of these commissions were not binding on the Minister.

The 'Market Supplies Committee' for U.K. came to be set up under the 1933 Act "to review generally the circumstances affecting agricultural supply in U.K." and to make recommendations for regulation of supply and to watch the effects of any measures designed to regulate imports in U. K. Actually this committee was consulted from time to time in the operation of the Marketing Boards and Commissions.

It may be observed at the outset, that the various steps taken by Government from 1930 upto the outbreak of the war were not planned at the beginning. They were taken through expediency and needs of circumstances from time to time. The state of policy with its various aspects for inducing or restricting production, for control of imports, for reorganization of marketing etc., as emerged towards the end of the decade was not visualized at the beginning. Steps taken to meet a particular emergency—the underlying need for all different products being the same viz., stabilization of production and ensuring a steady return to producer—had different emphasis on different occasions. There was no uniform set of principles, though no doubt, towards the end the experience gained in past lent a large measure of homogeneous look to different measures by 1939. The aim in the scheme for hops marketing was to guarantee a market while for potatoes it was to valorize production; in the case of milk boards, it was endeavoured to obtain as high a price as possible. In the case of wheat, the purpose was to raise production to the pre-war level whereas the Sugar Commission was envisaged to supervise rates of assistance and to improve efficiency in manufacture of sugar.

It is, however, interesting to find that the premises of the Agricultural Marketing Acts were not fulfilled inasmuch as the producers of important items like wheat and livestock did not come forward voluntarily to organize themselves. The Lucas Report after observing that the producers "were reluctant to launch forth into the new world of organized marketing with its inevitable restrictions on their individual freedom" concludes "the qualification for assistance to any branch of home industry turned upon its distressed condition rather than willingness or

otherwise of producers to overhaul their marketing methods".⁹ It will seem that in a way the Government was forced to set up the Commissions as a result of the producers' lack of response to the inducements of the Marketing Acts. This process had begun, in fact, even before the Act of 1933 came in, as the Wheat Act preceded it. Ultimately the Government had to accept one form of subsidy after another when once it had conceded it to one particular group of producers. After wheat, oats and barley could not be left to themselves. In a similar way, the Government had to give protection through regulation of imports to different commodities; this was not provided for in the 1931 Act but in that of 1933. Subsequently came various international agreements on different commodities such as wheat, beef, sugar, etc. The inadequate results of the measures for voluntary organization led to compulsion on the minority, which were followed by supplementary measures for protection from imports and by Commodity Commissions to assist the Government in administering subsidies, aids and service to a particular industry. The working of the Marketing Boards was not smooth in all cases and led to near-breakdowns when the Minister had to appoint independent persons to arbitrate. The whole course of policy as it evolved was of improvised action.

All the measures together were aimed mainly at stabilizing internal production; and also improvement of marketing, in the sense, that producers' hands were to be strengthened in their bargaining power against distributors. In a limited sense this purpose was fulfilled. The subsequent Development Board for Bacon and the Livestock Commission which were aimed at improving the efficiency of processing and marketing channels and for imparting research and education facilities did not have enough time to show progress as war broke out soon after they commenced work. The Livestock Commission had a larger field to operate on these lines than the Wheat and Sugar Commissions had. The Boards were representatives of producers and hence were not so much interested in improving the distribution and processing channels and were, therefore, not likely to be much concerned about costs to consumers. The Commodity Commissions were in a position to look after the interests of all sectors of the community but partly as they remained engaged in stabilizing production and partly as their powers were limited, they did not achieve much in rationalizing distribution.

Towards the end of 1937 the clouds of war were looming large. The Government had earlier appointed a committee to study "measures for

⁹ Lucas Report, p. 9.

increasing productivity of soil with a view to ensuring increased food production in times of War", whose recommendations were later embodied in the Agriculture Act 1937. Measures to eradicate animal diseases, to amend provisions of Land Drainage Act 1930, to encourage farmers to use more fertilizer and lastly to subsidize the fertilizer cost of the farmer were to be taken. Further measures requesting farmers to plough up 10 per cent of their grassland and to encourage increased acreage under cereals were taken by the Agricultural Development Act of 1939. Thus the negative outlook of Government up to 1937 to maintain producers at a level at which they would not go bankrupt and uneconomic, radically changed in 1937 in view of the need to depend more on internal production of food in a future war; this led to emphasis on more production and efficiency of the farmer.

To sum up, the role of Government changed in the thirties from that of passive onlooker; *laissez faire* was abandoned and Government took measures to encourage farmers to organize voluntarily. On failure of the producers to do it, Government went a step ahead in announcing protection, setting up reorganization commissions, commodity commissions, etc. Even while setting up the Commodity Commissions, the hope for producers' coming forth with marketing boards was not lost as is seen from the provisions in the Acts setting up the Wheat and Livestock Commissions. And last came the threat of war which impelled Government to take radical steps to reorganize and energize producers to meet the need of increased home production of food-stuffs. Nowhere in the series of events was any factor requiring attention to reduction of costs. The agricultural wages, though high for the farmer, were much less than in the industrial sector and caused steady migration of farm-workers out of agricultural industry. As wages remained a considerable element of costs to farmer, he had to adapt slowly to techniques of saving labour. (The number of those employed in agriculture had dropped by 30 per cent in the inter-war period.)

On the eve of the Second World War there were 17 producer boards or bodies operating for different agricultural products in different areas while guaranteed prices of some kind or other were in force for a number of commodities like wheat, barley, oats, milk, cattle, sheep, pigs etc.

CHAPTER II

POLICY MEASURES DURING THE SECOND WAR

Measures during the War

THE STORY of British Agriculture and Food Production and distribution has been very lucidly told in the two volumes on 'Food' by R. J. Hammond and 'Agriculture' by K. A. H. Murray in the official histories bringing out the various problems, different situations, controversies and conflicting interests that had to be faced in organizing for war-time needs of the national economy. The following is only a short review of the problems during the War and of the measures taken which will facilitate an understanding of the changeover from peace time to war agriculture and of the transition back to peace.

Before going on to the measures taken to meet the needs, it may be useful to look over the change in the structure of production brought about through war effort, as seen in Table 2. 1. A glance at the figures set out in table 2. 1 would reveal that the farmer had to change the balance of his production pattern. Increase in cereals and depletion in livestock giving meat and beef was the feature of the effort and its result during the war. The major considerations requiring this change over were: (i) the loss of sources of food-stuff supplies in Europe to enemy; (ii) need to depend on maximum home production arising out of lack of shipping space and dangers in importing large food and feeding stuffs. While taking into account these constraints the Government could not lose sight of the need to maintain as far as possible the calorific and nutritional content of the food-stuffs to be provided to the people.

In order to achieve the results in the needed direction the Government formed a Ministry of Food to look after the imports and distribution of food-stuffs while the Ministry of Agriculture continued to care for the production programmes and the requirements of the farmers to implement them. The County War Agricultural Executive Committees were appointed to execute the farming/cultivation schemes on which persons representing farm workers and women's land army were included (not to represent special interests but to help solve special difficulties).

The ploughing-up subsidy had been introduced earlier in May 1939 at £ 2 per acre brought under plough from grass lands. All restrictions on production or acreage of cereal crops were removed with emphasis on

TABLE 2. 1. *Wartime change in structure of production*(A) *Percentage of production from different branches of agriculture in U.K. (at constant prices 1945-46)*

| | <i>Livestock & Livestock products</i> | <i>Horticultural products</i> | <i>Farm Crops</i> | <i>Total</i> |
|---------|---|-----------------------------------|-------------------|--------------|
| Prewar | 66 | 17 | 15 | 100 |
| 1943-44 | 50 | 17 | 30 | 100 |

(B) *Area under Cereals (Million acres) in U.K.*

| | <i>Average 1936-38</i> | 1943 | 1944 | 1945 | <i>% increase in 1944 over 1936-38</i> |
|--------------------|----------------------------|------|------|------|--|
| Wheat | 1.9 | 3.5 | 3.2 | 2.3 | 68 |
| Barley | 0.9 | 1.8 | 2.0 | 2.2 | 122 |
| Oats | 2.4 | 3.7 | 3.7 | 3.8 | 54 |
| Mixed Corn and Rye | 0.1 | 0.6 | 0.5 | 0.5 | 400 |
| All Cereals | 5.3 | 9.6 | 9.4 | 8.8 | 77 |

(C) *Production in U.K. ('000 tons)*

| | <i>Average 1936-38</i> | 1943 | 1944 | 1945 |
|------------|----------------------------|------|------|------|
| Wheat | 1651 | 3447 | 3138 | 2176 |
| Barley | 765 | 1645 | 1752 | 2108 |
| Oats | 1940 | 3064 | 2953 | 3245 |
| Potatoes | 4873 | 9822 | 9096 | 9791 |
| Vegetables | 2371 | 3144 | 3423 | 3240 |

(D) *Livestock in U.K. ('000 number)*

| | <i>Average 1936-38</i> | 1943 | 1944 | 1945 |
|--------------------|----------------------------|-------|-------|-------|
| Cows and heifers | | | | |
| in milk or in calf | 3835 | 4324 | 4374 | 4343 |
| Other cattle | 4840 | 4936 | 5128 | 5274 |
| Sheep | 25786 | 20383 | 20107 | 20150 |
| Pigs | 4466 | 1829 | 1867 | 2152 |
| Poultry | 76236 | 50729 | 55127 | 62196 |

wheat acreage wherever possible. Tractors and agricultural implements were stock piled earlier in May 1939. There had been a steady drift in manpower from agriculture which was made up partly through the Women's Land Army; and attempts were also made to bring in, through imports, supplies of feeding stuffs and fertilizers.

The Ministry of Agriculture had taken a stand on prices that they would be crucial as inducement to increased farm crops. The Government announced in October 1939 that it would purchase whole of the staple crops and so farmers would have a guaranteed market. Prices of fat sheep, pigs were increased in October and November 1939 to induce meat production. In the first year of war, due to indefiniteness in policy relating to rationing, prices of some crops were raised, some remained uncontrolled, while others were not considered on uniform principles. This led to an anomalous situation for a time. The marketing boards and schemes had already been suspended (except Milk and Hops) and so the farmers were becoming uneasy over prices. The Milk Board continued to operate through the War, but on attenuated responsibilities and remained only an agent of the Ministry of Food and worked under its general direction. In the consideration of fixing prices of different commodities, questions of costs of production and of wages naturally arose and through continuous debates and controversies between the two Ministries of food and agriculture ultimately emerged the price-schedule and wage reviews in 1940.

The Inter-Departmental Committee on Food Prices was set up in July 1940 after the earlier decision to raise minimum agricultural wage from 40s to 48s per week. In arriving at the new price schedule the Committee had to consider: (i) that farmers in aggregate would receive a return for the produce sold off farm which would adequately compensate them for extra wages and for the increased costs of feeding stuffs and (ii) a proper relationship between prices of different products. In fixing the price-schedule the needs of supply of various products had to be borne in mind. After protracted negotiations a schedule was agreed to and it was decided that it would be applicable for 1939-40 season and would be reviewed for the 1940-41 season when adjustments would be made. This was the origin of price reviews.

The higher prices obtained by farmers enabled them to undertake capital expenditure to an extent and to reduce their indebtedness. It was deemed necessary to assure the farmer of the long term future so that he would be induced to invest more in land, machinery etc. In November 1940, the Minister of Agriculture made a statement: "The Government has now decided . . . to guarantee that the present system of fixed prices and an

assured market will be maintained for the duration of hostilities and for at least one year thereafter". It was further assured that subject to adjustment to the extent of any substantial changes in cost of production, and in view of maintaining after the war a healthy and well-balanced agriculture "stability shall be maintained, not only during the hostilities, but during a length of time thereafter sufficient to put into action a permanent post-war policy for home agriculture."

Upto the end of the war, the price reviews were continued; in the process of reviews various problems such as equity of deficiency payments, costs of marginal lands had to be faced. (To pay their way, Government wanted to design ways and means other than higher prices so that only marginal producers would be compensated and not others who might not be in need of higher returns). Occasional attempts to seek higher price for a particular product in view of its alleged special circumstances by farmers were usually firmly tackled. Towards the end of 1943, it was urged by the Minister of Agriculture that if farmers were to maintain and increase their output for 1944 and 1945 seasons they should be given a greater measure of security. In January 1944, the Minister was enabled by Government to announce that "arrangements were being made for consultations on agricultural policy in both the transitional period and the later post-war period". The Minister accordingly offered to discuss with farmers' representatives questions relating to collection of data acceptable to both Government and farmers as a basis of price discussion, procedure for using data and means of relating the system of fixed prices and assured markets to the four-year production plan including the harvest year of 1947. The Minister further assured change-over to traditional pattern of agriculture—from crops to livestock production. The Minister had thus assured guaranteed market but not prices.

In November 1944 agreement was reached in the discussions between the Minister of Agriculture and the farmers' unions on the economic data; these were to be based on the financial accounts relating to different types of farming and sizes of farms and the statistical material relating to cost of production collected by the Provincial Agricultural Economics Service attached to the Universities. It was further agreed that there would be a review in February of each year by the Agricultural Departments and the farmers' representatives of the general financial position of agriculture in U.K. The Government would then make its decisions on: (a) crops, their prices from the harvest of the following calendar year; (b) milk, its prices from 1st October, (c) livestock and eggs, their prices from 1st July of the current calendar year. Provision was also made for special

reviews in the event of special circumstances calling for immediate attention.

Aftermath

So much regarding the prices of agricultural commodities and their guaranty with assured market in the immediate post-war years. What about the general condition of agriculture as an industry and the direction of its progress? From the early years of the Second War many people were thinking about its future, and its place in the economy. While some thought that agriculture should return to its pre-war pattern, others thought that the dynamic structure created for war should not be thrown away. Whether the nation should continue to depend on food imports, to the extent it did in pre-war years, even in future was the issue. The considerations of possible sources of supply, the extent of possibilities from the foreign exchange angle and of the stage of agricultural development within the country were primary in this question. After some discussions in Government the Prime Minister had announced as early as March 1943 that agricultural production would be maintained at a higher level than before 1939. For some time when the end of war was in sight the Government had begun to tell farmers to change over to more livestock from production of wheat and potatoes. The actual end of war however presented a grim picture. It was realized that the country would have to bear the stress of war-time controls for quite some time and as its corollary, the pattern of agriculture would have to remain on war footing. The years 1945-46 and 1946-47, contrary to improvement, resulted in lean years owing to natural vicissitudes.

In the meanwhile what was the position of the Marketing Boards? Except the Milk Marketing Boards, they had been merged in the elaborate and overall organization of the Ministries of Agriculture and Food. Actually they did not exist and so had no role to play in an independent way. The pre-war experience of the working of the Marketing Boards and other Commodity Commissions, their detailed knowledge of and contacts with producers and their grasp of the latter's problems were of considerable value during the war-time. The Ministry of Food used these organizations during and after the war. The services of their staff in the regional offices were placed at the disposal of the Ministry and this considerably facilitated the implementation of controls over distribution and supply.

The Lucas Committee appointed in 1946 to review the working of the Agricultural Marketing Acts submitted its report in September 1947. It

observed that 'producers had made little use of the Acts for the promotion of efficiency measures'. The disappointing progress of the Boards in respect of reorganization for efficiency, having concentrated attention on price amelioration, had led to appointment of independent commissions for commodities. While stating that "the position of the Boards in relation to Commissions constituted an awkward problem which had not been solved" at the outbreak of war, the Lucas Committee said the Ministry of Food did not seek nor in practice did it achieve any substantial success in the field of marketing improvement.

While the Lucas Committee was drafting its report, Government had announced proposals to increase net home food production by 50 per cent over the 1938 figure. Taking this into account, the Committee thought that there was no need to restrict supplies and that improvement of efficiency in order to economise would be the paramount consideration of the future marketing set-up. The aim of marketing boards would be to place on the market needed supplies at minimum costs and to provide stability to producer. This would involve, (i) responsibility to the consumer inasmuch as his interest would not be neglected (as it was, to some extent in pre-war period, in the Committee's view) and (ii) the need to reorganize distributive arrangements. The Committee was categorical in its thinking that the pre-war boards had not been successful in lowering distributive costs.

After going into several alternative proposals for the marketing of agricultural products, the Lucas Committee recommended a two-tier organization. (1) The first would consist of independent bodies called Commodity Commissions financed from public funds with operational similarity to public utility concerns. These would assume ownership of the produce after the point of price guaranty and would have full proprietary rights; they would have trading and regulatory powers, they would be enabled to restrict or rationalize distribution and processing by means of licensing powers and would be charged with giving advice on general supply-demand problems to the Ministry or on price reviews. (2) The second would be the producer marketing boards responsible for making contracts on behalf of producers and for their implementation; they would have no powers to interfere in distribution or marketing directly. In short, the producers' marketing boards would have restricted field while the Commissions would hold wide powers. Details about actual organization launched by Government would be considered in the next chapter.

CHAPTER III

POST WAR EVOLUTION AND IMPLEMENTATION OF POLICY

THIS CHAPTER covers the period from the end of the Second World War to about 1960. It relates to the resurgence of the Producers' marketing boards, government policy regarding prices and output of agricultural commodities and the implementation of the latter. Though the policy adopted in 1946-47 generally remained the same upto 1960, there have been significant changes in emphasis in the fifties. The broad frame generally appears to be unchanged; only the instruments for implementing the policy changed. For instance till 1954, the war time control on distribution continued and so the Ministry of Food was in charge of the marketing of foodstuffs; subsequently on the merger of food ministry into the Ministry of Agriculture, some of the pre-war marketing boards were rejuvenated whereas that for eggs was the only new one to be set up. Apart from the operation of the marketing boards and the contribution government expected them to make to the agricultural industry, the total agricultural policy of government has many important aspects regarding production, incomes, efficiency, etc.; the Farmers' Unions and producers' Boards have played a significant role in shaping and implementing Government policy. After a brief consideration of these, would be described the annual price review procedures, some details regarding the National Farmers' Union, their role in the total agricultural policy, organizational relationships between Farmers' Unions and the marketing boards and the Ministry.

General Agricultural Policy:

The dislocation of world trade in foodstuffs, increase in the world's population resulting in excess of effective demand over available supplies and the precarious balance of payments position of U.K. were among the factors making for continued stress on British food supplies and for maintenance of the wartime controls and pattern of agriculture. But now it was possible to look fairly ahead and to plan on long-term basis in a peace economy. The general awareness of the 'raw deal' the farming industry had had in the inter-war period and the recognition of the service rendered by it during war facilitated agreement generally that the industry should not be allowed to lapse into depressed conditions; the world food shortages and Britain's economic distress, moreover, underscored the need for

less imports and consequent increased home production of food stuffs. At the end of the war it was becoming apparant that the return to the prewar farming pattern was impossible in the immediate future. It was on this background that the Agriculture Act, 1947 was placed on the statute book.

The Agriculture Act, 1947, was aimed at promoting and maintaining a stable and efficient industry by means of provision of guaranteed prices and assured markets at minimum prices consistent with "Proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry".¹ To achieve this purpose the Act also provided for requisite machinery. It laid down that the Minister of Agriculture must undertake an annual review of general economic condition of agriculture in consultation with representatives of producers. This review was to be made in respect of nine commodities viz. wheat, barley, oats, rye, potatoes, sugarbeet, fatstock, milk and eggs. (In 1950, wool was added to this list). The government was empowered to limit the output of any 'review product' to which guaranteed price was applicable. Secondly, the guaranteed price was not necessarily linked to the end price but could be given in relation to the acreage.

In addition to the provisions for price review and for general guidance of output in the light of national needs, the Act provided for measures to secure efficiency. In return for the promise of stability, the industry was expected to show better performance. In order to facilitate supervision the Minister was empowered to secure good husbandry by placing any negligent and inefficient farmer under 'supervision' by issuing directions to such farmer and in extreme cases by dispossessing him. The County Agricultural Executive Committees set up during wartime for organizing expansion of production were reconstituted by the Act on a permanent basis and were to be agents for securing good husbandry and for administering the powers mentioned above. The Committees were to consist of members appointed by the Minister and by the farmers, farm workers and landowners. In matters concerning dispossession orders, the Act provided for Agricultural Land Tribunals whose decision would be final and could not be overruled by government. The County Committees were also envisaged as an instrument through which the farming community could take direct responsibility for execution of agricultural policy and promotion of efficiency. They were supposed to work in association with the National Agricultural Advisory Service (N.A.A.S.) set up earlier in 1946 to provide farmers with general technical advice for improving

¹ Agriculture Act, 1947, Sec. 1 (1).

efficiency. The Chief Officer of N.A.A.S. in the county was also the chief officer of the County Committee. The Act further established the Agricultural Land Commission together with a sub-commission for Wales to administer agricultural land acquired by the State either because it could not be farmed profitably by private operator or such land acquired on dispossession as well as lands received by State in payment of death duties. In order to promote good husbandry and attract energetic persons in the industry the Act also afforded opportunity to non-farmers to become farmers. The county councils were empowered to acquire land for the purpose by compulsory purchase or by hiring; provisions were made for loans to small holdings for the purpose of working capital.

In 1947, the government announced a five year expansion plan for the industry setting the target of 20 per cent increase in net output of farming over current level and 50 per cent over prewar level, with emphasis on livestock products which were costly to import. This programme was fulfilled in 1952; the expected composition, however, was not achieved. While output of milk and eggs and poultry was more, the output of beef, mutton and cereals was less than expected. In 1952 a further expansion programme was set up to increase net output to 160 per cent of prewar level. This also was substantially fulfilled by 1957.

Alongwith and following the Agriculture Act, 1947 several ancillary measures were taken by government to help achieve increased efficiency and a stabilized industry. The Hill Farming Act of 1946 empowering the Minister to give substantial grants to comprehensive schemes for the rehabilitation of hill lands, for provision of buildings, water supply, fences, etc. set aside £ 4 million for the purpose. The Livestock Rearing Act, passed in 1951, provided for £ 22 million upto 1956 for improvements in hill farms suitable for livestock. The Agricultural Wages (Regulation) Act, 1947 set up two Wage Boards for Scotland and England and Wales with members nominated by the National Farmers' Union, National Union of Agricultural Workers and independent members appointed by the Minister. In addition there were measures to induce greater tillage by means of grant of £ 5 per acre for ploughing land which was under grass for at least three years, subsidies for rearing calves, grants for fertilizers, etc.

Upto about 1953-54, government remained concerned with ensuring adequate supplies of foodstuffs and endeavoured to keep down the cost of living through manipulation of subsidies and adjustment of prices guaranteed for different review commodities. In 1949, the government had decided a ceiling on subsidies at £ 410 million which was further reduced to £ 250 million in 1952. This reduction in food subsidies was to be achieved

through rise in retail prices of selected products and by gradual return to private trade. Controls over markets for cereals, tea and sugar were lifted in 1953 followed by end of rationing and control over meat, bacon, butter, margarine etc in summer 1954. In 1956, by the Sugar Act, the Sugar Commission set up in 1935 was dissolved; instead a Sugar Board was set up with responsibility to buy sugar from Commonwealth at prices agreed under the Commonwealth Sugar Agreement and from the British Sugar Corporation (an amalgam of British Sugar Manufacturing factories) and to resell it to refiners and wholesalers at world prices. Any deficiency in this process was to be met through a levy on all imported and home produced sugar and molasses, which would be in addition to existing customs duty. If the Board made a profit it was entitled to distribute it by repaying part of the levies. It was thus to act as a shock-absorber between world prices and prices obtaining within the Commonwealth. The Board, however, was not supposed to store or transport sugar without special direction, which resulted in free market in sugar within U.K.

The flexibility in adjusting prices and in determination of forms of guaranty, built into the Agriculture Act 1947, was of advantage to the government as well as the Farmers' Union, when 'consultations' took place before annual determination of prices. These *de jure* 'consultations' actually turned out into *de facto* negotiations between the government and the Unions. As long as the import prices had a rising tendency that is upto 1956, the minimum guaranteed prices did not count much, because the farmers were somewhat sure that actual prices would not go down to touch the announced minimum. When in 1956 there were signs of likely fall in import prices, farmers became aware of the possibility of the use by government of its powers to reduce the minima. The forward guarantees of minimum prices were slowly becoming cause of concern and lack of confidence; the annual review of situation instead of instilling confidence was taken to be a cause of uncertainty about long term future. Following the review of 1956, therefore, government entered into discussion with Farmers' Unions to explore ways of creating a sense of long term security needed to plan ahead. The outcome of these discussions was the Agriculture Act 1957. Its major value was in the long term assurances it provided to the industry. It provided that (1) the guaranteed individual price of each review product would never fall below 96 per cent of the guaranteed price of the previous year; (2) the total value of all guaranteed prices in any one year should not fall below 97.5 per cent of the previous year's total, after ascertaining needed changes in aggregate costs of production; and (3) in the case of livestock products the guarantee for any individual

product would not be reduced by more than 9 per cent during any three year period. In this way the assurances provided for longer stability than was available in the 1947 Act. The Act is also important because it placed limits on the powers of the Minister to reduce guaranty prices below stipulated percentage.

The Agriculture Act of 1957, in addition, provided for certain other measures to secure efficient farming. It empowered the Minister to make grants towards costs of improvements, the grants being one-third of the approved costs; the aggregate grants were, however, limited to £ 50 million over five years. The Act also constituted a Pig Industry Development Authority to prepare schemes for improving efficiency in production, marketing and distribution of pigs and pig products; the Authority was not supposed to engage itself in business of trading or to promote arrangements for marketing. Its main purpose was to indirectly assist the industry by promoting technical developments. The Bacon and Pigs Marketing Boards together with the Bacon Development Board ceased to operate and their assets were to be disposed of by the new Authority. The Agriculture Act, 1957 repealed the Livestock Industry Act, 1937, the Wheat Acts of 1932 and 1939, the Bacon Industry Acts of 1938/1939 and parts of the Agriculture Act, 1947. The list of review commodities remained the same but for the exclusion of sugar-beet, for which arrangements were made in the Sugar Act, 1956.

The Act thus resulted in reducing the discretion of government in making adjustments to prices and to that extent flexibility was sacrificed. While creating security for the farmer its cost was greater binding to the policies adopted so far. The Agriculture Act, 1958, went a step ahead in reducing the government's powers of supervision over and dispossession of inefficient farmers which were actually administered by the County Committees. From the very beginning these powers were considered as an inroad on individual freedom and "in practice, the effectiveness of the machine was severely limited",² and the powers were hardly used. The Act of 1956, while making the farmer free to operate his holding thus made it incumbent on government and particularly on Farmers' Unions to promote efficiency by voluntary improvements.

In 1959, the scope of the farm improvement grants established by the Agriculture Act 1957 was extended by means of the Agricultural Improvements Grants Act; it was meant to assist farmers to reduce costs and improve efficiency. By the Agriculture (Small Farmers) Act, 1959 the

² *Principles for British Agricultural Policy*, Edited by H. T. Williams, A study sponsored by The Nuffield Foundation, 1960 p. 50.

government implemented its earlier announced intention to give special assistance to small farmers with low incomes. The first part of the assistance was based on approved development schemes for the farm business as a whole intended to help an average occupier earn a net income available to a skilled agricultural worker. To be eligible a farm must be not less than 20 and not more than 100 acres of crops and grass; after improvement the farm should be able to provide at least 275 man-days of work in a year. Farmers requiring generally above 450 and below 250 man-days were not eligible to aid under the scheme. The comprehensive scheme was to be assisted by farm business grants upto £ 6 per acre with a maximum of £ 360 per farm. The second part of the scheme provided grants for specific operations such as liming, fertilizing, ploughing grass-land, etc.

The Horticulture Act, 1960 was passed with a view to assisting horticulturists whose products were not included in the guaranteed price scheme, though many were protected by tariffs. It provided for production grants upto one-third of approved costs on certain items of capital expenditure, and grants to co-operative societies for buildings, grading and packing. A Horticultural Marketing Council was constituted to collect and disseminate price information, to improve grading, packing and to advise, publicize and conduct research.

Agricultural Marketing

In the foregoing, all measures taken by government to help agricultural industry, other than those relating to marketing, have been described. Reference has been made earlier to the Lucas Committee appointed in 1947 to review the Agricultural Marketing Acts of 1931 and 1933 and to the recommendations it made. The Lucas Committee observed that farmers already had adequate protection in the form of price guarantees; consequently there was no need for marketing monopolies. The Committee also thought that the Boards did not succeed much, in the past, in improving the distributive system beyond the first purchase. To replace the producers' boards therefore, the committee recommended Government-appointed Commissions with powers similar to those held by the executives of nationalised industries. In the circumstances, no action was immediately taken on the Report of the Lucas Committee. However, in 1949 the Agricultural Marketing Act made a number of amendments to the original Acts but left the question of producers' marketing boards in abeyance. Actually there were comprehensive controls and rationing at that time and the producers' boards had no role to play in the state of the economy.

Because of the existence of controls, Government could defer action on the Lucas Report but the main reasons were the delicate political balance and the controversial recommendations of the Report on which government would not want to commit itself. (While the Conservative party supported, in principle, the producers boards, the Labour party, in its anxiety to reduce the cost of living would have liked formation of Government Commissions. The Co-operative wing of Labour was also opposed to producers boards. But Labour did not want to alienate farmer vote by opposing the boards.)³ The only board which continued to operate throughout the war and post-war period was the Hops Marketing Board while the Milk Marketing Boards continued to exist but only as agents of the government. The Agricultural Marketing Act 1949, raised the nominations of the Ministers on producers' boards and gave the Ministers the power to issue directions to any Board to do or to cease from doing any act which the Minister thought to be in public interest thus making the Boards amenable to public guidance. The Market Supply Committee was abolished by this Act together with the provisions for development schemes for secondary agricultural products. The Act also provided for a disciplinary committee to look into complaints from registered producers regarding penalties imposed by the Board on them. In 1958, the Agricultural Marketing Act was passed consolidating the enactments from 1931 to 1949 relating to marketing; it repealed the 1931, 1933 and 1949 Acts and made minor amendments in respect of operation of schemes for marketing.

Two schemes for producers' marketing boards were approved and came into operation in 1950 for entirely new products (in the sense that there were no boards for them previously) viz. wool and tomato and cucumber. A Reorganization Commission appointed in 1945 to consider the Hops Marketing Board's working had reported in 1947 that its operation had proved to be satisfactory and should be continued.

With the withdrawal of controls and rationing in 1954, the former powers of the Milk Marketing Boards were restored to them. A revised marketing scheme for potatoes was approved in 1955 and the Potato Marketing Board commenced operation from May 1955. Earlier a scheme for marketing of fatstock was sponsored by the Farmers' Unions. The government, however, lifted controls over meat and other fatstock earlier than expected by farmers' unions leaving the latter little time to push through the scheme. It is common knowledge in this connection that Government did not want any more producers' boards and so stalled the

³ The political atmosphere from which the Agricultural Marketing Act 1949 emerged has been vividly described by Self and Storing in *The State and the Farmer*, pp. 90-93.

scheme by taking hurried action in lifting controls. The Farmers' Unions, therefore, set up the Fatstock Marketing Corporation (F.M.C.) as an ordinary limited company to undertake the sale and slaughter of fatstock. The corporation began operations in July 1954.

After a public enquiry into objections to the scheme for marketing of eggs, the Egg Marketing Board came into existence in July 1957. In the period after 1954 when controls were withdrawn, marketing boards for milk, potatoes and eggs started operation of which that for eggs was entirely new while the other two had operated prewar. Of course, there were substantial modifications and changes in the powers of these boards, details of which would be considered in Chapter VI. Thus, in 1960 there were producers' marketing boards for six commodities as shown below.

| <i>Commodity</i> | <i>Area</i> | <i>Date of commencement</i> | <i>Remarks</i> |
|---------------------|------------------------------|-----------------------------|--|
| 1 Hops | England | 1932 | Operated throughout the war. |
| 2 Wool | U.K. | 1950 | |
| 3 Tomato & cucumber | Great Britain | 1950 | Attenuated powers during war, virtually agent of government N. Ireland |
| 4 Milk | 4 boards for different areas | 1933 | |
| 5 Potatoes | Great Britain | 1955 | Substitution scheme |
| 6 Eggs | U.K. | July 1957 | |

Annual Price Review

As seen in Chapter II, the procedure of annual review of agricultural commodity prices came into existence during the Second war under exigencies of war requiring expansion of foodstuffs production and owing to the need to assure farmers of reasonable prices and security over foreseeable future. The Agriculture Act 1947, formalised the procedure and in the circumstances then prevailing undertook the responsibility to promote and maintain a stable and efficient agricultural industry. The annual price review was meant to consider the state of the industry in the previous year and to lay down lines of action through guaranteed prices of the scheduled review commodities for the future. The Act required the Ministers of Agriculture to 'consult' the farmers' representatives (namely the Farmers Unions of England and Wales, Scotland and Northern Ireland) and then to announce the government's decisions; the government is not

bound, in any way, by the consultations with farmers' representatives. In view of the anxiety of the government to carry the farmers with them in any plan of action and also of the implied responsibility of government to see that the 'annual determinations' would lead to desired ends, in actual fact, the Ministers were anxious to convince the Farmers' Unions of the desirability of accepting the government's decision. As a result, the 'consultation' has become negotiation and discussion of mutual difficulties and attempts are usually made by Government to arrive at agreed 'determinations'. There have been instances when the farmers' unions could not agree with government's views but the final decisions of government have nevertheless, been accepted by farmers. In the following is briefly given a description of the review procedure. In 1950 in the course of discussion in Parliament, George Brown, Parliamentary Secretary gave the description of review procedure.

He said there were seven stages in the price review: "(1) The review begins by the government communicating to the Unions the production targets hoped to reach, which gives the background for fixation of prices. (2) consideration is given to (a) the statistics and the distribution of income among sizes and types of farms (b) comparison of incomes of farmers with those of others in rural communities, and (c) comparison of prices of like domestic and imported produce. (3) changes, if there have been any, in regard to farm costs since the last review are studied; (4) Then government can arrive at a general conclusion on level of prices—whether they need to go up or down and roughly by what amount. (5) A 'global' total is arrived at, which is sub-divided among various commodities by reference *first* to the individual commodity target, *second* to the cost change for that commodity, and *third*, to the profitability data by farming types. (During the sub-division the actual 'global' figure becomes precise). (6) The results of the review so far are reported to the government on which government takes its decisions. (7) The last stage is the preparation by the commodity interests of the Ministry and other parties concerned of the detailed price schedules incorporating the grades and the seasonal differences." (It may be mentioned here that at the time the statement was made in Parliament, controls were in force and government was the sole buyer of food commodities and hence the reference to the production targets. It was, in those days, the responsibility of government to secure needed supplies. Since the free trade from 1954 onwards, the whole context has changed).

It may be worthwhile here to briefly mention the role of Farmers' Unions and the marketing Boards *vis-a-vis* the Ministry of Agriculture,

Fisheries and Food. The National Farmers' Union of England and Wales⁴ (similar in respect of those for Scotland and N. Ireland) formed in 1908 is a representative body of the farmers; it may be likened to the associations for different industries. Its main function, evidently, is to look after the interests of farmers and to improve the farmers' lot generally. (Incidentally, the NFU is a member of the Federation of British Industries). The various marketing boards operate within the legal framework provided by the Agricultural Marketing Acts, 1931 to 1949, consolidated in the Agricultural Marketing Act, 1958; they represent the registered producers of the respective commodities and have primary responsibility to their producer-members and work on the lines set out in the respective schemes (for instance, the potato marketing scheme for potatoes); different marketing boards have varying powers and responsibilities. In a sense, the marketing boards represent interests of commodity-producers and the Farmers' Union of farmers in general. The Boards have on their boards members representing the Unions and would be consulted by the Unions while considering issues relating to a particular commodity; the Boards in turn would not take any important decision even within their jurisdiction without sounding the Unions.⁵ In the nature of things, it might quite happen that a step contemplated for a commodity may be adversely affecting the interests of growers of other commodity. The Union's role is, therefore, vital in that it has to reconcile conflicting interests, if any. While the NFU is discussing policies with government it would be armed with statistical information secured from the producers' marketing boards in addition to its own data.

In the consultations (or negotiations), which go on usually for about six weeks before the Annual Review and Determination of guarantees are placed before the Parliament sometime in February/March of each year the data presented by the Unions and the government are said to be of crucial importance. Hence it may be appropriate here to indicate the nature and sources of data on the basis of which, generally but not entirely, these negotiations proceed.

Data from Farmers' Unions: For some years now the Farmers' Union has been conducting each year a Farm Accounts Scheme (in addition, the Union also gathers information through the Horticultural Accounts Scheme). For the purpose of the Farm Accounts Scheme information is collected from a sample of farms. For each farm there is a card filled in by accountants employed by the National Farmers' Union: the cards are

⁴ For detailed historical account of the NFU, see Ch. II, *"The State and the Farmer"*, by Peter Self and H. Storing, George Allen & Unwin, 1962.

⁵ *Op. cit.*, pp. 102-105.

classified according to acreage (viz. of 50 acres and under; 51 to 150 acres; 151-300 acres and, over 300 acres), counties and by revenue type (i.e. Arable, Dairying, livestock each of these three are subdivided into mainly and mixed). On the cards information is sought on following items: (i) Labour employed: family/regular/casual, together with wages paid; (ii) rent; (iii) acreage under crops; (iv) fixed assets; (v) equipment on farms; (vi) livestock numbers. Information is also gathered on income/expenditure account, opening and closing stocks, profit/loss; etc., which has to be such as accepted by the Income Tax authorities. The income account is also expected to show government grants and deficiency payments received by products separately. The whole survey of 1957-58 covered 5327 farms in England and Wales of which the identical sample, that is accounts which have been included in the scheme for two or more years, covered 3708 farms. "The Farm Accounts Scheme does not purport to reflect the financial position of the agricultural industry as a whole" due to certain limitations but the Union's view "it does give a reliable indication of the financial trends in each of the type and size groups".⁶

Data from Boards: In addition to the data collected by the National Farmer's Union and the investigations carried out by it through its research Departments, the producers' marketing boards would be collecting information relating to the production, yield, supply, consumption, prices, distribution costs, etc. pertaining to respective commodities. For instance, the Egg Marketing Board has recently launched a Producer survey and has its statistical divisions, the Milk Marketing Board has been conducting investigations into levels of milk consumption, factors influencing it such as income, size of family, etc.

