



Durham E-Theses

A dissertation upon the economic organisation of the fluid mile industry in England and Wales 1900 - 1954

Heptonstall, J.

How to cite:

Heptonstall, J. (1955) *A dissertation upon the economic organisation of the fluid mile industry in England and Wales 1900 - 1954*, Durham theses, Durham University. Available at Durham E-Theses Online: <http://etheses.dur.ac.uk/10454/>

Use policy

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

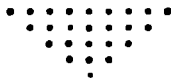
- a full bibliographic reference is made to the original source
- a [link](#) is made to the metadata record in Durham E-Theses
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the [full Durham E-Theses policy](#) for further details.

A DISSERTATION UPON THE ECONOMIC
ORGANISATION OF THE FLUID MILK
INDUSTRY IN ENGLAND AND WALES,
1900 - 1954.

J. Heptonstall,
Hatfield College.

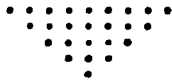


CONTENTS

PREFACE.

Chapter

1. THE POSITION BEFORE 1921.
2. THE FIRST ATTEMPTS AT COLLECTIVE BARGAINING.
N.F.U. Scheme, 1922-9.
3. THE REVISED SCHEME AND BREAKDOWN OF
N.F.U. Schemes, 1929-32.
4. LEGISLATION -
THE AGRICULTURAL MARKETING ACTS, 1931-33.
5. THE MILK MARKETING BOARD, 1933.
- Constitution, Policy and Amendments
up to 1942.
6. THE RESULTS OF THE MILK MARKETING BOARD,
PRODUCTION and PRICES, 1933 - 42.
7. MILK IN WARTIME -
The Productive and Distributive Problems.
8. POST-WAR DEVELOPMENTS.



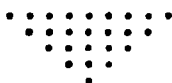
PREFACE

The story of the fluid milk industry (a term which I shall not attempt to define) during the past half century is indeed a rewarding source of study, for in it we may observe the working of almost every economic phenomenon and every form of economic organisation. We see an industry beginning in a state of absolute laissez-faire, and developing successively into a voluntary combination for collective bargaining purposes, a compulsory combination with statutory powers and a state-controlled industry under a centralised authority, finishing as a combination of the two latter; and being affected by and reacting to booms and depression, "dumping", under and over production, free trade and protection, rationalisation and discriminating market policy. A more eventful history can hardly be envisaged.

It is inevitable that a work of this nature should be primarily factual and historical: the very structure of the work is chronological. Nevertheless it is intended that critical comment and contemporary opinion will be included wherever possible.

The immediate subject of this work, we have said, will be fluid milk. It would be unrealistic, however, to attempt to divorce this from the other products of the dairying industry, both because of the degree of substitution existing between the products and of the complex nature of the marketing organisations which have been evolved.

The decision to deal with England and Wales only rather than Great Britain as a whole was dictated by the desire for simplicity of treatment and the availability of statistics. Except in two or three instances (which are clearly indicated) the figures quoted refer only to England and Wales.



CHAPTER ONETHE POSITION BEFORE 1921

THE STRUCTURE OF THE MILK MARKET in the last years of the nineteenth century was very different from that which is now familiar to us. It was essentially an unorganised market, or was organised on a largely local basis. Liquid milk in particular was consumed only about its place of production, and if no local market was to be found was sent further afield in manufactured form. Most centres of population obtained their fluid milk supplies from city cowsheds in the immediate hinterland, and only London imported supplies to any extent. During the first decade of the present century the position was little altered. Only very slowly did the widening of liquid milk markets progress: it was not until 1912 - 14, for example, that country collecting points for milk destined for urban areas began to appear. It was natural that this should be so, for the relative prices of fluid milk and the milk-equivalent of dairy products had not, at this time, started the divergence which was to become such a marked feature of the milk market in later years. Indeed, the prices of manufactured milk-products tended to be slightly higher than that of fluid milk, especially during the summer months. In consequence the output of butter and cheese was concentrated during the summer months, and became negligible during the months of October, November and December, when the fluid milk price was at its highest level.

As will be seen from the figures quoted, the winter prices during the years 1905 - 14 tended to be 25% - 33% higher than the summer ones - a difference which was to persist until the early 1940's (except during the period of price control during 1917 - 21.) The prices quoted in the accompanying tables are probably not representative of country prices, being based largely upon city contract and "accommodation" rates.

Year	Liquid Milk at London		Cheddar Cheese	British Butter
	Winter Price	Summer Price	Summer Full Year	Summer
1905 - 6	9d.	6½d.	-	-
1906 - 7	9¼d.	7½d.	7d.	6d.
1907 - 8	9½d.	7½d.	6¾d.	5½d.
1908 - 9	9¾d.	7½d.	6½d.	6d.
1909 - 10	9¼d.	7½d.	6½d.	5½d.
1910 - 11	9½d.	7½d.	6½d.	6d.
1911 - 12	10 - 11½d.	7 - 7¾d.	7½d.	6d.
1912 - 13	10¾d.	7¾d.	7d.	6d.
1913 - 14	10½d.	8d.	7d.	6½d.

(COHEN, "History of Milk Prices" p.24.)

It will be seen, then, that during this period it would be profitable for any farmer situated some distance from liquid markets and faced with considerable transport charges on liquid milk, to produce cheese or butter during the summer months. Cohen suggests that the returns to liquid producers more than 100 miles from London be reduced by twopence a gallon for the purpose of this comparison.

Farmers selling to the liquid market did so by one of three methods. They might retail the milk themselves, a practice accounting for a far greater proportion of the fluid market at that time than it does today. Or they might supply milk to a dealer under contract, usually agreed upon for a term of six months. Finally, they might put their milk, contained in the then universal 15 gallon conical cans, onto a train to be taken to the nearest population centre and there to be sold as "platform" milk, that is, auctioned in open market. Whichever method of disposal the farmer selected the pricing involved was inevitably of an arbitrary nature. The producer-retailer might base his price upon his concept of "what the market would bear" or "a fair price", or upon what neighbouring

retailers were charging. If farmer and dealer contracted together the terms were produced solely by agreement between the two, and must have varied widely in their terms and stipulations. Variations in platform prices would be even more severe. The farmer can hardly be said to have enjoyed a secure market in this period.

Nevertheless, the years 1900 - 1914 were good ones for the dairy farmer, and dairying occupied a steadily increasing proportion of British agricultural activity. The total of heifers in milk or calf increased from 2,558,236 in the period 1893 - 1902 to 2,740,695 in 1903 - 12, whilst the number of beef cattle fell proportionately. That this increased production led to no fall in price may be attributed to two factors. Firstly, population was not only increasing during this period, but was increasing at a higher rate than during the preceding period, and during the period 1891 - 1911 the total population rose by more than seven million. Secondly, this was a period of rising real wages and living standards, at least until 1906, though consumption per head of many commodities fell after that date. Consequently the prices of all the milk-products rose, and continued to rise throughout the period (see figures above.)