Data from Government: Under the Agriculture Act, 1947 the government requires every occupier of more than one acre of agricultural land to send a Census return (in June each year) which includes information about crops/acreage, labour, cattle, fatstock, poultry etc, together with changes in occupancy if any. It is compulsory and non-compliance is penalized. In addition, government collects information in 3 quarters (March, September, December) from one-third samples of farms on machinery, contract work in addition to most of the items covered by June Census. These census data enable government to be in possession of knowledge about sizes of farms, their types, inventory of equipment, labour employed, etc. The Provincial Agricultural Economic Service (P.A.E.S.) which comprises 13 University Departments of Agricultural Economics in

⁶ *Information Service, National Farmers' Union of England and Wales, Vol. XV, No. 2, p. 50.*

England and Wales entrusted with research work pertaining to farm economics in specified counties would simultaneously be collecting and collating data on farm production, costs, etc.⁷ Thus the Agricultural Economics and the Agricultural Guarantees Divisions in the Ministry of Agriculture, Fisheries and Food would be equipped with data needed for price review. As regards costs of imported items such as fertilizers and feeding stuffs, the Ministry can get at needed information from the Board of Trade pertaining to quantities of imports. The imports of fertilizers by firms and their supplies to traders are recorded. The deliveries by all traders of imported goods to farmers (for instance, supply of fertilizers like phosphates, feeding stuffs and livestock) are also recorded and submitted to the Ministry. The prices of imported cattle are collected by the Marketing Office of the Ministry. The utilization of petrol and other fuels for farm machinery is computed on the basis of known prices and the machinery data gathered through three sample surveys. From the foregoing description, it may be seen that the Ministry have fairly large amount of data on different aspects of farm inputs on which could be based the government's view of the industry's position. The review proceedings usually start in February when government have in possession information for 9 months from April to December which is compared with that for the previous year's corresponding period. The guarantee prices considered and determined in the February Review are applicable, as a rule from following April.

As stated before, the emphasis in policy objectives has shifted since 1954. Formerly expansion was the key note of the policy. Now stress is said to have been laid on more economic production of the food and its qualities demanded by the market. In reviewing the guarantees and subsidies and considering the prospects for the industry in the following year, government

⁷ The Ministry had appointed in 1930 a Conference of Advisory Economists together with some Ministry officials. Before the Second War, Farm Management surveys at 2/3 centres, milk production survey of about 1000 farms and a poultry survey, had commenced in 1934-35 followed by other studies in pig costs, sugar beet, etc. These were conducted by P. A. E. S. and a coordinated report was produced by the Oxford Institute and involved collection of annual cost data. During war years, the responsibilities of the Service increased with initial emphasis on (a) development of commodity costs,, (b) provision of intelligence on agrarian affairs and, (c) assistance in planning food production drive. The prewar Milk Investigation scheme and Farm Management survey were continued through the war and the data collected aided in the solution of many problems such as price control, labour-costs, etc. Naturally, these sources of information forming rough basis for the price review in postwar years were developed more intensively in subsequent years and were used for policy purposes. (For details, see 'Agricultural Economics in Retrospect' by Sir K. A. H. Murray, *Journal of Agricultural Economics*, January 1960.)

considers the production, extent of efficiency, etc. The guarantees apply to livestock and livestock products for the ensuing twelve months while to crops to be harvested in the current year. For each 'review product' a guaranteed price is announced in respect of a specified quantity of it eligible for guaranty. The total value of guaranty is stated to be the sum of the value of the price guarantees (price x quantity specified as eligible) plus the value of the relevant production grants (i. e. various grants in aid of particular kinds of production or farming practice, usually payable to occupier rather than landowner). The total value of guarantees was £ 1,279 million for 1960-61 and this cannot be reduced by more than 2.5 per cent subject to changes in costs, as laid down in the long term assurances provided for the Agriculture Act, 1957.⁸

In the manner outlined above, the reviews have been conducted for formulating lines of progress every year. When the Unions consider that substantial changes have taken place affecting the farmers' position within a review period they request the government to have a 'special' review. The Ministers also are empowered to decide on the need for a 'special' review on their own if they find it necessary; in the latter case, the Ministers were not empowered to reduce payments to producers. The 'review' decisions have to be placed before Parliament and only on its approval they become effective.

At the time of the Review of 1960, the farmers' representatives pleaded the need to have more detailed consideration and discussion of the future policies (which is not possible at the annual review as it has to be undertaken in somewhat tight time-schedule). Accordingly, leisurely talks proceeded from June to December 1960 between the Unions and Government which covered larger ground. In these discussions larger aspects of policy such as the place of Agriculture in the economy, system of support, the cost of support, policy regarding production and efficiency and marketing were considered⁹. Following are some of the more important points that emerged: (i) Taking into account the facts that "the livelihood of a large section of the community depends on a vigorous and prosperous agriculture" and "its valuable contribution to the country's balance of payments by making substantial savings of foreign exchange", the government viewed that the policy of maintaining stable and efficient agriculture was fully justified and would be continued; (ii) Assistance to agriculture in the form of

⁸ Estimated cost of exchequer support to Agriculture was £256.9 and £265.6 million for 1959-60 and 1960-61 respectively. Appendix V of Cmnd. 1311.

⁹ (i) Report on Talks between the Agricultural Department and the Farmers' Unions—June—December, 1960, Cmnd. 1249.

(ii) Annual Review, 1961, *Information service*, National Farmers' Union, Vol. XVI, No.1

guaranteed prices and deficiency payments supplemented by farm improvement grants, enabled the housewife to buy food at prices lower than in most other industrial countries. The consumer gets advantage from the competition in the home market arising from the situation that the farmer sells his produce in open market in competition with imports, the difference between the average market price and the guaranteed price being met by the deficiency payment from the Exchequer. It was stated that "some such protection as is now assured is essential if British farming is to maintain its position in the face of competition from other countries".

(iii) While the volume of agricultural output has increased, the cost of Exchequer support in recent years has remained fairly steady at about five per cent of total government ordinary expenditure. Many other vital industries receive support from the nation by tariff and other means but their cost is not highlighted as it is not generally reflected in the national budget.

(iv) The government's policy is not aimed at restriction; their policy is to see expansion on sound lines. Government pointed out that while there was virtually unlimited scope for expansion in 1947, there was more difficulty in 1960 in getting a profitable outlet for all farm produce. The aim in producing more should be to bring about a lowering of the rate of subsidy per unit of output. Where the home producer by becoming more competitive with overseas suppliers could win more home market, it will be in the national interest to expand output, Government's policy for main commodities was summarised as below: "Demand for beef is strong and there is clearly scope for increased production. There is also need to increase the *pig* production, to avoid violent fluctuations and to achieve greater stability. Any increase in the production of *mutton and lamb* will depend upon producers' ability to reduce costs and improve quality. Any further increase in *cereals* production is contingent upon steps to contain the Exchequer payment within reasonable limits and to improve marketing. *Sugar beet* production is limited by the existing factory capacity. The scope for profitable expansion in *milk, potatoes and eggs* will depend upon producers' ability to expand the market at remunerative and economically justifiable prices."¹⁰

Implementation of Policy:

A brief look would be useful at this stage at the changes that have occurred in U.K. agriculture over the last two decades and the present structural position. Before the war about 6 per cent of the total working

¹⁰ National Farmers' Unions *Information Service*, Vol. XVI, No. 1. p. 3.

population of the U.K. was engaged in agriculture; in 1956-57 only 5 per cent were in agriculture. The average total farm labour force for 1936-38 in Great Britain was 730 thousand, had risen to 876 thousand in 1946-48 and dropped to 691 thousand in 1956-58. Since the war the absolute number as well as proportion engaged in agriculture is estimated to have been declining by about 1 per cent per year. The total farm labour force in England and Wales declined from 607 thousand to 591 thousand and to 587 thousand from 1956, 1957 to 1958. The higher wages in industry acting as 'pull' coupled with lower demand in agriculture have been the significant factors in this continuous downward trend in employment in agriculture. Agricultural output was continually expanding in the postwar period. With 1936-37 to 1938-39 average as base, the agricultural net output in U.K.¹¹ has been estimated to have been 144 in 1949-50, 152 in 1954-55, 161 in 1958-59 and 169 and 172 in 1959-60 and 1960-61 respectively (last two figures provisional). The gross product of agriculture, forestry and fishing is stated to have risen from £ 773 million in 1953 to £ 798 million (at factor cost at current prices) in 1956 and formed 5.2, and 4.4 per cent of respective G.N.P. It is evident that the share of agriculture, etc. inspite of absolute increase, has been diminishing. A glance at Tables 3.2 and 3.3 will show the quantitative changes brought about in agricultural production in recent years. Table 3.3 shows that prewar, British consumer had to depend on imported foodstuffs to a substantial extent for all specified products excepting eggs. In 1956-58, the dependence had been remarkably reduced and the home produce had made headway in the market. The home produce had a larger share particularly in meat, barley, cheese while in eggs the country was more or less self-sufficient.

In the following is given detailed account for all 'review products' as regards measures taken through the price reviews. Following is to be considered more in the nature of illustration of the implementation of policies, as it is not necessary and possible also to go into changes since war; hence a restricted account of the latter half of 1950's. More details will follow about individual products in Chapters VI and VII.

* *Cereals:* Wheat, barley, rye and oats are guaranteed through deficiency payments administered by the Agricultural Departments. Payments to wheat and rye growers are based on the quantity of millable grain sold and delivered, as certified by authorised merchants; for barley and oats which

¹¹ This net output based on Ministry of Agriculture's definition is net of agricultural inputs (such as feeding stuffs, seeds and livestock) only. It does not take account of machinery (including repairs, fuel & oil and depreciation), fertilizers and other inputs like maintenance work by landlords and occupiers. *The State of British Agriculture*, K. E. Hunt, 1959-60, pp. 23-24.

are largely consumed on the farms, price deficiency per Cwt. is converted into yield per acre and payments are made to growers without reference to sales. For wheat and rye the difference between national average market price and the guaranteed price is made on the basis of quantities sold. For wheat, in order to encourage even spread of sales over the year, guaranteed price is expressed for five periods on a rising scale. In Table 3.1 are shown wheat standard prices and deficiency payments made. From early months

TABLE 3. 1: *Wheat—standard prices and deficiency payments*

| Per Cwt | 1956-57 | | 1957-58 | | 1958-59 | | 1959-60 | |
|-----------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|
| | Price s.d. | Payments s.d. | Price s.d. | Payments s.d. | Price s.d. | Payments s.d. | Price s.d. | Payments s.d. |
| July-Sept. | 27 6 | 4 6.3 | 26 1 | 7 8.6 | 25 6 | 5 11.3 | 25 0 | 7 0.6 |
| Oct.-Nov. | 29 0 | 6 0.5 | 27 7 | 8 4.2 | 26 11 | 6 7.3 | 26 6 | 6 4.2 |
| Dec.-Feb. | 30 8 | 5 2.7 | 29 1 | 8 10.4 | 28 5 | 6 2.1 | 28 0 | 6 4.6 |
| March-April | 32 1 | 9 6.2 | 30 8 | 10 2.2 | 30 0 | 8 7.4 | 29 6 | 7 8.3 |
| May-June | 32 6 | 12 8.0 | 31 1 | 8 0.3 | 30 6 | 10 8.5 | 30 0 | 6 11.9 |
| Annual Average | 30 0 | — | 28 7 | — | 28 1 | — | 27 7 | — |
| Total paid £.m. | — | 19.1 | — | 22.2 | — | 18.3 | — | 18.5 |

of 1957 the international market has been more or less dominated by large stocks; from about 23 s in July-September 1956, the market price for homegrown wheat dropped to less than 20 s by May-June 1957; in view of ample supplies of wheat on world market, the guaranteed price was reduced from year to year.

For rye the standard price was reduced from 23/3 s. in 1956-7 to 22/1 s. in 1957-8 and 1958-9; was further reduced to 21/7 s. in 1959-60 and maintained there in 1960-61. The acreage under barley was increasing and that under Oats was falling in recent years (Table 3.2). Whereas the guaranteed price for barley remained constant at 29 s/-per cwt. from 1957-8 to 1959-60 and acreage continued to rise, government decided to reduce the guaranteed price to 28/9 s. and 27/7 s. per cwt. in 1960-61, and for 1961-62. Government asked the Farmers' Unions to design some scheme for marketing barley; in order to induce farmers to spread their sales evenly it was decided that the average rate of acreage payment for sales later in the years would be higher than that for those earlier in the year.

Potatoes: The guaranteed price takes the form of deficiency payment to the Potato Marketing Board in a season in which the average market price obtained by growers for potatoes (not new) sold for human consump-

tion falls below the guaranteed price for that reason. The Board may use the amount of deficiency payment received in a suitable manner. Subject to the control of the Board, the producers are free to sell potatoes to whomsoever they wish.

Sugar beet: The British Sugar Corporation buys all sugarbeet from producers and it pays the guaranteed price fixed at the annual review. The Sugar Board imposes a levy on factories on excise duty and on imports (as described earlier); any deficiency for the Corporation is made good by the Sugar Board. The guaranteed price to producers was 130/6 s., for 1958-9, and 1959-60 and 128/0 s. per ton for 1960-61 and 1961-62; the difference between this and the average producer price is made up by a deficiency payment.

(Source: Annual Review, 1962, Cmnd 1658)

TABLE 3.2: *Agricultural Production in U.K.*

| Crop acreages ('000 acres) | Prewar average | 1946-47 | 1957-58 | 1958-59 | 1959-60 | 1960-61 |
|--------------------------------|----------------|---------|---------|---------|---------|---------|
| Wheat | 1856 | 2062 | 2113 | 2208 | 1929 | 2102 |
| Rye | 16 | 55 | 26 | 23 | 14 | 19 |
| Barley | 929 | 2211 | 2622 | 2755 | 3059 | 3372 |
| Oats | 2403 | 3567 | 2348 | 2217 | 2032 | 1974 |
| Potatoes | 723 | 1423 | 811 | 821 | 816 | 829 |
| Sugar beet | 335 | 436 | 430 | 439 | 434 | 436 |
| Total arable | 13088 | 18980 | 17524 | 17516 | 17760 | 18051 |
| Crop production ('000 tons) | | | | | | |
| Wheat | 1651 | 1967 | 2688 | 2711 | 2785 | 2992 |
| Rye | 10 | 39 | 24 | 21 | 13 | 18 |
| Barley | 765 | 1963 | 2957 | 3170 | 4016 | 4241 |
| Oats | 1940 | 2903 | 2145 | 2138 | 2187 | 2058 |
| Potatoes | 4873 | 10166 | 5691 | 5556 | 6916 | 7158 |
| Sugar beet | 2741 | 4522 | 4539 | 5742 | 5510 | 7215 |
| Livestock Products | | | | | | |
| Milk (m. gallons) | 1556 | 1653 | 2344 | 2214 | 2307 | 2460 |
| Eggs ('000 tons) | 385 | 322 | 660 | 711 | 745 | 725 |
| Beef & veal " | 578 | 537 | 887 | 773 | 735 | 772 |
| Mutton & lamb " | 195 | 141 | 208 | 203 | 236 | 243 |
| Pigmeat " | 435 | 211 | 691 | 753 | 693 | 687 |
| Wool " | 34 | 27 | 35 | 37 | 38 | 36 |

TABLE 3.3: *Proportion of certain commodities: home produced and imported.*

| | Prewar Average | | Average 1948-50 | | | Average 1956-58 | | | |
|--------------------------------|------------------------|-------------------|-----------------------------------|-----|-----|-----------------|-----|-----|------|
| | Home produced % (1) | Imported % (2) | Total Actual (000 tons) (3) | (1) | (2) | (3) | (1) | (2) | (3) |
| Wheat & flour wheat equivalent | 12 | 88 | 6361 | 23 | 77 | 6421 | 20 | 80 | 6385 |
| Barley | 46 | 54 | 1654 | 75 | 25 | 2625 | 74 | 26 | 4024 |
| Carcase meat & offal | 51 | 49 | 2160 | 49 | 51 | 1641 | 63 | 37 | 2397 |
| Bacon & ham | 32 | 68 | 561 | 50 | 50 | 346 | 42 | 58 | 567 |
| Butter | 9 | 91 | 526 | 6 | 94 | 329 | 9 | 91 | 420 |
| Cheese | 24 | 76 | 186 | 18 | 82 | 213 | 45 | 55 | 228 |
| Eggs in shell | 71 | 29 | 547 | 78 | 22 | 553 | 98 | 2 | 662 |

(Source: Role of British Agriculture Today, A. Winegarten (May 1960) *Journal of Agricultural Economics*).

Hops: The Hops Marketing Board is the sole seller of hops, controls the output of growers by means of quotas. The average price received by growers is determined each year by a Joint Hops Committee comprised of representatives of the Board, the brewers and the Ministry, and refers to a standard grade; the actual prices received by growers vary according to grades.

Wool: The British Wool Marketing Board also is a sole seller of home produced fleece wool in U.K. It pays to producers a price according to quality and type of clip. If the Board makes a surplus over the guaranteed price, the surplus is placed in reserve for use in payments when prices are lower. The market price has been below the guaranteed price since 1956-57 and so the Board made the payments to producers by drawing on the Treasury. The guarantee has been in the form of fixed price per pound, the Board buys from producers.

Milk: The guaranteed price for milk is linked with a 'standard quantity' and implemented through the five Marketing Boards operating in different areas of U.K. The Boards have full trading power but milk sold for liquid consumption is subject to maximum retail price fixed by government, the surplus sold for manufacturing into milk products realises lower guarantee. Till 1962, the Boards pooled the money they received by way of prices from

different markets (liquid and manufacturing) and paid a pooled price to producers. In 1961 Review the government emphasised the need for a more detailed price determination so that producers would realize that higher production would lead to lower price. (Details are considered in Chapter VI).

Eggs: The price guarantees for eggs also are implemented through a producers' board which has trading powers. Packing stations (private companies/farmers' cooperatives), licensed by the Board act as agents of the Board and through them the Board buys eggs at previously announced prices. For eggs the government pays to the Board a flat rate of subsidy in respect of all eligible eggs. The rate of subsidy is calculated by subtracting from the guaranteed price (determined in Review) the average price estimated (on the basis of an agreed formula) to be received by the Board. The Board prescribes minimum weekly prices to producers for eggs sold through packing stations. The above arrangements for hen eggs are also applicable to duck eggs in a slightly different way.

Fat Cattle: A deficiency payments system operates both for cattle and pigs, administered by the Agricultural Departments. Upto March 1954, for fat cattle, the difference between guaranteed price and the actual average price on sale by auction in the 12 months ending four weeks before the beginning of each four weekly period was paid as deficiency payment. This system of twelve-monthly moving averages was abandoned in April 1956. From then standard prices are declared at the annual price reviews. Each week, the government would calculate the average price received by producers in the last four weeks and forecast the expected price for next four weeks, the average of these would be then compared with the appropriate standard price and a deficiency payment is calculated. The subsidy payment is thus calculated each week representing the difference between current market price (four weeks' actual with four weeks' forecast) and the current guaranteed price. The payments to producers also are made each week. In Table 3.4 are shown guaranteed prices in recent years. There is no pro-

TABLE 3.4: *Fat cattle—guaranteed prices*

| | (in s.d.) | | | | | | |
|--|-----------|-------|-------|-------|-------|-------|-------|
| <i>Item</i> | 1956-7 | 57-8 | 58-9 | 59-60 | 60-61 | 61-62 | 62-63 |
| Fat Cattle | | | | | | | |
| Fat sheep & Fat sheep & lambs per lb. dead carcass Cwt | 151 - | 156 - | 157 - | 157 - | 157 - | 167 - | 167 - |
| | 3 2 | 3 3½ | 3 3½ | 3 3½ | 3 3 | 3 3 | 3 2 |

ducers' board and so they are free to sell in auctions or at slaughterhouses. The Fatstock Marketing Corporation set up as a company by the Farmers' Unions has been functioning since July 1954; it is not a cooperative institution. It handled about 11-12 per cent of cattle, 13-14 per cent of sheep and lambs and pork-pigs from 1955-56 to 1959-60; its share of bacon pigs marketed in the country dwindled from 88 per cent in 1955-56 to 48 per cent in 1959-60. In the 1961 review the government took the view that further stimulus to beef production was needed "both on its own merits and to encourage those producers who can do so to switch from milk to beef". The government decided therefore to raise the guaranteed price by 10 s. per live cwt as consumption per head was much lower than prewar; it also indicated that the new guaranteed price would not be reduced, under normal circumstances, in the 1962 Review.

Pigs: The guaranteed price for pigs is adjusted in accordance with the cost of standard ration of feeds. Upto April 1959, a combined market price for bacon pigs and pork pigs was taken into account while calculating the guarantee. A single deficiency payment was made for both pigs. From April 1959 for bacon pigs, the average weekly price paid by curers by grade and deadweight and delivered to their factories at the expense of the seller is considered as market price; the deficiency payment is made to seller, whether a producer or F. M. Corporation; for pork pigs, the average price at auction markets for pigs sold liveweight is considered as market price. The difference between the market price and the standard price is the deficiency payment. In Table 3.5 are shown guaranteed prices. At the 1961 review the government introduced the flexible guarantee arrangement to get over the recurrent pig cycles. The government also undertook not to reduce the price in 1962 review. In order to limit the fluctuations, the

TABLE 3.5: *Pigs—gnaranteed prices*

| Item | (in s.d) | | | | | | |
|--|----------|-------|------|-------|--------|-------|--------|
| | 56-7 | 57-8 | 58-9 | 59-60 | 60-61 | 61-62 | 62-63† |
| Pigs per score.dd.wt. related to feed price of (per cwt) | 51 11 | 51 11 | 44 9 | 46 9 | 45 10‡ | 43 7‡ | 46 9 |
| | — | — | 26 3 | 28 3 | 27 1 | 24 7 | 27 9 |

† No change in guaranteed price—only change in feed costs is reflected.

‡ In these two years the guaranteed price was raised by 9 d per score but as the price is linked with feed costs which declined, the increased guaranteed price is not apparent.

guaranteed price is adjusted automatically at quarterly intervals by reference to a forecast of certifications in a 12 month period. The basic guaranteed price would operate for 10.3 million or more but less than 10.8 million; for lower level of certifications there would be premium on a sliding scale on guaranteed price and *vice versa*.

CHAPTER IV

BRITISH AGRICULTURAL ORGANIZATION IN 1950's

BEFORE GOING ON to an examination of the working and policies of producers' boards and other farmer organizations it may be useful to make a brief appraisal of the various problems faced by British agriculture in the 'fifties. This chapter reviews the structural, operational, etc. factors which need attention in order to understand the difficulties of the agricultural industry in Britain and the problems of their farmers' organizations.

All problems relating to agricultural production and marketing policy in the United Kingdom may be said to emanate from the basic fact that U.K. remains one of the largest importers of food stuffs. Before the War Britain produced about one-third of its food; in 1959-60 it produced about half. Its net output of agriculture (net of agricultural inputs only) is estimated to be about 60 per cent higher than the pre-war figure. In spite of this expansion in production in post-war period, when the population also has risen by about 8 per cent (since pre-war) the home supplies to total accounted for only 20 per cent of wheat and flour for human consumption, 15 per cent of oils and fats, 26 per cent of sugar, 41 per cent of bacon and ham and 64 per cent of meat in 1959; only as regards liquid milk (100%), potatoes (88%) and shell eggs (99%) the home supplies are more or less sufficient.¹ In terms of world trade in import of food and feeding stuffs, U.K. accounts for 23 per cent and is stated to be the largest single country followed by United States with 18 per cent. This preponderance of imported foodstuffs together with the fact that only 4 per cent of the total employed population is engaged in agriculture makes marketing of food a vital issue of policy.

Structure of farms, their size and crop-pattern

The structure has remained remarkably stable over the last 40 years, excepting the crop-pattern which was considerably altered during the War and post-war period. The percentage of holdings in England with size below 20 acres has remained around 45, of that between 20 and 99 around 33 and about 20 per cent in respect of holdings larger than 100 acres. The position in Wales and Scotland is not significantly different. In England and Wales

¹ Data compiled from "Annual Review and Determination of Prices" and NFU Bulletins.

as a whole the number of holdings below 20 acres increased between 1944 and 1955 by 6.7 per cent together with an increase of 9.2 per cent in holdings above 500 acres; in the medium-sized holdings there was a slight decrease of 2 per cent or so. Another notable feature is the number of smaller holdings which do not provide full time employment to the occupier. About 155,000 out of 356,000 holding in England and Wales are estimated to provide only part time work. Of the 200,000 full time holdings, about 32 per cent are smaller than 50 acres and 28 per cent between 50 and 100 acres. It is the small holdings providing full or part-time occupation to the occupier that has been a controversial issue in the last decade particularly in the latter half of 'fifties inasmuch as Government has continued to support and assist the small farmer. It is important to note that the part-time holdings account for just over 5 per cent of total area under crops and grass. The only significant change as regards structure of holdings that has taken place in recent years relates to the status of occupier. In 1950, about 42 per cent of total holdings were owner-occupied which percentage has been estimated at about 50 in 1960. Despite the more or less steady size-composition of holdings, as an industry agriculture has registered notable progress in its operation. The impact of declining labour force together with higher wage rates has been met by increasing capital investment. The value of output per man rose from £ 504 in 1948 to £ 811 in 1959; in agriculture labour costs per unit of output rose by 5 per cent as against 50 per cent increase in non-agricultural industry between 1948 and 1959.³

But as agricultural production has expanded in the last decade, the question of costs has become more and more significant. In this context the small sized farms have been a target of criticism. The Agricultural expansion programme of 1947 envisaging 50 per cent increase in net output over pre-war period by 1952 followed by another for expansion by 60 per cent upto 1954, included schemes for assistance to small farmers, hill farming etc. Though the expansion programme of late 'forties and early 'fifties was not directly concerned with the size-structure of farms, it would appear to have indirectly assisted continuance of marginal farms. The small farms thus did not draw much attention till decontrol by which time they would seem to have entrenched themselves.

The average size of British farms is stated to be 68 acres but this is inclusive of the part time farm holdings. The average full time holding in England and Wales is 115 acres. The problem of small farm arises from the fact that they are not necessarily economically viable. In his Presidential

³ *Brech Ronald*—“Economics of Agriculture”—An Economic Analysis of the efficiency of British Agriculture over time. *Journal of Agricultural Economics*, Dec. 1961.

address to the Agricultural Economic Society³, Mr. E. M. H. Lloyd estimated that about one-third of total farmers would not be able to stand on their own if the Government subsidy and grants were withdrawn. In an analysis of the impact of subsidy and price support policy, J. H. Kirk⁴ suggested that there was inverse correlation between dependence on subsidy and income level. He thought that small farmers on the whole received more subsidy than the large "certainly in relation to size of business and possibly per acre also".

The whole position of small farmers receives critical attention as production increases, prices increase and the Exchequer support does not diminish. The production and farming grants amounted to £ 95 million and £ 106 million constituting more than one-third of total Exchequer support to agriculture in 1959-60 and 1960-61 respectively. No doubt the large number of small farmers operating in the industry while contributing to total production in a sizeable way also contribute to increased costs. When certain economists advocate that there is no need to increase production all along the line without reference to costs, they would only want to maintain that production at lesser per unit costs is desirable. To get rid of the small sized farms, to amalgamate small farms and generally to reduce the number of farmers would appear to be the proper solution according to them.

The issue of high costs per unit of production has become more and more sharp in the 'sixties. The question of amalgamation, however, has not been totally overlooked by Government. In 1957, the Farm improvement Scheme made provision for special grants to meet one-third of the legal and other costs incidental to the amalgamation or absorption of uneconomic into economic holdings; but this has not gone much to stimulate changes.

It may be emphasized here that the problem of the small farmers is not necessarily the foremost or the most important issue facing British Agriculture. With relative abundance of world supplies and improved balance of payments position, comparable efficiency and the level of costs per unit of home output in relation to imports became important and that is why this problem has drawn considerable attention in late 'fities. In order to set the position of small farmer in proper perspective, it may be worthwhile to look to corresponding position of small farmer in certain other European countries. It will be seen from table 4.1⁵ that the small farmer is not predominant in Britain as in other countries. Thus the number of very small holdings, though declining in most countries, is much more significant in

³ *Journal of Agricultural Economics*, Feb. 1957.

⁴ Kirk, J. H., "Some objectives of Agricultural Support Policies," *Journal of Agricultural Economics*, Dec. 1958.

⁵ Table 4, Chapter 3, *Economic Survey of Europe*, 1960. Economic Commission for Europe.

TABLE 4.1: *Small farmer in certain European countries*

| | <i>Size of holdings (hectares)</i> | <i>Number of these holdings as % to total</i> | <i>Change in No. in recent years %</i> |
|----------------|--|---|--|
| Belgium | 1-10 | 77 | — |
| France | 2-10 | 47 | 1942 to 1956-57 — 5.6 |
| West Germany | 2-10 | 66 | 1949 to 1959 — 17.1 |
| Italy | 0.5-10 | 93 | 1947 to 1955 + 10.6 |
| Netherlands | 1-10 | 65 | 1955 to 1959 — 6.5 |
| Denmark | 0.55-10 | 47 | 1949 to 1956 — 8.3 |
| United Kingdom | 2.02-6.1 | 25 | 1952 to 1958 — 10.3 |

other countries than in United Kingdom. As regards their importance one may look at a different set of figures. The farms smaller than 100 acres (usually considered small but not officially recognized as such) constituted 79 per cent of total but occupied only about a third of total acreage in 1957. The medium and big farmers with two-thirds acreage account for just over half of the total output. Small farms in the size group 20-100 acres with one-fourth of area however, produce, one-third of the output.

Among the charges made against small farms are (i) they do not provide adequate standard of living (ii) they are inefficient and (iii) their land could be better utilised by large farms through economies of scale. It is not possible to go into great detail in discussion of these points. An attempt is made here to indicate in brief the position as regards these points of criticism. Firstly, it is agreed by protagonists that the small farmer is not so much worried about standard of living but values the independence and dignity of working on land. In other words, the psychological satisfaction he gets from farming is more than compensating to his low level of living. Now what should be regarded as adequate or reasonable standard of living (earning) could be a debatable point. The Cambridge University School of Agriculture's Farm Economics Branch assumed a profit of £ 500 per year (after payment of wages to all except the farmer) as a reasonable minimum.⁶ Evidently this sum is inclusive of his wages, and returns on

⁶ "The Family Farm", Chapter II

capital. Based on the data in the Ministry's "Farm Incomes in England and Wales" -1958, it is shown⁷ that about 8 per cent of farms under 50 acres incurred loss and 31 per cent earned profits less than £ 400; of the farms of 50-100 acres size-group 7 per cent were in loss and 16 per cent were earning a profit below £ 400. It is also interesting to find, though, that 30 per cent of farms under 50 acres and 53 per cent of those in 50-100 acre group were earning profits above £ 800 per year. Thus of the 120,000 small farms only 35,000 were really the problem farms earning less than £ 400 or making a loss.

As regards efficiency, it can be measured in terms of output per acre, per labour unit and so on. "The Farms Incomes in England and Wales" 1958 disclose that net output per acre in 1957 and 1958 was £ 61 in farms under 50 acres and £ .35 and £ 37 in 50-100 acre group but declined to larger farms at £ 17 in farms over 500 acres. On the other hand, the net output per £ 100 worth of labour was lowest in small farms (£ 221) and rose in bigger farms.⁸ The reasons for low output per labour input could be attributed to lack of mechanization and of scope to use machines. The net income on small farms per £ 100 expenditure nevertheless compared favourably with that on larger farms. Nevertheless, the fact remains that average profit as well as average net output per farm are found to be the lowest in the smallest size group and go on increasing in upper sizes in all different types of farming viz. arable dairying, livestock and mixed ones.⁹

To sum up, there does not seem to be an overwhelming case against the small farm as such. The need for improved utilization of techniques, better management and reduced costs per unit of output is equally applicable to large as to small farms. The economies of scale are certainly against the small farmer but perhaps he would be making up for that through intensive use of land and stricter supervision and more work. (In parenthesis it may be noted that the question of price supports is crucial here. In aiding small farmers large gains go to the rest.) Prof. Edgar Thomas states "that the small farm will continue to justify its place in our agricultural system."¹⁰ He welcomes the Small Farmer Scheme but apparently he does not mean to support the continued existence of small uneconomic farms. He states that the small farmers reap many technical benefits of scale not by increasing the size of their farms but by increasing the size of their enterprise; in

⁷ Bramley, M., *The Small Farmer*.

⁸ *Ibid.*, pp. 28-29.

⁹ Table 1 and 8 for 1958/59 for England and Wales, *NFU Information Service*, Farm Accounts Scheme—results for the years 1958 and 1959, Vol. 16, No. 3.

¹⁰ Thomas Edgar. "The Farm Business in a Changing Agriculture," *Lloyds Bank Review*, October 1961.

other words, by intensive concentration on one or two lines of production.¹¹ But even this advantage of intensive enterprise would not be available below a minimum size, particularly where farms do not provide full time employment. It is these very small farms occupied as part time employment or generally those below, say, 20 acres may be treated as usually uneconomic ones and it is in this respect that Government needs to take some positive action, through amalgamation or through providing pensions to very old farmers making them retire or so on. On the whole the small farmer problem in U.K. would not seem to be as important in the context of the industry as one would be led to believe from the heat of the controversy in recent years it has given rise to. Actually the recent O.E.E.C. Ministerial Committee Report¹² would not consider the situation arising out of existence of very small farms in U.K. as acute. The farms eligible for assistance under the Small Farmer Scheme in U.K. are not small by Continental European Standards. Only farms within certain limits are eligible under the Scheme and those smaller still, not eligible to avail of the Scheme, should really be said to constitute a problem in U.K. and which is relatively small in the larger perspective.

Operational factors

While the size distribution of farms can be considered a structural aspect of the production issue, there are many operational factors which are confronted by the policy-maker. These relate firstly to the types of farming such as dairying, arable and livestock and secondly to the composition of inputs which, however, largely flows from the former. As mentioned earlier the pattern of farming was considerably altered in the 'forties due to the requirements of wartime exigencies. In table 4.2 are given figures of

TABLE 4.2: *Composition of farm-sales in U.K.*

| | <i>Prewar Average</i> | | <i>Average of</i> | | <i>Average of</i> | |
|------------------------|-----------------------|----------|--------------------------|--------------------|--------------------------|--------------------|
| | <i>£ million</i> | <i>%</i> | <i>1947-8 to 1949-50</i> | <i>£ million %</i> | <i>1957-8 to 1959-60</i> | <i>£ million %</i> |
| Milk & Milk Products | 79.8 | 27.5 | 240.3 | 29.9 | 343.0 | 23.5 |
| Fat stock | 86.9 | 30.0 | 157.8 | 19.6 | 449.3 | 30.7 |
| Eggs & Poultry | 38.8 | 13.4 | 103.8 | 12.9 | 223.8 | 15.3 |
| Farm Crops | 45.2 | 15.6 | 170.2 | 21.2 | 264.0 | 18.1 |
| Horticultural Products | 31.7 | 10.9 | 115.9 | 14.4 | 136.3 | 9.3 |
| Other | 7.7 | 2.6 | 16.0 | 2.0 | 44.8 | 3.1 |
| Total | 290.1 | 100.0 | 804.0 | 100.0 | 1461.2 | 100.0 |

¹¹ *Ibid.*

¹² Trends in Agricultural Policies since 1955, July 1961.

composition of value of U.K. farm sales¹³ in the last two decades from which it is seen that the pattern in late 'fifties closely resembles the prewar one; in other words, there is a return to the prewar pattern of farming. During the War and immediate postwar years which were characterised by difficulties in imports there was emphasis on arable crops, followed by return to livestock farming. But this meant considerable dependence on imported feeding stuffs. Expenditure on feedstuffs constituted 31, 9 and 28 per cent respectively in the three periods shown in the foregoing table. Of late the consumption of concentrated feedingstuffs (i.e. compounds, provenders, mixtures etc.) alone is estimated to have risen to about 13.7 million tons in 1960-1 from 12.1 million tons in 1956-7. The estimated imports of these amounted to 5.5 million tons in 1956-7 and 6.2 million tons in 1959-60. Besides these, there would be imports of barley, oats etc., which however would constitute less than 25 percent of their total supplies needed for feeding purposes. In table 4.3 are shown the numbers of livestock in U.K. Evidently the livestock ultimately

TABLE 4.3: *Livestock in U. K.*

| | Prewar | 1951 | 1956 | 1959 | 1961 |
|--------------|--------|--------|--------|---------|---------|
| Cows | 3,281 | 3,653 | 3,793 | 3,857 | 4,173 |
| Total cattle | 8,675 | 10,150 | 10,755 | 11,005 | 11,702 |
| Sheep | n. a. | 15,314 | 17,200 | 20,370 | 20,031 |
| Hogs | 4,674 | 3,507 | 5,974 | 6,702 | 6,122 |
| Poultry | 78,163 | 94,344 | 92,464 | 106,605 | 114,289 |

Source: *Statistics on the E. E. C. Vol. 2, Agricultural Production and Consumption*, USDA, (ERS), Regional Analysis Division, July 1963, Table 6, p. 176.

used for foodstuffs are considerably larger than prewar. According to N.F. U. Farm Accounts Scheme for England and Wales expenditure on feeding stuffs was 22.5 and 24.4 per cent in 1958 and 1959 respectively¹⁴; these data further show that average receipts from livestock and crops formed a larger portion of total in farms larger than 150 acres; receipts from milk and dairy produce, on the other hand, formed a diminishing portion in larger size groups of farms. As regards expenses that on feeding stuff formed lower proportion of total in larger farms. It is apparent, therefore, that though receipts from livestock formed larger component in larger farms the expenditure on feeding stuffs formed smaller percentage of total in them. It may appear that livestock farming is relatively profitable in larger sized

¹³ Winegarten, A., 'The Role of British Agriculture today,' *Journal of Agricultural Economics*, May 1960.