One further factor must be mentioned. Imported dairy products were already a considerable factor in the economy, and continued to rise until 1906. During 1907 - 8 the proportion of imported to home-produced dairy products was:

	<u>Home produced</u>	<u>Imported</u>
Fluid Milk	100	0
Cream	95	5
Butter	13	87
Cheese	24	76
Other products	93	7
	<hr/>	<hr/>
Total	42	58

(DERIVED FROM COHEN, "History of Milk Prices" p.25)

Nevertheless the drastic undercutting of British manufactured milk-product prices by imported products had yet to begin, and during this period imported prices were never more than 12 - 15% below those of home produced commodities and the cheaper English cheeses were frequently priced below the level of imported cheese. Consumption per head of imported and of home-produced manufactured milk products rose and fell simultaneously with each other and not at each other's expense, and were presumably functions of the price-lead and real wages alone. There is no indication that the producers of British manufactured milk-products were forced to price their goods in relation to the prices of imported alternatives at this time, though this was to happen soon after the first world war.

WHOLESALE BUTTER PRICES PER CWT., 1905 - 14.

<u>YEAR</u>	<u>BRITISH</u>	<u>DANISH</u>	<u>SPREAD</u>
1905	123½/-	115/-	8½/-
1906	133/-	119/-	14/-
1907	128½/-	114½/-	14/-
1908	131/-	122/-	9/-
1909	130½/-	118½/-	12/-
1910	131/-	120/-	11/-
1911	134½/-	123/-	9½/-
1912	135/-	130/-	5½/-
1913	134½/-	127/-	8½/-
1914	136/-	130½/-	5½/-
<hr/>			
Averages	131½/-	122/-	10/-

(COHEN, "History of Milk Prices", p.40)

WHOLESALE CHEESE PRICES PER CWT., 1905/14.

Year	LANCS	CHEDDAR	CANADIAN	CHEDDAR/ CANADIAN SPREAD	LANCS/ CANADIAN SPREAD
1905	59½/-	71½/-	55½/-	16/-	4/-
1906	66/-	75½/-	62½/-	13/-	3½/-
1907	66/-	78½/-	63/-	15½/-	3/-
1908	62/-	74½/-	62/-	12½/-	0
1909	66/-	75½/-	61/-	14½/-	5/-
1910	62/-	74½/-	59/-	15½/-	3/-
1911	64/-	79/-	64½/-	14½/-	- ½/-
1912	67½/-	62/-	70/-	12/-	- 2½/-
1913	66½/-	76½/-	75/-	11½/-	1½/-
1914	60½/-	82/-	72/-	10/-	- 5½/-
Average	64½/-	77/-	63½/-	+ 13½/-	+ 1½/-

(CONEH, "History of Milk Prices", p.44.)

Cheddar is selected for this comparison as being the most expensive quantity-produced English cheese, Lancashire as being the cheapest.

During the first world war the government's one concern was to increase and regularise the production of milk lest it should fall below demand. Three measures were introduced with this end in view. Dairy farmers concerned in the production of liquid milk were given priority demands upon feeding stuffs. The production of butter was discouraged by setting a low controlled price upon it, and the milk used in its manufacture diverted to the liquid market and to cheese production. Thirdly, and most important, the price of liquid milk was controlled for the first time and was set at a remarkably high level. The average contract price of milk increased from 13.27d. per gallon during 1915 - 16 to 24.1d. per gallon in 1918 - 19, and rose still further during the following year. Moreover the difference between summer and winter contract prices was much increased in an attempt to encourage level production. Whereas in 1914 - 15 the winter price had been 1.2 times the summer, by 1919 - 20 it had been fixed at 1.7 times as high, though it was quickly to return to a normal level when controls were relaxed.

Another important development was that the retail margin was much increased, being approximately 26% above control price in 1914 and 48% above by 1921.

Finally, the threatened shortage of milk and the scarcity of labour and transport led to a considerable degree of consolidation and co-operation amongst milk dealers and retailers, including the formation of United Dairies. There was no corresponding development in the production side of the industry.

SUMMER AND WINTER CONTRACT PRICES AND
AVERAGE RETAIL MARGINS, 1914 - 1922.

	<u>Winter</u>	<u>Summer</u>	<u>Av. Retail Margin</u>
1914 - 15	10.25d.	9.5d.	7.0d.
1915 - 16	13.25d.	13.3d.	7.5d.
1916 - 17	16.25d.	14.0d.	8.8d.
1917 - 18	21.9d.	15.9d.	11.1d.
1918 - 19	28.25d.	19.9d.	11.9d.
1919 - 20	33.7d.	19.8d.	13.6d.
1920 - 21	30.9d.	19.7d.	13.4d.
1921 - 22	23.3d.	11.5d.	12.6d.

CHAPTER TWO

HARD TIMES, AND THE FIRST
ATTEMPTS AT COLLECTIVE BARGAINING.

The first world war left the dairy farmer in a considerably worse position than it had found him. There was no vast increase in the demand for liquid milk to parallel that which was to develop during the 1939 - 43 war; due, no doubt, to the high level at which prices were fixed, and to the fact that no flat-rate subsidy was provided to bring milk within reach of the public, the subsidy which was provided being more of a dole paid to the needy if they made application for it and drawn from the local rates. Moreover, the war had considerably strengthened the hands of the dealers by encouraging them to co-operate, so that in bargaining powers they now possessed a marked advantage. Finally, consumer incomes began to fall, and this was reflected in the next batch of contract prices, the terms of which the dealers must have virtually dictated. The winter contract of 1921 - 22 was 25% lower than the previous year, the following summer contract price showed a fall of 42%. Faced with dwindling profits the milk producers might consider three lines of action: they might attempt to reduce their costs, increase sales, or strengthen their bargaining position. All three were attempted, but it is the last which is of prior interest to us. The only body which was able, at this time, to speak for a majority of farmers, the National Farmers' Union, opened negotiations with the National Federation of Dairymen's Associations during the autumn of 1920. No agreement was reached, however. The negotiations were repeated during 1921, but again the conflicting interest-groups were unable to come to terms. Finally, in 1922, a settlement was agreed upon. By this time the autumn milk price level was only 28% above the pre-war level, compared with a general index of agricultural products 64% above the base. There can be little doubt, then, that some collective action was necessary at this stage.

THE N. F. U. MILK SCHEME , 1922 - 1929

This scheme, the first example of successful collective bargaining in the English milk industry, though called into existence by a deterioration in the farmers' bargaining position, was by no means concerned solely with strengthening that position. In the words of R. B. Forrester, commenting upon the N.F.U. schemes in 1927,

"The actual scheme was much more than an attempt by the farmers' organisation to strengthen weak bargainers; it was a considered effort to deal with certain general difficulties in milk production, of which variations in output between summer and winter periods and the presence of milk supplies in excess of actual fluid milk requirements, were the chief. The unfortunate effect of these factors upon prices had been recognised, but no systematic effort to control their effects had previously been made in this country".

Forrester rather ignores the government policy of encouraging winter production during 1916 - 1920 mentioned previously, but there seems little doubt that a surplus supply had developed for the first time. Statistics are not available, but dairy herds had been increasing steadily and the state encouragement of milk production during the war was now having its full effect. This, combined with falling consumer incomes and the fact that the rate of increase of the population had fallen from 10.4% in 1911 to 4.7% by 1921, must surely have given rise to surplus production. Not until 1924, however, did the manufacturing price of milk fall consistently below the average liquid price, and then not to any considerable extent. It was against this background that the N.F.U. scheme was formulated.

The 1922 milk scheme authorised the formation of a Permanent Joint Milk Committee through which all pricing agreements were to be reached. The original participants in this were simply the National Farmers' Union and National Federation of Dairymen's Associations. Between 1922 and 1929, however, the Farmers' Co-operative Dairy Societies, the National Association of Creamery Proprietors and the National Association of Co-operative Milk Sellers gained representation upon the committee.

It must be emphasised that the scheme was entirely voluntary so far as the individual producer was concerned.

He was under no obligation to accept the terms negotiated or pay the terms introduced for the maintenance of the scheme, nor could he be penalised in any way. Nevertheless the terms negotiated quickly became the ruling ones in the London area, and seem to have provided a basis for prices in other regions at this time.

The essential features of the scheme were:

- i) Farmers were called upon to make their contracts for twelve months and not, as had been the custom, for six. It was thought that this would lead to a more secure market in that it covered a complete cycle and involved both summer and winter conditions in the same agreement.

- ii) Differentiation was made between milk to be sold in liquid form and milk destined for manufacturing purposes, and the prices paid to producers for each were to be decided separately. For each farmer a "basic quantity" of milk was determined by reference to his production during certain winter months (the "accounting period".) For this quantity he was to be paid at liquid prices, for any further production at manufacturing prices, the manufacturing price to be based upon the price of imported cheeses, and the "basic quantity" on quota to be re-assessed annually. This arrangement was of little practical importance, however, as until 1929 the manufacturing price fell below liquid prices only during the winter months, and when in 1929 it began to be lower than average liquid prices the scheme became unworkable.

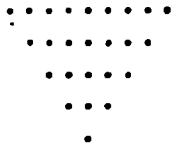
The importance of the 1922 agreement, then, lay not so much in the measures introduced to reconcile the liquid and manufacturing markets, a problem which at that time had not grown acute, but simply in the degree to which it strengthened the producer's bargaining power and enabled him to negotiate a better price. The headlong fall in milk prices seems to have been arrested at a level which would just enable the surplus to be sold, for the price of winter milk fell by only 1½d. from 1922 to 1924, compared with 10d. during the previous three years.

There seems to have been a certain degree of complacency in the milk producing industry at this time, especially with regard to the marketing and bargaining arrangements. R. B. Forrester, whose "Report on the Fluid Milk Market" was prepared in 1927, does indeed realise that an excess of milk was beginning to be offered to the liquid market, but does not believe that any modification to the Milk Scheme is called for. Rather, he seems certain that an expansion of demand for milk to be engineered through publicity and the clean and graded milk policies will be sufficient to solve the problem. It is interesting to note here that producers using the Milk Scheme were called upon to make a small contribution to a National Milk Publicity Council between 1922 and 1926, and that the concept of special quality milk selling at premium prices had been given recognition by the Milk (Special Designations) Order of 1922, milk being designated "certified", "Grade A (T.T.)", "Grade A" or "Pasturised", according to its preparation and treatment. Producers were slow to adopt the scheme, however, and by 1927 only 500 producers had applied for graded milk licences from a total of more than 100,000, a figure too small to be economically significant.

Forrester does indeed foreshadow future developments in his summary when he says "The most obvious road to farmers' control of surplus is by means of central, or rather regional, selling agencies", but this idea is not expanded. Of the Permanent Joint Milk Committee arrangements he says "In conclusion, reference must be made to the system of fixing wholesale prices for fluid milk in different areas of England and Wales by the method of collective bargaining between organised producers and distributors. At a time of increasing supplies and of a general fall in prices, large numbers of small producers, making contracts often with big buyers, might have become disorganised through exceptional pressure unless some form of collective negotiation had been introduced certainly, it is difficult to see how individual producers could, on the average, have obtained terms of so favourable a character as those secured through the negotiations of the permanent joint committee." , and finally:-

"A last general point is that the permanent joint committee for price negotiations, which is representative of the chief interests in the fluid milk markets, is obviously well suited by its constitution for the consideration of common interests of which the most important is, without doubt, the stimulation of demand."

Only two years after this was written, however, tendencies were to begin to appear which would lead to the disintegration of the N.F.U. milk schemes.



CHAPTER THREETHE MODIFIED SCHEME. 1929/32.

As we have said, the N.F.U. milk scheme of 1922 based the farmer's basic quantity quota on his production during certain winter months. This acted as a considerable stimulus to the winter production, so much so that by 1927 - 28 dealers were finding themselves forced to use milk, for which they had paid winter liquid prices, for manufacturing purposes. Until 1929 this was of no great significance, as the difference between the two prices was negligible. In 1929, however, the price paid to the producer for manufacturing milk began to fall rapidly.

Estimated Average Prices per Gallon for Liquid and
Manufacturing Milk at Stations 100/150 miles from London,
1922 - 1932.

Summer of	Liquid Price	Manu- facturing Price	Excess of Liquid Price
1922	9.0d.	9.5d.	- 0.5d.
1923	9.0d.	7.5d.	+ 1.5d.
1924	9.0d.	8.8d.	+ 0.2d.
1925	10.0d.	8.6d.	+ 1.4d.
1926	9.0d.	7.5d.	+ 1.5d.
1927	9.0d.	9.1d.	- 0.1d.
1928	9.0d.	8.2d.	+ 0.8d.
1929	9.4d.	-	-
1930	9.5d.	4.6d.	+ 4.9d.
1931	9.8d.	4.6d.	+ 5.2d.
1932	9.7d.	5d.	+ 4.7d.