¹⁴ N.F.U. *Information Service*, Vol. 14, No. 2, Vol. 15, No. 2, Vol. 16, No. 3. Tables 2, 6 and 7.

farms from the point of view of feedingstuffs. The data according to types of farming further indicate that average size of 'mainly dairying' farm is 92 acres as against that of 'mainly livestock' at 218 acres; expenses on feedingstuffs in former formed 39 per cent as against 16 per cent in latter. From these facts coupled with the fact that labour charges also are higher in 'mainly dairying type' it may be observed that dairying farms are smaller but need comparatively more inputs of feedingstuffs and labour. Actually, it has been stated¹⁵ that it is the small farmers who have been increasing their milk supplies in order to meet their increasing cost—as milk and its products are in abundance, price goes down and the farmers have no alternative but to increase supplies to cover lower profit margins. Davies further admits that milk supplies cannot be curtailed until the present structure of farming remained as it is. The foregoing clearly illustrates how the problem of structure is inherent in the operational factors like inputs of feeding stuffs, labour etc.

Labour cost also has been an issue of considerable discussion. In the total estimated expenditure for U.K. farms, labour costs constituted 25 per cent in the average of three years 1957-58 to 1959-60 vis-a-vis 42 per cent for 1947-48 to 1949-50. Farmers have made considerable capital investment which is evident from the machinery costs (current and maintenance), though the same in percentage (18 per cent), amounted to 125 per cent higher in later period. In England and Wales about 4.4 million h.p. of mechanical power was used in 1946 whereas in 1954 it was nearly 8.0 million. But it is considered by many that labour is still wastefully utilized in agriculture as a whole.

In relation to inputs of labour, fertilizers and capital expenditure on machinery and equipment, comparable data for certain European countries are available from which it seems that expenditures in U.K. are much more than in other countries. However, the composition of output varies in different countries which factor would naturally influence the inputs of different items. In table 4.4 are shown the percentages of crop and livestock products in gross output at current prices in certain countries.¹⁶ It is seen

TABLE 4.4: *Composition of crop and livestock products*

| 1955-59 | Belgium | France | West Germany | Italy | Holland | Denmark | U.K. |
|--------------------|---------|--------|--------------|-------|---------|---------|------|
| Crop Products | 37.4 | 35.9 | 28.0 | 64.4 | 32.6 | 15.9 | 27.3 |
| Livestock Products | 61.8 | 62.8 | 70.0 | 34.5 | 66.1 | 83.9 | 69.4 |

¹⁵ Prospects in the market for Milk and Milk products—J. L. Davies, General Manager, Milk Marketing Board. *Farmers Club Journal*—Part 7, 1961.

¹⁶ Source: F.A.O. Fourth Report on Output, Expenses and Income of Agriculture in European Countries. 1961 Part II.

that with Italy and Denmark on two extreme ends all other countries' gross output from crop products varied between one-fourth and two-fifths. The volume of agricultural output rose in the last decade in all countries but that of current operating expenses (excluding labour) went up more during the same period as seen from table 4.5.¹⁷ in most countries during 1957-59. The E. C. E. report states that "by and large feed and seed,

TABLE 4.5: *Agricultural output and current expenses*

(1950-52 = 100)

| <i>Volume</i> | <i>Belgium</i> | <i>France</i> | <i>West Germany</i> | <i>Italy</i> | <i>Holland</i> | <i>Denmark</i> | <i>U.K.</i> |
|----------------------------|----------------|---------------|---------------------|--------------|----------------|----------------|-------------|
| Agricultural Output | 123 | 117 | 121 | 122 | 127 | 119 | 113 |
| Current Operative Expenses | 118 | 160 | 148 | 145 | 160 | 146 | 120 |

fertilizers and pesticides and fuel, lubricants and electricity are the inputs that have risen most though to varying degrees Owing principally to this development, the share of current operating expenses in the value of agricultural output rose almost everywhere." It rose from 32.8 to 39.3 between 1950-52 and 1957-59 in Netherlands; from 22.0 to 26.9 in Denmark and from 41.7 to 49.9 in U.K.¹⁸

The main difference between U.K. agriculture and that in other countries relates to labour inputs. Wage compensation of employees as percentage of net income¹⁹ in 1958 and 1959 as shown in table 4.6 is substantially higher than in other countries. It may be noted here that labour inputs in terms of volume have gone down in all countries in varying degrees. In the Continental countries the volume of current operating expenses excluding

TABLE 4.6: *Wages as proportion of net income*

| | <i>Belgium</i> | <i>France</i> | <i>West Germany</i> | <i>Italy</i> | <i>Holland</i> | <i>Denmark</i> | <i>U.K.</i> |
|------|----------------|---------------|---------------------|--------------|----------------|----------------|-------------|
| 1958 | 9.6 | 15.0 | 21.6 | 15.2 | 19.3 | 24.5 | 44.7 |
| 1959 | 9.3 | 14.6 | 20.8 | n.a. | 19.3 | 23.2 | 41.7 |

labour rose strikingly in the decade partly because they had not reached normal levels in 1950-52 after the War. Hence the high percentage increase as compared to U.K. This is particularly evident from the use of fertilizers and machinery on the Continent vis-a-vis U.K. as seen from

¹⁷ *Economic Survey of Europe*, 1960, E.C.E. 1961, Table 5, Chapter III.

¹⁸ *Ibid.* Table 6

¹⁹ Source: F.A. O. Fourth Report on Output, Expenses and Income of Agriculture in European Countries, 1961, Part II.

figures in table 4.7.²⁰ It cannot be said that fertilizers are used excessively

TABLE 4.7: *Use of fertilizer and machinery*

| | <i>Fertilizer</i> | | <i>Tractors</i> | | <i>Combine Harvesters</i> | | <i>Milking Machines</i> | |
|--------------|-----------------------------|------------|---|------------|--|----------|--------------------------|------------|
| | <i>Per hectare Kgs.</i> | 1950 = 100 | <i>Per '000 hectare of arable</i> | 1950 = 100 | <i>Per '000 hectare of cereal area</i> | 1950 = 1 | <i>Per '000 Cows</i> | 1950 = 100 |
| Belgium | 327 | 116 | 35.9 | 427 | 3.7 | 3 | 32.2 | 255 |
| France | 96 | 175 | 29.2 | 449 | 4.2 | 7 | 16.4 | 200 |
| West Germany | 278 | 164 | 80.9 | 496 | 5.9 | 168 | 35.3 | 360 |
| Italy | 45 | 174 | 13.1 | 354 | 0.5 | neg. | neg. | neg. |
| Netherlands | 461 | 109 | 43.4 | 185 | 3.7 | 2 | 14.9 | 591 |
| Denmark* | 138 | 148 | 34.8 | 552 | 4.7 | 16 | 96.6 | 184 |
| U.K. | 180 | 149 | 59.1 | 133 | 17.0 | 5 | 65.5 | 354 |

* Use of manure in Denmark may be compensatory to low use of fertilizers. There may be under utilization of milking machines in Denmark.

in U.K. particularly in comparison with quantities used in West Germany or Netherlands. The use of tractors and combine harvesters, however, seems more intense; to a limited extent this seems true in the case of milking machines also. The total capital expenditure as percentage of gross agricultural product at factor cost and the percentage of current operating expenses excluding labour to gross output are definitely on the higher side in comparison with those in other countries as seen from table 4.8

TABLE 4.8: *Capital and current expenditure in relation to gross output*

| | <i>Capital Expenditure</i> | | <i>Current Operating Expenditure</i> | |
|--------------|----------------------------|------|--------------------------------------|------|
| | <i>Gross Product</i> | | <i>Gross Output</i> | |
| | 1958 | 1959 | 1956-58 | 1959 |
| Belgium | 9.6 | n.a. | 33.6 | 35.8 |
| France | 11.2 | 11.3 | 21.1 | 22.4 |
| West Germany | 17.5 | 19.9 | 30.4 | 31.7 |
| Italy | 12.2 | 13.2 | 15.2 | 15.5 |
| Netherlands | 8.0 | 10.0 | 38.8 | 40.5 |
| Denmark | 6.6 | 8.3 | 27.5 | 32.3 |
| U.K. | 16.3 | 15.8 | 50.7 | 49.2 |

It is thus quite clear that capital expenditure generally, use of machinery and equipments particularly and labour inputs and other current inputs are as a rule high in U.K. than in comparable north-western countries of

²⁰ E. C. E. report 1961, Table 3, Chapter III.

Europe. The inherent limitations to this sort of comparison however must be borne in mind. These are the composition of output in terms of livestock and crop products which would have inherently different requirements of labour, fertilizer and feeding stuffs, and the sources of these particularly when they are imported in large quantities. Lastly, the wage rates varying according to the social and economic levels of living in the different countries involved in the comparison would not be unimportant in this context.

Besides the issues of inputs and capital expenditure and the profitability or otherwise of large/small farms, the whole question of costs and net return seems to be blurred by the impact of Exchequer support. According to one estimate over one-half of the farmers in Britain are not able to pay their way if allowance is made for a notional wage to farmer and a minimum cost for capital equipment. This, taking into account the subsidy payments. Further estimates of the subsidy by Brech²¹ indicate that the cost of guarantees was equivalent to 10.5 per cent of total value of farm sales. For eggs it was 20 per cent of value, for fatstock 12 and for milk 2.5 per cent. While these percentages indicate the extent of support to a particular product it would not be correct to isolate it as such, as most farms are mixed ones though predominated by one or other category of produce.

Thus the composition of inputs such as labour, fertilizer, feeding stuffs, levels of capital expenditure, impact of subsidy, presence of a large number of part-time farmers are some of the important operational factors which determine the total structure of production, the latter in turn being the resultant of interaction of these factors. While the production structure determines or creates certain situations to be faced by the marketing organization, the latter would partly be responsible for the existence of certain features of the former. Nevertheless the largest single determinant of market structure would be the size, composition, geographical position, etc. of the farms.

Place of Agriculture in the Economy

The two crucial issues, on which the debate relating to role of agriculture has been based in the last decade, are (i) the contribution of agriculture to the national economy and (ii) the balance of payments position. For all practical purposes the two are not really separate but two aspects of one problem viz., to what extent the country should depend on home agriculture and so to what lengths should Government go in support of agriculture through subsidies, aids etc. For sake of convenience, the place agriculture as an industry has enjoyed in the past would be examined here.

²¹ Brech Ronald, *op. cit.*

In 1950-52 manpower in agriculture was 4.9 per cent of total employed, contributing 5.2 per cent of gross domestic product. In 1959 corresponding percentages were 4.1 in both respects. In 1959 the total manpower in agriculture was 8 per cent less than that in 1954 while hired labour was 12 per cent lower. Thus the productivity of labour was increasing; in comparison with industry, however, the rise was low. With 1953-55 as base the gross product of industry was 133 vis-a-vis 118 in agriculture (at current prices). At constant prices it was 112 and 113 in agriculture and industry respectively²². Similar trends were witnessed in other North Western European countries. For sake of comparison the relevant data on agricultural population and production as percentage of total are presented in table 4.9, for certain other countries²³. Excepting U.K. and Denmark, and also Holland it is clearly seen that contribution of agriculture to gross product is generally much less than the proportion of working population in agriculture, which may also explain the low levels of income in agriculture vis-a-vis the other sectors. In U.K. the value of the product could be possibly as high as the proportion of working population in agriculture due to the subsidies supporting it; Denmark and Holland thus seem to be the only countries with commensurate contribution to gross domestic product with working population.

TABLE 4.9: *Population engaged in and production from agriculture*

| | <i>Value of Agri. production as % of Gross Domestic Product 1959</i> | <i>Population working in agriculture as % of total working population</i> |
|--------------|--|---|
| U.K. | 4.1 | 4.1 |
| Denmark | 16.4 | 17 |
| Belgium | 6.8 | 10 |
| France | 12.0 | 26 |
| West Germany | 7.3 | 17 |
| Holland | 10.1 | 12 |
| Italy | 18.3 | 32 |
| U.S. | 5.0 | 12 |
| Canada | 8.0 | 19 |

During and after the War upto 1954 when controls were withdrawn, agriculture was continually supported by Government, whichever party in power. But with abundance of foreign available supplies of foodstuffs and improvement in balance of payments the informed opinion was slowing

²² Based on data in Part I—Fourth Report on "Output, Expenses and Income of Agriculture in European Countries" F.A.O. 1961, p. 41.

²³ Fourth Report, F.A.O. 1961—*op. cit.*, Table XX, Part I, and O.E.E.C. Report on "Agricultural Policies in Europe and North America", 1957:

reverting to free trade. The Farmers' Union, (with no party alignment) had succeeded in putting forth the case of farmers for Government support through subsidies in respect of the products which were considered at annual review products and through tariff protection for horticultural products, butter etc. The Government had not taken any firm decision on the Lucas Report (1947) on the position of producers' marketing boards but had not remained very enthusiastic also about the boards. While it favoured return to free distribution of foodstuffs within the country, it was also not prepared to revert to complete free trade. In these circumstances of sympathy for the farmers' pleas for continuance of support and commitments to sustain them on a reasonable income level under the Agriculture Act, 1947 coupled with desire to see as little restrictions on distribution as possible, the milk and potato marketing boards were revived; but at the same time, the plea for a producers' board for fatstock was turned down.²⁴ Apparently by 1955-56 Government had decided not to entertain any new statutory schemes for marketing. The Egg Marketing Scheme (1957) was the only scheme proposed and launched in the subsequent period. The controversy regarding the extent to which farmers deserved support came very much into open at the time of Egg Marketing Enquiry, 1956. The Imperial Chemical Industries, called a conference in 1956 to consider the place of agriculture at which economists, farmers, politicians and agronomists participated. This Conference started the public discussion which has been going on at different levels, attracting marked attention since the decision of Government to apply for entry in European Economic Community.

The Farmers' Unions also were not happy about the Government's attitudes to the agricultural industry. In 1957 they had been successful in securing long term guarantees from Government through the Agriculture Act. But their fears about the increasingly firm attitude of Government in later fifties against extension of subsidies and its constant exhortation to reduce the burden on Government and increase efficiency led them to ask Government for a leisurely review of the position in 1960. The broad issue was: agriculture supplied about half the food requirements of the nation but employed only one million people (against population of 52 million)—whether it was justified in seeking support from the consumer in general and taxpayer in particular, through large amounts of subsidies and grants. The white paper issued at the end of the talks²⁵ stated as agreed views

²⁴ The Government's position, its relations with N.F.U. etc., have been elaborately discussed in Chapters IX, X—*The State and the Farmer*, Self, Peter and Storing H.

²⁵ Report on talks between Agriculture Department and farmers' Unions, Dec. 1960 (Cmd 1249)

that "(i) the food produced from home farm is a vital safeguard against the uncertainties of supplies from overseas; (ii) the industry also promotes employment in a number of ancillary industries concerned with production and distribution of agricultural machinery, fertilizers, marketing, etc; (iii) exports of U.K. farm products amount to over £ 40 million a year; (iv) as U.K. agriculture is highly mechanised, a big industry built in agricultural machinery and tractors exports about £ 130 million a year".

The first point regarding 'uncertainties' of supplies from overseas is not accepted by all; many contend that the world agricultural potential is vast and so Britain need not always produce at all costs. (This point is considered at length in the next section). As regards the subsequent arguments it is contested by opponents of any special position of agriculture that any other industry like aircraft, automobile also provides ancillary employment and gives rise to exports of its own and ancillary manufactured products.

The Farmers' Unions further contend that the cost is ultimately also a contribution to consumer in the sense that it guarantees him regular supplies at reasonable prices and could well be counted as an indirect food subsidy; on the other hand, it is thought that it is a burden on the taxpayer to support a minority section of the community. The features of the British support policy are that it does not involve, as a rule, any direct restriction of imports (except on health grounds and in the case of horticultural products by means of import duties). The British consumer is thus enabled to get a wider choice of foodstuffs available on home market where the farmer has to compete with imported foods subject to the Exchequer deficiency payments. The Government also considered that other vital industries received support from the nation by tariffs, the cost of whose protection, not reflected in budget, remains hidden from public gaze.²⁶ It is seen that tariffs are the highest in U.K. for manufactured products.

²⁶ Tariff levels in Europe: Source: "Tariffs and Trade in Western Europe", P.E.P. (1959) (See table below).

(Per cent ad valorem)

| | Cars | Aircraft engines | Agri. tractors | Watches | Cameras | Metal working machine tools |
|-------------------------|------|------------------|----------------|---------|---------|-----------------------------|
| Denmark | 14.0 | 5.0 | 5.0 | 5.0 | 7.5 | 5.0 |
| U.K. | 30.0 | 17.5 | 20.0 | 33.3 | 50.0 | 17.5 |
| E.E.C. Common Tariff | 28.0 | 7 to 15 | 15.0 | 12.0 | 18.0 | 5 to 13 |

As regards the support to agriculture through subsidies and/or grants, a study of recent tendencies in other European countries showed "that most Governments were inclined, if not determined, to make such measures permanent". The reasons for these policies adopted by different Governments were one or other among; "(i) In general prices received by farmers for their products have increased less than the prices paid by farmers for their operational inputs; (ii) this unfortunate development in the relationship between prices paid and received has been only partly compensated by the continued increase in agricultural productivity; (iii) on the whole, the improvement in agricultural incomes has been less than the improvement in incomes in other sectors of the economy both absolutely and per head of those engaged in the industry".²⁷ The O.E.E.C. report has also made a tentative assessment of the intervention by Governments through the variety of methods employed such as fixed price, deficiency payments, floor price organized market, intervention in respect of export market only (e.g. pooling of receipts from all export markets for certain commodities as operative in Denmark) or guaranteed price in specified areas only like in Canada. Because of intervention and aid on graded scale, the percentage of output for which prices were determined/indicated has to be taken with great caution. The percentage of output for which prices were directly determined at normally operative price levels by Government (as against below normally operative price levels) was in no case below 20 (excepting Denmark and Sweden with 2 and 0 respectively). In fact the phrase 'normally operative price level' is confusing and means only that attempts were made to hold prices at average or normally profitable levels. In U.K. this percentage of output affected by Government action was 80, in U.S.A. and Canada it was 48 and 25 respectively; in Belgium, France, Germany and Italy it was 35, 30, 22 and 20 respectively. In Denmark farmers depended notably on voluntary co-operative action. It is thus clear that Government action and assistance was not unique in U.K.; it was present in most industrialized countries. In U.K. it was, however, the highest presumably because of its heavy dependence on imported foodstuffs. The O.E.E.C. exercise, nevertheless, gives the volume affected by Government action; the intensity and degree of support to individual products remains a still difficult aspect for computation from which Government expenditure on agriculture and food as proportion of gross agricultural product amounted to 42 in U.K. as against 10 each in Canada and U.S., 16 in Netherlands and 7 each in France, Germany and Italy.

²⁷ *Prices and Income Policies*, Second report of the Ministerial Committee for Agriculture and Food O.E.E.C., July 1957, pp. 405-6.

Consideration of cost of subsidy and Government support in U.K. leads to comparison of prices of food products in U.K. with other countries and with those of imported products. G. Hallet calculated 'Import Supply Price',²⁸ that is, the price which imported products would command if the major exporting and importing countries removed subsidies and tariffs, after allowing time for producers to make alterations in production. He called the ratio of this import supply price to the current guaranteed price for home produce in 1956-57, as 'import price ratio' which amounted to 78 per cent for wheat, 83 per cent for pigmeat, 95 per cent for beef and 84 per cent for lamb and mutton. Obviously this ratio does not remove the element of subsidy in British agriculture and so the prices in U.K. appear higher in most food products. Subsequently Hallet compared U.K. retail prices with those in certain other countries.²⁹ He used two indices; in (a) he gave higher weighting to commodities generally cheaper in Britain and which would show British prices in a favourable light, in (b) he gave heavier weighting to commodities generally cheaper in Northern European countries and so would show British prices unfavourably. On this basis assuming U.K. retail prices as 100 in 1958, he calculated price indices for different countries. According to (a), only Ireland, Netherlands, New Zealand and Denmark had prices lower than U.K., but by (b) index, in addition to these four countries, Germany and Norway had lower prices than U.K. His study of individual commodity prices revealed that U.K. had (i) in all cases substantially higher price for milk; (ii) lower price for butter, cheese and eggs; (iii) higher price for potatoes, fruits and vegetables. There are a variety of limiting factors in such comparisons. For instance, the flour milled from U.K. wheat is claimed to be the cleanest in the world while milk is considerably standard and safe (i.e. tuberculin tested) in U. K. Again the indices, based as they are on I.L.O. data of prices picked from certain towns, could not necessarily be comparable with those from other countries.

As regards prices received by farmers,³⁰ (with U.K.-100 in 1959-60) milk and hen eggs prices were lower in E.E.C. countries (excepting Italy in respect of eggs) and lower still at 70 and 60 in Denmark. For potatoes, British farmers received lower than in Europe; for beef cattle except France (97) and Denmark (77) they were higher than in U.K. In case of pigmeat,

²⁸ Hallet, G. "Economic Position of British Agriculture", *Economic Journal*, Sept. 1959.

²⁹ Hallet, G., "Comparison of Retail food prices in certain countries," *J.A.E.*, Dec. 1960.

³⁰ Based on "Prices of Agricultural Products and Fertilizers" 1959/60, F.A.O./E.C.E., 1960.

they were more in Germany and Italy only. Wheat prices were more in all countries except Denmark. Thus generally, France, Holland and Denmark had lower producer prices than in U.K. Allowance, however, has to be made to consumption habits on which the supplies and prices would depend. For instance, Britain had lowest consumption of cereals in comparison with E.E.C. countries, while meat consumption was the highest along with France, egg consumption was next only to Belgium and intake of milk fat and proteins was next only of Netherlands. To conclude, conceding the argument that "it is easy to find instances in which for some commodity at some time, in some part of the world prices are less than those received by British producers",⁸¹ it appears that prices of British agricultural products paid by consumers as well as those received by producers are higher than in certain European countries. It is also true that Government expenditure on support to agriculture was quite high in U.K. To what degree this support and protection to agriculture is justified depends largely on the view taken of world supplies and Britain's ability to pay for imports.

Balance of Payments and World Supplies:

In the immediate post-war years 1946-7, the world food supply position was not satisfactory, which forced Britain to give attention to larger home production of foodstuffs leading to the five year expansion programme and the Agriculture Act, 1947 ensuring a stable agricultural industry. With improved overseas food supplies, expanded home output and consequent improvement in terms of trade Government was enabled to decontrol food in the early fifties. The terms of trade continued to improve: with 1954 as basis of the terms of trade (export/import prices) the index went up to 104 in 1957, remained steady around 111 upto 1960 and was reported to be 117 in October 1961.⁸² These terms of trade relate, however, to all export products as well as imports including raw material for industry, manufactured products and food stuffs. The discussion and controversy regarding desirability or otherwise of support to agriculture has continued since 1953/4, occasionally acutely.

In connection with world supplies of food production, economists like Colin Clark, G. Hallet, E. F. Nash and E. M. H. Lloyd contend that it would generally expand and keep pace with increasing population, thanks to technological advance facilitating intensive agriculture and better production methods. Supplementing this is the view that there should be

⁸¹ Winegarten, A., "International Competition for the British Market", *Journal of Agricultural Economics*, Dec. 1960.

⁸² Hall, Sir Robert, "Commodity Prices and Terms of Trade", *Lloyds' Bank Review*, January 1962.

specialization of labour and production: countries producing and with potentialities for growing livestock and cereals (like Australia, New Zealand, Argentina, Canada and the U.S.) should concentrate on them, while importing countries like Britain should concentrate on non-agricultural products and might as well depend on large imports of foodstuffs. From the long run point of view and assuming normal political conditions in the world this argument would be quite fair. There would be one point in the assumption here needing some consideration: the exports of manufacture are assumed to be likely to have increasing demand in importing countries. For fairly long time, the developing countries of Asia and Africa would need imports of manufactures though they are endeavouring to increase and expand their manufactures; so for a decade or so, Britain may reasonably depend on fairly ready and even increasing market for exporting countries' manufactured goods.

The dependence of Britain on imported foodstuffs would be hazardous, however, only on strategic grounds.³³ Nobody can safely guess the future political situations, but it may not be prudent also to plan agriculture and base policy on strategic grounds with the inherent need to face isolation and emergency at any time.³⁴ Not to disregard such wartime conditions and to keep agriculture in good heart would be the safe view. To keep agriculture as an industry well equipped in case of need for concentration on home agricultural production would seem to be the best position; for this the industry should not be starved of capital, the land should be properly looked after and with good machinery and building on the farms so that the industry could be quickly geared to wartime needs.³⁵

There is another argument against the assumption that world food production would sufficiently rise to enable Britain import large quantities on the basis of favourable terms of trade. It is suggested that primary producing countries would also need more supplies to be retained on account of increasing standard of living together with population. This seems to be particularly true in the case of developing countries of Asia and Africa; but Britain's imports are largely from industrialized countries like Canada,

³³ "Principles of British Agricultural Policy" edited by H. T. Williams, sponsored by the Nuffield Foundation, 1960.

³⁴ In view, particularly, of the latest nuclear arms, no country like Britain can hope to feed its population satisfactorily even with emergency measures; moreover, the nuclear wars would not be long-drawn. In short, there does not seem to be any need to plan agriculture on strategic grounds.

³⁵ On the eve of the Second World War, the industry had been long neglected and needed substantial capital investments before it could face up to the needs, despite some measures, taken just before the War, to energize it.

Australia, Denmark, Argentina, New Zealand as regards wheat, pig products and livestock.³⁶ Again the exports of some of these countries, at least in late forties and fifties, were to North Western European countries which themselves have substantially expanded their agricultural production by 25 per cent from 1950-2 to 1959. By and large, therefore, it appears that Britain could afford to depend on increasing overseas production of food and their imports.

The emphasis on home production as stated by Lloyd³⁷ seems to have led to uneconomic expansion requiring labour and capital inputs (as seen earlier) which could have been better utilized in non-agricultural sector. The small/marginal farms absorbing these were contended to be raising the cost per unit of output. With rationalization of agriculture, making the industry more competitive "it is necessary not only to increase the output of its less efficient producing units but at the same time to reduce the total number of these units, at all events of those engaged in types of production with which the market is already well supplied." (such as eggs, milk, etc). It is suggested that the presently obtaining price guaranty system makes for continuance of such uneconomic units in the industry and in a way helps it "to resist the changes needed in order to enable it to free itself from dependence on protection and subsidies."³⁸

If such reorganization of the structure and pattern of industry were made resulting in reduction in per unit costs, it would reduce prices to retailers and also release surplus labour and capital for the non-agricultural manufacturing industry.

It is here that the terms of trade become directly relevant. The economists supporting changes in the basic policy think that the increased availability of resources to manufacturing industry would facilitate more exports of their products and enable the nation to foot the bill of the increasing import bill of food products. Economists like E. A. G. Robinson point out that if efforts were made to produce more goods for export, larger exportable supplies of U.K. on World market might depress their prices resulting in reduced earnings; at the same time, the increased import needs in respect of food stuffs might cause rise in their prices. Evidently the elasticity of demand for Britain's exports depending on their prices would be the

³⁶ "In total about half of Britain's food supply is derived from the Commonwealth, about a quarter from the dollar areas and about a quarter from Western Europe" McCrone, G., *The Economics of Subsidising Agriculture*, George Allen & Unwin 1962, p. 77.

³⁷ Lloyd, E. M. H., "Some Thoughts on Agricultural Policy", *Journal of Agricultural Economics*, Feb. 1957.

³⁸ Nash, E. F., "A new look at Farm Policy", *Guardian*, 16th August 1960.

determining factor on volume of total receipts. It is arguable that reduced costs of British exports might lead to increase in them. Much discussion for and against the nature of demand for British exports and its price elasticity has taken place but it is difficult to conclude firmly either way.

An interesting feature of the expansion of home agriculture which Hallet³⁹ has pointed out is the way in which it affected U.K. exports; the reduced earnings from exports of New Zealand agriculture compelled her to cut her imports from U.K. by £ 50 million. He further pointed out that the reduced food imports of Britain on the one hand, affected the non-dollar areas adversely with whom she had favourable balance, while on the other, led to increased imports of feeding stuffs half of which came from dollar areas costing £ 30 million. Perhaps these results were unforeseen but indicate the different ways in which shift in import/export structure of the nation's economy might affect the balance of payments. Commenting on Hallet's article Robinson⁴⁰ pointed out that elasticity of demand for exports is less than infinity and stated "If we create a pattern of the economy with a higher propensity to import and we fail to expand our exports to the extent required by full employment the immediate effect is a deficit in the balance of payments . . ." It is however a peculiar feature of British foreign trade that it is largely reciprocal; for instance, British exports to New Zealand Australia are determined by her imports from latter. Robinson's dictum is certainly true and sounds a note of caution: it however, does not mean that elasticity of demand for export is zero. The success of the policy (if adopted) to encourage larger exports leading to increased earnings which could be used partly for needed food imports would depend on the degree of price elasticity of the demand for British exports. Further if the terms of trade become unfavourable again the success of the foregoing policy would depend on two questions; how rapid this reverse movement whenever it takes place is likely to be and how effectively and quickly could British farming then adapt itself to altered requirements.⁴¹ Significant calculations based on price elasticities of demand for exports have been made for different periods but it seems that the debate has remained inconclusive.⁴² Though in the long run, it would seem that the terms of trade would be in favour of manufacturing industry accidental situations affect them unpredictably and severely too, to put a country in a jeopardy.

³⁹ "The Economic Position of British Agriculture", *Economic Journal*, Sept. 1959.

⁴⁰ Comment on this article by Prof. E.A.G. Robinson.

⁴¹ Thomas, Edgar, "British Farm Support Policy", *Journal of Farm Economics*, Dec. 1959.

⁴² For the details of the controversy and calculations relating to input / output ratios in agriculture vis-a-vis industry, resulting in export earning capacity and terms of trade, see Chapters 5, 6, 7, 8 McCrone, G., *op. cit.*

To summarize briefly, Britain's agricultural policy was determined up to early fifties by the need to expand home production; the support to agriculture has to some extent resulted in uneconomic expansion of certain enterprises and products; the extent to which agricultural subsidies have really contributed to emergence of a 'healthy' agricultural industry and to the solution of her balance of payments problem is controversial. The direction of her future policy and choice of emphasis on particular lines of production would depend on the demand for her exports. The higher the price elasticity of demand for her exports and the larger the ability of export industries to reduce costs, the more would Britain be able to re-organize and rationalise her agricultural sector.

Marketing Structure

While the discussion regarding size and pattern of production became more acute as the overseas supplies became relatively abundant in the 'fifties, the controversy relating to form of organization dates back to immediate post-war years as seen earlier. It may be adequate to recall here that the prewar evolution of the producer boards had their genesis, in the depression and low level of farm incomes. During the War, Government had taken complete responsibility for procurement and distribution of food products. The question of the form of producers' organizations came to a head again, once the War was over and hopes of abundance were being entertained. The Committee headed by Lord Lucas appointed to review the working of the Agricultural Marketing Acts 1931 & 33 reported in 1947. The Committee recommended a two-tier organisation of Commodity Commissions, independent to operate as public utility concerns and Producers' Boards responsible for making contracts on behalf of producers for sale of their produce. The Agricultural Marketing Act, 1949, made minor modifications to the frame but no positive action was taken. It was only after rationing and controls were lifted in 1954-55, that the question of marketing organization became centre of public discussion.

The Tomato and Cucumber and Wool Boards were set up in 1950; in 1954 the Milk Marketing Boards operating in 5 areas of U.K. were revived with full powers followed by those for potatoes in 1955 and eggs in 1957. The proposal to establish a meat board, for which a formal scheme also had been prepared by the N.F.U., did not materialise, as rationing was withdrawn rather too quickly to set up the Board and, because Government firmly rejected the idea. The N.F.U. therefore set up a public company named Fatstock Marketing Corporation in 1955.

Though the main purpose of the producers' marketing boards is to provide the farmers producing a product with bargaining power in order to safeguard their income level and to achieve a measure of stability against fluctuations in prices, they also serve as machinery for administration of Government's deficiency payments, particularly in respect of eggs, potatoes and milk.

Among the major points of criticism of these Boards are: (i) The Boards help sustain inefficient producers. For instance, in the case of milk, pooled prices and the charges for transport of milk, averaged over a region, benefit producers in distant areas and high cost producers who would have dropped out if they had to pay actual cost of transport or had they been paid prices on the basis of most efficient producers. (ii) While assuring level or stable income to producers, the Boards neglect the interests of the consumers. The Potato Board has been a target of this criticism inasmuch as it does not pass on the benefit of low prices to consumers in times of large crop by withholding supplies on market; in times of small crop the Board reaps large incomes for producers. The Estimates Committee's latest report concedes that through its support buying programmes the Board protects the taxpayer to some extent thereby saving on large Exchequer payments but comments, "the consumer does not benefit by lower prices in times of plenty."⁴³ (iii) The Boards operate as monopolies, as under the Act, once the Scheme for a particular commodity receives requisite number of vote in producers' poll and is approved by Parliament, the Scheme becomes binding on practically all producers. From the point of view of organization of producers and the structure of marketing this is a crucial point. (iv) Because of their monopoly powers, the Boards have no incentive to reduce the distributive costs and rationalize the production and market structure.

While the first two points of criticism arise from the particular powers with which the Boards are armed and their implementation, the third point is directed against the principle of organization. Actually, different commodity boards have varying, degree of powers, their ways of implementation considerably differ and so their working can not be summed up and there cannot be any generalized criticism of their operation. But their existence is based on the element of compulsion. Is this compulsion necessary? Whether producers can not organize themselves on voluntary basis? Whether there is any need for statutory framework? These are quite pertinent questions. It is argued that the farmers in Britain have failed in organizing voluntarily in the 'thirties. But have they not gained sufficient

⁴³ The news item on Estimates Committee's report as reported in the *Guardian*, February 6, 1962.

proof and evidence that organized marketing helps them a great deal, through experience of last two decades? It does not appear convincing that farmers would revert to individualistic practices if statutory boards were withdrawn. The Farmers' Unions and their efficient work is itself an indication the farmers can organize voluntarily and seek collectively their ends. The launching of Fatstock Marketing Corporation, as a public company, the vicissitudes through which it has passed and its apparent failure upto 1961 to achieve expected success, has been, a cause of disappointment among farmers. But it has to be noted that F.M.C. is controlled by N.F.U. Development Co., and is not directly controlled by farmers—this may be a reason why farmers have not given their full support to the F. M.C. The whole question of the nature of organization calls for a value-judgment; nevertheless one is inclined to feel that the enlightened farmers of 1960's would not be unable to make a success of voluntary organization *vis-a-vis* the statutory boards.

Marketing—functions:

As mentioned earlier the different marketing boards have different powers. Milk, eggs, hops and wool boards have full trading powers, they are the first buyers of all produce; boards for potatoes and tomatoes and cucumbers have only regulatory powers. In other words, the amount and nature of service and assistance given by one board to its producer members was different in character and degree from that given by the others.

The relevant point at this stage is the coverage of 'marketing'. Most research work on marketing does not necessarily distinguish between 'marketing' that is the first point of sale from producers and distribution involving a number of processes and stages through which the produce passes before it reaches the ultimate consumer. For the present purpose it would be useful to bear this distinction in mind. Particularly in Western countries, which may be considered to be having relatively high standard of living in comparison with the underdeveloped countries, the food products reaching the consumer pass through many changes and stages such as assembly, wholesale, processing, packaging and retail and the final product bears very little resemblance with the commodity sold by farmer in its content. The Royal Commission on Price Spreads of Food products appointed in Canada (1959) goes to great lengths in describing and analysing the intermediate stages between farmer and consumer and the extent of price spread, its variation from industry to industry and its relationship with the farmer's receipts and consumer's expenditure together with factors affecting the spread. It may be in order to assume that in U.K.

too where standard of living is fairly high and consumption habits about similar as in Canada, the distribution aspect is significant, in consideration of marketing. The producer marketing boards which engage in trading activity therefore also operate to some extent in the field of 'distribution'. Milk boards largely and egg board to some extent are responsible for distributive functions. But the Boards would generally appear to have done little in this field of marketing that is after the first stage of sales by farmers.

Many economists are critical of the producers' boards because they did not do much about reduction in distribution costs. On the other hand, granting the boards should be concerned about retail inasmuch as they determine the scope of the home market, it is debatable how far distribution would be the legitimate field for farmers' organizations. Davies⁴⁴ while admitting that economies could be made in food distribution, went on to say, "... It is not the main reason for establishment of producers' marketing organizations It should not be the object of farmers' organizations to interfere but perhaps to promote, stimulate and encourage the development in the chain of distribution." Though the British producers marketing boards have been operating within the frame of their respective schemes under the Agricultural Marketing Acts, there is nothing to prevent them if they wanted to have vertical organizations for disposal of the produce of farmers. In many countries farmers' organizations enter the processing and wholesale distribution field, to their advantage. How far it is feasible in U.K. is a different question. Especially when the 'spread' becomes the more determining factor in the retail prices farmer's receipts at the first point of sale become more and more insignificant in the consumer's final expenditure at retail stage. As the Royal Canadian Commission points out, processing and distribution of foodstuffs have become more and more concentrated in fewer firms in the last decade, along with increasing 'promotional' and 'service' element in the retail price, with the result that farmer's share in the consumer's dollar has been diminishing. Conceding the fact that consumers derive the 'service' and 'ready-to-eat' products, the effect is in increase of distribution costs and diminishing proportionate return to farmer. The Commission has kept it an open question whether this trend of increasing 'service' costs is desirable or not. But it appears that if farmers organizations such as co-operatives endeavoured to take up some functions of the wholesalers i. e. advanced a stage or two vertically they would gain. Firstly, because they would thus appropriate the wholesalers' margin which would have some steadying effect on the producers' return which fluctuates more

⁴⁴ Davies, J. L., General Manager, M.M.B., "Reflections on Marketing of Farm Produce", Presidential Address, 1960, (*J.A.E.*, Dec 1960)

than the wholesalers' margin. Secondly, association with market and price mechanism might give them better insight of the demand and enable them to plan production realistically. Lastly, if the agricultural industry becomes more and more industrialized, likely to be run on factory basis as visualized in the F.A.O. report⁴⁵ why should not the farmers begin the process on their end by integrating some functions in their organizations?

Apparently the farmers' organizations in U.K. have not paid adequate attention to this field with the possible exception of Milk boards who are endeavouring to increase liquid consumption of milk and also have some hold on distributive channels; Potato and Egg boards also engage in advertising and promotional work. Wholesaling and processing functions are still, however, in the hands of non-farmer organizations.

It may be appropriate to find out what has been the position in food processing industries in U.K.⁴⁶ The number of small firms employing less than 10 persons in the Food, Drink and Tobacco industries was declining together with their employment as seen from table 4.10. The industries

TABLE 4.10: *No. of small establishments in food industries*
(Small establishments)

| | 1948 | | 1951 | | 1954 | |
|----------------------------------|--------------|------------|--------------|------------|--------------|------------|
| | No. of Firms | Employment | No. of Firms | Employment | No. of Firms | Employment |
| Total Group | 21,437 | 97,614 | 18,670 | 88,197 | 16,104 | 74,273 |
| Grain Milling | 943 | 4,225 | 771 | 3,394 | 710 | 3,187 |
| Bread and Flour confectionery | 15,140 | 64,996 | 13,224 | 59,237 | 10,768 | 46,027 |
| Bacon curing & sausages | 1,571 | 7,650 | 878 | 4,601 | 808 | 4,384 |
| Milk products | 178 | 1,050 | 195 | 1,280 | 291 | 1,785 |

noted above are just illustrative and with the exception of milk products show the declining numbers of small firms. On the other hand, the number of larger establishments with more than 11 employees rose from 6,733 to 6,937 from 1948 to 1951 but dropped to 6,672 in 1954 for the group as a whole. The total employment rose from 578,717 to 697,930 from 1948 to 1954 together with net output from £ 437 million to £ 672 million and net output per person employed from £ 756 to £ 963 (at current

⁴⁵ Fourth Report on Output, Expenses and Income of Agriculture in European countries, Part I, p. 1, 1961.

⁴⁶ All data given here are culled from the Reports of the Census of Production for 1954 and 1958.

prices). The extent of concentration is, however, to be seen from figures given in table 4.11 for 1954. It is clear that three-fourths of smaller establish-

TABLE 4.11: *Distribution of larger establishments*
(Larger establishments)

| <i>Average employees</i> | <i>No. of establishments %</i> | <i>Gross Output %</i> | <i>Net Output %</i> |
|--------------------------|--------------------------------|-----------------------|---------------------|
| 11-99 | 78 | 20 | 22 |
| 100-999 | 20 | 48 | 53 |
| 1000-2499 | 1 | 19 | 14 |
| above 2499 | — | 13 | 9 |
| Total | 6672 | £3,563 million | £672 million |

ments accounted for only a fifth of the gross output, while only 1 per cent of the big ones accounted for nearly one-third output. It is evident from the foregoing data that there are clear trends towards (i) diminution of small size firms (by means of enlargement, extinction or mergers about which data are not available), (ii) increase in number of larger firms and (iii) concentration of gross output in fewer larger firms. The census of production report further indicates that efficiency in terms of net output per person employed was £ 1992 in 1958 as against £ 1365 in 1954 in grain milling; similar figures for 1954 and 1958 in bread and flour and fruit and vegetables industries were £ 628 and £ 821; and £ 658 and £ 923 respectively. Moreover it is also clear that net output per person was considerably higher in 1958 in every size-group in all these three groups than that in 1954; but it was much higher in the medium size group than in smaller size group and possibly the highest in the largest sizegroup. These facts may be reasonably considered to indicate the direction in which changes would occur in later years. As large sized firms yield better results there would be positive effort towards mergers ultimately affecting small-sized firms and this would mean concentration of processing industries in the hands of fewer large firms. If the Canadian data are to be taken as an indication of what happened in 1950's then similar trends would not be unexpected in U.K. The price spreads would be increasing and would account for larger share to the processing and retailing functions in the 'distribution' field, and correspondingly smaller share of the consumer's £ would be going to the farmer.

The extent to which the multiple-chain organizations in food have increased in retail market is not directly available but according to the Co-operative Independent Commission Report, some indication of the strength of

retail trade other than co-operative organization is available. The gross fixed capital formation (at 1948 prices) rose from £ 48 million in 1948 to £ 173 million in 1955 in respect of Distribution and other services..(p.136). The same report shows that the estimated share in total retail trade of multiple shop organizations rose from about 20 per cent in 1947-51 to 22 per cent in 1952-56; again share in food trade is not separately available but as regards food and household stores in respect of multiple shop organizations their share rose from 16 to 17 per cent between 1950 and 1955. The Commission observes that the multiple shop organizations have increased their share by a much larger amount between 1950-55 (p.6-7). Thus it would seem that in the processing as well as retail field of distribution large chain organizations are becoming more and more prominent and so account for a relatively larger share in the price-spread.

Thus the importance of price-spreads (the difference between price received by farmer and that paid at retail by consumer) would be increasing and the relationship also would become more complex, as the final food product placed on shelves of retailers becomes more 'ready to eat', attractive, better-packed, tinned and/or frozen. The complicated character of the price-spread is very well illustrated when one takes into account, the non-food by-products of say meat, fish etc., which go as raw materials for industrial products.⁴⁷ Houston has calculated, for instance, the distribution costs and margins for 9 cwt. bullock for 1960/61; according to it, the retail margin as percentage of retail value amounted to 38.4 per cent in September 1961 and total margin as percentage of total value i. e. price-spread, including subsidy was 37.8 per cent and excluding subsidy was 44.4 per cent. His table on Farm and Retail Prices of home-killed meat October 1954-1960 is reproduced as Table 4.12.

Evidently, the farm prices for both cattle and sheep show relatively larger fluctuation than in retail prices and indicate widening of the margin during the period. An amount of stickiness is also to be seen in retail prices; any fall (rise) in farm prices would not necessarily be accompanied by proportionate fall (rise) in retail prices and the difference is generally absorbed by the wholesaler/retailer; in particular, retailers would be inclined to keep their prices as steady as possible over a period. The above example of meat prices and spread has only been taken as illustrative of the complex

⁴⁷ In the foot note to Table III in his article "Meat Marketing Margins in Britains" for the Agriculture Economic Society meeting in Dec. 1961, G. Houston describes these. "Adjustments have been made for the value of hides and skins, the output of poultry and pig-meat from holdings of less than one acre, the exports of live animals (fat) and the meat content of exports of meat preparations. No deductions were made for value of store animals imported. . . ."

TABLE 4.12: *Farm and retail prices of meat*

(1954 = 100)

| | <i>Beef</i> | | <i>Mutton & Lamb</i> | |
|----------|-----------------------------|----------------|--------------------------------|----------------|
| | <i>Farm price of cattle</i> | <i>Retail*</i> | <i>Farm price of fat sheep</i> | <i>Retail*</i> |
| Oct. '54 | 100 | 100 | 100 | 100 |
| " '55 | 110 | 115 | 92 | 109 |
| " '56 | 82 | 109 | 87 | 107 |
| " '57 | 93 | 114 | 87 | 112 |
| " '58 | 116 | 134 | 79 | 115 |
| " '59 | 117 | 135 | 49 | 93 |
| " '60 | 111 | 135 | 77 | 112 |

* excluding subsidies.

factors determining the farmers' incomes from his first point sale and of the amount of influence his receipts will have to bear through the distribution field. To conclude, it seems that the farmers' boards should be increasingly concerned with the chain of distribution so that the producer's share in the consumer's £ could be increased.

Concluding remarks

An attempt has been made in the foregoing to describe the structural and operational problems faced by farmers, their organizations and the Government policy regarding these in the last decade.

The main problems facing the agricultural producers and Government can be summarized as follows: (1) The need to encourage rationalization of the structure of production involving low costs of production, particularly of milk, eggs etc. (2) To stop over-supplies of these products and bring about a balanced pattern. (3) To ensure steady and regular supplies through adjusting overseas supplies with home production. Especially the first two objectives involve the farm size structure as production of milk is the most important enterprise to small/low income farmers who are the high cost producers owing to the need for them to purchase feed-stuffs. To induce them to divert to beef, lamb or such fatstock enterprises would involve radical changes in sizes of farms because small producers do not find it economical to turn into fatstock farmers. Moreover, by production of milk they ensure themselves steady monthly income which is not possible in fatstock pattern of farming. And here comes the impact of the available structure of marketing on the production decisions. Because the Milk Marketing Boards give monthly cheques, small farmers are induced to stick to milk production; on the other hand, apart from the fact that there is no marketing board, fatstock rearing does not guarantee regular income.

Though F.M.C. also has made credit arrangements, the number of farmers selling fatstock through it is relatively small and so its influence in comparison with milk-cheques is limited. While Government has endeavoured in recent years to reduce profitability of milk production by reducing guaranteed price and by favouring beef and lamb prices through the deficiency payments mechanism, small farmers have continued to stick to milk production. At the same time, Government has increased the subsidies to farmers through production, fertilizer grants and small farmer schemes generally known as production grants which presumably also go to assist the small low-income farmer.⁴⁸ It would appear that the effect has been cancelled out, especially in case of small farmers, who would receive smaller subsidy/price for milk but would get larger amounts through general grants which might help them stay in milk production even at reduced price per gallon of milk. Broadly, it would appear that Government would not be successful in reducing costs per unit of production unless it takes some drastic steps in the direction of rationalizing the structure.

⁴⁸ *Distribution of total subsidy payments (Percentages)*

| | 1954-55 | '55-56 | '56-57 | '57-58 | '58-59 | '59-60 | '60-61 |
|-------------------|---------|--------|--------|--------|--------|--------|--------|
| All Commodities | 73.5 | 71.1 | 69.8 | 73.0 | 65.1 | 63.0 | 60.2 |
| Production Grants | 26.5 | 28.9 | 30.2 | 27.0 | 34.9 | 37.0 | 39.8 |
| Total £ million | 190.0 | 200.8 | 234.5 | 278.5 | 238.0 | 256.9 | 265.6 |

CHAPTER V

A SYNOPTIC REVIEW

AT THIS STAGE, the important changes in Governments' policy relating to agriculture as an industry during the last 30 years (from say, 1930) may be briefly summarized.

It was in the mid-twenties that Government first recognized the need to afford facilities to agriculture in order to enable it to face the fall in price and to reduce its burden. Government sought to reduce the burden on agriculture by passing the Agricultural Rates and Tithe Acts. The legislation relating to agricultural credit and produce marketing was in the nature of enabling or permissive, meant to encourage selfhelp and reorganization. The recommendations of the Linlithgow Committee appointed to enquire into the costs of selling and distribution had laid great store by producer co-operation; they led to the Agriculture Produce (Grading and Marketing) Act of 1928 enabling standardization, package etc. services to be undertaken by farmers.

Lack of needed amount of initiative and improvements on the part of farmers, after passage of these Acts, coincided with the Great Depression and the considerable fall in producer prices forced Government to pass the first Agricultural Marketing Act in 1931. The complaints of producers, articulated in the form of organized criticism of this Act by the Farmers' Unions, led to the passage of the second Agricultural Marketing Act in 1933. While the 1931 Act did not give any positive assistance to farmers, the later Act embodied the Government's willingness to restrict imports and protect the home-producers' market. The latter Act, in addition, enabled Government to formulate schemes for marketing and set up commissions for different agricultural products whenever the producers would not come forward to set up producers' board for marketing of different commodities as envisaged in the first Act of 1931.

The Marketing Act of 1933 thus marks a radical change in Government's policy and approach to the Agricultural Industry. This Act, followed by minor modifications, governed the several producers' boards and commodity commissions in the period upto 1939. Had the Second War not intervened, there certainly would have been significant changes in the provisions of the Act, particularly relating to powers of different producers' boards in view of the experience of the thirties.

The war gave rise to a totally different situation in which imports of foodstuffs became extremely difficult due to strategic reasons; consequently, expansion of agricultural production became vital. As the situation developed, it became imperative to encourage agricultural production and to ensure continued expansion of agricultural production, stability to industry and reasonable levels of income within the industry. The wartime Reviews of agricultural production, incomes and the general state of the industry thus developed into regular consultations with the farmers' unions.

These wartime consultations and the postwar shortage of foodstuffs and the precarious balance of payments position in the immediate postwar years entrenched the Farmers' unions and endowed them with considerable organizational strength and bargaining power. The Agricultural Act 1947 gave statutory sanction to the Annual Reviews, recognized the need for long term stability of agricultural industry and for maintaining proper levels of income in the industry.

This Act, for the first time, placed the responsibility for promoting and maintaining a stable agricultural industry on the Government. Its importance lies in the fact, that what Government accepted as an expediency and as an inevitable necessity of the war economy became a positive policy in peacetime.

The needs of the post-war period of control upto mid-fifties, however, naturally drew more attention to the expansion of agricultural production and to proper remuneration to farmers, hired labour etc. With improvement in world agricultural production and better availability of overseas imports in later 'fifties, Government was forced to reconsider its policy objectives. At the same time increasing production meant increasing burden of price support on the Exchequer; and so, not expansion, but efficiency, productivity and ability to compete with imported foodstuffs became more important. In the 'fifties, because of more or less full employment characteristics obtaining in the economy there was continuous fall (about 25 per cent) in the number of hired labour employed in the industry. At the same time on account of better incomes there was considerable capital investment also during the period after the Second War. However, the guarantees provided in the Agricultural Acts of 1947 and 1957, appear to have entrenched small, marginal farmers who, in the absence of guarantees, might have moved out of the industry.

On the structural and operational side this problem of efficiency and productivity of small farmers has drawn considerable attention in recent years. The Government policy regarding guarantees provided in the Agricultural Act 1947 and long term assurances embodied in the Act of 1957

has thus come under heavy criticism because of the possible encouragement given by the artificially high levels of producer prices to small uneconomic farmers to stay within the industry. The Government measure of bearing one-third of costs of amalgamation of uneconomic units did not bear any fruit since its inception in 1958. In other words, the policy of maintenance of agricultural production at a high level resulted in (i) increasing burden of price guarantees on the Exchequer and (ii) continuance of large number of uneconomic units in the industry pushing the average costs upwards than what they would have been in absence of price supports.

Relating to marketing of agricultural commodities, the producers' boards, some of them constituted in the post-war period, have been doing a great deal to raise the producers' return. At the same time the element of monopoly enjoyed by the producers' boards has been held responsible for the criticism levelled against their working. No doubt there is some truth in the charge that the boards by regulating production confer benefits on farmers but do not adequately take into account the consumers' interest. The consumers do not correspondingly benefit by large production because the boards could withhold the surplus output from coming on to the market in times of glut; but in times of shortages, it takes some time for Government to allow additional imports of the items in short supply and in the meanwhile consumers are forced to pay higher prices. Thus in times of shortages consumers have to pay higher prices while in case of surplus output they don't fully benefit through lower prices which are artificially held up by the Boards' restrictions on supplies coming on to market.

Another fairly common complaint about the producers' boards is that not only they have done little to rationalize the distribution mechanism and to reduce the price spreads but, they artificially sustain high cost and / or marginally inefficient producers by averaging costs. The latter criticism stems inherently from the boards' pricing system but it flows also from the price guarantees under the Agricultural Act. The relevance of the operation of the producer boards to Government policy relating to agricultural industry becomes quite clear here; the boards serve as an instrument of the Government to implement price guarantees which by themselves have been said to be responsible for lack of improvements in structural organization but the boards further enable the marginal producers to remain in industry. In this sense, the boards have been held responsible for not bringing about efficiency in production as well as in marketing. Secondly, the very existence of marketing monopolies is held to be a reason for no effort on the part of producers to organize voluntarily and to reduce their inputs and thus to increase productivity. The Farmers' unions thus have conferred remarkable

bargaining power on farmers through the operation of producers' boards. They have utilized their power and organizational strength to obtain better returns to producers from the rest of the community but have, in the process, neglected the need for rationalizing the production structure and reducing distribution costs. This is considered to be the main defect of the Government policy of reliance on price guarantees and of support to producers' boards. Of late, Government seem to have become aware of this but have to overcome the strong opposition of Farmers' Unions before it can introduce needed changes.

Briefly, starting with the policy of noninterference of late 'twenties, the Government passed legislation enabling and encouraging the agricultural industry to take certain steps; it thus took upon itself a role, though not involving direct responsibility, of positive and active interest. The Government would appear to have been forced to take active interest because of circumstances demanding prudence and expediency. The war and postwar period signifies recognition by Government of its responsibility to maintain and promote a stable and efficient agriculture. In the course of implementation of this policy Government would seem to have given attention to the maintenance of the level of income in the industry commensurate with that in the nonagricultural sector; but this policy led to situations permitting sustained continuance of uneconomic units, creating difficulties in economic utilization and allocation of resources; the artificial props to the industry in the form of price guarantees and long term assurances reduced the competitive capacity of the industry. These are problems faced by Government and the industry in the sixties.

CHAPTER VI

PRODUCERS' MARKETING BOARDS

(1) *Potato Marketing Scheme*

DURING THE war and post-war years there was price control for ware and seed potatoes as also for stockfeed for some time. Though the Board's functions were suspended, it continued to exist and appointed an Emergency Committee to be available for consultations by the Minister. After decontrol in 1954 the Board began operation in May 1955 after preliminary procedures had been completed. Under the Scheme, there is an Executive Committee to which the Board allocates some duties; in addition there are Committees on Licensing, Basic Acreage, Early potatoes and such others as Seed Committee, Retailers' Committee and the Joint Consultative Committee. The last two are stated to be the main bodies through which the Board consults the Trade. The Board invites certain trade organizations to appoint members on the Committees.

Under the Scheme the Board has powers, the more important of which are: (i) to regulate the terms of sale and description of potatoes that may be sold by registered producers; (ii) to discourage excess production by means of quota acreage systems; (iii) to determine persons to whom or through whom potatoes may be sold by registered producers; (iv) to buy and sell potatoes; (v) to render services and to encourage co-operation, research and education in connection with production and marketing and (vi) to administer the guarantee arrangements for subsidies under the Agriculture Act through an agreement with Government.

Procedure: The Board is empowered to require every registered producer to contribute to the fund sums not exceeding 20 shillings per acre of potatoes planted; in the case of those who would exceed quota acreage are required to pay fine of £10 per acre of excess acreage. These charges have remained unchanged upto now but in view of certain changes envisaged in the operation of marketing, the Board has proposed to raise the maximum annual contribution to £ 3 per acre and that for excess acreage to £ 25 per acre. (The circumstances calling for this revision would be detailed later in this section). The Board has four operative tools through which it functions and discharges its responsibilities as laid down in the scheme. *First* is the basic and quota acreage. It discourages excessive planting through quotas announced every year before 31st

August. For 1961 the basic acreage was the average of the plantings of 1955-56-57, but the quota was announced at 90 per cent. The Board reviewed the allotment in 1961 and determined the average of the higher three years from 1957 to 1960 as the basic acreage and that individual quota would be 100 per cent in 1962. The *second* tool is riddle size of potatoes. As stated earlier, the Board announces size of potatoes, say 2", which would be sold. With larger supplies in prospect the Board raises the size of the riddle so that the supply on the market is regulated and the volume of supply is curtailed. *Thirdly*, through the inspection of farms and markets, the Board's Ware Standard Committee, examines dressing of potatoes on farms and in wholesale and retail premises. *Fourth* but not often used tool is that of minimum price restriction. The Board has power to prescribe minimum prices below which the registered producers may not sell potatoes; it also can prescribe the conditions of licence for potato merchants to whom registered producers sell potatoes. For the first time since its inception in 1955, the Board was required to prescribe minimum prices in 1960. In February 1960, when in spite of other regulatory measures prices continued to fall the Board prescribed minimum regional prices, ranging from £ 9 in Scotland to £ 11-10s per ton in Southern England, and raised them progressively by £ 1 per ton to 4th June 1960, when the prescription was withdrawn. The Board can prescribe minimum prices and terms of sales only after intimating the government of the proposed action. Apart from the four tools with which the Board is empowered to regulate supplies and production, it is also required to determine a list of merchants to whom registered producers may sell their produce and to issue licences to registered producers for direct sales to retailers. The licensing committee, referred to earlier, is entrusted with this work. The total number of licensed ware potato merchants was 3376 at the end of June 1961; seed merchants' licences numbered 767 and licensed grower-salesmen were 3983. As a rule, the Board cannot refuse merchant's licence to anybody; it has however to be convinced of the capacity of the applicant to perform the trading business on sound financial lines.

In each year the Board asks registered producers to make returns of the acreages planted and about certain other items of information. Failure to make satisfactory returns is an offence under the Scheme and such cases are referred to the Disciplinary Committee.

The Board is not empowered to buy the whole of production and to resell it as a commercial enterprise; in this sense it is not a trading board but a regulatory board. It is supposed to exercise its functions through

prescriptive resolutions relating to quantity, size, price and terms of sale, etc. which are binding on producers and merchants. Normally, besides authorizing merchants to buy from growers the Board does not lay down prices or regulate the wholesale or retail market. The Board has no powers over imports and at the most can make representations to government regarding import policy. Actually imports of new potatoes from overseas are on open general licence, subject only to tariff and health regulations. As regards making representations, the Board supported the National Farmers' Unions' application in 1957-58 to increase import duty on overseas new potatoes—this was not successful. In 1958-9, however, the Board's request for protection against foreign subsidised or dumped supplies was acceded to by government.

Guarantee arrangements: Upto 1959, the average support price fixed at the annual review, broken down into regional prices varying seasonally was guaranteed to every producer. These prices were payable to producers by the Board, if they offered their produce to the Board. The Board was reimbursed with the costs by government but 5 per cent of costs of administering the guarantee had to be borne by the Board. Producers were advised not to unload their potatoes on an unwilling market; if a producer was unable to get a reasonable price from the open market then he would offer his produce to the Board and would be entitled to the guaranteed price and, if he desired, to a cash advance upto £ 6 per ton. The guarantee thus offered a 'floor' to the market. Changes of procedural nature relating to timing of offers to Board were made upto 1959. But in the price review of 1959 it was decided to change the guarantee system. The new system applicable from 1959-60 season provided that if the average price of potatoes sold for human consumption from 1st August onwards fell below the standard price (determined at the annual review) the deficiency would be paid to the Board. Thus the individual producer was henceforth not entitled to the guarantee payment but the Board was entitled to it. The Board was expected to exercise its powers for regulating supplies in order to avoid hardship to individual producers. In consideration of the Board's administering the guarantee and assistance in other respects to government, the government agreed to pay one-half of the Board's administrative costs but not exceeding £ 300,000. In 1959-60, when the Board entered the market to avoid precipitous fall in prices, government contributed 2 to 1 contribution to the Board's expenditure incurred in supporting the market. In 1959-60 the Board purchased from the producers potatoes worth £ 1.8 million; it was claimed that this amount "has never been better used on behalf of potato growers". It was also

claimed that the arrangement had "the additional merit of reducing the charge on the public purse". In 1960-61, Government had agreed in advance to contribute two-thirds of the expenditure on market support, if the Board was required to undertake a buying programme. By September 1960, the supplies threatened to be huge; the average market price was £ 4 per ton below the standard price and it looked like the eventual deficiency payments mounting to £ 15 millions for the season; the Board entered the market on 7 October and operated its support buying till 29th April 1961. Before entering the market, the Board put on high ware standards and top riddle but all these measures were apparently of no avail. By end of April 1961 the Board was holding virtually all remaining warestocks and so between May and June the Board released 95,000 tons of ware to merchants; 390,000 tons of potatoes were sold by the Board for stockfeeding. The total buying operations of the Board in 1960-61 involved 485,020 tons costing £ 7.09 millions of which the Board recovered £ 2.51 million by sales of potatoes (ware and stockfeed) resulting in deficit of £ 4.57 million; in addition the Board had to make compensation payments in respect of 161,370 tons amounting to £ 2.04 million. Thus the net costs involved in market support were £ 6,624,656. The government contributed two-thirds of this.

Proposal for Market Support Fund: The Board's buying programmes in the two years 1959-60 and 1960-61 conferred benefits on all producers and in 1960-61 "the Board was instrumental in obtaining from the market for registered producers nearly £ 10 million more than would have been paid to them" if the average price had not been raised by the buying programme. The government's assistance of 2/3rd costs was more or less on *ad hoc* basis; the circumstances of the buying programmes led to the proposal of Market Support Fund at the 1961 price review. In place of the annually negotiated arrangement, there would be a five year one; the Fund would be built up by government and the Board on the ratio of 2:1 so that by collecting £ 3 million each year the Board will have a fund of £ 15 million at the end of 5 years. To make its contribution the Board would increase its income and hence the proposal to raise acreage contribution to £ 3 per acre and excess acreage charge of £ 25 per acre as stated earlier. The Board has estimated that by making additional payment of about 6 shillings per ton ware potatoes sold, registered producers will enable the Board to establish a fund sufficient in size to give a greater assurance of stability. The Scheme will have to be amended for the purpose and the amending of it was in progress by the end of 1961.

Operations of the Board: The statutorily appointed Consumers' Committee reported on the Board's working to the government in April 1958 and again in April 1961. In its earlier report, the committee referred to various points of criticism relating to the working of the Board, main among which were: (i) high prices and retail profit margin, (ii) difficulties of obtaining old-ware at certain periods, and (iii) failure by the Board to make correct estimates of crop. The Board also complained about the timing of government decisions relating import policy. Apparently the Consumers' Committee was satisfied with the explanations given by the Board on many points of criticism but regarding timing of supplies it observed that "there has been a tendency for the support price system . . . to result in a good crop year in a slowing down of deliveries which may lead to ultimate wastage and a failure to allow consumers to get the full potential benefit from a period of plentiful supplies". As regards, the retail prices and distributive margins the Committee could not reach a firm conclusion but said that "more attention should be paid to the question . . ." and observed "this Scheme, covering an important item in the house-wife's budget—makes no provision for taking account of the efficiency of, and charges made for, the distributive processes, the charges for which represent nearly half the retail price".

In 1957, expenditure on potatoes was 2s 8d per week or 3 per cent of the total expenditure on home consumed food at £4.7s.0d. spent by the average British household according to National Food Survey. In 1960, it was 3s 2d or 3.4 per cent out of £4.12.7.

| Year | 54-5 | 55-6 | 56-7 | 57-8 | 58-9 | 59-60 | 1960-61 |
|--|------|------|------|------|------|-------|---------|
| Rate of offtake in lbs per head per year | 219 | 200 | 198 | 201 | 195 | 187 | 199 |

This rate of offtake calculated by the Board takes into account imports as well as consumption on farms. It is clear that the rate was somewhat steadily declining upto 1959-60. The per head per week consumption of potatoes as reported in the National Food Survey was also declining from 1954 (3.95 lbs) to 1959 (3.44 lbs) to register a rise to 3.58 lbs in 1960. The fall in consumption of potatoes has been attributed to the increasing dependence on meat and other better foods in the post-decontrol period. During war and the post-war control period, the population had to depend heavily on cereals and potatoes; with availability of better foods dependence on these was no more needed.

In his study of the working of Potato marketing scheme, Allen¹ has discussed in detail the exercise of the regulatory powers of the Board. After showing how some rules for forecasting yields could be evolved on the basis of yields of previous years he has shown that the Board did not make any attempt to forecast yields. In essence, through its powers of adjusting the 'riddle' and market support, the Board attempted to shield the producer from short-term variations but did not try to avert longterm fluctuations. Secondly, Allen would want to limit the Board's use of riddle only in relation with yields and not with gross production. He would also require the Board to bear all losses, if any, incurred in the buying operations.

Since his criticism in 1958-9, the Board was faced with considerable surpluses of potatoes in 1959-60 and 1960-61. Large scale buying programmes had to be undertaken to maintain prices and to avoid precipitous fall in prices. Actually Government helped the Board by bearing two-thirds of the costs of the market support operations in both years and consequently a scheme for a long-term market support fund to meet any future buying programmes was under consideration.

Conceding the possibility that the Board's attempt to reduce acreage in view of heavy surplus owing to high yield might be criticised as effort to hold prices artificially at high level (as actually was done *vide* the Report of the Consumers' Committee—April, 1961, p. 12), the fact remains that the Board did not attempt to make any scientific forecasts on yields of 1961 and 1962; at least, there is no evidence to that in the Board's annual reports. Notwithstanding the criticism of Allen's rules regarding forecasting acreages as impracticable for a policy making body like the Board, the fact remains that the Board has been unable so far to make realistic estimates of crops. Secondly, the Board's efforts to set up the Market Support Fund only indicate its willingness to correct the effects of over-production while no effort seems to have gone into avoiding it. The Board heavily depended on its power of adjusting the riddle in the years of surplus crops. The Board has claimed that the buying operation of 1960-1 was "instrumental in obtaining £ 10 million more" (p. 21, Report 1961) and defended that it did not virtually affect the consumer as the price would have to be £4 per ton less to affect the consumer by one-half penny per lb. This defence is apparently acceptable to the Consumers Committee also. The significant point is that the amount was available to the farmers from the rest of the community; whether on individuals its burden was high or low is not so much relevant. To that

¹ Allen, G. R., *Agricultural Marketing Policies*, Basil Blackwell, 1959.

extent the consumers were deprived of the gain from lower prices. Moreover, as an average the $\frac{1}{2}$ d. per lb does not look significant but at particular points in the seasons the incidence could have been substantial.

On the one hand, the Board had been putting in efforts to promote consumption of potatoes through its publicity; while on the other, the consumption and offtake as shown earlier had been falling upto 1959. Evidently, it is desirable that while prescribing quota acreages for next year's plantings the Board should take into account the offtakes and trends in it. The consumers' Committee has referred to "a tendency for the housewife to increase the purchases of new potatoes at the expense of ware" in recent years; this fact also seems to be important for the Board to take into consideration while determining acreage quota. In its reports, however, there is no reference as to whether the Board considered these factors in its decisions. The fact that producers registered with the Board do not necessarily adhere to the prescribed quota—quite often they plant less than permissible acreage—seems to be quite significant. In the report (1961) the Board refers to this and suggest that 90 per cent of quota for 1961 resulting in 720,000 acres, would be all right as the producers would plant much less than this. It would have been useful to know to what extent and how many producers planted less than their permissible limit—this sort of information might help the Board in determination of quota more realistically. There is no evidence to indicate that the Board has been depending on any study on these lines. Actually if all registered producers were to plant according to quota the total acreage could be the highest since 1957 and might lead to surplus output.

To conclude, the Board's operations in recent years appear to be emphasizing the post-facto actions but do not suggest any measures in advance to avoid large year to year fluctuations. To this extent Allen's criticism of 1958 "that it did not try" remained true in 1961.

(2) *Milk Marketing Scheme*

There are five milk marketing Boards in U.K. operating the scheme: one for England and Wales, three for Scotland and one for Northern Ireland. As the working and operation of the Boards generally are on parallel lines, it may be convenient to go into the details of the Milk Marketing Board for England and Wales (M.M.B.) only. It may be worthwhile, however, to note the extent of the size of the milk trade and the amount of subsidies from government involved in it for U.K. as a whole, presented in Table 6.1.

TABLE 6.1: *U.K. milk supplies**(Figures in columns 2, 3 & 4 are in million gallons)*

| <i>Year (Oct-Sept)</i> | <i>Total milk supply</i> | <i>Liquid consumption</i> | <i>Mans- factured milk</i> | <i>% of col. 3 to col. 2</i> | <i>Total milk subsidy (£. million)</i> |
|----------------------------|------------------------------|-------------------------------|------------------------------------|----------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1938-39 | 1293 | 871 | 422 | 67 | n. a. |
| 1945-46 | 1474 | 1297 | 177 | 88 | n. a. |
| 1954-55 | 1945 | 1514 | 431 | 78 | 78.2 |
| 1957-58 | 2192 | 1514 | 678 | 69 | 52.2 |
| 1958-59 | 2056 | 1532 | 524 | 75 | 49.7 |
| 1959-60 | 2230 | 1553 | 677 | 70 | 42.4 |

The amounts of subsidy in the last column are for the years April to March and include subsidies for welfare and school milk subsidies also. Both these schemes, commenced before the war, were reorganized during and after the war; the welfare scheme covers low income families, depressed areas, expectant mothers and children under five years while the school milk scheme subsidized supply of milk in schools upto 1946 and which was afterwards free. In Table 6.2 are given amounts involved in the three different types of subsidies for U.K. as a whole.

TABLE 6.2: *Expenditure on different type of subsidy**(£ million)*

| <i>April-March years</i> | <i>General</i> | <i>Schools</i> | <i>Welfare</i> | <i>Total</i> |
|------------------------------|----------------|----------------|----------------|--------------|
| 1947-48 | 35.8 | 7.8 | 20.5 | 64.1 |
| 1951-52 | 52.2 | 10.0 | 25.3 | 87.5 |
| 1957-58 | 13.5 | 13.8 | 24.9 | 52.2 |
| 1958-59 | 11.6 | 13.6 | 24.5 | 49.7 |
| 1959-60 | 4.4 | 13.5 | 24.5 | 42.4 |

The general milk subsidy was gradually reduced from 1951-52 and so the amount declined while that for schools and welfare schemes remained more or less steady resulting in increased burden on the Exchequer with increasing school going children and population. In Table 6.3 are shown figures of General subsidy by the three countries, together with rate of subsidy at pence per gallon of liquid sales.

Figures in the last column reflect the gradual reduction in subsidy rates. In 1959-60, the M.M.B. for England and Wales realised larger net incomes than guarantee and so this difference had to be made over to government. (This point would be referred to later in detail).

TABLE 6.3: *General subsidy in different areas*

(£ million)

| <i>April-March years</i> | <i>England & Wales</i> | <i>Scotland</i> | <i>Northern Ireland</i> | <i>U.K. Total</i> | <i>Pence per gallon of liquid sales</i> |
|--------------------------|----------------------------|-----------------|-------------------------|-------------------|---|
| 1947-48 | 28.4 | 4.8 | 2.6 | 35.8 | 6.6 |
| 1950-51 | 60.7 | 8.7 | 3.8 | 73.2 | 11.3 |
| 1953-54 | 35.3 | 7.0 | 3.7 | 46.0 | 7.9 |
| 1957-58 | 4.3 | 4.9 | 4.3 | 13.5 | 2.2 |
| 1958-59 | 3.2 | 4.3 | 4.1 | 11.6 | 1.8 |
| 1959-60 | -1.8 | 2.9 | 3.3 | 4.4 | 0.7 |

Milk Marketing Board for England and Wales: The Board consists of 18 members of which 3 are appointed by government, rest being elected by producers from different regions. The Board has been empowered under the Scheme to buy, sell, store, manufacture and control milk supplies. It is a trading Board. It is the first buyer of all milk and pays producers a pooled price from the receipts of sales to liquid market, from manufactured products and government guarantees. It authorizes buyers of milk from producers through the exercise of sale conditions, marketing allowance conditions and regulations relating to the operation of dairies and depots. The government, since removal of controls in 1954, closely supervises the milk trade by means of (a) controlling retail prices of liquid milk, and (b) indicating wholesale and retail distribution margins. The price obtained by the Board remains within limits set by the government on retail prices and margins on the one hand and the guarantees on the other. The Board registers producers in three main categories (1) wholesale milk producers: who sell milk on a wholesale contract; (2) producer-retailers: who sell milk by retail, semi-retail on a licence granted by the Board; (3) Farmhouse cheese makers: who contract with the Board to make cheese on the farm which has to be graded and sold by the Board alone. It is only in the second category that producer-retailers are allowed to sell milk directly to the market without direct intervention by the Board; they perform a double function as both producers and

retailers: while their remuneration as producers is determined by the producer-price-guarantee, as retailers their trade margin is fixed by government. Because their actual return is higher than the two together (as they make do without the wholesale level costs) they are required to pay a levy so that their remuneration does not exceed the desirable. In November 1960, their remuneration was 6 $\frac{5}{8}$ pence per gallon higher than they were entitled to and so this amount was recovered by the Board through the producer-retailers' levy. In the other two categories the Board purchases entire supplies of milk or cheese and makes appropriate payments after pooling and taking into account costs of transport, heat treatment, market allowances etc. In Table 6.4 are given data on producers in different categories for recent years. [Data presented hereafter refer to England and Wales only unless otherwise stated.]