(COHEN, "History of Milk Prices", p.75)

The reason for this was a steady fall in the prices of imported cheese and butter which were now being sold at prices which were uneconomic for the British dairying industry. It now became essential to reduce the manufacturing price of milk to a level which would enable British cheese and butter to sell at competitive prices, and for the first time it became a matter of grave concern for farmer and dealer alike to sell as much as possible of the milk passing through their hands, at liquid prices. It was obviously essential to replace the basic quota system, productive as it was with a winter glut of milk, with something more realistic.

The modified system was introduced for the contract period 1929/1930. Each farmer now had to state a declared quantity of milk which he would endeavour to deliver throughout the year. Three different classes of producer were defined; a Class I which was permitted a 10% monthly variation from the declared quantity only, a Class II permitted a 20% variation, and a Class III with 50% variation, slightly higher prices being paid for milk from Class I and II. For any excess or deficiency outside these permitted limits a producer was fined the sum of 2d. a gallon. The majority of dealers soon began to insist upon a modified contract, however, whereby excess deliveries were paid for at manufacturing prices rather than 2d. below liquid price, for by 1930 the spread between the two was as great as 4.9d., consequently a new class, IIb, was introduced, and soon became almost universal in London at least. Producers delivered their total product to the dealer and received liquid price for a certain proportion and manufacturing price for the remainder, the proportion being adjusted in relation to the percentage actually being sold in the liquid market by the dealers. This percentage averaged:-

80% during 1930 - 1
and 75% during 1931 - 2
and 1932 - 3.

The position, however, continued to deteriorate. The price of imported cheese continued to fall, and as it fell, so did the manufacturing price of milk, as the following figures show:-

Year	Canadian Cheese /- per cwt.	Manufacturing Milk d. per gallon
1928	214	9.1
1929	210	8.2
1930	180.5	-
1931	158.5	4.6
1932	149.5	4.6

(DERIVED FROM COHEN, "History of Milk Prices")

Nevertheless, the price of imported cheese continued to fall more rapidly than that of home-produced cheeses, and the divergence between their prices increased. In 1929 the difference had been only 19/- per cwt., by 1932 it was 33/6d. Moreover, the quantity of cheese and butter imported was increasing. It seemed fairly certain that further reductions in the manufacturing price would be necessary.

The liquid price of milk had, up to this point, remained fairly constant. The winter price for 1931 - 32 was almost 4d. per gallon lower than during the previous winter, but a recovery of 2d. a gallon soon followed. The liquid price was being held at an unrealistically high level simply by means of organised bargaining. Two factors which might mean the complete breakdown of the system began to appear, however. Firstly, "accommodation" or platform prices, which throughout the century had diverged very little from contract prices, now began to fall well below the current contract prices - a phenomenon which was almost certain to weaken the producer's position at the next price-fixing. Secondly, the real cause of the previous phenomenon perhaps, the low-cost producers of

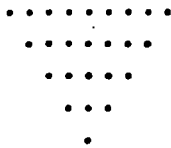
the West and South-West, who had traditionally occupied themselves almost exclusively in the manufacturing market, now found that the price of manufacturing milk was too low to cover even their comparatively small outlay, and began to send their milk to London and the Midland cities in the hope of breaking into the liquid market. Moreover, falling transport costs coincident with the development of road transport seemed to encourage this tendency. The result of all this was inevitable. With so much milk on the market available at any price above the manufacturing one, dealers were no longer willing to pay the unrealistically high prices which the Permanent Joint Milk Committee contracts had established. More and more farmers found themselves forced to abandon the contract price and accept whatever was being offered for their milk, and by early 1932 the N.F.U. Milk Scheme was dead.

Evaluation of the Milk Schemes

There can be little doubt that the N.F.U. Milk schemes were initially of considerable benefit to the British Milk producer. Indeed, as long as an increased degree of collectivism on the part of the dealers was the outstanding threat to stability in the milk market, the N.F.U. scheme seems to have been an adequate policy. But it was certainly not adequate to deal with the problems of over-production, price-cutting and foreign competition. This may be attributed to basic weaknesses in a scheme of this nature. Firstly, participation in the scheme was entirely voluntary. The N.F.U. prepared specimen contracts which its members were advised to employ when making their own contracts, but whether or not the farmer did so was entirely his own business. Again, the N.F.U. sought by participation in the Permanent Joint Milk Council, to obtain for its members the best possible prices for their milk, but if a producer chose to sell below these prices there was no way of penalising him. It was quite simple for a farmer to "blackleg" -

to sell his milk at the best prices obtained at the Permanent Joint Council without participating in the schemes or paying the levies obligatory upon those who did. In fact, only a minority of milk producers did participate in this scheme.

The N.F.U. was not a buyer of milk and no supplies passed through its hands, so that its function was little more than advisory. Nevertheless, the terms negotiated through the Permanent Joint Committee do seem to have been the criterion upon which milk prices were largely based prior to the collapse of the scheme.



CHAPTER FOURLEGISLATION - THE AGRICULTURAL MARKETING ACTS.

The milk-producing industry was, then, faced with a grave dilemma in 1932, a market which was rapidly disintegrating and a problem which might be resolved in one of two ways. Either the economic forces at work might be left to work themselves out a sane new marketing scheme, or a nation-wide and compulsory basis might be evolved. The first alternative would have entailed the gradual forcing out of the industry of all the higher-cost producers until the supply of fluid milk no longer exceeded the demand. This would have probably meant that the price of liquid milk would have fallen to the level of manufacturing prices, and that milk production in the high-cost Eastern and South-Eastern regions would have virtually ceased. That this situation was avoided and the latter alternative adopted was due in large part to the existence of statutory instruments legalising combinations of this nature, the Agricultural Marketing Acts of 1931 and 1933.

The Act of 1931

The Agricultural Marketing Act of 1931 was passed by Parliament at a time when it had become obvious that lack of organisation and the inability to counter foreign competition was making the position of British agriculture untenable. We may best illustrate the scope and nature of the act by quoting from a number of its principle clauses as stated in the Lucas Report, 1947, for example:-

Submission and Approval

"The producers of any agricultural product or any part thereof are enabled to prepare and submit for ministerial and parliamentary approval a scheme to regulate the marketing of that product."

Submission and Approval (cont:)

"If, at the poll, the scheme receives the support of not less than two-thirds (both by number and productive capacity) of the registered producers voting, it comes into force at the expiry of the suspensory period (one to two months), and is binding on all producers of the commodity within the area of the scheme".