TABLE 6.4: *Number of producers by categories*

| <i>March Ending</i> | <i>Registered producers</i> | <i>Wholesale producers</i> | <i>Producer retailers</i> | <i>Farmhouse cheese makers</i> |
|---------------------|-----------------------------|----------------------------|---------------------------|--------------------------------|
| 1939 | 133,792 | 95,412 | 61,956 | 1,120 |
| 1950 | 161,937 | 143,019 | 38,950 | 130 |
| 1955 | 142,792 | 138,305 | 23,867 | 140 |
| 1958 | 132,233 | 129,879 | 15,677 | 190 |
| 1959 | 126,780 | 125,079 | 14,085 | 210 |
| 1960 | 123,137 | 121,376 | 12,873 | 230 |
| 1961 | 119,391 | 118,026 | 11,955 | .. |

The column of registered producers is all inclusive while the others are not necessarily mutually exclusive; the figures for farm-house cheese-makers refer to years ending September. The number of registered producers was on the increase during and the immediate post-war period, because the emphasis was on increased production without consideration of costs which resulted in many farmers taking to production of milk which was remunerative. In subsequent years there has been increasing emphasis on reducing costs and so apparently marginal producers have dropped out. Another important feature of the table is the reduction in producer-retailers; this was reported to be the result of the fact that gradually it became uneconomic for producer-retailers to sell milk as retailers unless their customer was next door. Particularly as a result of the government's safe milk policy, under which milk sold by retail must be bottled the expenses of bottling are not worth the trouble for the producer-retailer with a small supply. The Board has also increased its transport fleet and improved collection arrangements which together resulted in coverage of

outlying areas. The levy on the producer-retailers does not leave him any substantial incentive to retail his supply unless it was convenient with an assured market on door-step.²

Functions of the Board: The Board has been endeavouring to improve the quality of milk, improving the herds, standardizing the ingredients of milk and so on through several measures. Its main aim is to increase the consumption of milk in liquid form. In 1942 and 1955 the Board carried out national census of the size of herds of producers, took over responsibility for national milk recording in 1943; in 1954 the private milk records scheme was introduced. The National Milk Records ensure regular records and a higher degree of accuracy and enable members to improve management, feeding and breeding. The Private Milk Records assist members in day to day management and the scheme is also utilized as a link between technical consultants of the Board and producers for aiding the latter in solving their problems relating to feeds, yields, quality of milk, etc. From 1944, the Board has been operating an artificial insemination service which is available also to non-milk producers holding cattle. To eradicate bovine T.B. the Board assisted government and by October 1960 England and Wales was a fully attested area, meaning all herds were free of dangerous contacts. Government give a tuberculin test (t.t.) licence to producers whose herds are attested and whose premises and methods of production on the farm comply fully with Dairy regulations. In 1939, 4 per cent herds were attested, the percentages increasing to 18 in 1950, 56 in 1955, 92 in 1959 and 100 in 1960. The proportion of t.t. milk sales to total was 6 in 1938-9 which rose to 35 in 1950-1, 64 in 1955-6 and 89 in 1959-60.

In 1944, production bonus was introduced as a temporary measure payable to all producers, though primarily meant to stimulate produce from small producers, who had to depend largely on purchased feed. It was payable upto first 500 gallons every month in summer and 400 gallons in winter. It ceased in March 1958 according to a decision in 1954 to abolish it, when the supply position had improved. To start with, it was $\frac{1}{2}$ d per gallon, rose to 1 d in 1952 and was $\frac{1}{2}$ d in 1958 for summer months; for winter months it was started at $1\frac{1}{2}$ d rose upto 4 d by 1953 and was reduced to 1d by 1958.

The size of herds and total number of cows, dairy and beef type are indicated below. A representative sample survey of June 1960 showed

² (Paras 155 and 165-6). The Thorold Committee on Remuneration of Milk Distributors (1962) have referred to this difficulty arising out of inadequate remuneration to producer-retailers.

that the average dairy farmer had 102 acres and kept 21 cows. In 1942 the size of the herd was 15 cows while in 1955 it was 17 cows. Between 1942 and 1960 the number of milk selling herds had dropped by 34,000, the number of herds with less than 10 cows having dropped by 58 per cent and those with 10-20 cows by 11 per cent. Smaller herds were dropping out of the business. The number of total cows and heifers in milk together with cows in calf consistently rose from 2,646 thousand in 1939 to 3,125 thousand in 1960. The yield from all cows rose from 556 gallons in 1938-39 to 649 gallons in 1959-60; the yield had dropped to around 480 gallons during the war but improved more or less steadily in the post-war period. The yield per dairy cow rose from 560 gallons in 1938-9 to over 720 gallons in years after 1955-56.

Collection and transport of milk: The Board's responsibility for collection of all milk has required it to negotiate haulage rates with individual contractors. According to 1956-7 information, 51 per cent of milk was collected by the authorized buyers, 33 per cent by contractors of the Board and 7 per cent by the Board's fleet of trucks, the rest being arranged by producer-retailers, etc. The Board is continually engaged in collection of information on transport arrangements, costs, etc. on the basis of which it fixes the rates for transport from time to time. It states that cost of ex-farm collection was 0.86 pence per gallon in 1942-3 which remained around it upto 1951, rose to 1 penny by 1956 and was 1.03 pence per gallon in 1959-60.

Milk Supply and Utilization: As stated earlier, milk supply comes from wholesale producers, producer-retailers and farmhouse cheesemakers. It goes into two major markets: liquid and manufacture. In Table 6.5 are presented some data to illustrate the nature and extent of size involved.

TABLE 6.5: *Milk supply and utilization (million gallons)*

| <i>Octr.- Sept.</i> | <i>Sales of milk off farm</i> | | | | <i>Utilization of milk</i> | | |
|-------------------------|-------------------------------|-------------------------------|---------------------------------------|--------------|----------------------------|---------------------------|-------------------------------|
| | <i>Wholesale</i> | <i>Producer retailers</i> | <i>F. House cheese makers</i> | <i>Total</i> | <i>Liquid</i> | <i>Manu- factured</i> | <i>% of liquid market</i> |
| 1938-39 | 959 | 139 | 21 | 1119 | 767 | 352 | 69 |
| 1945-46 | 1080 | 176 | 3 | 1259 | 1132 | 127 | 90 |
| 1950-51 | 1369 | 152 | 4 | 1525 | 1376 | 149 | 90 |
| 1955-56 | 1652 | 86 | 8 | 1746 | 1351 | 395 | 77 |
| 1956-57 | 1773 | 76 | 10 | 1859 | 1336 | 523 | 72 |
| 1957-58 | 1774 | 72 | 11 | 1857 | 1347 | 510 | 73 |
| 1958-59 | 1657 | 67 | 12 | 1736 | 1361 | 375 | 78 |
| 1959-60 | 1809 | 65 | 14 | 1888 | 1381 | 507 | 73 |

It may be mentioned here that till 1954, there was rationing, prices of milk were controlled; actually from 1944 to 1950, for 7 years the average retail price remained between 9 and 10 pence per quart. From 10½d it was raised to 12½d from 1951 to 1952; it was 14½ d in 1956 and 15½ d in 1960. The upward trend in consumption of milk was arrested in 1950's by among others: (i) the increase in retail price; (ii) with abolition of controls, other forms of food stuffs became readily available owing to free choice; and (iii) during war and immediate postwar years positive efforts made to raise consumption of liquid milk had perhaps reached the level to the optimum and in 'fifties the Board had to meet with consumer-resistance. The supplies of milk also had substantially increased leading to over-supply of milk requiring its diversion to milk products. John Empson³ has divided the period into two: between 1939-50 total liquid milk supplies increased substantially whereas between 1950-56, there was relatively stable liquid market with increasing supplies of milk being used for manufacture. According to his data, with prewar consumption at 100, liquid milk consumption rose to 145 in 1945, to 160 in 1950 but dropped to 153 in 1955. The consumer expenditure on fresh milk constituted 8.3 per cent of total expenditure on food stuffs in 1938. The figures of these percentages after 1950 were:

| 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | 1956 |
|------|------|------|------|------|------|------|
| 9.4 | 9.1 | 9.5 | 9.0 | 8.5 | 8.3 | 8.1 |

Thus the expenditure on milk constituted the same portion of that on food-stuffs in 1955 as in 1938 after an increased share in the intervening period. Upto 1951, the price of milk is stated to have risen by 56 per cent over that of 1938, whereas retail prices as a whole rose by 103 per cent and food prices by 91 per cent. Thus milk was relatively cheaper. Between 1951-56 milk price went up by 38 per cent as against that of food by 40 per cent and that of total retail prices by 25 per cent. In the 1950's therefore milk did not enjoy the relative advantage of previous years. The declining general subsidy for milk referred to earlier was a cause of the sharp rise in milk prices which resulted in a steady liquid market. The subsidy formed 8 per cent of retail price in 1944-5, 27 per cent in 1950-51 and 4 per cent in 1956-7. Moreover, the war and postwar period was accompanied by relatively rapid changes in income-levels and their distribution; consumption rose quickly in the initial years in the low income groups as their incomes rose. This process has been somewhat

³ "A Review of Fresh Milk Market in England and Wales, 1939-56", *Journal of Agricultural Economics*, June 1957.

slackened in the post-decontrol period which also might be a reason of steady level of liquid milk consumption. In Table 6.6 are shown the data regarding estimated liquid consumption of milk per head. These figures pertain to the non-farm population only and reveal a declining trend in the first half of 'fifties with a somewhat steady level later on.

TABLE 6.6: *Liquid consumption per head*

| <i>October-September</i> | <i>Pints per head weekly</i> | <i>Oct-Sept.</i> | <i>Pints per head weekly</i> |
|--------------------------|------------------------------|------------------|------------------------------|
| 1938-39 | 3.01 | 1955-56 | 4.87 |
| 1950-51 | 5.07 | 1956-57 | 4.78 |
| 1951-52 | 5.02 | 1957-58 | 4.79 |
| 1952-53 | 4.92 | 1958-59 | 4.82 |
| 1953-54 | 4.89 | 1959-60 | 4.87 |
| 1954-55 | 4.85 | | |

As seen from table 6.5, the total milk supply was increasing year by year, estimated to be a trend of 2 per cent annually over the last 10 years. J. L. Davies⁴, General Manager of M.M.B. for England and Wales expected that for the next five years "the trend of output will continue upwards and at much the same rate as in the past decade". This forecast is of course, based on the assumption that efficiency on dairy farms will continue to improve. Faced with the problem of increasing output and more or less steady consumption of liquid milk resulting in large quantities being diverted to manufactured milk market (which is a low-price market), the Board has launched for some years publicity campaigns for raising liquid consumption. For sales promotion, funds are jointly provided by the milk producers, distributors and manufacturers, and the programme is carried out by the Board's Sales Division, the National Milk Publicity Council (N.M.P.C.) and the English County Cheese Council (E.C.C.C.) From 1954 to 1959 funds from producers and Trade were collected through publicity levy at a rate of a fraction of a penny per gallon of milk sold in May and December. In 1960, advertisement expenditure for home produced milk, cheese and cream was £ 967,000 which included contribution of both N. M. P. C. and E. C. C. C., the estimated expenditure for 1961 being £ 1,376,000; for milk promotion £701,000 and £1,010,000 was the estimated expenditure in the two years. From 1956 to 1958, the Board contributed to N.M.P.C. an average amount of £235,000 while in 1959 and 1960

⁴ "Milk Marketing", *National Provincial Bank Review*, February 1961.

it spent £ 571,000 and £ 600,000 respectively for promotion of liquid milk and milk products. The Consumers' Committee appointed under the Agricultural Marketing Acts 1931-49 considered the Board's activities relating to publicity and promotion in its report of March 1958. It considered that "stimulating an increased consumption of liquid milk would be most clearly beneficial to consumers" and after comparison of consumption of liquid milk per head in other countries with that in U.K. observed that there was room for increased consumption. It appreciated the difficulty of increasing the level of consumption but felt further efforts should be continued

Price structure of milk: At the annual price review Government determines a price, which is guaranteed to the Board and not to individual producers. The full guaranteed price is related to a specific quantity, the 'standard quantity', initially fixed at 1,651 million gallons in 1954-5 (which was equivalent to total sales off farm in 1953-4). The 'standard quantity' remained unchanged upto 1956-7, was raised to 1654.5 million gallons for 1957-8 and 1958-9 and further raised to 1661.5 million and 1678.8 million gallons for 1959-60 and 1960-61 respectively. Supplies in excess of this realize a lower price (and *vice versa*), as Government guarantees a substantially lower price for milk used for manufacture. As mentioned earlier, Government prescribes maximum retail prices of liquid milk and distributors' margins. If the Board's receipts from sale of milk for liquid market and for manufacture are less than the guarantee the Board is entitled to the difference from Government. In 1959-60, the Board's earnings were more, so it had to pay £ 1.8 million to Government. The total income thus received by the Board after taking into account its subsidiary incomes from creameries and administrative expenditure is available for distribution to producers; each producer receives according to his supply, after deductions are made for cost of transport at a flat rate, charged on regional basis. (The cost of transport upto the first destination is the producer's responsibility, service for which is provided by the Board or buyers through their contracts). In other words, the 'standard quantity' for a particular year is broken down into two: liquid and manufactured sales, for which two prices are guaranteed: for the former is the higher, the latter being lower. At the end of the year, the Board's actual income from the two markets is compared with the guaranteed prices and the difference calculated. The breakdown of the producers' guaranteed price for milk in England and Wales is given in Table 6.7.

TABLE 6.7: *Guaranteed price of milk in England and Wales*

| | <i>(Pence per gallon)</i> | | | | | |
|---|---------------------------|-------|-------|-------|-------|-------|
| | <i>Years ending March</i> | | | | | |
| | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
| <i>Guaranteed Price</i> | 37.25 | 38.09 | 38.50 | 38.75 | 37.75 | 37.75 |
| a) deduction due to excess supplies over standard quantity | -0.02 | -0.21 | -1.74 | -2.78 | -1.22 | -1.26 |
| b) Board's share of difference between forecast and actual price for milk | +0.09 | +0.26 | -0.02 | -0.09 | +0.18 | +0.07 |
| <i>Effective Guaranteed price</i> | 37.32 | 38.14 | 36.74 | 35.88 | 36.71 | 36.56 |
| a) Payment to producer in T.T. premium | -1.17 | -1.22 | -1.32 | -1.44 | -2.38 | -2.99 |
| b) Payment to 'production bonus' (ceased from 1-4-58) | -0.79 | -0.78 | -0.54 | -0.26 | — | — |
| c) Expenses of administration and sales promotion | -0.14 | -0.15 | -0.15 | -0.15 | -0.20 | -0.20 |
| d) Miscellaneous income | +0.22 | +0.09 | +0.06 | +0.03 | +0.03 | +0.09 |
| <i>Producers' Basic Price*</i> | 35.44 | 36.08 | 34.79 | 34.06 | 34.16 | 33.46 |
| Paid to i) wholesale producers | 35.35 | 35.98 | 34.67 | 33.91 | 34.02 | 33.34 |
| ii) producer-retailers | 36.51 | 37.68 | 38.00 | 38.63 | 37.00 | 36.25 |
| Standard quantity | 1,651 | 1,651 | 1,651 | 1,654 | 1,654 | 1,661 |
| Total sales of off farm (million gallons) | 1,653 | 1,670 | 1,813 | 1,878 | 1,765 | 1,798 |
| of which liquid consumption | 1,343 | 1,349 | 1,342 | 1,340 | 1,351 | 1,376 |

* before deduction of publicity and sales development levies.

It is seen that deduction due to excess supply was lowest at 0.02d per gallon in 1955 when the total supply was only 2 million gallons more than the standard quantity of 1651 million; on the other hand, the deduction was the highest at 2.78d per gallon in 1958 when the total supply exceeded the standard quantity by over 224 million gallons. Thus the producer's basic price would be largely affected by the quantity of total supply together with the Board's income from sales in manufactured market. Normally farmers would be expected to regulate or reduce their output in such a situation when the price they earned was generally falling in the preceding five years. However, with their effort to reduce costs per unit they

seem to afford more supplies with smaller margins. Mr. Davies pinned his hopes of solution of the problem of excess supplies in finding better markets and sales promotion. Regarding the criticism that the Board makes it easy for small farmers to increase supplies he stated "so long as the present structure of farming remains as it is and it is Government policy to protect rather than to reorganize the industry, the smaller farmers must produce milk and they will expand output as the profit per gallon diminishes."⁵ Below are shown wholesale producer's pool prices receivable by him before deduction of transport charges, which also indicate a fall in their incomes during recent years.

| Year (April-March) | 1954-5 | 1955-6 | 1956-7 | 1957-8 | 1958-9 | 59-60 |
|--------------------|--------|--------|--------|--------|--------|-------|
| Pence per gallon | 35.40 | 35.94 | 34.63 | 33.82 | 33.93 | 33.25 |

Consumer Price: The retail price paid by consumers is kept under control by Government by prescribing the maximum price for a particular year; actually these maximum prices vary in a year particularly between summer and winter months. The Board publishes in its annual report the average retail prices and the retail margins for each year. In table 6.8 are given the retail prices, the retail margins, distribution cost etc. for recent years.

TABLE 6.8: *Retail price of milk, distribution cost etc.*

| | <i>(Pence per gallon)</i> | | | | | | |
|--|---------------------------|-------|-------|-------|-------|-------|-------|
| | Years ending March | | | | | | |
| | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 | 1961 |
| (A) Retail price paid by consumer (for ordinary or pasteurized milk) | 53.67 | 56.00 | 60.00 | 63.00 | 62.33 | 62.38 | 61.99 |
| i) Retail Margin | 13.14 | 14.11 | 15.46 | 15.83 | 16.44 | 16.75 | 17.69 |
| ii) Distribution allowance | 3.49 | 3.61 | 3.63 | 3.82 | 4.13 | 4.02 | 3.82 |
| (B) Total distribution cost (i) + (ii) | 16.63 | 17.72 | 19.09 | 19.65 | 20.57 | 20.77 | 21.31 |
| (C) Board's net receipts from liquid sales | 37.04 | 38.28 | 40.91 | 43.35 | 41.76 | 41.61 | 40.68 |
| Percentage of (B) to (A) | 30.90 | 31.60 | 31.80 | 31.10 | 33.00 | 33.20 | 34.30 |

⁵ Davies, J. L., "Prospects in the market for Milk and Milk Products"—*Journal of Farmers' Club*—Part 7, 1961.

It is obvious that the distribution costs went up by 28.1 per cent by 1961 from 1955. It seems however that this was largely caused by the rise of 34.6 per cent in retail margin which is generally prescribed by Government while the retail price for consumer went up by only 15.5 per cent. The distribution costs remained below one-third of the retail price, though there was sudden increase in 1961 in its proportion to the latter largely arising out of the higher retail margin, and the fall in average retail price.

The distribution allowances that is the marketing allowances, determined by Government, consist of various costs of services rendered by distributors, such as those payable for brine cooling and handling milk at depots, for pasteurizing and sterilizing milk, for exceptional transport incurred by a wholesaler over 12 miles, etc.

Apparently the Consumers' Committee which referred to the costs of distribution and margins in its report of 1958, was satisfied with the arrangements devised by the Board though it referred to certain criticism regarding wastage of skimmed milk and inadequate arrangements in certain rural areas. The Committee compared the distribution charges of 1938-9 with those of 1957-58 and found that they had diminished from 42 to 32 per cent as proportion of retail prices. Allen, however, after going into the distribution costs more thoroughly and comparing them with those in Australia, New Zealand and some American towns concludes⁶ that there was considerable scope for rationalization of the distribution arrangements, consequently, much room for further reduction in distribution costs. He observed that the reduction of twice daily deliveries to one during war could be further tried such that alternate day deliveries could bring about more reduction in costs. His criticism of the Board has been mainly on the ground that the Board has been operating on monopolistic lines, could promote competitive distribution arrangements which may further stimulate working arrangements on economic lines. While suggesting that small producer-retailers are likely to incur lower marketing costs, he would encourage them to retail; he would also have small towns municipalize retail trade. There is no doubt much scope for reduction of costs on these lines but there are two points which may not necessarily lead to expected reduction in costs. Firstly, the alternate day deliveries proposed by Allen may not reduce the costs by 50 per cent as it is likely that the overall structure of organization could not be reduced, the labour employed too could not be reduced by half so that certain overheads would continue. Secondly, there probably might turn out consumer resistance to alternate day supply, particularly because milk is one of the few items of foodstuffs,

⁶ Allen, G. R., *Agricultural Marketing Policies*, Ch. 10, Basil Blackwell, 1959.

available and consumed fresh. Lastly, the costs calculated in other countries refer to higher consumption per head per day so they may be reflecting less; as the consumption per day increased in U.K. the costs might reduce further as they are related to per gallon of supply. The number of registered producers has been continually declining over the last decade or so, and this means points of collection of milk are diminishing. If the producers in outlying regions could be persuaded to give up milk production and milk supply were concentrated in certain profitable areas only, it may perhaps lead to some reduction in costs of collection. Of course, this depends more on the farm policy, in general.

Annual Review 1961: To sum up the foregoing briefly, it seems, the output of milk has been outpacing liquid consumption for some years entailing diversion of milk to low price market of manufactured products. The Board has been endeavouring to stimulate liquid consumption through publicity campaigns. While the retail price paid by consumer is substantially higher than in 1957, the Board's return has been lower for liquid milk and higher for manufactured milk. Though there is evident need for curtailing total off farm supplies, the Board does not appear to feel it necessary; it expects to find increasing markets for liquid as well as manufactured milk.

In the 1961 Review the Government recognized this problem. While it would not consider increasing the guaranteed price (which might result in further expansion of output), it desired to prevent the trend of increasing output. The Government saw the solution in a two tier price arrangement so that every individual producer could be allocated quota and that he would receive lower price for oversupply. The purpose of this would be "to modify the pooling arrangements which at present obscure from producers the consequences of producing more milk than can be sold profitably", so that the principles implicit in the national standard quantity for milk be applied to the payments to individual producers. The Farmers' Unions and the Boards were not in favour of such a system but they agreed to consider the proposals during 1961. After a thorough consideration of the proposals, the Unions and Government have reportedly agreed that the proposals would be too rigid and administratively difficult to work.⁷ The solution has to be found and apparently the Boards seem to be confident in finding it, in expansion of markets.

Concluding Remarks: It may be worthwhile to note here the place of milk and milk products in the total economy of U.K. as seen in Table 6.9.

⁷ *The Milk Producer*, Journal of Milk Marketing Board of England and Wales, November 1961.

TABLE 6.9: *Milk consumption vis-a-vis food expenditure*

| | <i>Prewar</i> | 1945 | 1950 | 1958 | 1959 |
|--|---------------|-------|-------|-------|-------|
| a) Liquid milk per year (lbs per head) | 217.1 | 314.0 | n. a. | 320.3 | 322.3 |
| b) Expenditure on food as percentage of total consumer expenditure | 29.2 | n. a. | 28.5 | 30.8 | 30.3 |
| c) Exp. on fresh milk as % of total | 2.4 | n. a. | 2.7 | 2.5 | 2.5 |
| d) Exp. on fresh milk as % of food | 8.3 | n. a. | 9.5 | 8.1 | 8.1 |

It is noteworthy that while consumption of liquid milk has gone up, the expenditure on it has been more or less steady in recent years. The consumption of milk and its products in U.K. in comparison with that in certain other countries of West is seen in Table 6.10. It will appear that

TABLE 6.10: *Consumption of milk and products in U.K. and elsewhere (per head per year)*

| | 1957 | 1958 | 1959 |
|------------------------------------|--|---------------------|------|
| | <i>liquid milk (gallons per year)</i> <i>(excluding cream & skimmed milk)</i> | | |
| U.K. | 30.9 | 31.1 | 31.3 |
| U.S.A. | 29.5 | 28.9 | 28.8 |
| Netherlands | 36.0 | 34.7 | 34.0 |
| Denmark | 26.8 | 27.2 | 29.5 |
| Canada* | | | |
| (*including cream) | 38.8 | 38.4 | 38.1 |
| | | <i>Butter (lbs)</i> | |
| U.K. | 17.3 | 20.0 | 18.5 |
| U.S.A. | 8.4 | 8.4 | 8.0 |
| Netherlands | 8.6 | 10.8 | 9.0 |
| Canada | 20.3 | 19.1 | 18.1 |
| Denmark | 22.0 | 29.8 | 23.6 |
| | | <i>Cheese (lbs)</i> | |
| U.K. | 10.0 | 9.9 | 9.3 |
| Netherlands | 16.0 | 17.6 | 17.4 |
| Denmark | 15.7 | 16.5 | — |
| U.S.A.* | | | |
| (*excluding skim & cottage cheese) | 7.7 | 8.1 | 8.0 |

though there could be scope for increased consumption by stimulating through campaigns, it is quite an uphill task in view of the already high levels of consumption of milk and its products, in comparison with other industrially advanced countries.

(3) *Egg Marketing Scheme*

Background: The Egg Marketing Board with entire U.K. for its area of operation came into existence in July 1957. The Scheme sponsored by the Farmers' Unions became an object of severe criticism in press and during the public enquiry in 1956, hence it is useful to give a brief account of the arrangements for egg marketing before the Board. With decontrol and abolition of rationing in 1953, Government made some interim arrangements by setting up the National Egg Marketing Organization (NEMO) to advise the Ministry on orderly marketing. The National Egg Marketing Organization operated through two committees (i) an Advisory Committee on which all sections of trade were represented and (ii) a small executive committee, meeting every week, on which representatives of Farmers' Unions, licensed packers, wholesalers and officials of the Ministry sat. A Government sponsored company Nedal (1954) Ltd. was set up to buy at support prices from packers and subsequently to dispose of eggs which packers did not wish to retain for their own trade. There were around 600 packers (packing stations-private firms) which accounted for over half of Britain's trade in home produced eggs. The packers were required to purchase from producers all first quality eggs offered to them and they were guaranteed by Government a margin to cover costs of grading and packing.

The Scheme sponsored by the Farmers' Union for the producer-controlled egg marketing board envisaged retention of the packing stations but replacement of the National Egg Marketing Organization and Nedal. The Board was proposed to become sole buyer of all eggs with certain exceptions and the packing stations would become its agents under contract to collect, quality test, grade and pack eggs. All other arrangements would continue on previous lines, the Board being required to take eggs from packers which they did not want for their own trade.

Among the major objections against the Scheme which came for consideration at the public enquiry were that the Board would have a virtual monopoly over production of eggs and semi-compulsory grading and this would give rise to increased costs and increased prices to consumers in the absence of competition. All the packing stations competing in the market would come under the control of the Board. Costs of production also were considered and it was alleged by objectors that costs in Britain

were already higher than in other countries and a virtual monopoly of producers operating through the Board would affect consumers adversely and would lead to attempts to stop imports from abroad. At the public enquiry these objections were set aside and the British Egg Marketing Board commenced operations from July 1957 with some modifications in the original scheme and dilution of the stringent monopoly element in it.

Operative procedures: In the finally accepted scheme all producers with more than 50 adult birds were required to register if they intended to sell eggs. Producers could sell to consumers without any licence but producers with more than 50 birds who wanted to sell to retailers had to get a B licence. No licence was needed to sell to the packing stations. Producers with 50 or less birds wishing to sell to a packing station, however, had to register with the Board as small producers. Sales of eggs for hatching were exempt from the marketing provisions of the scheme. A levy of $\frac{1}{2}$ penny a dozen on hen eggs sold to the Board and $\frac{1}{4}$ d. a dozen on eggs sold to retailers on B licence was imposed in 1957. It may be noted that eggs sold to Board through packing stations only were eligible for Government guaranteed price.

In the original Scheme there was no exemption for sales of eggs to retailers and consumers, and producers with 26 birds or less only were allowed not to register with the Board. Thus actual Scheme gave freedom and scope of sales to larger number of small producers. The Board's regulations as applied gave freedom to small producers to sell outside the packing stations when they liked and also could sell to packing stations (only if they had registered as 'small producers') when they chose. This meant the packing stations would be flooded with supplies when retail prices were low and would not receive supplies from small producers when they were high. This provision left a heavy burden on the Board, according to the Chairman of the Board.

Size of production and market: No reliable estimate of number of total eggs produced and of small producers was available. The Commissioner holding the public enquiry assumed that 54 per cent of domestic producers had less than 50 birds each and 78 per cent had less than 100 each. The Farmers' Unions said that they had 224,000 poultry keeping members; adding to this domestic, small keepers the number was estimated to be a total of about 700,000. In 1954, 666 packing stations handled 5,883 million eggs; adding the 3000 million eggs estimated as not passing through packing stations and the 900 million consumed by producers the estimated total home production in 1954 was 9783 million eggs. Before the war, some 385,000 tons of shell eggs were home produced and constituted 71

per cent of total needed for consumption. In Table 6.11 are presented data of registered producers, throughput, etc. culled from the B.E.M.B.'s reports in recent years.

TABLE 6.11: *Supply of eggs through Board*

| | <i>Year ending March</i> | | | |
|---------------------------------|--------------------------|---------|---------|---------|
| | 1957-8 | 1958-9 | 1959-60 | 1960-1 |
| No. of Registered producers | 396,000 | 428,000 | 440,000 | 452,000 |
| 'B' licenced producers | 3,800 | 3,700 | 3,500 | 2,800 |
| No. of Packing Stations | 494 | 615 | 593 | 577 |
| Authorised collectors | 1,274 | 1,358 | 1,421 | 1,307 |
| Throughput in packing stations* | 22,271 | 22,710 | 23,770 | 21,277 |

*Thousand boxes of 30 dozens each.

The number of packing stations is not the same as that of packers holding agency agreements with the Board as some packers would be running more than one packing stations. The number of packers was 476 by end of 1960, corresponding numbers for 1959 and 1958 having been 481 and 615 respectively. From Table 6.11 it is seen that more and more producers registered with the Board in subsequent years while the number of B licence holders (i.e. producers with more than 50 birds wishing to sell to retailers) declined. This could be attributed to either of two reasons: one, the Board's performance was increasingly better and so attracted producers to sell eggs to it; two, the conditions in the market became more and more difficult for individual producers and so they were forced to turn back to the Board, selling through which they could ensure the income from guaranteed price which would be available only if they sold to the Board. It is hazardous to conclude presently on what prompted B licence holders to give up licences but it would appear that the latter of the two conditions was more impelling than former. Because even if the Board's performance remained good as regards marketing, the producers selling to retailers would not be impelled to sell to the Board as long as they got a reasonable price in open market. As there is evidence of falling prices and increasing production in recent years, it seems the producers found selling to retailers not attractive and so were inclined to sell to packing stations thereby ensuring guaranteed price.

The Guarantee arrangements: Before the Board took over the egg trade, Nedal operated the guarantees. The licensed packers were required to purchase all first quality eggs offered to them or to licensed buyers at guaranteed prices; but they were permitted to pay more than these. The guaranteed seasonal minimum prices fixed by the Government were linked to feed prices; they increased or decreased by $\frac{1}{2}$ d a dozen for change of every complete $6\frac{2}{3}$ d a cwt. of average feed price. The operation of this feed formula affected the annual average guaranteed price for eggs by a fraction of $\frac{1}{2}$ d. per dozen; besides seasonal, there were three prices for large and standard, for medium and small and for extra small eggs.

When the Board commenced operations, it was made responsible for the guarantee arrangements for all eggs excepting those for hatching and for export. The Board was expected by Government to ensure "the maintenance of quality standards, as eggs for the wholesale market ought to be properly graded and tested and marked to show the size and quality." It was also envisaged to be a central buyer willing to take off the hands of the packing stations eggs which they could not shift at a price sufficient to return the guaranteed price to producers. The guarantee was to be to the Board and not to individual producers. The Board was to buy all hen eggs passing through the packing stations and was to fix the prices to be paid to producers. The Government would not fix these prices. The guaranteed price for eggs continued to be subject to Annual Review procedures but instead of being a minimum support price it was subjected to slight variations. A forecast of average market price for the ensuing year (estimated in the light of information on previous year's market prices, throughout, poultry numbers, marketing costs, etc.) would be made; the difference between this forecast price and the producer's guaranteed price would be the flat rate of subsidy payable to the Board on all eggs handled by the packing stations. If at the end of the year the Board's average receipts per dozen eggs including subsidy were no more than 2d. per dozen above or below the guaranteed price, then any profit or loss would be borne by the Board. If the average receipts of the Board exceeded the guaranteed price, by more than 2d a dozen, then 50 per cent of the excess amount over 2d. would be paid by the Board to the Government; if, on the other hand, the Board's realization price was lower than 2d. below the guaranteed price then 90 per cent of this was to be borne by the Government. The 'egg year' was to be ending March. The Board, on its part, was to inform every week the packing stations the prices to be paid to producers sending eggs to them. This price was

based on the current market price plus the subsidy payment due from Government. It was the Board's responsibility to enable packers to pay that price to producers. The Board also was responsible for the costs of transport from packing stations to first point of delivery. It, of course could not prescribe wholesale or retail prices. The Board received the guaranteed price for eggs from Government, which included administrative costs in administering guarantee arrangements and marketing expenses, including packer's margins, packing costs, transport etc. The average selling price realized by the Board for 1957-8 was 3s 1.3d. per dozen against the forecast price of 2s-10d. On the total throughput of 21.2 million boxes (of 360 eggs) this difference amounted to £8.7 million. The Board was entitled to retain 50 per cent of the excess over 2d above 2s-10d; accordingly it retained £7 million and gave the Government £1.7 million. Thus the underestimation of the forecast price by the Ministry led to substantial profits to the Board which it passed on to the producers. The Government attributed the higher realized price to (i) extensive publicity campaign by the Board and, (ii) firm prices on the continent resulting in low imports and corresponding high price to home produced eggs. It is interesting to note that had the Government forecast of price been on the upper side, the Board would have incurred loss but 90 per cent of that below the 2d band would have been the Government's responsibility.

In view of the difficulties of making a realistic forecast of market prices for the ensuing year, arrangements were revised at the time of annual review of 1958: these provided that the estimated average selling price for the next year should be based on the realized average wholesale prices of fresh eggs in the immediate two past years, double-weighting being given to the year immediately preceding the guarantee year. The profit and loss sharing arrangements between the Government and the Board above and below the 2d band of the realized price were, however, continued unchanged. The actual effect of these arrangements was that the producer's price came to be substantially influenced by previous year's prices which again were also the result of fluctuations in supply and demand. Secondly, the guaranteed price fixed at the annual reviews came to have relatively small significance for actual prices owing to the profit sharing arrangements.

The arrangements were therefore changed again in March 1960 and were continued for 1960-1 and 1961-2. No alteration was made in the basis of calculating the ensuing year's average market price but the profit sharing arrangements were modified abandoning the 2d band. If the

Board's actual realized price (difference between the estimated and the guaranteed price was the flat rate of subsidy payable to the Board) exceeded the estimated price the excess i.e. the profit would be divided as follows: 25 per cent to Government, 45 per cent to be distributed to producers and 30 per cent to be placed in the Reserve Fund. If the Board's actual selling price was below the estimated price, the difference i.e. loss would be shared as follows: 40 per cent of the loss to be borne by the Board and 60 per cent by the Government. The Board was however to bear only 10 per cent of any loss in excess of 6d a dozen. While the reserve fund was intended to meet losses, producers were not to be responsible directly for any losses. It seems that these arrangements left scope for the Board to earn the best prices in the market, the profit-margin being determined by the level of estimated price in turn depending on the

TABLE 6.12: Board prices of hen eggs

| | (per dozen) | | | |
|---|----------------------|----------------------|---------------------|---------------------|
| | 1957-8 (39 weeks) | 1958-9 (52 weeks) | 59-60 (53 weeks) | 60-61 (52 weeks) |
| | s. d. | s. d. | s. d. | s. d. |
| 1 Price guaranteed to B.E.M.B. | 4-6. 2 | 4-0.95 | 4- 0.95 | 3-11.15 |
| 2 Minimum average price paid to producers for first quality eggs purchased by or on behalf of the Board | 4-4.25 | 3-9.73 | 3- 4.56 | 3- 7.38 |
| 3 Average market price received by the Board | 3-5.18 | 3-2.90 | 2-10.29 | 3- 6.06 |
| 4 Rate of subsidy received by Board from Government | 1-3.73 | 1-0.22 | 0-11.76 | 0- 8.82 |
| 5 Marketing costs | | | | |
| a) Packer's margin | 0-3.02 | 0-2.94 | 0- 2.83 | 0- 3.07 |
| b) Transport and delivery costs | 0-0.55 | 0-0.54 | 0- 0.58 | 0- 0.58 |
| c) Box & packaging | 0-0.82 | 0-0.98 | 0- 1.22 | 0- 1.16 |
| a+b+c) | = 0-4.39 | 0-4.46 | 0- 4.63 | 0- 4.81 |
| 6 Cost of marketing eggs not saleable as fresh in shell | 0-0.32 | 0-0.65 | 0- 0.78 | 0- 0.30 |
| 7 Administrative Expenses | 0-0.44 | 0-0.52 | 0- 0.56 | 0- 0.68 |
| 8 (5+6+7) | = 0-5.15 | 0-5.63 | 0- 5.97 | 0- 5.79 |

previous years' actual average market prices. Thus year by year there would be increasing limit on gains from any higher actual price; if however, in a particular year the price dropped considerably it would affect next year's estimated price but this again would have limited effect inasmuch as Government retained the power to alter the guaranteed price thus affecting subsidy. The broad limitations may be borne in mind within which guaranteed price can be altered under the long term assurances provided in the 1957 Act (i) guaranteed price cannot be reduced by more than 4 per cent of the previous year's price and (ii) reductions must not total more than 9 per cent in any period of 3 years. Further the guaranteed price of eggs is also linked with the feed formula. In Table 6.12 are shown the prices for recent years. The interesting facts of the Table are: (i) price guaranteed to the Board by Government and the rate of subsidy declined in successive years; (ii) correspondingly the price paid to producers together with that received by Board also declined in first three years with a small rise in 1960-1; (iii) the costs of box and packaging rose steadily along with the Board's marketing costs and administrative expenses. In 1957-8 the Board received Government subsidy for eggs (hen + duck) amounting to £30 million but that was not a full year of the Board's trading operation; in 1958-59, 1959-60 and 1960-61, the subsidy amounted to £33.7 million, £33.1 million and £23.5 million (estimated) respectively.