Election of Boards

"Until the first election is held a board consists of the persons named in the scheme plus two nominees of the minister. Thereafter, boards are composed of representatives of the registered producers together with two persons of commercial or financial ability co-opted by the elected members".

Powers of Boards

"Under a trading scheme the board may take power to buy and sell the regulated product and any secondary product, and to require that registered producers may only sell the product to or through the agency of the board."

"Under a regulatory scheme the board is enabled to control the operations of the registered producers by determining the descriptions of the regulated product which producers may sell and the price at, below or above which, the terms on which, and the persons to, or through the agency of whom, the registered product or any quantity or product thereof may be sold.

Enforcement Powers

"Any producer in the arc of a scheme who sells the registered product without being registered or exempt is liable to prosecution and to the infliction of a fine."

Every scheme under the acts shall provide for the establishment of a fund into which all sums received by the board shall be paid and out of which the board is required to pay all costs incurred by the scheme. Boards have powers to levy contributions on registered producers to form such a fund.

Quantitative Regulation of Supplies

The Acts give power to boards to limit production indirectly through the control of sales of the regulated product.

Safeguards

The Act provides for the setting up of consumers' committees, which may call upon the board to furnish accounts and any reasonable information, to report to the minister any effects upon consumers and complaints therefrom. A complaint may be referred to a committee of investigation appointed by the minister. The minister may, at his discretion, amend or resolve the scheme, or cause the matter in question to be rectified.

Dissatisfied producers may demand a poll and, given a simple majority, secure the revocation of the scheme.

The Marketing Act of 1931, then, gave the producers full powers to formulate a marketing scheme and, if approved, to enforce its acceptance and observatio by any dissident minority. Moreover, a Reorganisation Commission under Sir Edmund Grigg, was appointed to consider what form it would be most desirable for such a board to take. But neither in 1931 nor in 1932 did the producers take any steps to set up such a board. The reason for this delay was later stated by the Milk Marketing Board themselves in their official history -

"Producers felt that unless they could have some assurance of protection against cheap imports which were damaging the home market, they could not agree to proceed with the establishment of a marketing scheme. It was not until Parliament passed the Agricultural Marketing Act of 1933 that the representative body of producers gave its support to statutory organisation."

The Lucas report which surveyed the whole problem of Agricultural Marketing in 1947 says much the same of the 1931 Act. It states that:

"The first Agricultural Marketing Act simply did not fill the bill. It gave to producers a basis for long-term planning when what they wanted was immediate tangible aid. Moreover, even as a long term policy it was asserted that the Act had a fatal weakness. It called upon the home producer to undertake the new and difficult task of marketing reconstruction, involving an abatement of his cherished liberty as an individual trader, but gave no assurance that steps would be taken to prevent the market as a whole from being swamped by the unrestricted inflow of cheap imports."

The essential factor behind the delay in putting the 1931 act into operation, then, was the fear of "dumping" by foreign competitors. This had already happened in the wheat market, and although there was little danger of liquid milk being treated in this manner it might well happen to butter and cheese, and it was by now realised that the liquid and manufacturing prices of milk could not be permanently divorced. It was this fear that the act of '33 resolved.

The Agricultural Marketing Act, 1933

This act was concerned almost entirely with the regulation of supply, both home and imported. It decreed that the Board might place a direct quantitative limit on sales by any producer and provided that any such limit might be based on the producer's past sales. The most important section, however, was that in Part I which stated that

"The Board of Trade, after consultation with the appropriate ministers, is empowered to regulate by order the importation into the United Kingdom of any Agricultural product. Before making such an order, however, the Board must be satisfied that:

- (a) All practical and necessary steps have been taken for the efficient reorganisation through marketing or development schemes of those branches of the agricultural industry in whose interest the order is made; and
- (b) Unless such an order is made the effective organisation and development of the branches concerned under the scheme cannot be brought about or maintained."

This removed the prime objection to statutory organisation, and a Milk Marketing scheme was quickly organised to be in operation before the next contract period beginning in October 1933, after a poll which demonstrated that no less than 96% of milk producers were then in favour of such a step.

.....
.....
...
.

CHAPTER FIVETHE MILK MARKETING BOARD -CONSTITUTION AND LATER AMENDMENTS.

The reorganisation commission for milk (Grigg Commission) making their report in January, 1933, recommended the formation of a Milk Marketing Scheme at National level, the scheme to have as its ends

- (a) The strengthening of the position of producers by enabling them to negotiate as a solid body.
- (b) The prevention of undercutting of the liquid market by the establishment of a clear distinction between the two markets, whilst securing for all producers a fair share of the proceeds of all milk sold in the more lucrative market.
- (c) The improvement of the quality of the milk supply.
- (d) The stimulation of the demand for milk for liquid consumption.
- (e) The recognition of the service rendered by producers catering primarily for the liquid market.
- (f) The development of manufactured milk products.
- (g) The co-ordination of producers, distributors and manufacturers to secure prosperity for the whole milk industry, but with adequate safeguards of the interests of the consuming public.

The commission believed, however, that the organisation of the production side of the industry alone would be insufficient to meet the demands of the situation. They

recommended that in addition to the central producers' board as envisaged under the Marketing Acts, a Dairymen's and Manufacturers' Board should be created, and a Joint Milk Council composed of representatives from both boards be set up. They believed, in fact, that a joint negotiating committee on the lines of the old Permanent Joint Milk Committee would be preferable to producer-control. Such an arrangement, however, would not have been possible under existing legislation, and in any case was not favoured by the producers themselves. Consequently a producer-dominated Milk Marketing Board was set up, utilising all the powers granted under the Agricultural Marketing Acts with the exception that it was a single commodity scheme concerning itself only, so far as pricing was concerned, with milk, and making no attempt to fix butter and cheese prices also, though this was permitted under Section 5 of the 1931 Act.

The Board was empowered to decide the wholesale prices at which milk was to be sold, after consultation with the representatives of the distributors. If, during the first two years of the scheme, agreement was found to be impossible, then the prices for those two contract periods were to be fixed by a tribunal appointed by the minister. After this two-year period the Board itself was empowered to fix prices, though these might be questioned by an Investigation Committee as stipulated in the Act of 1931. The Board was, moreover, empowered to insert re-sale clauses in its contracts with dealers and retailers, so that it was in effect responsible for retail price-fixing and for the determination of wholesale margins also, these latter being made dependent upon the dealer's volume of sales, so that the small dealer received a greater margin upon each gallon sold than did the large. Milk to be used for manufacturing purposes was to be sold at prices related to its utilisation, which meant in fact that it was still largely determined by the price of imported manufactured milk-products. The only exceptions to the Board's rigid control of milk prices were small producers with less than 4 cows and producers of special grades of milk. All milk apart from these latter was to be sold through the Board, by contracts to which the Board was a party. Producer-retailers were granted exemption from this, but were forced to obtain licences from the Board.