Board's supply of eggs: It may be noted here that the eggs passing through packing stations authorized by the Board are not all the home supplies. In Table 6.13 are given some data pertaining to sources of total supplies and the Board's share of it. This may give some idea of the extent of Board's control over total home production of eggs (hen).^a

TABLE 6.13: *Total home production of eggs*

| | 1955-6 | 1956-7 | 1957-8 | 1958-9 (prov) |
|------------------------------|-------------------|--------|--------|---------------|
| | (million of eggs) | | | |
| 1 Total Production | 10,183 | 11,156 | 11,612 | 12,700 |
| 2 Total for home consumption | 9,942 | 10,902 | 11,331 | 12,382 |
| 3 Packing station throughput | 6,030 | 7,323 | 7,914 | 8,273 |
| 4 3 as % of 2 | 61 | 67 | 70 | 67 |

The difference between items 1 and 2 accounts for eggs used for hatching which are not under the Board's control. The Board thus accounted for

^a Hunt, K. E. and Clark, K. R., *Some Statistics of Poultry and Eggs in Britain 1960-61* (mimeographed) p. 22.

about two-thirds of total home egg output for consumption; the residual portion was accounted for by licensed and other small producers not selling through the packing stations.

It does not however mean that all supplies passing through packing stations were necessarily consumed as fresh eggs in shell. The Board had to take off surplus in certain months of flush season which would adversely affect the market price and to divert it to frozen or other manufacturing markets. These surplus eggs varied from 220 thousand cases (of 360 eggs) in January 1958 to 148 thousand cases in May 1958; while in May 1960 they amounted to 248 thousand cases. These surplus supplies for the first six months of 1958, 1959 and 1960 were estimated to have been 3.5, 7.4 and 6.5 per cent respectively of the packing station supplies.⁹

Policy of the Board: On assumption of its trading powers in 1957, the Board announced that it aimed at selling more eggs, speeding the journey of eggs from farm to consumer and encouraging high quality production. In recent years output has gone up together with throughput of packing stations but this has also created the problem of surplus. Government has viewed this with some concern and at each price review of 1959, 1960 and 1961 aimed at restricting the output; the guaranteed price was reduced at the 1960 review and was not raised in 1961 review in spite of the Farmers' Unions' plea that there was the risk of the farmer's return falling more than what Government wanted leading to instability in both market and production. The lower producer price has been accompanied by (or resulted in) increased output in recent years. The Board has been stepping up its promotional expenditure in order to maintain increased consumption and has been stressing importance of reduced costs (B.E.M.B. annual reports). The home output is presently around 98-99 per cent of total fresh egg consumption. In 1960 and 1961, imports from Poland and Denmark caused some trouble to the Board but its application supported by Unions to impose anti-dumping duties was not granted by Government. Though, on the whole, imports amounted to an insignificant proportion, in particular seasons, it seems, they could cause some hardship to home supplies. In May 1960, when there was clamour for invoking anti-dumping Act, a member of Parliament stated that Britain was not the only country increasing output of eggs, that Dutch egg production had gone up by 25 per cent between 1955-58. It was also stated that in the week ending 19 March 1960, the B.E.M.B. had to lift 30,000 cases as surplus but at the same time Government allowed import of

⁹ *Op. cit.*, p. 21.

32,000 cases in the same week. In 1961, similar position recurred when Poland exported eggs to sell at 1s-6d/1s-9d per dozen in Britain when their home price was 6s; evidently they were dumping eggs on Britain. The imports from Poland rose from 141,000 and 197,000 cases in years ending June 1959 and 1960 to 581,000 cases in 1961. (Reply in House of Commons, 17 July 1961). It is clear that there was sudden rise in imports in 1961 and Government did not still think it serious enough to do anything about it. From the facts, it appears that there was some case on the side of the B.E.M.B. Broadly, however, the Board should not be so much worried over imports in view of its overwhelming share of the home market.

Consumption and Demand for eggs: According to the National Food Survey reports, consumption of fresh eggs and egg products in homes was 29.2 lbs. per head per year in 1956 and rose consistently to 30.6, 31.9 and 33.3 lbs. in 1957, 1958 and 59 respectively. Consumption of eggs per head per week was 4.42 in 1958 but it dropped from the high income group at 5.42 to that in the lower ones to 4.12 and 3.87.¹⁰ The income elasticity for eggs decreased however, from 1955 to 1958. Thus the consumption of eggs would go up as incomes rose but the rate would be slower. These features of consumption trend would have some bearing on the Board's aim to raise consumption. It has spent around £ 8 million in 1961 as against £ 4 million in 1957 on promotion through advertisement, egg shows, exhibitions etc. During these years average retail prices have not declined but remained generally around 4s.-6d./4s.-9d. per dozen. This would have limited implication in the sense that consumption would go up even if prices remained unchanged/steady. But the extent of scope for expansion would be restricted by income-elasticities and the rise in incomes of the several groups of households and earners. Eggs consumed per head per year were 231, the highest in U.K. among European countries in 1958, with the exception of Ireland with 245. In Canada and U.S., it was much higher at 298 and 323 respectively. The B.E.M.B. may therefore reasonably hope to push up consumption but by European standards there was not much scope. But assuming continued prosperity the scope seems large, as with high income egg consumption also rose.

*Organization of production and supply:*¹¹ The estimated value of U.K. farm sales of eggs and poultry has been around £225 million in 1957-8 to 1959-60 and formed about 15 per cent of total farm sales. In 1959-60

¹⁰ *Op. cit.*, p. 53.

¹¹ Data presented in this and subsequent sections are culled from "Some Statistics of Poultry and eggs in Britain 1960-1" by K. E. Hunt and K. R. Clark (Mimeographed). Jan. 1961.

the estimated value of eggs alone was 10.8 per cent. The value of farm sales of eggs and poultry was about 12.0 per cent in Holland and France, 9.7 per cent in Denmark, 6.8 per cent in Germany. It was the highest in U.K. in comparison with that in most European countries. The number of total fowls on agricultural holdings (i.e. holdings over 1 acre) in U.K. was 78.2 million in 1956 and rose to 102.5 million in 1959 according to June Census; further distribution of fowls 6 months old and over and younger are also available but their reliability is somewhat limited according to the authors owing to the reporting biases of farmers. Based on the 33 1/3 per cent sample, the size distribution of flocks of adult-birds in 1957 and 1958 reveals concentration of birds in large sizes, which seems to be more in 1958 than in 1957 as seen from Table 6.14 for England and Wales. It is a notable feature that about three fifths of small sized flocks accounted for less than one-fifth of total number of birds while 6 per cent of large flocks had over one-third of total birds. In this context, the recent developments of 1960 and 1961 on the part of egg producers to form groups/companies are clearly interesting.¹² Late

TABLE 6.14: *Size distribution of poultry flocks*

| Size of flocks | Proportion of | | Proportion of | |
|--------------------|---------------|--------|---------------|--------|
| | flocks | birds | flocks | birds |
| | 1957 | | 1958 | |
| Below 99 | 63.38 | 20.28 | 61.69 | 17.77 |
| 100- 375 | 30.72 | 44.08 | 31.27 | 41.37 |
| 376- 999 | 4.93 | 22.01 | 5.74 | 23.48 |
| Above 1000 | 0.97 | 13.63 | 1.30 | 17.38 |
| Total No. holdings | 255,022 | — | 247,706 | — |
| 000' fowls | — | 31,923 | — | 32,507 |

in 1960 groups were formed by egg producers in Norfolk, Lancashire, Cumberland etc. counties with a view to reduce big gaps between producer's price and that paid by consumer. The purpose was also stated to be to purchase requisites of feed, etc. of farmers and in some cases to market their output. Some of these groups were encouraged by Farmers' Union but apparently the initiative was voluntary and the Board did not play any part in the formation of these groups. The broiler on large scale in poultry seems to have affected the egg producer as some very large enterprises are feared to ultimately affect the small producer adversely and hence these

¹² The observations in this connection are based on news, reports from Farmers' Weekly and Farmer and Stock broker, etc. periodicals.

groups. It is, however, important to note that these are not co-operative enterprises.

Another significant development is the method of operation. Considerable shift to battery from deep litter method of housing laying flocks has taken place. In 1956 battery and deep litter accounted for 34 and 41 per cent of total hen population; corresponding percentages in 1959 were 46 and 28 respectively. Egg yield per bird per year was 172 in 1955-6 which rose to 180 in 1958-9 representing an average increase of about 1.5 per cent each year.

Price of eggs: Despite slight variations in quality, size and pattern of demand, comparisons of egg prices were made¹⁸ for 1955 which revealed that producer price in U.S. cents per kg. was 72.2 c (excluding subsidy of 13.7c) in U.K. against 56.3, 60.9, 64.1 and 77.8 cents in Denmark, Holland, Germany and Italy respectively. Consumer price was correspondingly the highest in Italy. The margin for collection, packing and wholesaling was 9 per cent of total retail price in U.K. but was less in Denmark and higher in Holland, Germany and Italy than in U.K. Partly this was because U.K. price was higher. In Table 6.15 are shown recent producer prices in different countries. It is evident that prices in all countries have

TABLE 6.15: *Producer prices of eggs*

| Year | (in U.S. cents per kg.) | | | | | |
|------|-------------------------|--------|--------------|-------|------------|-------|
| | Denmark | France | West Germany | Italy | Netherland | U.K.* |
| 1955 | 55.0 | 83.4 | 79.1 | 81.4 | 61.1 | 87.2 |
| 1956 | 54.0 | 91.8 | 81.1 | 83.9 | 59.2 | 82.8 |
| 1957 | 50.7 | 87.3 | 75.6 | 79.5 | 56.6 | 86.1 |
| 1958 | 49.2 | 77.5 | 73.8 | 78.5 | 56.1 | 79.3 |
| 1959 | 42.9 | 63.0 | 64.4 | 74.2 | 47.6 | 71.1 |

* including Exchequer subsidy.

been falling of late. While U.K. prices have been the highest in all these years excepting France, it is worth noting that there has been considerable difference in the Continent, even among the Six.

Concluding remarks: The output of eggs in U.K. has been expanding along with the number of fowl and yield per bird in recent years. Producer prices have registered a continuous declining trend. As seen earlier, the

¹⁸ Marketing and Distribution margins for Eggs in O.E.E.C. countries—Documentation in Food and Agriculture No. 16—Project No. 285 (1959).

Board's marketing and administrative costs have, however, been going up, in particular the cost of box and packaging. The average retail prices of large grade eggs have been above 3.93 s, 4.31 s, 3.89 s and 4.37 s per dozen in 1957, 1958, 1959 and 1960 (calendar years).¹⁴ Generally, it seems they have not been lower in 1960-61 than in earlier years. The margin (price spread between producer and retail price) has thus widened main reason of which could be increased packaging, service etc. costs or higher profits at wholesale or retail stage of distribution. The B.E.M.B. is not responsible for these margins but it should be concerned with these. With increasing output, the Board has been emphasizing the need for quality and cost reduction; on the other hand it has to spend more on promotional activity. The discriminating tastes of consumers would require more expenditure on presentation and packaging at retail level. By how much these costs have actually gone up or whether there has been higher profit margin at wholesale/retail stage cannot be said in the absence of relevant data.

(4) *British Wool Marketing Scheme*

The British Wool Marketing Board commenced operation in August 1950 and the Scheme is applicable to the United Kingdom. It regulates the marketing of fleece wool, which represents about of two-thirds of U.K. wool production. During the war years and upto 1950, the Government was responsible for the purchase and marketing of home produced wool. In 1950 wool became eligible to price guarantee under the Agriculture Act 1947 and was added to the list of review products. Government recognized wool as one of the review products only on condition that the producers organized themselves suitably for the purpose of marketing. Accordingly the Board came to be set up with full trading powers and in practice became sole buyer of all fleece wool produced in the U.K. The Board has powers to direct the sales of wool; it can prescribe the manner in which wool shall be adapted for sale, packed, graded, etc. The Board is also supposed to encourage and promote agricultural co-operation, research and education in connection with production and marketing of wool. It has the power to impose levy on producers upto a maximum of 1 d per pound of wool produced.

All producers selling wool are required to register with the Board.¹⁵ The number of registered producers has increased from 121 thousand in April 1958 to 130 thousand in April 1960.

¹⁴ Hunt, K. E., and Clark, K. R.,—*op. cit.*, pp. 32-34.

¹⁵ A producer is exempt from registration if he did not have in his possession more than four sheep during or preceding a particular calendar year.

Guarantee Arrangements: Under the financial agreement between the Government and the Board, the guarantee is to the Board. The guaranteed average price for the succeeding year (May/April) is determined at the price review by Government; after deducting its estimated marketing costs, the Board arrives at a series of prices for different grades to be paid to producers. All trading profits earned by the Board are placed in a special fund and are to be used when guaranteed price is higher than average market price in order to reduce the burden on Exchequer. In 1950-1, the wool clip sold at exceptionally high prices due to Korean war boom; the accumulation of the fund in which year provided for deficiencies in subsequent years upto 1955-6. The special fund having exhausted in 1956-7 the Exchequer had to pay £ 220,000 as subsidy in that year. The financial agreement reached in 1955 provided that at the end of five years i.e. 30 April 1960 the Board was to be released from any debt in excess of £ 3 million which would otherwise be due to Government. But till then repayment of Government provided funds would be the first charge against surpluses of the Board. On 30 April 1960 the Board was indebted to Government for £ 11.66 million of which £ 8.66 million were written off and the Board was responsible to repay only £ 3 million. Any surpluses on trade accruing to the Board would be applied to repayment of this sum upto 1965; the whole of any debt then outstanding due to Government would be written off.¹⁶

As regards the guaranteed price, upto 1954-55 Government guaranteed the Board fixed marketing allowance and the price separately; from 1955-6 both were merged into one consolidated guaranteed price. Below are shown the guaranteed prices in recent years.

| | (pence per lb) | | | | | |
|-------------|----------------|-------|-------|-------|-------|---------|
| | 1956-7 | 57-8 | 58-9 | 59-60 | 60-61 | 1961-62 |
| Fleece Wool | 56.25 | 56.25 | 56.25 | 54.25 | 53.25 | 53.25 |

Board's operations: Wool is normally sold by auction in bulk uniform lots. The Board's authorized agents collect it and grade it before auctions. Upto 1957-8 the proportion of home produced wool sold abroad was slowly rising and was 50 per cent but that retained for consumption formed only about 5 per cent of total raw wool used in U.K. This indicates the extent of dependence on imported supplies. In Table 6.16 are shown the quantities of wool sold by the Board in recent years together with the sums realized.

¹⁶ Report and Accounts—Agricultural Marketing Schemes, 1959-60 M.A.F.F., 1961, p. 12.

TABLE 6.16: *Sale of wool*

| <i>Year</i> | <i>Weight of wool sold million lbs.</i> | <i>Sums realized by sale £ million</i> |
|-------------|---|--|
| 1956-7 | 67.60 | 15.52 |
| 1957-8 | 61.26 | 12.25 |
| 1958-9 | 70.19 | 11.52 |
| 1959-60 | 72.78 | 14.35 |

The aim of the Board has been to regulate sales to get the best prices each season. The Board, however, has to compete with considerably larger quantities of imports which fact also results in affecting home prices according to trends in world prices. The Consumers' Committee in its report of 1958 stated "there is little possibility that any action by the Board could have an appreciable effect on raw wool prices, which must indeed be governed by world supply and demand". Moreover raw wool represents only about 10 to 20 per cent costs in the woollen consumers' goods sold within the country.

The value of gross output of wool at current prices was about £ 16.5 million in 1957-9 and formed only 1.1 per cent of the gross value of total agricultural output of U.K. British raw wool production constituted around 15-16 per cent of total home requirements in 1957-9 while it accounted for only 2.2 per cent of world supply.

The recent Committee of Investigation which went into the complaints of merchants' organizations relating to the Board's offer of remuneration and contracts, canvassing by merchants among producers, etc. did not consider that the offers of contracts were contrary to the interests of the merchants. It is to be noted that the five year contract "was virtually imposed upon the merchants" and "that throughout the negotiations the Board adopted too rigid an attitude towards the merchants."¹⁷ While finding that the Board's method of approving change of merchants by producers was contrary to merchants' interests the committee suggested alternative arrangements. The Committee did not consider the Board's direct handling of wool to be against merchants but considered it essential to the Scheme.

¹⁷ Report of the Committee of Investigation for Great Britain on Complaints made by Country Wool Merchants Association and Wool Federation of Scotland, 1958 M.A.F.F. Home Office H.M.S.O., pp. 60-1.

It is difficult to agree with the Committee's opinion that the Board did not act contrary to the interests of merchants in its offer of contract. Obviously the Board was using its monopoly power against the steadily dwindling number of merchants. Secondly the Board did not adequately take into account the increasing costs of merchants upto 1955. Lastly, the Board in its anxiety to increase producers' return, does not appear to have considered the need to retain the best elements amongst merchants and to offer them sufficiently attractive and prospective terms.

Conclusion: It is clear that the Board has very little effective control over prices in the market which is dominated by imported supplies. The Board's sole *raison de etre* seems to be supplying the farmers with a central bargaining power; but it can more beneficially serve the farmers by helping them improve the quality and efficiency of production. After considering the conditions of production of sheep in U.K. Allen observed¹⁸ that historically weather has been an important influence on production but that sheep production is relatively more stable than cattle or pig production. The tendency to produce sheep steadily has been attributed to the impact of incomes from prices of mutton and wool which are joint product of sheep. The normal effects of low prices on mutton production are offset by expectation of fairly assured incomes from wool and vice-versa. Nevertheless, the likelihood of complementary effects of wool and mutton on incomes of producers should not be considered as an argument against the producer board for wool because wool and mutton markets are ultimately influenced by very different circumstances: for instance, demand for mutton is influenced, at least in part, by imports and availability of other foods, while that for wool for manufacture is likely to be quite steady. The Wool Marketing Board does seem to render a useful service to producers by guaranteeing a central sales agency, assured market and prices; its agency arrangements with merchants are prone to abuse as pointed out earlier but safeguards could be provided to merchants' organizations in the contracts. The Board could also encourage an even spread of sales of wool over the year and reduce costs by means of offering them graded price schedule increasing with the volume of sales and accomplish more economic collection of wool.

(5) *Hops Marketing Scheme*

The Board with jurisdiction over England only consists of 20 members of whom 14 are elected. It was the first Scheme to be launched under the Agricultural Marketing Act 1931 and has continued uninterrupted ever

¹⁸ Allen, G. R., *Agricultural Marketing Policies*, pp. 67-70.

through the war. The brewing industry is the only market for hops and the hop growers and brewers work closely in co-operation with each other. The Board has complete monopoly over English hops and has full trading powers; it regulates production by a quota system. The basic quota is fixed by the Board and is reviewed every five years; individual farmers are allotted basic quota based on past performance. Upto 1950 the basic quota was freely saleable between individuals but in 1950 this power was withdrawn. In subsequent years it was felt that the facility to exchange quota was advisable for the sake of efficiency of the industry and so in 1955 the basic quota was again made saleable but only through and under the supervision of the Board. Now the quota can be sold to the Board who reallocates it at an equivalent amount of price either to a hop-farmer or to a new entrant. This selling of basic quota is said to be desirable as the farmer, having invested capital for hop growing, can get some compensation when he desires to stop growing hops.

The Annual quota is determined each season by the Board according to the estimated demand; it is expressed as a percentage of the basic quota; the annual quota is exchangeable between farmers at free negotiable price without intervention by the Board.

There is a Permanent Joint Hops Committee set up by the Board in collaboration with the Brewers' Society on which the Minister of Agriculture nominates three members in addition to four each from the Board and Society. This Committee seems to be the crucial mechanism of the working of the Board as it determines the annual demand for the crop. The agreement between the Board and the Society also provides for (i) a contract to buy minimum percentage of the total requirements, and (ii) undertaking to restrict the imports to an agreed quantity. These imports consist of a special type of hops needed in certain beers; the agreement also provides for increased imports in case of failure of home crop.

The cost of hops is said to be a very negligible proportion in the final price of beer (about 1/40th) and hence prices of hops do not lead to any variations in beer prices.

The Board promotes research and along with the Brewers' Society contributes 60 per cent of the costs of a Research Centre; the remainder is paid by the Government. The Board has also developed an improved costing system. A consultative committee supervises costing of hops and the average price of hops is annually fixed by the Permanent Joint Hops Committee after taking into account the costs of cultivation.

Table 6.17 gives some information relating to the Board's operation.

TABLE 6.17: *Hop Marketing Board's operations*

| | 1956-7 | 1957-58 | 1958-59 | 1959-60 |
|---|---------|---------|---------|----------|
| 1. Production (including hops grown by exempted producers) | | | | |
| Area planted (acres) | 19,992 | 20,415 | 21,130 | 20,350 |
| Average yield (cwt) | 9.2 | 13.1 | 14.3 | 11.0 |
| Estimated Production (cwt) | 184,170 | 267,667 | 302,640 | 223,667 |
| 2. Marketing | | | | |
| Estimated Market demand (cwt) | 213,366 | 263,220 | 265,842 | 189,505 |
| Annual quota as % of basic quota* | 96 | 116 | 116 | 84.5 |
| Produce tendered to Board | 167,500 | 243,039 | 274,600 | 198,930 |
| Agreed average price per cwt. | £35-2-0 | 27-15-6 | 27-5-6 | 32-11-0 |
| Average return per cwt. | £32-4-2 | 25-14-1 | 25-0-8 | 29-15-10 |
| Board's expenses per cwt. (shillings) | 35 6 | 25 - | 19 6 | 25 6 |
| No. of Registered Producers | 848 | 836 | 833 | 800 |

*Basic quota determined in 1955-6 was 239,008 cwts.

Performance of the Board: From the table it can be seen that production has considerably depended on the yields and so on the season. The market demand has apparently no relation with production but is determined by the types of beer in demand. In recent years it is stated the demand has increased for varieties needing imported hops as its ingredients and so imports have increased. The number of registered producers has certainly dropped of late; it was 950 in 1950-1 and had fallen to 868 in 1955-6. No explanation for this consistent decline in number of registered producers in the last decade is available. Demand for hops is likely to be steady over the period and so offers little scope for expansion of individual enterprises; actually estimated market demand diminished steadily from 298,000 cwts in 1950-1 to 213,366 cwts in 1956-7 after which there was a spurt followed by a sudden heavy fall in 1959-60. Coupled with this there has been in operation the practice of selling annual quotas. The general overall trend in British agriculture is towards enlarged farm enterprises with bigger holdings and this would apparently have affected hop-growers resulting in smaller number of registered producers.

The Board's performance, according to the Consumers' Committee, 1958, has been satisfactory in as much as the scheme has brought stability to the industry. No doubt the Board's operation would be quite beneficial to

the growers as it functions as their sole representative in negotiations with Brewers and as a shock-absorber in the circumstances characterised by fluctuating demand and yields.

(6) *Tomato and Cucumber Marketing Scheme*

This Scheme covers Great Britain and came into force in 1950. The Board has at present no trading powers and its regulatory powers also are limited. It can prescribe terms of sale and determine the description of tomatoes and cucumbers sold by registered producers to wholesalers only; transactions with consumers, retailers, manufacturers and caterers are exempted from the regulation of the Board. It can advertise, promote and conduct research and technical education in connection with the industry. The Board is empowered to raise funds by a levy on all registered growers. The Board can negotiate on behalf of producers, recommend grades and packing techniques and can inspect the wholesalers' books to ensure compliance with Horticulture Produce Act, 1926. The Board has introduced a fairly effective market intelligence service which has been generally appreciated. In 1960 the Board collaborated with the newly set up Regional Marketing Units in four countries. These units are packing stations meant to take over all responsibilities from the nursery gate for grading, packing and marketing of tomatoes; the unit can thus cater efficiently to the needs of bulk-requirements of retail and multiple chain stores.

In Table 6.18 are given some data relating to the Board's working and operation.

TABLE 6.18: *Tomato and Cucumber Board's working*
(Year ending 31 Decr.)

| | 1957 | 1958 | 1959 | 1960 |
|-----------------------------|-------|-------|-------|-------|
| No. of Registered producers | 6918 | 6352 | 5703 | 5549 |
| <i>Tomatoes Production</i> | | | | |
| (000 tons) | 100.0 | 89.4 | 97.8 | n. a. |
| Area (acres) | 3346 | 3146 | 2886 | n. a. |
| <i>Cucumber Production</i> | | | | |
| (000 tons) | 33.7 | 31.9 | 35.2 | n. a. |
| Area (acres) | 441 | 446 | 457 | n. a. |
| Total levy (£) | 48181 | 46729 | 44517 | 47653 |
| Of which Amount spent | | | | |
| i) On Marketing | n. a. | 7753 | 11734 | 12757 |
| ii) Publicity | 11387 | 17991 | 9277 | 13182 |

A striking feature of the table is the steady decline in the number of registered producers which has been attributed by the Board to cessation of production as certain producers had to close their nurseries on account of building development. Secondly, the expenditure on market advisory and other services together with intelligence and on publicity has been generally stepped up in recent years, though the levy income has been more or less steady. Table 6.19 presents data on size distribution of holdings of registered producers¹⁹ which show that the number of producers declined in all sizes of holdings but it was rather marked in the smaller sizes.

TABLE 6.19: *Registered producers according to size of holding*

| <i>Size of holding</i> | 0-0.25 | 0.25-0.5 | 0.5-1.0 | 1-2 | <i>over 2 acres</i> |
|------------------------|--------|----------|---------|-----|---------------------|
| 1957 production return | 5045 | 940 | 503 | 225 | 192 |
| 1959 production return | 3937 | 887 | 512 | 203 | 164 |
| 1960 production return | 3853 | 864 | 473 | 200 | 159 |

In cucumber supply the U.K. is more or less self-sufficient but there are large imports of tomatoes from adjoining countries the extent of which is clear from Table 6.20 showing imports:

TABLE 6.20: *Imports of tomatoes*

| <i>Supplies of Tomatoes from</i> | <i>(percentages)</i> | | | | | |
|----------------------------------|----------------------|------|------|------|------|------|
| | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
| Home (Great Britain) | 55.3 | 53.1 | 52.1 | 50.2 | 49.2 | 46.5 |
| Channel Islands | 30.1 | 28.1 | 30.1 | 27.2 | 31.4 | 30.5 |
| Netherlands | 8.3 | 10.9 | 9.3 | 15.0 | 12.0 | 15.1 |
| Other overseas | 6.3 | 7.9 | 8.5 | 7.6 | 7.4 | 7.9 |

It is noteworthy that the share of home supplies in total has been steadily dwindling in recent years and that of Netherlands has distinctly improved. It may be observed that horticulture is the only section of agricultural industry in the U.K. which enjoys protection from imports by means of tariffs and import quotas; at the same time it does not receive any subsidy from the Exchequer.

Recent Developments: As stated earlier the Board's powers are regulatory and somewhat restricted in comparison with those held by other statutory

¹⁹ Annual Reports of the Tomato and Cucumber Marketing Board.

marketing boards. Of late there have been some developments in the horticulture marketing field of the industry, some of which are in the nature of development of the industry on voluntary lines. The Horticulture Marketing Council set up under the Horticulture Act 1960 has powers for promoting research and technical development on sound lines—its field is obviously wider than that of the Tomato and Cucumber Board; the latter body has not been very happy about this development as it has to fit its plan in the larger schemes drawn up by the Council. While the latter is an independent Council the Board is a producers' body and their relationship has often been not very welcome to the Board.²⁰

The Horticulture Marketing Council consists of representatives of diverse interests as producers, importers, wholesalers, retailers and workers and independent nominees of the Minister. Its functions include advising on the working of wholesale markets, facilities and improvements therein—thus generally improving marketing and distribution of and trade in horticultural produce in Great Britain. The Horticulture Act, 1960 also provided for grants for improvements and the important feature of this Act is the recognition of co-operative organizations for the purpose of receiving grants.

Early in 1959 a favourable summer adversely affected home crop. The Dutch producers also sent heavy consignments of tomatoes resulting in far lower prices for home produce. The Board and the National Farmers' Unions pleaded unsuccessfully with Government for increased tariff on tomatoes. There was considerable dissatisfaction in some sections of tomato growers and a poll was called to decide whether the Scheme should be revoked; on the other hand there were producers feeling that the Board should have wider powers for control of marketing. The result of the poll was in favour of continuing the Scheme.

In October 1960, the Board considered that the Regional Marketing Units could be fully used if the Board could adopt the voluntary marketing powers which would give the Board power to buy tomatoes and cucumbers and to sell, grade, pack, etc; it was proposed to organize sales on behalf of producers through R.M.Us and the powers sought did not envisage use of compulsion. A poll was called December 1960 to consider the assumption of these wider powers but the needed majority was not secured and the Board had to continue on the basis of restricted powers.

In November 1961 another poll was called to consider revocation of the Scheme but producers voted for continuation of the Scheme. In 1962, the differences in the Board and the two sections of producers came to a

²⁰ Annual Report on Operation of the Scheme for year ending December 1960, p. 6.

head. Evidently the Board's authorities have been faced with conflicting views—that the Scheme be scrapped and that the Scheme could work profitably only with wider marketing powers.²¹

The Tomato and cucumber section of the horticulture industry was faced with a fluid situation particularly since the negotiations for entry of Britain in E.E.C. commenced. The horticulture industry has received protection from tariffs and quotas which would not be available if Britain joined E.E.C. The setting up of the Horticulture Marketing Council, the recognition of co-operatives for grants and their role in contributing to the success of marketing are the more likely favourable developments of the 'sixties; the Council and the Regional Marketing Units were expected to prepare the ground for organized voluntary marketing of horticultural produce, in whatever circumstances.

²¹ *Journal of the Tomato and Cucumber Board*, Dec. 1961 to March 1962.

CHAPTER VII

NON-STATUTORY MARKETING

IN THIS Chapter the organization and problems in respect of marketing of food products for which there are no statutory producer marketing boards are considered. Among these food stuffs meat and cereals are the most important. In the first section the marketing of meat is discussed followed by second covering that of cereals.

I

The term meat is usually applied to (i) beef and veal, (ii) mutton and lamb and (iii) pork together with bacon and ham which are respectively products from cattle, sheep and pigs. Each of these fatstock is peculiar with its own aspects of seasonality in supply, demand and relationship with imports. As such, the need to consider them independently though ultimately they form part of the larger classification 'meat'.

Sheep: In 1958 there were about 100,000 sheep-farming enterprises in U.K. Concerned with sheep there are two national organizations. The National Sheep-breeders Association coordinated the policies of breed societies, represented about 10 per cent of sheep farmers and largely concentrated attention on 'pedigree' (as distinguished from 'commercial') flocks. The British Wool Marketing Board is a statutory producers' marketing organization and represents practically all sheep farmers in U.K. The importance and place of wool to sheep farmers can be realized from the fact that the value of gross output of wool was nearly one fourth of that from mutton and lamb and amounted to about £ 16 million in 1957-8-9.¹ In 1954, 21.3 per cent of agricultural holdings² in England and Wales had any sheep; most of the sheep were on large holdings. While nearly half of the holdings³ in the country were smaller than 20 acres, only one in eight of these carried any sheep. More than two-thirds of the sheep

¹ Hunt, K. E. and Clark, K. R., *The State of British Agriculture 1959-60*, A.E.R.I., Oxford, (mimeographed) p. 139.

² *The Sheep Industry in Britain, 1958, A Report by the Natural Resources (Technical) Committee H.M.S.O.*, pp. 9-10.

³ The data relating holdings carrying sheep have to be treated with some reserve as they refer to the day on which June census returns are filled. Some farms carry sheep seasonally only and they would not therefore be included in these returns.

and lamb were on holdings bigger than 100 acres. Below are shown the total number of sheep and lambs in recent years in Great Britain. The

| <i>June census</i> | 1957 | 1958 (<i>thousand head</i>) | 1959 |
|--------------------|--------|----------------------------------|--------|
| Ewes for breeding | 9,451 | 9,903 | 10,326 |
| All sheep | 23,868 | 25,125 | 26,655 |

total number of sheep and lamb purchased for slaughter in U.K. was 9.7, 9.4 and 12.6 million in these three years respectively. As regards supplies, home production represented 36 and 40 per cent of total supplies in 1958 and 1959 in terms of mutton and lamb; about 48 per cent of total supplies came from New Zealand, most of the residual imports having been from Argentina and Australia.

Fat Cattle: The U.K. home production of beef and veal is estimated to have been 0.77, 0.73 and 0.77 million tons in the three years 1958-9, 1959-60 and 1960-1. It represented about two-thirds of the total required supply, about 20 and 10 per cent of which came respectively from Argentina and Australia. The number of heads purchased for slaughter in 1957, 1958 and 1959 was 3.9, 3.6 and 3.2 million respectively.

Pigs: The rearing and supply of pigs to the home market seem to have been vexed problems in all recent years. Since the lifting of controls in 1954, pigs have drawn considerable attention from Government mainly because of the seasonality in both supply and demand, a certain amount of complementary and competitive character of pigs for the supply of pork on the one hand and bacon and ham on the other, the competitive prices of Danish imports and location and efficiency etc. of slaughter houses. In 1955 an advisory Committee was asked to report on the Development of pig production (Chairman—Sir Harold Howitt). This Committee went into the aspects of seasonality in demand for pork, manufacture of pork products and their effects on pig production. It considered the views of Trade and recommended that the trade should endeavour to expand market for pork products and suggested the producers to market fewer pigs in summer months. It also recommended that the guarantee payments be placed on a seasonal scale to encourage production in times of high demand and *vice versa*. Simultaneously a Reorganization Commission for Pigs and Bacon was studying the problems of marketing (Chairman—C.I.C. Bosanquet). It traced the historical problems, considered the then current circumstances regarding pigmeat market, the location of slaughter

houses and recommended that there should be a Pig Industry Development Authority (P.I.D.A.) to improve quality and technical standards of production (which was subsequently set up in 1957), but rejected suggestions for a producers' marketing board. On the grounds that pig production had to cater not to bacon market alone but to pork market also and that setting up a board would involve "a great concentration of decisions on prices, both to farmers and trade and on the volume and distribution of supplies throughout the country, in the hands of a relatively small group of people", the Commission felt it undesirable to set up a marketing board. It took the view that a board would be "rather slow to change its policies and inflexible in doing so". Earlier in 1954 an Interdepartmental Committee looked into the location of slaughterhouses followed by another committee which went into issues relating to construction, layout and equipment of slaughter houses in 1957. Thus pig industry has drawn constant attention in recent years. In 1960, there was a revival of suggestion for a board, the Farmers' Unions considered the matter but it did not fructify.

The estimated home output of pig meat was 691, 753, 693 and 687 (thousand) tons in 1957-8, 1958-9, 1959-60 and 1960-1 respectively. Table 7.1 shows the figures of total supplies, imports and purchases for slaughter. It is evident that for pork, Britain was producing practically

TABLE 7.1: *Total supply and import of pigs*

| | 1957 | 1958 | 1959 |
|---|-------|-----------------|-------|
| <i>Pork</i> Total supply (000 tons) | — | 446 | 445 |
| Imports % | — | 4 | 3 |
| <i>Bacon and ham</i> Total supply (000 tons) | — | 555 | 557 |
| Imports % | — | 61 | 62 |
| Slaughtering for | | (thousand head) | |
| pork, etc. | 6,078 | 6,946 | 6,808 |
| for bacon | 3,936 | 4,066 | 3,982 |

all its requirements but as regards bacon and ham large imports were made; nearly half of imported bacon and ham supplies came from Denmark. Seasonality in demand for pork and bacon considerably affects the slaughtering for the respective markets which is shown on the next page.

| | <i>Bacon pigs — 1959 — other pigs</i> (weekly averages in '000) | |
|----------------------------|--|-----------------------|
| Jan-February | 74 — 79 | 133 — 137 |
| March-April & May | 81 — 84 — 82 | 141 — 137 — 122 |
| June-July-August-September | 77 — 77 — 76 — 78 | 115 — 109 — 111 — 122 |
| October-November | 74 — 79 | 133 — 137 |
| December | 69 | 176 |

It is seen that slaughterings for bacon were high in spring, correspondingly low for pork and other purposes; in December for bacon they were lowest and for other purposes the highest. The producers' problem has been to adjust their pigs supply to the needs of bacon and pork market. The producers usually tend to produce such pigs which can be switched from one market to other but this is not always possible as the quality requirements differ.

Organization of marketing

As mentioned in Chapter IV, the processing of food stuffs and particularly of meat products has been more and more important in post-war years, especially since decontrol. For example, the number of small establishments (with 10 or less employees) in bacon-curing and sausage industry declined from 1571 in 1948 to 808 in 1954. The number of larger establishments however went up from 346 to 455 between 1948-54, net output from £ 11.2 to £ 24.1 million and net output per person in the industry from £ 616 to £ 767. These figures illustrate the increasing capital intensive character of the industry and there is reason to suppose that small establishments further dropped out in post-1954 period and there was more concentration of output and capacity in large but fewer establishments.⁴ In 1956, the Bosanquet report cited that the largest 10 per cent bacon factories had 50 per cent of total industry capacity while the small factories numbering 124 (over 50 per cent of total) accounted for only 9 per cent of capacity.