The method by which payment was to be made to producers is equally interesting. England and Wales were divided into eleven regions. In each region the total receipts from milk sold in all markets, which were of course paid directly to the Board, were lumped together, plus contributions from producer-retailers, at a pre-determined rate. An average price per gallon was then worked out and paid to all wholesale producers in the region, irrespective of whether their sales had been predominantly of 'liquid' or 'manufacturing' milk, payment being made by monthly cheque.

The cost of transporting the milk from the farm to the dealer's premises was to be borne by the producer himself, even if forwarded through a country collection depot, whilst producers supplying milk to a local creamery for manufacturing purposes and thus substantially avoiding transport costs, were to make a payment to the Board. Further, by means of a mechanism known as the "Inter-Regional Compensation Fund", a payment was made from the areas in which milk had been sold mostly at 'liquid' prices to those wherein it had been used predominantly for manufacturing purposes - a practice made necessary by the danger already mentioned of low-cost Western milk being diverted to the Eastern market - a matter necessary as a compensation now that this practice was no longer permitted. Finally, a payment was made by all regions to the Scottish Milk Marketing Board as a security against the flooding of the English market by low-cost Scottish milk. These were the essential features of the Milk Marketing Board as constituted in 1933.

Between 1933 and 1942 a number of changes and modifications were made in the regulations and policy of the Board, though few of them were of major significance. The majority of them appeared in the Milk Acts of 1934 and 1936. The act of 1934 concerned itself principally with three considerations: the improvement of the returns to producers of milk for manufacture, the improvement of the quality of the milk supply, and the stimulation of increased consumption of liquid milk. In pursuance of the first of these aims it was enacted that a subsidy

payment should be made by the State to the Marketing Board in respect of milk used for manufacturing purposes whenever the manufacturing price fell below a "standard" of 5d. in summer and 6d. in winter, to be repaid by the Board if the cheese price should rise above the "standard" price. For the furtherance of the second point, improvement in the quality of the milk supply, funds were provided for the establishment of an "Attested" herd scheme for producers whose entire herds had been shown to be free from Tuberculosis during three successive inspections and a bonus of 10d. a gallon was granted to producers with "attested" herds, in addition to the "accredited" bonus introduced by the Board itself the previous year. Producers of the older "certified" and "Grade 'A' (T.T.)" milk were still outside the scope of the milk scheme.

Thirdly, in pursuance of an expanded liquid consumption, a considerable subsidy was made payable to the Board to enable milk to be sold to school-children at specially low rates, the Board charging 6d. per gallon for the milk and the subsidy being the difference between this and the liquid wholesale price. A subsidy payment for research and advertising purposes was also introduced. The Milk Act of 1936 served simply to renew this legislation, which had been of a provisional nature when introduced.

The sphere of interest of the Milk Marketing Board was further extended by the policy, adopted in 1934, of establishing creameries in different parts of the country. Milk supplies at this time were well in excess of demand and there was difficulty in providing some producers with a manufacturing outlet for their milk, though the Board was, of course, obliged to accept the milk whether a use could be found for it or not. It was hoped also that the operation of the creameries would also provide the Board with information of the cost of production of manufactured products which would be useful in future pricing policy. By 1937 ten such creameries were in operation.

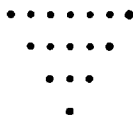
Finally, in 1938, came the Milk Industries Act nationalising the system of bonus payments for special qualities of milk. The classification "certified" which necessitated farm-bottling was discontinued, and T.T. milk was brought within the scope of the scheme as the highest quality milk. A graduated scale of bonus payments was

prepared, and it was decided that these bonuses should be provided jointly by state subsidy and by contribution from the Board, the scale being as follows:

Grade	Government	Board	Total
	Pence per Gallon		
Accredited	$\frac{2}{3}$ d.	$\frac{1}{3}$ d.	1 $\frac{1}{3}$ d.
T.T.	1 $\frac{1}{3}$ d.	1d.	2 $\frac{1}{3}$ d.
Attested	1 $\frac{1}{3}$ d.	$\frac{1}{3}$ d.	2d.
Accredited & Attested	2 $\frac{1}{3}$ d.	1d.	3 $\frac{1}{3}$ d.
T.T. & Attested	2 $\frac{1}{3}$ d.	1d.	3 $\frac{1}{3}$ d.

(WORK OF THE MILK MARKETING BOARD, 1933 - 52, p.18)

In all other matters the policy of the Milk Marketing Board remained unchanged until the outbreak of war.



CHAPTER SIXRESULTS OF THE MILK MARKETING BOARD
PRODUCTION AND PRICES, 1933 - 1942.

The Milk Marketing Board was not able to bring about any considerable increase in the returns payable to its members during the first three years of its existence, though pool prices were slightly higher than the average prices ruling under the Class IIB contracts during the closing years of the N.F.U. milk scheme.

The Griss Commission estimated that during 1931-2 the average II[?] contract price was 11.20d., rising to 11.64d. during 1932-33. By comparison the pool prices payable during the first 3 years were:

<u>1933-4</u>	<u>1934-5</u>	<u>1935-6</u>
11.83d.	11.99d.	11.48d.

(MILK MARKETING SCHEME FIVE YEARS REVIEW, p.23)

Liquid prices considered alone did indeed rise quite considerably during this period, being:

<u>1933-4</u>	<u>1934-5</u>	<u>1935.6</u>
13.99d.	15.08d.	15.25d.

(MILK MARKETING SCHEME FIVE YEARS REVIEW, p.19)

But manufacturing prices fell slightly, thus:

<u>1933-4</u>	<u>1934.5</u>	<u>1935.6</u>
4.96d.	4.81d.	4.95d.

(MILK MARKETING SCHEME FIVE YEARS REVIEW, p.20)

It has been suggested that the liquid prices shown are too low, as they do not include the payment of bonuses for regular production which the scheme permitted. On the other hand, during the second half of the year 1933-4 and during the whole of the years 1934-5 and 1935-6 considerable bonuses were being paid in respect of manufacturing milk under the Milk Act of 1934 - a point which more than cancels out the previous one. It would seem, then, that the Milk Marketing scheme did little to improve the bargaining position of milk producers during this period. It must be remembered, however, that the producer now had an assured market for all the milk that he was able to produce, and, under the Milk Act, an assured minimum price plus the knowledge that the pool price would not fall to minimum level (for that would imply no liquid milk sales throughout the whole scheme.)