Similar structural position should obtain in later years with presumably increased concentration in larger units/firms.

For promoting quality and standard production there are the National Cattle breeders Association and National Quality Bacon Association. There

⁴ Comparison between 1954 and 1958 Census of production data for Bacon-curing industry is not possible as its definition and coverage was changed in subsequent production census. The observations above seem justified based on data in certain other comparable processing industries, like grainmilling, fruit and vegetable products, etc.

is also the National Federation of Meat Traders' Associations. The Fatstock Marketing Corporation, set up by the N.F.U. Development Company in 1954, has been in the field, as a wholesale trader with number of contracts with regional traders and farmers; it also imports through contracts and deals with exporters in Argentina, Australia and New Zealand.

Fatstock Marketing Corporation: The Corporation is run by a Board of 19 Directors elected by Farmers' Unions and nominees of N.F.U. Development Company. It has 94,000 farmer members who have subscribed 5/- each. Its capital consists £ ½ million unsecured loan from producers and accumulated profits of £ 1.13 million. It is not directly related to individual farmers but controlled by the Farmers' Unions. Its relationship with the Unions is peculiar in the sense that the resolutions of the Board can be vetoed by the N.F.U. Development Company as its overdrafts amounting to £ 2.6 million from banks are guaranteed by the latter. A significant feature of its policy is the need to run the body as a commercial concern with a view on maximum profits along with the implicit responsibility to protect the interests of producers. Inasmuch as it is just another wholesaler it has also to maintain good relations with other trading interests. Its general policy has been to diversify its activities and work on wider basis and hence the development of ancillary lines as described below.

The Fatstock Marketing Corporation interests itself in all meat products viz. beef, bacon and ham, pork, mutton and lamb and poultry. It has expanded its field of activity in recent years. It has set up permanent committees for dealing with (1) pigs, (2) poultry, (3) producer relations and (4) by-products and slaughterhouse development. It has subsidiary and associate companies to specifically take care of particular fields such as F.M.C. Poultry Ltd., F.M.C. Products Ltd. The latter operates subsidiary companies trading throughout U.K. engaged in various animal by-products. It trades, collects and processes raw materials from the Corporation's own slaughterhouses (on lease from the local authorities) and acquires also from others. It markets hides and skins, wool, sheep and lamb pelts, edible and technical fats, etc. The F.M.C. Poultry Ltd. undertakes marketing, technical assistance, quality control. It has started using its own brand names for different products.

The primary object of the Corporation is to provide marketing service to producer-members. It started purchase of livestock on dead weight⁸ and grade basis; has livestock collecting centres mainly to serve remote

⁸About two thirds of its total purchases in 1961 were on dd. (Carcass weight) basis.

districts and transports stocks to consuming centres; announces area prices for cattle and sheep. It began by entering into contracts with bacon curers for supply of pigs. Since its inception, the Corporation has had to face difficult trading conditions in pigs somewhat continually and also in beef occasionally. Some of the difficulties of the Corporation in its early years are, however, attributable to the large number of enterprises it took on itself, without the experience and expertise needed to handle them. This remains, though, a debatable point as none could judge correctly *the* optimum size for the corporation. Its report stated that in 1959-60 beef cattle were short in supply, total slaughtering fell by 6.6 per cent but F.M.C.'s kill was down by only 3.6 per cent; in 1960-1 there was an increase by 19 per cent over previous year in total, F.M.C.'s share having increased by 23 per cent. The Corporation's reports for 1959-60 and 60-1 note "the changing character of the wholesale and retail meat trader, marked by the spread of super-market stores, increasing combination of meat, grocery and other retail activities and reduction in the number of retailer-customer," and "the alterations in retail marketing and diversification of the form in which meat and meat products reach public." In March 1960, the F.M.C. announced long-term contracts Scheme to benefit producers of pigs. This Scheme was drawn up on the basis of the flexible guarantee system introduced in the 1960 review for 1960-1. The F.M.C. Scheme envisaged contracts with producers for a total period of 48 weeks ending March 1961, divided into six 8-week periods. The producer was required under the contract to deliver at least 10 per cent of the total contract number in each of the six periods; producers could indicate their preference for factories but it would not be deemed as a right, as the F.M.C. had to determine slaughterings on the basis of regional demand. The F.M.C. announced bonus for regular deliveries; the bonus would be affected by less or excessive deliveries.

Wholesale markets: In the U.K., there are about 30 wholesale meat markets in addition to the number of slaughterhouses where trading takes place. Among the more important markets are those at Birmingham, Bristol, Cardiff, Glasgow, Halifax, Leeds, Liverpool, London (Smithfield), Manchester, etc. The turnover of these varies greatly depending on the population and the geographical location. The Smithfield market in London is the oldest and the largest of all. The importance of these central wholesale meat markets is also due to the large volume (and proportion) of meat imports on which U.K. depends. Certain of the wholesale markets also function as forwarding centres for imported supplies to the inland small or big centres for further distribution. As regards home supplies of meat "slaughtering is generally carried out close to the consumption centres,

except in the case of pigs for bacon where the bacon factories are often sited in the producing areas. . . One factor which appears to operate to prevent greater sales of homekilled meat through the wholesale markets is the reluctance of some farmers to sell livestock direct to wholesale butchers and their preference to sell at a livestock market where a retailer who deals with the whole process of slaughtering and retailing may be more competitive than a wholesale butcher.⁶

As stated earlier, about 60 per cent of mutton and lamb, one third of beef and veal and equal amount of bacon and ham were imported; excepting bacon and ham which came largely from Denmark, the meat imports were more or less entirely from Argentina, Australia and New Zealand. Of this 30 per cent came in chilled form, remainder in frozen condition.⁷ These supplies are displayed at the central wholesale markets and prices are determined by bargaining after the meat has been examined by buyers. As regards imported supplies, grades of exporting countries are usually accepted. For home supplies, the regulation and specifications under the Fatstock Guarantee Scheme for purposes of price guarantees are usually adhered to. Beef is graded on the basis of age of animal, condition, fattening and quality; there are five grades in bullock and heifer meat and calf meat and four in bull meat. Veal is classified according as it is derived from milk fattened or feedstuff fattened calves. Mutton and lamb grades also depend on condition, fattening and quality. Pigmeat classification rests on carcass weight. Grading of home meat supplies is carried out by Government officials at slaughterhouses and is mostly done in respect of meat qualifying for price guarantees.⁸

The number of sellers in different markets varies according to the size of the market, the largest 120 being in Smithfield (London) while in smaller markets there are 8/9 wholesalers. In the big markets wholesalers sell on commission basis but in smaller ones they would more likely own the meat. The meat markets are controlled usually by the local authorities. These authorities levy charges on the meat exposed for sale or collect rent for stall sites and the markets are generally self supporting.

The marketing chain may be briefly described at this stage. The producer takes the animals to a nearby slaughterhouse where he is paid according to carcass weight and quality. The system of payment on dead weight and grade basis was largely employed by the Fatstock Marketing Corporation

⁶ Organization of the wholesale meat markets in Europe—E.P.A.—O.E.E.C. No. 42, Documentation 1961 series, June 1961, p. 36-37.

⁷ *op. Cit.*

⁸ This information is based on the report on Meat Grading in O.E.E.C. Countries—E.P.A.—OEEC, December 1961.

and is stated to be on the increase; but payment by liveweight basis on judgment of wholesalers at auction sales is equally important,⁹ and more common in respect of cattle and sheep than for pigs. (The F.M.C. recently commenced the long-term contract system for pigs whereby it undertakes to buy from the pig producers certain specified supply over a period). The carcasses and offals are carried to the area of consumption in refrigerated transport (lorries) and sold by agents or wholesalers to retailers. Side by side there also has been a number of large retail-chain stores who act as wholesalers for their requirements; these retail stores also sell grocery items and so arrange to display prepacked cuts of different sizes and varieties in their shops which are run on self-service basis. While specialised butcher's shops continue to exist and undertake their purchases according to their requirements, the trend is stated to be towards super markets/chain stores which serve meat along with other grocery. Their emergence in countries with high wage rate levels and a high consumer income is attributed to the circumstance of high wages replacing labour by capital in the form of self-service equipment. The working house-wife needs readymade products, wants to combine her shopping in limited time and can often afford refrigeration facilities at home: these circumstances have led to expansion of large self-service stores in U.S., Canada and are stated to be spreading in U.K.¹⁰ From producer, thus the animals go to the private slaughterhouses (either of F.M.C. or large wholesalers) or to public slaughterhouses from where carcass meat moves in certain cases to the central wholesale markets; large grocery chains purchase their requirements here, while wholesalers further distribute meat supplies to small retailers/butchers.

As regards practices relating to sales of animals by farmers, there is however no uniform method throughout the country as a whole. As there are a number of wholesale markets, many of them small, complaints regarding existence of monopoly elements and buyers rings are often to be heard. Taking into account the various circumstance in which monopolistic influences would be possible in British markets it has been argued¹¹ that farmers are unlikely to have suffered from nation-wide collusion among buyers. Conceding that some amount of tacit understanding among the few buyers in certain markets is not impossible, it is observed that dealers cannot discriminate for very long in the prices paid to different farmers for

⁹ The Bosanquet Report estimated that in 1955, 47 per cent of pigs in Great Britain were handled by F.M.C. (most on dd. wt. basis), 37 per cent passed through fatstock auction markets (on liveweight basis), the rest through other channels.

¹⁰ Marketing and Distribution Margins for Livestock and meat in OEEC Countries —EPA—OEEC No. 15, December 1959.

¹¹ Allen, G. R., *Agricultural Marketing Policies*, pp. 238-9.

identical products. The Ministry of Agriculture's evidence to the Bosanquet Commission also indicated that there was no reason to suppose existence of systematic malpractices. These conditions largely obtained in the beef and mutton trade; it was only in the case of bacon pigs curing industry that some concentration of capacity in the few large concerns was considered harmful to competition.¹² There has been considerable public discussion about the size and location of slaughterhouses. The issues involved relate to the characteristics of location whether they should be in producing areas or in consuming centres. Here questions of transporting animals and its costs are also significant; on the other hand, the size of a unit involves questions pertaining to the population it is envisaged to serve. Further the determination of size of a unit in a sparsely populated area, its capacity and its technical efficiency to make optimum use/disposal of raw materials have been other problems considered by Allen¹³ and apparently no firm conclusions on these vexed questions have been possible so far.

Consumption of meat products

The consumption of meat had risen by nearly 40 per cent in 1958 over 1947. The figures given below are in respect of all meat products consumed at home by individuals according to the National Food Survey. With

(*lbs. per head per annum*)

| Prewar | 1947 | 1955 | 1956 | 1957 | 1958 | 1959 |
|--------|------|-------|-------|-------|-------|-------|
| 110.0 | 83.2 | 111.2 | 113.6 | 116.2 | 115.5 | 112.6 |

improvement in standard of living, consumption of meat products rises at the cost of cereal products, potatoes, etc. Recent years in U.K. bear this out. However, it is difficult to say which of the meat products necessarily become more and more important in the consumer's food basket. Definite estimates of consumption of different meats in Britain are not available for recent years. It is however certain that there would be an overall broad limit beyond which consumption of meat would not normally exceed in particular countries. For instance, consumption of beef and veal per head in lbs. in 1958 was estimated to be 204 in Argentina, 113 in New Zealand, 87 in U.S., 74 in Canada, 52 in U.K. and 38 in Netherlands. It may fairly be said therefore that U.K. consumption of beef and veal cannot

¹² *op. cit.*, p. 241.

¹³ *op. cit.*

reach the Argentina or even New Zealand level in the most favourable price and income pattern. (It has been noted earlier that consumption of liquid milk also is below that of Canada and Netherlands.) Consumption of any particular food, would depend, apart from the price and income effects which have been considered in detail by Allen,¹⁴ on consumption habits. Bacon is largely a breakfast food, pork is said to compete with other meats and with fish and eggs and demand for these is further affected seasonally. While turkeys are in large demand at Christmas time, the demand for bacon is usually high in spring. The supplies from Denmark of bacon and ham affect those from home which have corresponding effect on pork bacons. In this connection it is stated that "the basic pattern of consumption is not easily changed by small variations in the price of pork or bacon; it is often affected more by price of alternative foods. This means that a small over-supply can lead to substantial fall in price."¹⁵

The income effect on consumption is quite clear from the levels of consumption of some meat products which rises in higher income brackets and of bread and potatoes which declines in the well-off groups as seen in table 7.2. Consumption per head in the postwar decade seems to have gone

TABLE 7.2: *Domestic food consumption by social classes, Great Britain—1959*

| Ounces per head per week | Weekly income per head of household | | | | |
|--------------------------|-------------------------------------|-----------------------|------------------|----------------|------|
| | £ 19 & over | Between £ 11-10s—£ 19 | £ 7-10s £ 11-10s | Below £ 7-10s. | |
| Carcass meat | 19.28 | 16.71 | 16.84 | 15.46 | |
| Bacon & Ham | 6.34 | 5.26 | 5.00 | 4.14 | |
| Fish | 6.49 | 5.98 | 5.58 | 6.44 | |
| Potatoes | 49.91 | 50.65 | 52.05 | 52.08 | |
| Bread | 40.44 | 46.64 | 50.94 | 52.54 | |
| | (lbs. per head per year) | | | | |
| | 1934-38 | 1947 | 1956 | 1957 | 1958 |
| Fresh and frozen meat | 90.7 | 67.6 | 99.5 | 94.0 | 93.2 |
| Bacon & Ham | 28.1 | 10.2 | 24.3 | 24.7 | 25.0 |

¹⁴ *Agricultural Marketing Policies*, Ch. 4.

¹⁵ *Bosanquet Commission Report*, p. 37.

up in meat group generally as seen from figures on last page.¹⁶ Other meat consumption has had thus reached the prewar level in general but was lower in the case of bacon and ham.

Price Determinations and Production Policy

In the talks between Farmers' Unions and Government, held in latter part of 1960, Government indicated certain primary factors which had to be considered in determining the policy for production and consequently prices to be guaranteed. That expansion would be justified on certain conditions such as: home product should be competitive with overseas supply, should endeavour to reduce the rate of Exchequer support per unit and should have ready and profitable home market. In table 7.3 is shown output in recent years.¹⁷ It can be seen that output of mutton and lamb was

TABLE 7.3: *Output of meat products*

| | 1958-59 | 1959-60 | 1960-61 | 1961-62 (forecast) |
|-------------------------|---------|---------|---------|-----------------------|
| Beef & veal ('000 tons) | 773 | 735 | 772 | 865 |
| Mutton & Lamb " | 203 | 236 | 243 | 267 |
| Pigmeat " | 753 | 693 | 687 | 745 |

somewhat steadily increasing, that of beef and veal dropped in 1959-60 and pigmeat declined upto 60-1. The problems involved in determination of guaranteed prices and in forecasting next year's output can be best illustrated from the determinations of 1961 and the results thereof in 1961-2. The prices guaranteed are applicable only in respect of certain specified standards of carcass. Thus not all animals pass the certifications procedure. In forecasting the average market prices, forecast of the number of animals likely to be certified and of total arriving on the market has to be made. As meat is imported in large quantities estimates of total overseas supplies also have to be made. These different variables have to be taken into account in making the forecasts of average market prices and in the guarantee determination.

Cattle: During the year 1961-2, the forecast average market price was 142s. per live cwt. while the actual average turned out to be 122s. 3d. This

¹⁶ Hunt, K. E., Clark, K. R., *The State of British Agriculture, 1959-60*, A.E.R.I. Oxford, p. 34.

¹⁷ Appendix I, Table A, Annual Review and Determination of Guarantees, 1962.

considerable depression was attributed to increase in the number of animals passing through certifications; this was due to increase in the number of store cattle imported from Ireland and, more animals were sent for slaughter at an earlier age. The increase of animals passing certifications was also due to rise in guaranteed price from 157s. to 167s. per cwt. at the 1961 review. The combined effect of the sudden increase in arrivals of animals, in certifications and also the raised guaranteed prices was depression in average market price which led to considerable burden on the Exchequer from estimated £ 15.5 million to £ 50.8 million.

Sheep: As regards sheep the estimate of animals coming on to market was 11 million; actual number would be around 12.2 million, the increase being attributed to a record lamb crop and very favourable weather during lambing season resulting in a high rate of survival. The forecast average market price was 2s. 5d. per lb. but in actual fact it would be around 1s. 11d. Here the fall in market price was attributable not only to increased market arrivals but also to already depressed beef prices. The increased burden on the Exchequer was estimated to be of the order of £ 32.7 million instead of £19.1 million on account of fall in prices of sheep products.

Pigs: The automatically adjusting guaranteed price takes care of the fluctuations in certifications. But the forecast average price of 39s. per score turned out to be too much above the actual of 34s. 6d. The fall in market price had been attributed to sudden increase in imports of Danish bacon after August, which were held up earlier owing to a strike in Denmark. These imports were unusually large and affected bacon and pig markets adversely. The expenditure on account of guarantees thus was expected to rise from £ 22.3 million to £ 40.2 million on account of pigs.

The variety of factors which affected in 1961-2 the average market price through either increased home supplies or imports indicate the tricky nature of price determination at the Annual Review and its consequences. For instance the guaranteed price of fat cattle was raised to 167s. from 157s. in order to encourage beef animals but this was expected to come about in 1963. Its secondary effect, which not much foreseen, was in increased certifications and slaughterings of animals at early age. Normally farmers did not care to send all their animals for certifications (which entitle them to guaranteed price) but as the subsidy was likely to be more in 1961-2 less animals by-passed certifications. It is clear that the Government aim of stimulating beef production led to considerable oversupply resulting in increased burden on the Exchequer. This position arose due to, among other reasons, the absence of any powers for the Ministry to directly control imports. If only there was clear evidence of dumping from exporting

countries, then alone, the Ministry of Agriculture and Farmers' Unions could apply to Board of Trade for invoking the Antidumping Act. The drop in market prices and increase in burden on the Exchequer created on the one hand a demand for drastic reconsideration of Government subsidy policy and, on the other, a demand from some farmers for creation of a producers' marketing board.

It would thus seem that failure in stabilization of prices and supply at a desired level through guaranteed prices thus might create a need for more rigid control over market mechanism. Looking at the situation from different side, it would seem, one rigidity (guaranteed price) in the structure became an obstacle in the automatic adjustment of supply to price. If the guaranteed price had been flexible so that it could move up/down according to market arrivals of animals, the sudden drop in prices could perhaps have been obviated.

Marketing margins

As stated earlier, meat products pass through various stages before they reach the final consumer. Because of the various cuts of different value and having various degrees of demand for pig meat and beef, the calculation of retail as well as wholesale margins becomes quite complicated. In addition, the byproducts from animals which are industrial raw materials and so do not form a commodity in the food stuff market add to the complexity. In his article "Meat Marketing Margins in Britain" Houston¹⁸ has attempted to calculate the processing and distribution margins for meat and bacon, basing his estimates on National Expenditure approach. He

TABLE 7.4: *Margins vis-a-vis retail price*

| <i>Country</i> | <i>Year</i> | <i>Total margin as % of retail price</i> | | <i>Retail margins as % of total margin</i> | |
|----------------|-------------|--|-------------|--|-------------|
| | | <i>Pork</i> | <i>Beef</i> | <i>Pork</i> | <i>Beef</i> |
| Denmark | 1956 | 23.4 | 26.9 | 68 | 78 |
| France | 1956-7 | 32.0 | 37.8 | 55 | 52 |
| Germany | 1956-7 | 26.7 | 26.7 | 61 | 63 |
| Netherlands | 1955 | 29.5 | 24.2 | 68 | 65 |

¹⁸ Houston, George, read before Agricultural Economic Society's meeting, 16 December, 1961.

arrives at the percentage margins of processing and distribution to total National expenditure on meat and bacon at 37.5, 38.1 and 38.1 for 1958, 1959 and 1960 respectively. Using comparative prices at different stages in the market for a nine cwt. bullock, he found that the total margin (including subsidy) was 34.3 and 37.8 per cent in September 1960 and 1961 respectively. In the recent O.E.E.C. study of marketing margins for livestock products¹⁹ similar estimates of marketing and distribution margins have been made for certain European countries (Data for U.K. were not presented in this study). Table 7.4 gives the total margins as percentage of consumer price in some countries. Though the period for which the margins are estimated for these countries and those in U.K. are different it seems that total margins were more in U.K. than in the countries listed above with the possible exception of France. Such a comparison of the margins obtaining in different countries, at the most, reveals that margins in certain countries are more than in certain others; whether the higher margins are justified or not is difficult to say because of the varying services and functions performed by wholesalers and retailers in different countries. Perhaps, the consumers in a country required better packing and presentation in addition to the grading and quality and the services performed in the process would justify a higher margin. Unless one knows exactly the amount and nature of services involved in different countries, the comparison of margin does not lead to valid conclusions. Moreover, the wage levels and the capital intensity of the processing industries would affect the margins considerably making a comparison more difficult. Lastly, percentage margins do not reflect correctly the value in terms of different currencies of the services while significant variations in margins from year to year make valid comparisons all the more difficult.

The Economic Survey of Europe 1960²⁰ has attempted measurement of the final protection given to various agricultural products by different Government (Chapter 3.2), at two periods 1950-51 to 1952-53 (A) and 1956-7 to 1958-9(B). In table 7.5 are shown the rough estimates of degree of protection in the case of cattle and pigs in certain countries in percentage difference between prices received by farmers to those of comparable import or export value of products.

It would be evident from this estimate that the extent of protection in U.K. has been reduced in respect of pigs in late 'fifties and has gone up for cattle but was approximately in the same group as in other countries

¹⁹ Figures 3 and 4, and Annex 3 of "Marketing and Distribution margins for Livestock and Meat in O.E.E.C. Countries" No. 15, December 1959.

²⁰ Published by Economic Commission for Europe, U.N. 1961.

TABLE 7.5: *Estimates of degree of protection*

| | 1950-1 to 1952-3 | | 1956-7 to 1958-9 | |
|---------|------------------|-------------|------------------|-------------|
| | <i>Cattle</i> | <i>Pigs</i> | <i>Cattle</i> | <i>Pigs</i> |
| Belgium | 30-40 % | — | 20-30 % | below 10 % |
| France | — | 20-30 % | 20-30 % | — |
| Germany | 20-30 % | 20-20 % | 20-30 % | 20-30 % |
| Italy | — | 30-40 % | 20-30 % | 20-30 % |
| Denmark | below 10 % | below 10 % | below 10 % | below 10 % |
| U.K. | 10-20 % | 30-40 % | 20-30 % | 20-30 % |

except Denmark. Another estimate by the Department of Agricultural Economics (University of Nottingham) using the above data reveals U.K. protection as the highest for pigs, but higher than France only in case of cattle during the period 1956-7 to 1958-9.

| | <i>Belgium</i> | <i>France</i> | <i>Germany</i> | <i>Italy</i> | <i>Netherlands</i> | <i>U.K.</i> |
|--------|----------------|---------------|----------------|--------------|--------------------|-------------|
| Cattle | 22 | 19 | 24 | 25 | 30 | 22 |
| Pigs | 3 | — | 22 | 21 | 10 | 24 |

Still another estimate of producers' prices in comparison with certain European countries reveals that U.K. prices were definitely higher than in Denmark but were relatively lower than Germany and the average of E.E.C.

Below are presented these data with U.K. average = 100.

| | <i>Producers' price June - 1954/June 1960</i> | | | | |
|-------------|---|----------------|------------|----------------|---|
| | <i>France</i> | <i>Germany</i> | <i>EEC</i> | <i>Denmark</i> | <i>Average of EEC, Denmark and U.K.</i> |
| Beef Cattle | 97 | 117 | 113 | 77 | 105 |
| Pig meat | 100 | 113 | 102 | 86 | 99 |

From the given data at different periods and for different countries, it is very difficult to generalise that prices earned by U.K. farmers for cattle and pigs were necessarily higher than in other countries. But in comparison with such countries as Denmark and Netherlands, the U.K. prices were higher and the protection to farmers also was more.

II

Cereals:

Wheat, barley, oats are the more important of the cereal grains produced in the U.K. For cereals there exists no organized marketing (as in the case of potatoes, eggs etc.) Of late production of both wheat and barley is on the increase as seen from output figures in Table 7.6.

TABLE 7.6: *Output of cereals*

| | ('000 tons) | | | |
|------------|-------------|--------|---------|---------|
| | 1957-8 | 1958-9 | 1959-60 | 1960-61 |
| Wheat | 2,683 | 2,711 | 2,785 | 2,992 |
| Barley | 2,957 | 3,170 | 4,016 | 4,241 |
| Rye | 24 | 21 | 13 | 18 |
| Oats | 2,145 | 2,138 | 2,187 | 2,058 |
| Mixed corn | 325 | 275 | 259 | 219 |

Excepting wheat major portions of other crops are used for feeding purposes while some portion of wheat also goes for animal feed. [See table 7.8(B)]. In 1957/8 U.K. had to depend for 65 and 26 per cent of its wheat and barley requirements on imports which came largely from Australia, U.S. and France. In the Annual Reviews when guarantees for cereals are determined, Government takes into account several different factors such as world supplies/ prices of grains, the cost to the Exchequer and the relative trends between different grains, along with the marketing practices (timing of market arrivals, etc.). At the 1961 Review Government found that substantial increases in production of barley had taken place in the preceding five years while that of oats and mixed corn was declining. As such, Government reduced the guaranteed price for barley and raised that for oats. Barley, however, tended to come to the market immediately after harvest and so for encouraging orderly marketing through a better seasonal spread, it was decided to offer better prices later in the season so that those withholding sales would earn more than others selling immediately after harvest.

In table 7.7 are shown the guaranteed prices for cereals in recent years. At the 1960 Review, price guaranteed for all cereals was reduced (excepting Rye) but in 1961 Review that of oats was raised and of barley reduced. This however did not have the desired effect as the increase in acreage of barley continued (in 1961) while acreage of oats declined further. Despite this the 1962 Review (white paper) stated that "the

present balance between the guaranteed prices for the various cereals seems satisfactory" and so Government decided to make no change in guaranteed prices in 1962.

TABLE 7.7: *Guaranteed prices of cereals*

| | (s/d) | | | | |
|----------------------|-------|------|-------|-------|-------|
| <i>For crops in—</i> | 1958 | 1959 | 1960 | 1961 | 1962 |
| Wheat (per cwt) | 28 1 | 27 7 | 26 11 | 26 11 | 26 11 |
| Barley (" ") | 29 0 | 29 0 | 28 9 | 27 7 | 27 7 |
| Oats (" ") | 27 5 | 27 5 | 27 2 | 27 5 | 27 5 |
| Rye (" ") | 22 1 | 21 7 | 21 7 | 21 7 | 21 7 |

Under the guarantee arrangements, payment for wheat and rye are made on the quantity of grain certified by authorised merchants. As stated earlier, the guaranteed price for wheat is converted into a scale of seasonal standard (forecast) prices for five periods. The deficiency payment is the amount by which the average farm price for wheat falls short of the seasonal standard price; there are five separate payments made for a crop. Deficiency payments for barley, oats and mixed corn are made on the acreage grown for harvesting, whether the crop is sold or used on the farm. The rate of payment is the difference between the average of farm price and the guaranteed price; this rate is converted into a deficiency payment per acre by multiplying it by average yield per acre over the preceding five years. Advance payments are made in December/January and final payments made at the close of the cereal year. While making forecasts, oats and mixed corn are usually more difficult to forecast both as regards output and prices.²¹ This is so because the amount of crop going through market is small; it is bought by those who produce oat-meal and their demands are rather variable, while major portion of the crop goes for feeding purposes.

In recent years flour and bread have been declining in their importance in food consumption with increased consumption of meat, etc. protective

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|------------------------------|-------|-------|-------|-------|-------|
| <i>Flour supplies (lbs.)</i> | 187.2 | 182.5 | 178.8 | 172.5 | 172.0 |

²¹ Second Report of Estimates Committee, Session 1961-2 sub-committee G. p. 20.

foods. The fall in flour supplies per head per annum has been steady and consistent in the post-decontrol period. (See last page)²²

TABLE 7.8: *Yields, uses etc. of home grown crops and sources and amount of overseas supplies in recent years*

| <i>(Cwts. per acre)</i> | | | | |
|-------------------------|---------------------------|---------------------------|------|------|
| (A) Yields: | <i>Average</i> 1946-50 | <i>Average</i> 1951-55 | 1957 | 1958 |
| Wheat | 19.7 | 23.6 | 25.4 | 24.6 |
| Barley | 18.6 | 22.2 | 22.5 | 23.0 |
| Oats | 16.9 | 19.6 | 18.4 | 19.6 |

| <i>(thousand tons)</i> | | | | |
|---------------------------------------|--------|--------|--------|--------|
| (B) Utilization of home grown cereals | | | | |
| | 1955-6 | 1956-7 | 1957-8 | 1958-9 |
| <i>Wheat</i> — Production (total) | 2599 | 2845 | 2683 | 2711 |
| of which: Human Food | 1327 | 1147 | 1228 | 985 |
| Livestock food | 949 | 1368 | 1156 | 1409 |
| <i>Barley</i> —Production (total) | 2936 | 2800 | 2957 | 3170 |
| of which: Human food | 1000 | 920 | 982 | 927 |
| Livestock food | 1433 | 1561 | 1613 | 1778 |
| <i>Oats</i> —Production (total) | 2709 | 2486 | 2145 | 2138 |
| of which: Human Food | 153 | 154 | 119 | 100 |
| Livestock food | 2218 | 2035 | 1755 | 1797 |

| <i>(per cent)</i> | | | | | | | | |
|--|------|------|---------------|------|------|-------------|------|------|
| (C) Sources of total supplies | | | | | | | | |
| <i>Wheat</i> | 1958 | 1959 | <i>Barley</i> | 1958 | 1959 | <i>Oats</i> | 1958 | 1959 |
| Canada | 33 | 32 | Canada | 21 | 15 | Argentina | 2 | — |
| U.S. | 10 | 7 | U.S. | 6 | 2 | Canada | 2 | — |
| Total imports as % of total supply | 63 | 61 | | 29 | 20 | U.S. | 2 | — |
| Total supply (000 tons) | 7228 | 7064 | | 3170 | 4038 | | 2306 | 2307 |

²² According to 'Economic Survey of Europe' 1960 (Table 15) the consumption of cereals was higher in all E. E. C countries than in U.K. (but U.K. was much higher than U.S.) during 1956/7-1958/9. The percentages of calories drawn from cereals and potatoes to total calory intake was 24 in U.S., 31 in U.K. and Denmark and above 34 in all E.E.C. countries.

Thus with improved standards of living bread becomes less and less important. In upper social classes (by income) the consumption in ounces per head per week declined from 52.24, 50.94, 46.64 and 40.44 in that order.²³

To sum up, the position in cereal supplies has been (i) increased supplies from home sources particularly of wheat and barley (ii) decline in importance of cereals as human food and (iii) slight decline in level of guaranteed prices of all cereals excepting oats in recent years.

As regards prices, the average farm prices of wheat and barley were lower in U.K. than in Belgium, France, Germany and Italy in December 1957 but were above those ruling in Denmark and Netherlands.²⁴ The average of E.E.C. producers' price (July 1954-June 1960) was 123 and 104 for wheat and barley respectively with U.K. average as base. However, U. K. prices consistently remained above the world prices in principal markets.

²³ Hunt, K. E., and Clark, K. R., *The State of British Agriculture, 1959-60*, p. 34.

²⁴ Heygate, A. Robert, *Journal of Agricultural Economics*, January 1960.

CHAPTER VIII

COOPERATIVE MOVEMENT

WHAT IS the place and role of the cooperative movement in the agricultural economy of the United Kingdom? An attempt is made in this Chapter to find this out. As regards simple coverage, that is the extent of membership of societies, it is seen that a very large proportion of farmers are in the cooperative fold. The number of total members in Great Britain was 297,300 in 1958 which had been 261,000 in 1955 and 194,400 in 1950.¹ Evidently there has been somewhat rapid growth in membership in recent years. Though these figures include some double counting, it is said that there would be few farmers who would do no co-operative trading and fewer still who would have no access to a co-operative society. But from the business view, cooperatives account for only about 15 per cent of the trade in supply requirements viz. feeding-stuffs, fertilizers, machinery, fuel etc.

It is clear, therefore, that the cooperatives in Britain have yet to go a long way in fulfilling the role of an effective farmers' organization. In other industrially developed countries like Canada, the U.S., Denmark and Netherlands the cooperatives play a more important role in the respective agricultural economies. In Canada about 60 per cent grain, 30 per cent dairy produce and 36 per cent horticultural produce are handled by cooperatives; in U.S. 25 per cent of marketing and 20 per cent of requirements pass through cooperative societies. Danish societies account for 75 per cent sales and two fifths of the requirements while in Holland all horticultural produce and bulk of the dairy produce are handled by co-operatives. It would be profitable to know why the British cooperatives have been unable to register similar progress.

Background of the movement:

Agricultural cooperatives started in Britain in 1860's but little headway was made till recently. Cooperation had made slow but steady progress till 1920 but the commercial failure of the Agricultural Wholesale Society of

¹ Morgan, W., *Survey of Capital and Credit in Agricultural Cooperative Societies in Great Britain*, p. 140.

The societies with turnover below £50,000 in England and Wales are not included in these figures.

England in 1924 gave a setback to the movement. Till 1945 England had no apex or coordinating central organization, though Wales, Scotland and Ulster had their respective Agricultural Organization Societies (A.O.S.) serving as representative central bodies for the countries. In 1946 the Agricultural Cooperative Association (A.C.A.) was set up for England after protracted negotiations with the N.F.U. which organized later the Farmers' Central Organization (F.C.O.)² This dual set up was not conducive to the movement and ultimately A.C.A. and F.C.O. were merged in 1956 into a single Agricultural Central Cooperative Association Ltd. (A.C.C.A) to represent and look over the working of co-operatives in England.

Now the A.C.C.A. of England and the Scottish, Welsh, Ulster A.O.S.s are together represented on the Federation of Agricultural Cooperatives. Between 1924 and 1946 the Agricultural Cooperative Managers' Association served as a *liaison* between societies in England and the A.O.S.s of other countries. But the lack of any apex body in England was one of the reasons for absence of active growth in the 'twenties, 'thirties and 'forties in England.

The failure of the Agricultural Wholesale Society in 1924 was a severe shock to the farmers' loyalty to and faith in the efficiency of cooperation which was aggravated by the depression of the 'thirties. In 1931 after the Agricultural Marketing Act was passed there were only the Hop-growers association and the Scottish dairy societies which were in a position to take advantage of the Act to set up the Hop and Scottish Milk Marketing Boards. While it is generally said that British farmer is individualistic and so would not like to bind himself down in a cooperative, this allegedly peculiar characteristic of the British farmer does not seem to explain fully his lack of enthusiasm for cooperation. Because, whereas he is said to be wary of cooperative effort, he is found to join readily in the statutory producers' marketing boards which involved much compulsion, and restriction on his enterprise.³ One is inclined to observe that the farmer's wariness in forming and operating cooperatives was more due to his fear of the failure of cooperative enterprise which is essentially voluntary than to his unwillingness to submit to a joint venture. Probably he was keen on positive success than on possible gains through a voluntary venture. Maybe, the private trade in Britain is fairly efficient and competitive and hence

² Particularly before the War and even afterwards the Farmers' Unions were never favourably disposed to the Cooperative movement. Hence the attempt to set up the rival F.C.O. See P. Self and H. Storing "The State and the Farmer".

³ In early thirties, the first producers' boards, particularly the milk board was not enthusiastically welcomed. The steam-roller support of statutory boards by Farmers' Unions was perhaps the cardinal reason of the Boards' organizational power.

the farmers did not urgently feel the need to replace private trade by his own cooperative effort.

Further the very creation of the statutory Boards in effect adversely affected the cooperative movement. Milk had been in the 1930's the most important single item of farm produce handled by cooperatives, which came to suffer a severe blow by the virtual monopoly over milk supply and marketing of the Milk Marketing Boards; this was particularly true in England and Wales.

The statutory boards for milk, potatoes, pigs and bacon etc. more or less satisfactorily solved (or were on the way to) the difficulties of farmers in late 'thirties and left little scope for the cooperative enterprise in marketing; nevertheless, the cooperatives continued to operate on the supply side. However, owing to the depressed conditions there was not much difficulty in securing requisites and supplies at reasonable prices and so cooperation offered little incentive to farmers to organize more societies nor did they have much scope for expansion. After the outbreak of the second war agriculture as an industry suddenly turned from a cinderella into a mascot and received substantial attention. Government became sole buyer of foodstuffs and prices of almost every requisite came to be controlled and farmers were assured of market. These conditions continued till 1950.

Apparently agriculture as an industry was always fairly prosperous in United Kingdom for over hundred years (excepting the brief 15 years in 1920's and 30's) and created relatively little urge among individual farmers to act jointly. It may also be true that Britain has always been an importer of agricultural products and they had hardly the need to face over-supply; on the contrary, it is suggested, the farmers in Denmark and Holland and also in Canada were export-oriented and so had the urge to organize and run a cooperative movement with a view to reducing costs and increasing efficiency.

The failure of the cooperative movement in the U.K. to make comparatively rapid advance upto 1950 can be attributed thus to the circumstances in which the British farmer found himself and his attitude to the movement can also be traced to some of these factors described above.⁴ In addition to these, the long established links and traditional relationship of the farmer with the Trade have also been considered as a contributory cause for slow cooperative progress. It was only after 1950 and

⁴ While Danish and Dutch farmers operate on small farms, British farms are comparatively large: this advantage of scale together with consequent social heterogeneity among farmers also could have been a contributory factor in the slow progress of cooperation in Britain.

particularly on the realization of self-sufficiency in food-products such as milk, eggs, potatoes, etc. and the relative abundance of imported supplies that the need and urgency of cooperatives seem to have been felt. Of late, the firm attitude of Government against the setting up of new producers' boards, the emphasis on reduction of per unit costs and the imperative need to reduce the burden of subsidies on the Exchequer have led the farmers and their organizations to seek the solution of their difficulties in cooperative effort. Till recently, Government as such did not very much recognize the cooperative associations—though they are given preference by the Egg and Milk boards (other things being equal)—and did not consider them to be able to play any important role. It was for the first time in the passage of the Horticulture Act 1960 that Government considered cooperatives to be suitable to route aid through and eligible for assistance for marketing, grading, etc. of horticultural produce and management grants. Before this, cooperatives received scant attention and little assistance from Government in their task of furthering the marketing of farmers' produce.

Another important desideratum in the British Cooperative movement has been the absence of credit supply. It is completely devoid of any credit system and farmers have to depend entirely for their credit needs on commercial banks, traders and private sources. Of the total credit of £ 879 million availed by farmers in 1951, £ 200 million each were supplied by commercial banks and traders and £ 450 million were from private sources. In 1960, the supplies from banks amounted to £ 310 million and from trade, £ 259 million. The fact that about 25 per cent of their credit was from traders would indicate that their ties with latter were strong. Availability of credit through cooperative institutions would possibly have reduced dependence on traders and to that extent cooperative trading would have made progress. In this sense the lack of cooperative credit supply must have hampered the movement. Only recently the Agricultural Finance Federation, formed originally to supply hire-purchase facilities for members of societies by the A.C.C.A. and the Cooperative Wholesale Society has undertaken financial service in respect of advancing credit for certain specific purposes to certain types of societies, such as machinery syndicates, horticultural societies, etc. The more recently started Agricultural Credit Organization is attempting to fill in the gap of a credit-supplier, but it is not linked with Cooperative movement. While the larger farmer has relatively no difficulty in getting credit from banks the small farmer is handicapped more on account of lack of credit-worthiness. It is surprising that this important factor in the cooperative movement remained

unattended through all these years of British Cooperation. In order to find an answer to the problem of shortage of capital and credit faced by agricultural cooperatives, the A.C.C.A recently appointed a Capital and Credit Sub-committee⁵ which has reportedly recommended that a public limited company be formed with powers to make advances to societies.

Present position:

In 1956 the total number of cooperative societies in England was 250 of which 77 were requirement societies, 131 were marketing societies and 42 were service and miscellaneous societies with a total membership of 207 thousand; in Scotland there were 71 societies with 36 thousand members (in 1954) while in Wales 88 societies had 54 thousand members (in 1955). The number of members in each category would give some idea of the coverage but the total membership contains double counting.

Scotland: The Scottish and Wales Agricultural Organization Societies are in existence for over 40 years while the English A.C.C.A. is of recent origin; and that is why in former countries one would find different levels of growth than in England. In Scotland the A.O.S. had participated in the early years in formation of dairy societies, egg marketing societies, etc. In recent years a policy of merging societies to create viable units was followed as the small scale proved a handicap. Of late, it is stated, more and more societies tend to expand activities by undertaking both requirements and marketing activities on an increasing scale. While in 1954 the total turnover of the 71 societies was £ 24.8 million of which requirements accounted for £ 3.8 million in 1959-60, a survey of 60 societies (with a turnover exceeding £ 5000) showed total turnover of £ 40.5 million of which requirements accounted for £ 9.2 million.

England: In table 8.1 are shown some recent figures regarding various categories of cooperative societies in England. The data pertain to farmers organizations registered under the Industrial and Provident Societies Act only. There are many organizations which, registered under the Company Act, operate for all practical purposes on cooperative lines. It may also be mentioned that the category 'others' is inclusive of the Rabbit clearance societies which have rapidly increased and are for a specific limited purpose. Their number increased from 31 in September 1958 to 411 in April 1960. Thus, there were 73 supply societies with a turnover of £ 95 million of which two-thirds turnover was accounted for by 14 societies. Of the 70 marketing societies, Eggs and poultry societies were the most important accounting for £ 29 million of turnover out of £ 45.2 million; among

⁵ Whittome, J. E., "Capital and Credit" *Cooperation*: 1962.

TABLE 8.1: *Cooperative societies in England**(end of March)*

| Type | No. of societies | | Membership | | Turnover £. million | |
|--|------------------|------|------------|---------|---------------------|-------|
| | 1959 | 1960 | 1959 | 1960 | 1959 | 1960 |
| (A) <i>Supply</i> | | | | | | |
| (i) Turnover above £ 2 million | 10 | 14 | 71,421 | 88,645 | 55.1 | 70.3 |
| (ii) £ 1 to 2 million | 7 | 5 | 19,598 | 9,465 | 11.2 | 6.6 |
| (iii) £ ½ to 1 million | 19 | 16 | 24,102 | 19,648 | 14.1 | 12.2 |
| (iv) Under £ ½ million | 38 | 38 | 13,332 | 13,625 | 5.1 | 5.5 |
| Total (A) | 74 | 73 | 128,453 | 131,383 | 85.5 | 94.6 |
| (B) <i>Marketing: Eggs and Poultry</i> | | | | | | |
| (a) Turnover over £ 1 million | 12 | 11 | 51,560 | 52,846 | 24.8 | 23.4 |
| (b) £ ½ to £ 1 million | 6 | 7 | 5,329 | 6,037 | 3.4 | 4.2 |
| (c) below £ ½ million | 10 | 10 | 2,496 | 2,712 | 1.4 | 1.4 |
| (a+b+c) | 28 | 28 | 59,385 | 61,595 | 29.6 | 29.0 |
| Dairy | 8 | 7 | 4,154 | 3,712 | 0.9 | 0.5 |
| Meat | 4 | 3 | 2,714 | 2,008 | 2.6 | 2.1 |
| Bacon | 4 | 4 | 11,385 | 11,668 | 7.1 | 7.5 |
| Horticulture | 25 | 24 | 8,722 | 8,726 | 4.4 | 4.7 |
| Wool | 4 | 4 | 6,554 | 7,075 | 1.3 | 1.5 |
| Total (B) | 73 | 70 | 92,914 | 94,784 | 45.9 | 45.3 |
| (C) <i>Others—</i> | 185 | 504 | 23,390 | 27,752 | 4.4 | 4.3 |
| Grand Total (A+B+C) | 332 | 647 | 244,757 | 253,919 | 135.8 | 144.2 |

them the 11 societies with turnover above £ 1 million were responsible for £ 23 million of turnover. In the remaining marketing societies, bacon and meat societies, though small in number, had significant turnover.

In 1952-53 the cooperatives in egg marketing handled nearly 40 per cent of the throughput of packing stations; in 1960 they handled around one-third.

Very little progress on the marketing side is witnessed in other commodities. The Horticulture Act 1960 which is taken to be a landmark, as regards agricultural legislation is concerned, is expected to give significant stimulus and encouragement to co-operative handling of horticultural trade.⁶ Meat which constitutes an important section of food trades in the country has not been much affected by co-operative activity. The Quality Bacon Associations, being set up in different countries, which numbered 25 in October 1960 are indicative of the direction in which meat marketing may progress. Meat marketing has been a centre of controversy giving rise to demands for a producers' marketing board and to dissatisfaction with the present position; it appears to leave much scope for co-operative enterprise. Wool has ultimately to be sold to the British Wool Board; in 1959, one fifth of total wool production was stated to have been handled by co-operatives who have to work on agency basis for collection of wool clip with the Board. There is the U.K. Co-operative Wool Federation which represents the interests of wool marketing societies in their negotiations with the Board.

As regards supply of requisites, there is evidently relatively better state of achievement. The supply societies handled items worth £ 68 million in 1956 which figure rose to £ 95 million in 1960. The better position of supply societies can be seen from their share and loan capital position shown below.

| | <i>(£ per member)</i> | | |
|------|-----------------------|------------------|--|
| | <i>Supply</i> | <i>Marketing</i> | <i>Services and miscellaneous*</i> |
| | £. s. d. | £. s. d. | £. s. d. |
| 1959 | 69- 7- 6 | 20-10- 0 | 7- 5- 0 |
| 1960 | 74- 7- 6 | 20-15- 0 | 4- 0- 0 |

* disproportionately affected by increase in the Rabbit clearance societies.

It may be noted here that there is no strict distinction between supply and marketing societies; many of them undertake both but they are classified according to their major field of activity. Similarly, whereas specialized field of activity is normally the rule, there are some societies handling different types of produce. Of the total turnover of £ 146.4 million of co-operative societies in 1960, 41 per cent was in respect of marketing and 58 per cent in requirements, rest being services. In marketing, eggs accounted

⁶ See Chapter VI.

for 24 followed by meat (livestock and dead stock) 6.5, and grain 3.7 per cent. In requirements trade accounting for 58 per cent of total, feeding stuffs (39.3 per cent) fertilizers (8.8 per cent) were the most important, the residual trade being made up by machinery and implements (3.2 per cent), fuels (2.2) and seeds, building materials etc. The value of feeding-stuffs, fertilizers and machinery and implements supplied by co-operatives was £ 57 million, £ 12.9 million and £ 4.7 million respectively. As stated earlier the total requirements trade by co-operatives was in the neighbourhood of 15-20 per cent of the national requirements. Thus cooperative trading has made some progress in the last decade but yet has considerable scope to expand.

Relationship of A.C.C.A. with Cooperatives

It has to be remembered that A.C.C.A. is a central organization for England (just as are A.O.S.s for other countries) but it is not a federal body. Its main functions appear to be to promote and encourage new activities, co-ordinate the cooperatives for purpose of solution of problems, disseminate information and provide a mouth-piece for the whole co-operative sector. However, it is not engaged in trading, marketing etc. and to that extent it does not directly assist the primary societies; it has however played a vital part in formation of Agricultural Central Trading Ltd., Agricultural Credit Organization, etc.

The increasing urge for the farmer to combine in his buying and selling operations is largely due to concentration of bargaining power and strength in other sectors of the economy to and from which he sells his produce and buys his requisites. For instance, for his supply of fertilizers the farmer has to depend on a small number of important firms dealing in their production. Similarly though there were some 1200 firms producing compound feeding stuffs, the 200 firms operating at the ports produced nearly three-fourths of total output. Similar is the position in respect of machinery and implements. As a result of the increasing awareness of his weakness, recently there has been a move to form 'groups'. These groups, however, are not in many cases legally organized but just handle particular transactions on cash basis. The N.F.U. and the A.C.C.A. are presently seized with this sudden upsurge of groups in different countries. But it is said that they may not constitute a threat to cooperatives; on the contrary, it was hoped that they might evolve into organized societies if properly tackled.

(i) *Egg and poultry marketing*: There is the U.K. Agricultural Co-operative Egg Committee representing cooperative packing stations on

the British Egg Marketing Board's Joint Consultative Committee. The A.C.C.A. does not directly negotiate with the Board but keeps itself in touch through the above Committee or the National Egg Packers' Association Ltd. with which it has close relations.

(ii) *Horticulture*: The A.C.C.A. has a Horticulture Committee through which it maintains close relations with Horticultural Marketing Council (set up as an independent body under the Horticulture Act 1960) and the Tomato and Cucumber Marketing Board. The A.C.C.A. had occasions to collaborate in the formulation and lobbying at the time of the Horticulture Bill with the N.F.U. The A.C.C.A. has been instrumental in getting the role of cooperatives defined and recognized for the purpose of management and other grants envisaged in the Act.

(iii) *Meat*: Improvements and progress in meat marketing have been slow. The A.C.C.A. has devised model rules for the growing number of Quality Bacon Associations.

(iv) *Machinery syndicates*: There were 87 machinery syndicates operating for cooperative purchase and utilization of big machinery which individual small farmers cannot purchase and fully utilize. The A.C.C.A. organizes meetings of all syndicate credit companies to examine their problems.

(v) *N.F.U.*: In a way the Farmers' Union is the parent body of A.C.C.A. Both work in cooperation with each other. The A.C.C.A. recognizes N.F.U. as the mouth-piece for the agricultural industry as a whole while the latter recognizes the Association as being "responsible for the co-ordination and development of agricultural cooperation... on matters which concern the trading operations of agricultural cooperative societies and organizations so long as they have no implications on overall agricultural policy". Clearly, the N.F.U. has a larger role to play and the Association is responsible for the operative part. The council of A.C.C.A. consists of two-thirds elected members representing member-societies and one-third nominated by N.F.U. The A.C.C.A., besides its advisory and coordinating role as a central organization, has been busy with (i) getting across the fact that cooperatives have nothing political in their set up; and (ii) apprising the value of and increasing the interest in agricultural cooperation among different sections of public such as bankers, press and parliamentary leadership. While the N.F.U. is widely recognized as a political pressure group operating in the interests of the agricultural industry, the A.C.C.A. has a distinctly non-political but nonetheless vital operative role to play, in conjunction with the N.F.U.

Cooperative movement and the Agricultural Industry:

What then has been the position of the cooperative sector? Though the Movement started in 1860's it had made very little progress till the 1940's. In 1946 the total turnover of U.K. societies was £ 25.5 million, in 1960 it stood at £ 208 million; in addition, the turnover of £ 100 million of cooperatives in spirit but not in form (i. e. those registered as companies) has to be mentioned. Notwithstanding the rise in prices of commodities the expansion in the last decade is significant. But this as seen earlier, hardly exceeds one fifth of the industry's total input and output.

The factors and circumstances which caused difficulties in the growth of the movement have been narrated earlier. Partly arising out of these and partly due to extraneous factors, there seems to be one circumstance which did not induce farmers or create in them the keenness to set up voluntary cooperatives viz. the existence of strong Farmers' Unions. It appears that the difficulties and weaknesses of individual farmers which would normally have been overcome by combining into voluntary cooperatives (at least attempts to do this would have been there) were remedied by applying the strength of the Farmers' Unions. These Unions seem to have leaned heavily on their strength to extract the needed facilities (largely in the form of schemes under the Agricultural Marketing Acts) from Government and public including wholesalers and middlemen; the agricultural industry utilized this forum to increase its strength *vis-a-vis* the non-agricultural sector but this policy did not make incumbent on it to organize *within* the industry. The last 30 years bring out the strength of the industry to bargain with Government but show lack of organization in different sections of the industry. Probably the policy adopted by the Farmers' Unions was partly due to the circumstances in which they were operating viz. pre-war depression and war-time controls. Once these peculiar circumstances were gradually disappearing in the 'fifties, the Farmers' Unions were faced with situation different in character and dimensions. It does not seem accidental that cooperative trading grew relatively rapidly in the 'fifties.

The organizational positions of the Unions and the Cooperative movement indicate the same relationship. The Unions, which were more or less hostile to cooperative movement before war, claim the first allegiance of the industry, cooperation holding secondary importance. For all practical purposes, the latter is looked upon as a form of business and nothing more. The Cooperative enterprise does not appear to command the loyalty and allegiance of membership to pull it through thick and thin. Perhaps from this very practical and 'business' point of view arise some problems of the 'small producers' such as those relating to "reconciling the cooperative

obligation owed to the small producers with the claims of profitable trading.⁷ It is not suggested that cooperatives should lose sight of their economic viability and of the need to make a reasonable profit. However, the approach to them by members as just another form of business also seems to be not conducive to the growth of the movement.

There has been in the United Kingdom a historical association of industrial cooperation with the political 'left.' This fear of domination by a political group of agricultural cooperation is also not an insignificant inhibition for the latter's expansion; the A.C.C.A. has been endeavouring to make its non-political position clear to all concerned.

From their marketing and supply activities, it seems cooperatives have made some rapid progress in recent years. But in both, the progress could have been better if there had been two types of supporting organizations: (i) Federal organizations assisting the primary units in their purchases/marketing; these would have enabled cooperatives to negotiate from greater strength with manufacturers/suppliers of requisites and with wholesalers selling their produce, (ii) Central Credit Organizations. Because of the lack of these two types of national institutions the cooperatives appear not to have been able to make the best use of their opportunities.

To sum up, one is tempted to find analogy between the British agricultural cooperative movement and its Indian counterpart, though in a very limited sense. In spite of its existence over nine decades, (which is in itself an achievement) the movement did not show characteristics of a self-sustaining organism; it stagnated thanks to the apathy of the State and economic circumstances.

Since 1930's the agricultural industry has depended largely on statutory powers of the Marketing Acts for its bargaining power and on the subsidies and aids for better levels of income. In 1960's the signs are that the industry would not be able for long to depend on these outside props of support and would need to organize internally and to rationalize its costs structure: for voluntary reorganization and to gain in countervailing power there can not be any better instrument than cooperative organization. If the industry has to reduce costs in securing requisites and in disposing produce in order to face successfully the onslaught of big business both on requirements and sales ends, and has to do all this voluntarily, it will have to depend on cooperative strength only.

⁷ Tolchard, D. C., 'Egg Societies and the Small Producers', *Cooperation*, 1962.

CHAPTER IX

APPRAISAL AND CONCLUSIONS

THE KINGPIN of the British Agricultural Policy in the post-war period has been the Agriculture Act of 1947 aimed to ensure a stable industry and *proper* remuneration to the farm sector *vis-a-vis* the non-agricultural sector of the community. The Act does not define what is proper and does not necessarily state that the incomes in agriculture should be reasonable or in tune with those in non-agricultural sections. The two main problems Government has thus endeavoured to solve are the disequilibrium between production and outlet for foodstuffs and the disparity between incomes.

The flexibility of terminology in the Agriculture Act enabled the Government to give long term guarantees to agriculture as provided in the Act of 1957. As has been often pointed out by economists¹ it is difficult to interpret what is meant by 'stable' and what connotes 'proper.' Stabilization of prices may not lead to stable incomes and nobody, indeed, would want stable incomes; it is usually expected to mean increasing incomes. In most European industrial countries the problem of the last decade has been increasing production and relatively slower rate of increase in demand; Allen visualizes that this problem would become acute in the sixties.² To an extent, Britain has already been confronted with this problem of rapidly increasing production coupled with slower rate of growth in demand particularly in respect of milk and to a lesser degree in respect of eggs and potatoes. This situation, led to schemes restricting production and it is with this problem that Allen was concerned when he suggested that instead of restricting production, the surplus supplies of food could be utilized for aid to underdeveloped countries. The Farmers' Union also actively suggested this means as a solution to the problem of over-production; so also did the International Federation of Agricultural Producers. It must be noted that Allen's and International Federation of Agricultural Producers' recommendations have certain political background in the context of cold war and aid to underdeveloped countries. The Farmers' Union view would seem to have been prompted by ulterior considerations of claiming continued

¹ Bauer, P. T., and Yamey, B. S., "Economics of Marketing Reforms", *Journal of Political Economy*, 1954; Bauer, P. T., *West African Trade*.

² Allen, G. R., "Cold War, World Poverty and Land Grant Colleges" December 1961. CAEA Report 11, Iowa. (mimeographed).

support to agriculture from the Exchequer. Whatever the suggested solutions the problem remains and it has been aptly summarized . . . "that the effects of an increasing disequilibrium in production and consumption rates clearly run counter to the general intention of governments to improve farm incomes and bring them closer to income levels in other sectors of the economy. Present-day price support programmes have a built-in tendency ultimately to defeat their own purposes by encouraging production to increase faster than consumption. . . ."³

The situation in the late 'fifties can be briefly summarized. Upto 1954-5 expansion in production was encouraged practically in all products and everywhere in U.K. Subsequently emphasis was placed on certain products and on reduced costs per unit of output; this was largely done through the manipulation of guarantee prices. As a result of lower guarantees, producers expanded output of items like milk in order to maintain their gross incomes. In this process, small/marginal farms which had contributed to needed expansion in early period became firmly established; Government's price guarantees, envisaged to protect the average farmers, entailed unreasonable profits to large farmers. At a later stage, since 1958 Government diverted its attention to aiding small farmers through direct aids. On the whole, while expanding output, indiscriminate protection was given to all farms, efficient or otherwise. Thus it was estimated that about 40 to 50 per cent farmers would be unable to pay their way if subsidies were withdrawn⁴ assuming of course that there is no effect on prices of farm products. Secondly, the total Exchequer payments amounted to about two-thirds of the net income of farmers in U.K. Unless Government and farmers' unions were willing to take drastic measures such as pensioning off small farmers, the protection to industry would continue and lead to still increased production in turn resulting in lower prices and so on.

This was the position at the beginning of the 'sixties. The solution to this general problem of increasing production and falling incomes has been suggested through different alternatives. The incomes could be stabilized or raised by increasing the value of production, which means

³ "European Agriculture in 1965" Economic Commission for Europe and Food and Agriculture Organization, Geneva, 1961, p. 99. (Mimeographed)

⁴ Ronald Brech has estimated in his paper "Economics of Agriculture" (Journal of Agricultural Economics, December 1961) that 21 per cent of the total subsidy in 1958-9 went to farms smaller than 50 acres (forming 62 per cent of total holdings) who would go out of business without subsidy. It is also contended that about 13 per cent holdings bigger than 150 acres absorbed about 50 per cent of subsidy bill, who were really not in need of it.

either restriction of output or raising demand; by reduction in costs of production; by reducing the number of working and dependent population in agriculture; and by increasing nonfarm incomes of agricultural population. Actually both costs of production and labour in agriculture have been going down for some time; but the rise in productivity of labour has been outpacing demand. In Britain at least, no attempt seems to have been made towards supplementing farm incomes from non-farm sources. The only alternative would seem to be to hasten the flow of farmers/farm workers out of agriculture. As regards promoting demand, there are two limitations. Firstly, the income elasticity of demand for food products is low in the developed countries.⁵ Secondly, the expenditure on food processing and distribution constitutes as much as 50 per cent of total consumer expenditure;⁶ to that extent a rise in demand for food products would not be reflected in rise in farm incomes.

The last but equally important way is to restrict production. Recent attempts to influence farmers by devising two-tier prices for liquid and manufactured milk were not successful and Government and Farmers' Unions appeared to have abandoned that proposal; but the basic idea behind a two-tier price for every farmer was to bring home to him the need to restrict the output of milk.

In the United Kingdom, Government pursued their policy objectives through the mechanism of Annual Reviews and price guarantees, which were implemented by different producers' marketing boards. Since de-control Government did not place any production targets before farmers nor regulated output but left the farmers to take their own decisions within the frame of price guarantees. In this connection and particularly in respect of marketing farm products the producers' boards played a crucial role in recent years.

There are, at present (in 1962) boards for milk, potatoes, eggs, hops, wool and tomato and cucumber; the first three boards are more important on account of their size, the number of their members and their significance in food products. The latter three are not as important because hops and wool are not food items and tomatoes and cucumbers have relatively little importance in the total food expenditure; moreover, the last board has restricted powers to control and influence producers. It is also to be

⁵ According to National Food Survey in U.K. weekly earnings rose by 33 per cent between 1954 and 1959; corresponding increase in total consumers' expenditure and food expenditure per head (at current prices) was 26 and 24 per cent respectively; the latter two at constant prices of 1954, rose by 11 and 8 per cent.

⁶ Brech, Ronald, *op. cit.*

remembered that for hops and tomato and cucumbers there is no guaranteed price while for the others the Agriculture Acts provide guarantee.

A word about the emergence of the British marketing boards is needed here. More often than not these boards came into being on the initiative of the Farmers' Unions and encouragement of Government. For understanding the unique position the Boards have occupied it is necessary to recall the relationship of the Farmers' Unions to Government and political parties. It has been stated that the Unions had fairly close connections with Conservative party upto the outbreak of the Second War. During the War they served as a useful instrument in bringing about needed changes in the structure of agriculture and had developed intimate administrative contacts with White Hall. In the post-war situation collaboration with Farmers' Unions became all the more essential for Government to achieve the production targets. The Labour Government came to rely on them substantially.⁷ The strength of the Farmers' Union has been attributed to certain historical and accidental circumstances. Upto 1954 there was the Ministry of Food looking after distribution of foods and consumers' interest while the Ministry of Agriculture, responsible for production, became closely associated with farmers' interests. The merger of the former into the latter in 1954 led to a dual responsibility on the new Ministry to look after consumers and farmers alike. Still the bias towards farmers continued. The Farmers' Unions exert their influence, it is said, more at White Hall (Secretariat) than at Westminster (Parliament). The Conservative party, always favourable to farmers' interests and the Labour party, apparently unwilling to displease them for (a) their own bias in favour of the underdog according to Socialist doctrine and (b) fear of loss of marginal vote of farmers in many constituencies, thus are considered to have left the Farmers' Unions with no effective hurdle making the latter's function much easier. The long association of the Ministry of Agriculture during War and the immediate post-war period with the Unions has added further to their strength. Perhaps this peculiar relationship the Unions had developed with the political parties and the Ministry, explains the passing of the Agriculture Act 1957 which tied down the hands of Government not only to price reviews but restricting the Government's

⁷ In his article "The N.F.U. as a pressure group"—part II 'Contemporary Review' (June 1959) G. R. Allen observes "By maintaining its bi-partisan approach it has done a great deal to ensure that any latent urban bias in the Labour Party does not assert itself". (p. 321). Peter Self commenting on Allen's views says, "Its political neutrality was a useful corollary on which the Union stumbled on almost by chance through discovering that Labour acted not as a lion but an almost sacrificial lamb when put to the test over agricultural matters" (p. 334)

latitude in altering price guarantees and gave long-term assurances to farmers. It is very difficult to assess what part these complex relationships played in the price reviews but quite clearly they conferred on Farmers' Unions a special position.

The special position thus held by the Farmers' Unions has had some adverse consequences. There seems to be an amount of weight in the view that "by coming to rely so closely upon Government support it has . . . lost a large part of the incentive to develop schemes of agricultural self-help."⁸ The chequered growth of Cooperatives and the apparent dislike of the cooperative movement on the part of the N.F.U. of England and Wales and the latter's attempts to treat it as a competitor and ultimately to control it are to all intents and purposes, the result of the N.F.U.'s strong position. The enviable position of the marketing boards and the slow growth of cooperatives would seem to have emerged from it. How the emergence of a board has been either possible or difficult owing not to the farmer's attitudes but to the Union's views and to the way in which Government would take it cannot be elaborately described here.⁹

Marketing Boards: The producers' marketing boards operate under the schemes approved by Parliament but are not responsible to it; they are directly responsible to the producers and indirectly to the Farmers' Unions. Different commodity boards have varying powers. At the one end is the milk board having wide powers, at the other is the tomato and cucumber board with very limited powers exercised only to promote but not to regulate.

The main strength of these boards is the compulsion on producers to participate, once a majority has approved the scheme. The countervailing power acquired by the boards is evidently the main purpose of their formation. The extent and degree of the powers however vary a lot. In the case of milk and potato producers all have to register with the boards while from the egg board small producers are exempt, with certain qualifications. The milk, hops and wool boards have full trading powers, while the potato and egg boards have no trading powers; the latter two as well as milk boards have the responsibility to dispose of surplus production. All the boards have regulatory powers of supervision and licensing over wholesalers varying again in different cases.

⁸ Self, Peter, "A Comment" on Allen's articles in *Contemporary Review*, June 1959.

⁹ Self and Storing, *The State and the Farmer*, 1962, pp. 102-105.

The Commissioner's report on the public enquiry into the scheme for setting up the Egg Marketing Board in 1957 would make an illuminating reading in this connection. There was considerable criticism of the proposed powers for the Board by consumer interests and many economists; actually some fears of the economists were justified in the light of the later policies adopted by the Board.

Powers to control supply are available to the potato and hops boards; these two boards can directly restrict supply by means of acreage quota. The other boards can influence production by means of prices offered to farmers, as in all commodities enjoying guaranteed prices they relate to the boards and not to individual farmers (potato, milk, eggs and wool). The boards also endeavour to influence supply by recommending grade and quality specifications of acceptable produce.

It can be said that acquisition of countervailing power is the most important function of these boards. Directly or indirectly they can control supplies of all producers within purview. It is inevitable for situations to arise when use of restrictive powers over supply would adversely affect the consumers' interest. The restriction of acreage by the potato board came recently under heavy fire by the press while the support buying programme of 1961 was criticised by the Estimates Committee. Consumers' interests are certainly in conflict with the board's operations in certain situations but the board would, to an extent, be justified when it assists the producers in finding a bottom for the market; if the bottom is knocked out and producers heavily suffer in the process that is also not in the long run interests of the community. Despite this defence of artificial maintenance of price (and reduction of fluctuations in producer price), the criticism of the board, that it can not reduce prices when shortages arise which have to be overcome by importing quantities at high prices and ultimately consumers are adversely affected, remains valid. While consumers do not benefit from surplus crop, they do not get commensurate protection in times of shortages.

The egg board also has to take off surplus eggs in flush seasons and so also the milk board. Broadly, the problem of surpluses has arisen only in respect of these three boards dealing in commodities in which Britain has been more or less self-sufficient. They have been fairly successful in avoiding short term fluctuations in prices and giving a degree of stability to the producers but the long run fluctuations still remain. In the case of eggs, the board has not been so far able to meet the requirements of market in large eggs. The increase in output per bird has been reportedly accompanied by decrease in the quality of eggs. Both the milk and egg boards have, in recent years, been confronted with reduced guaranteed price, market price and increased marketing and distribution costs, resulting in declining producer price. As stated earlier, the reduction in producer price has led to increased production.

In the circumstances it would be expected that the boards would put in efforts (a) to reduce the cost of production and (b) to induce marginal and high-cost producers to give up production. As regards reduction of cost

of production per unit the boards seem to have done very little, beyond exhortations. According to the schemes approved and within which they operate, they are supposed to render services and to encourage cooperation, research and education in connection with production and marketing. No doubt the boards, particularly the one for milk, have done a great deal in improving quality, disseminating market intelligence and promotion of demand; but it does not seem that they have adequately rendered services in encouraging cooperation for reduction of costs of production.¹⁰ Indeed, some producers have taken the initiative in forming 'groups' to buy requisites, feeds, etc needed on farms and *post facto* the Farmers' Unions have given their blessings to them; the 'groups' however gave rise to a controversy as to how they were to be looked upon by the Cooperatives and the Boards. Evidently the Boards do not seem to have exerted their influence on members to reduce their costs; their relations with cooperatives appear to be of a superficial nature which could have been closer and intimate and certainly to the benefit of both the producers and the boards. Admittedly, the second and complementary aspect of reduction of costs viz. impelling marginal producers to drop out, is quite difficult to implement. The Boards consider themselves, and rightly, that they have to safeguard the interests of their producer members and cannot legitimately ask any of them to drop out. This is clearly the field where the Unions and Government have to step in. Nevertheless, there does seem to be a snag in the pricing system of the boards. The pooled price they offer to members, enables sustenance of high cost producers at the cost of low cost producers (or outlying producers at the expense of geographically neighbouring ones, on account of pooling of transport costs). Some egg packing stations have evolved a scheme for graded premia whereby they give higher percentage to large suppliers (depending on weekly throughput); this method of producer price based on costs of collection and economies of scale could be applied in the case of other boards also, to impel small/inefficient producers to drop out. By and large, it is not difficult to understand the policy of a board in ignoring the problem of inefficient producers.

The main adverse effect of the producer board is monopoly power it enjoys *vis-a-vis* the community. Visualizing this danger the Agricultural Marketing Act, 1949 conferred on Ministers the power to intervene if they felt that an action of a particular board was against public interests. Commenting on the activities of Canadian Marketing boards to raise prices

¹⁰ Mr. J. A. E. Morley of A.C.C.A. commenting on Miss Ruth Cohen's paper said that whatever the Government may have had in mind in giving the Boards powers to encourage cooperation under section 7 of the Agricultural Marketing Act, they had largely if not entirely remained unused. (See p. 437, J. A. E. December 1961).

by resorting to monopoly power over supply, it has been observed. "Given the proper applicability of market controls or limitation programs, together with restraints inherent in their use, it is doubtful if there is much distortion from the competitive norms". The monopoly powers of these marketing boards are defended on the ground "that in an economy such as ours, where supply control and imperfect competition, permeate non-agricultural markets, this should be of little concern. The major difference would be that emulation in agriculture requires the explicit support of Government".¹¹

To sum up, British marketing boards have generally been useful in achieving the narrow objective of reducing fluctuations in prices and ensuring a degree of stability to particular producer groups. The larger aim of improving efficiency of production and market mechanism has not been adequately served by the boards. It is an open question whether and how far they can play the part in improvement in production; as regards market structure, some boards have been able to achieve some improvements. It must be noted here that producer boards have responsibility upto a certain stage in the field of marketing, generally the first point of sale or primary wholesale level; the boards have practically little power over the subsequent stages of distribution upto retail level.

It is here that the major distinction in the potentialities of a board and a cooperative society becomes important. A board is a horizontal body covering a large area, country or region; its point of impact is broad but the intensity of impact is small. On the other hand, a cooperative operating in a relatively small field can push its activity vertically nearer the consumer and make its impact deep.¹² It would thus seem that though a cooperative and a statutory board have apparently/superficially alternative roles, in fact they can play a mutually complementary service to farmers. How far this is administratively suitable or attainable is a very different matter.

The success or failure of different boards in the U.K. may be briefly assessed here. Both the wool and hop boards are more or less negotiating boards though they provide a central selling agency to members. While the hop board regulates sales through quota, wool board discriminates through grades and prices. The *raison de etre* of the three boards- potato, eggs and milk is the useful function they have played in providing a central sales agency to producers. The milk board's main function is the price discrimination between liquid and manufactured milk and the pooled price

¹¹ Marshall, R. G., "Does the effectiveness of marketing boards depend on production control?" Sixth Annual Workshop Report, Canadian Agricultural Economics Society, June 1961. University of Saskatchewan (mimeo).

¹² Strauss, E., "From Farmer to Public", *Agriculture*, April, 1962.

it gives to producers. The egg and potato boards do especial service in grading and quality control, lifting the surplus off the market; production control through administration of acreage quota is the additional function of the potato board. The milk board is further assisted by Government in regulation of distribution margins and retail prices; the potato and egg boards have not done much in the distribution field.

To the criticism of adverse effects on consumers of the monopoly power held by boards, the potato board alone seems to have been vulnerable in the past. The milk and egg boards dealing as they do with perishable products seem to serve an essential function in lifting off and diverting supplies to other markets and in maintaining a balance in supply and demand in different regions. The potato board does not have such an urgent and expeditious function to perform and so can be substituted by a voluntary federation of producers, which can support the market in case of need which the Government has been doing in conjunction with the board. There does not seem to be any special position held by potato *vis-a-vis* the cereals. Both are durable (potatoes, at least for one season) and if cereals can be marketed without a board, there is no reason why potatoes could not be.

Non-Statutory marketing: All meat products and cereals fall in this category. The Fatstock Marketing Corporation is nearly the largest single business unit operating in the field of meat products. The statutory marketing boards do not have control over competing imports; milk, eggs and potato boards owe their success, in part at least, to the overwhelming control they have over supply, the imports of these constituting marginal supplies. It has been seen how even marginal imports (supplementing home produce) adversely affect the price structure of these boards on occasions. It would have been very difficult for a statutory board to operate in meat products in this context. Lack of rigidities inherent in a statutory board and flexibility of a business corporation have conferred on the F.M. C. considerable advantages. It seems to have been slowly expanding its business and share of the home market. Its chief advantage is that it can enter any field of activity which may enhance the returns to farmers by improving its collection and purchase practices and processing units: it is capable of entering vertical as well as horizontal integration. Having no monopoly, it can enhance returns to farmers not by raising prices but by reducing costs of wholesaling, distribution and processing. By offering stable prices over the year and adjusting them according to demand, it has to some extent induced farmers to regulate their supplies through contracts.

Deficiency payments to grains have been always administered through certified sales to merchants. One important advantage in western countries as regards grain marketing is that the points of outlet are few because grains are not consumed directly—they have to pass through millers for human consumption or for feed manufacture.

Horticulture marketing, which is seasonal, concentrated generally in small regions, and subject to severe competition from imports from Denmark, Holland, Spain, etc. has been a difficult field. One attempt at running a producer board for tomato and cucumbers has more or less failed. The most important feature of the Horticulture Act, 1960, is the recognition it has given to cooperatives and the role they can play in improvement of marketing and grading. Because of the severe competition from imported supplies, the grower needs to have a joint bargaining power which can be provided only by cooperatives which can assist him in grading, shifting supplies and by developing wholesale facilities.

Clearly it is not easy to form any unqualified conclusions, as the whole market structure is made up of producers boards, supervisory and promotional bodies like the Horticultural Marketing Council and the Pig Industry Development Association, the cooperative societies and the Fatstock Marketing Corporation, which differ among themselves not only in degree but in kind. Within the sector occupied by the statutory boards there are large variations in character of control and methods. Admittedly, there is much that the producer boards like potato and eggs could do to improve their shortcomings but that does not amount to their condemnation. Actually, the potentialities of cooperatives do not seem to have been adequately recognized in the past or fully exploited. But it may not be realistic to consider cooperatives and producer boards as exclusive substitutes to each other; the two types of organizations can achieve better results in the interests of farmers by collaboration and this does not appear to have been adequately recognized in the past. Lastly, there is the fact of efficiency of the private trade (regarding which very little data are available) which has to be reckoned with and which perhaps is a reason for the absence of initiative and urge among farmers to organize co-operatively.

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