It is probable, however, that the scheme would have brought about much greater benefits for its members during this period but for three factors. Firstly, the price-negotiating arrangements were still in the probationary period stipulated in the original constitution, and the board was unable to fix milk prices at the level it considered to be desirable. During the negotiations to determine the liquid milk price for 1933-4 the Board was unable to come to terms with the representatives of the distributors, and the price was fixed by the "three impartial persons" nominated by the minister. An increased price was indeed awarded, but one with which producers declared themselves profoundly dissatisfied. Again in the 1934-5 negotiation, agreement proved to be impossible, and again the increase awarded did not satisfy producers. Then, the probationary period being completed, the Board itself fixed monthly prices for the year 1935-6, but the Central Milk Distribution Committee and the Co-operative Congress both complained to the minister, and after a committee of investigation the minister decided to reduce the prices favoured by the Board by 1d. per gallon during the winter months. Moreover, the tribunals of 1933-4 and 1934-5 had granted to distributors considerably

increased distributive margins, both wholesale and retail. The Board's proposed prices for 1935-6 contained a considerable reduction in these margins, a reduction which the minister reduced from $5/12d.$ per gallon to $2/12d.$ per gallon. Not until the 1936.7 contract was the Board able to stipulate milk prices without interference.

Secondly, the formation of the Milk Marketing Board was followed by a very considerable increase in the amount of liquid milk being offered for sale. It would be unwise to allege that production increased, for to enlarge a dairy herd and to increase its yield are both comparatively long-term undertakings. Rather, it is likely that the increased flow of milk onto the market was provided by a reduction in the amount being fed to stock, and by a decrease in the production of farmhouse butter and cheese. Nevertheless, the increase was very considerable, as these figures illustrate:

		<u>Total Milk Sales from Farms</u>	
1933-4	..	856	million gallons
1934-5	..	981	" "
1935-6	..	1,024	" "

(MILK MARKETING SCHEME FIVE YEARS REVIEW, p.13)

The increase in the number of registered producers was even more surprising:

		<u>Registered Milk Producers</u>
1934	..	100,446
1935	..	127,029
1936	..	135,297

(THE WORK OF THE MILK MARKETING BOARD, p.41)

Naturally, such an increase in the supply of milk meant that an increased proportion of the total was forced into the less profitable manufacturing market, and this, notwithstanding the bonus upon manufacturing milk introduced in 1934, served to keep pool prices low. The percentage of the total used for manufacturing purposes was:

In 1933-4	-	25%
" 1934-5	-	32%
" 1935-6	-	35%

(MILK MARKETING SCHEME FIVE YEARS REVIEW, p.15)

Finally, demand for and consumption of liquid milk increased very little during this period. Liquid sales in the year 1934-5 were only 3.5% higher than during the previous year, and the Cutforth Commission estimate that 3% of the 3.5 was the result of the state-subsidised school milk scheme. In 1935-6, notwithstanding the school milk subsidy, liquid consumption actually declined. And yet this was a period of increasing real wages and living standards and consumption per head should have been increasing. That it did not can only be ascribed to the increased retail prices necessitated by the expansion in distributive margins in 1933-4 and 1934-5.

It is interesting to note that in 1935 a group of eastern region producers, disgruntled by the fact that their pool price fell below that of their predominantly liquid sales, demanded the revocation of the Milk Marketing Scheme, but the subsequent poll showed a majority of 81% to be still in support of the scheme.

Nevertheless, it was inevitable that the unspectacular record of the scheme up to this time should call forth unfavourable comment. The Cutforth Committee, which had been appointed in 1935 to review the working of the Milk Marketing Scheme, made its report in 1936, and was by no means satisfied with the existing arrangements. The committee believed, in fact, that the scheme had only partly resolved the difficulties of producers, and that it had considerably impaired the welfare of consumers. In the words of the report

"In some respects - more especially in the strengthening of the bargaining position of the producers and the prevention of undercutting in the liquid market - the immediate aims of the earlier (Grigg) commission have been substantially achieved, But not all the difficulties of producers have been disposed of, and in certain other respects also the position is still unsatisfactory. The cost of maintaining a manufacturing industry has proved to be heavier than had been foreseen, and the need for increasing liquid consumption has become more obvious and more urgent."

"Some steps have been taken by the Boards towards improving the quality of the milk supply; and the Boards, in conjunction with the distributors and the government, have devised measures and provided funds to stimulate the demand for liquid milk. But in spite of these efforts, it remains the fact that the only interests that have suffered as a whole from the schemes have been those of consumers; retail prices have risen and the result has been to limit consumption or at least discourage its expansion."

"It is clear that, with the best will in the world, the progress that the producers' Boards can make unaided towards some of these wider objectives is limited.

Firstly, the burden of subsidising the existing production of manufacturing milk falls largely upon liquid prices, and we doubt whether the Board could, by their own action, get rid of it.

Secondly, even if they could do so, and bring about every practicable economy in production, the consequent reduction in prices would be insufficient to induce any considerable increase in consumption.

Thirdly, while the Boards may be able to secure some improvements in production, they may find it difficult to go so far as is desirable, because of the effect upon sections of their constituents.

Fourthly, Producers' Boards are not the bodies to which the nation could, or should, look for methods of improving distribution.

Finally, even in the matter of publicity the responsibility should not rest solely with the producers' Boards."

The Report goes on to suggest a number of proposals for a revised Milk Scheme, which are here summarised:-

- (i) The state to provide funds to make possible the sale of milk to selected classes of consumers at specially low prices, and to subsidise all "surplus" milk to liquid price-level. (Thus avoiding the necessity of "pooling".)
- (ii) The price payable to producers to be fixed at a certain level estimated to call forth the quantity of milk required, this quantity to be made up of
 - (a) estimated requirements of ordinary liquid milk market.
 - (b) estimated quantity to be sold at "assisted" prices to special classes of consumer.
 - (c) reserve necessary to ensure that all liquid requirements might be met.
 - (d) Any quantity that might be required specifically for manufacturing,

with the addition of bonuses for level and high-quality production.
- (iii) The wholesale price (that is, the price paid by the distributor) to be fixed at such a level that it, plus manufacturing returns and government grants to subsidise manufacturing milk and special consumer-classes be sufficient to meet the payments due to producers.
- (iv) Some form of machinery other than negotiation recommended for the determination of both producers' and retail prices, to make use of all available information. A permanent independent body suggested,
- (v) Some changes in the administrative structure to facilitate the above policy, and also some modifications to electoral procedure.
- (vi) A greater degree of co-ordination between the various interests concerned in the production and sale of milk, possibly by the independent body mentioned under (iv)
- (vii) An independent and impartial body to function as a Permanent Milk Commission, to act in co-operation with all sections of the milk industry, and to seek to improve methods of production and distribution and to expand liquid consumption.

The above recommendation may be regarded as two groups, (i) - (III) and (iv)-(vii). The suggestions made in the first group were readily justifiable at the time of their appearance, for in that year pool prices were falling and an ever-increasing proportion of milk production was being forced into the manufacturing market. Yet they were never acted upon. After 1936 pool prices rose steadily and the growth of the milk surplus was checked, as we shall see below, so that the reform of existing marketing arrangements no longer had an appearance of urgency.

The recommendations of the latter group were still valid, however, and a considerable body of opinion endorsed the view that control by all interest groups or independent persons was preferable to producer-control. This view was repeated in a white paper (cmd 5533) outlining a policy of assistance to the dairying industry, which appeared during the following year, and culminated in the presentation to Parliament of the government-sponsored Milk Industry Bill of 1938.

This Bill provided for the establishment of a permanent Milk Commission of independent persons to keep under review the production, marketing and consumption of milk, and to be of general assistance to the industry. The Commission was to be assisted by a Milk Advisory Committee representing the various sections of the industry. Its principal objects were to be arbitration between the Boards and distribution and the preparation of a reorganisation scheme for milk distribution. The investigation of distribution costs and the registration of distributors were also planned, to be administered by representatives of the distributors themselves together with two nominees of the commission.

This Bill successfully passed the second reading stage in the House, but was then withdrawn by the Government, in consequence of pressure from producers and distributors alike, who had little liking for the scheme. It seems likely, nevertheless, that some revised government proposal for a Permanent Milk Committee would have been introduced eventually had the second World War not intervened.

The Lucas Committee on the working of the agricultural marketing acts reporting in 1947 says of the projected Bill of 1938:

" The proposals put forward in the Bill, under which a single independent body would in effect have been made responsible for planning, not for one branch of the milk trade only, but for the industry as a whole, are of interest as an indication of the trend of thought in responsible Government circles at the time. The intention behind the Bill was that the commission which it sought to establish should become, as it were, the focal point to which the Government, the Boards and all concerned could look for a balanced and impartial judgment on the problems of the milk industry in all its aspects and for the performance of all the services of supervision and co-ordination which might be required."

We must, of course, remember that the Lucas Committee were to suggest a similar "commodity commission" themselves. It does appear, however, that the concept of a Permanent Milk Commission had considerable support in Government circles. That the Bill of 1938 was actually withdrawn is probably to be attributed largely to the fact that the milk scheme was actually paying dividends to both producers and consumers by this time.

The year 1936-7 seems to have marked the turning point of the fortunes of the Milk Marketing Board, and from this date until the outbreak of war, conditions gradually improved. A revival of the attractiveness of other branches of agriculture served to check the expansion of liquid milk supplies, which thereafter increased very little, thus:-

		<u>Registered Milk Producers</u>			
1936-7	-	135,297	910	mil.	galls.
1937-8	-	133,640	1,063	"	"
1938-9	-	132,896	1,119	"	"
1939-40	-	136,519	1,071	"	"

("THE MILK MARKETING BOARD AT WORK," p.41)

Moreover, the Board had secured progressively better prices for producers, largely at the expense of distributive and retail margins. Figures are:-

		<u>Liquid Price</u>	<u>Manufacturing Price</u>	<u>Pool Price</u>
1936-7	-	15.23d.	5.75d.	11.99d.
1937-8	-	16.24d.	6.88d.	12.92d.
1938-9	-	16.25d.	6.60d.	12.95d.
1939-40	-	17.01d.	9.69d.	15.36d.

("THE MILK MARKETING BOARD AT WORK", p.44)

During this period the retail price of milk was allowed to rise by no more than 1½d. This policy of keeping the retail price constant during a period of considerably increasing prosperity resulted in a considerable expansion of liquid milk sales, with a consequent fall in the proportion of the total milk production used for manufacturing purposes.

		<u>Liquid sales</u>	<u>% manufactured</u>
1936-7	.	681 mil.galls.	31
1937-8	.	752 " "	29
1938-9	.	767 " "	31
1939-40	.	789 " "	26

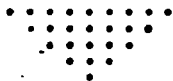
("THE MILK MARKETING BOARD AT WORK", p.42)

The increased liquid consumption may have been due in some small part to the Board's quality milk programme introduced by the Milk Act of 1934 and the Milk Industries Act of 1938. The institution of definite premiums for quality production rather than simply permission to make bargains outside the Board's contracts proved to be a positive stimulus, and the number of producers making use of the scheme expanded considerably, as these figures show:

		<u>Total Accredited Milk</u>		<u>Total T.T. Milk</u>	
1930-7	.	337	mil. galls.	35	mil. galls.
1937-8	.	377	" "	46	" "
1938-9	.	416	" "	65	" "
1939-40	.	409	" "	68	" "

("THE MILK MARKETING BOARD AT WORK", p.44)

All in all, then, the English dairy farmer was in a much stronger position by 1939/40 than he had been in 1932. His bargaining powers had been considerably increased, he had secured an effective control of the retail side of the industry, competition between producers and price under-cutting had been eliminated absolutely, and an assured market and guaranteed minimum price were established. And with reference to this last point, a government subsidy was payable upon milk production for the first time. This was soon to become the principal factor in the milk market.



CHAPTER SEVEN
THE INDUSTRY IN WARTIME

The outbreak of war in September, 1939, did not occasion any immediate large-scale reorganisation of the dairying industry, the Ministry of Food preferring to make full use of the machinery that the producers had themselves created under the marketing acts. The only immediate change was an agreement that from January 1st, 1940, the government should be responsible for fixing milk prices, both wholesale and retail, and that the Board should accept the Ministry's decision as to how milk should be utilised. From this date until October, 1942, producer prices were guaranteed, the treasury undertaking to pay the difference between the guaranteed prices and the actual receipts from dealers. (In the Milk Marketing Board's own words, "The Ministry agreed to underwrite the Board's receipts.") It will be recalled that previous guarantees had been applicable to the price of manufacturing milk only.

The conditions of the war-time economy soon led to a fall in the production of milk, principally because imported feeding-stuffs had to be banned to conserve shipping-space and British farmers could not immediately produce the requisite fodder-crops. During the consequent time-lag production fell thus:

Year	Total Production (mil.galls.)		
1938 - 9	1,119
1939 - 40	1,071
1940 - 1	1,045
1941 - 2	1,079
1942 - 3	1,145
1943 - 4	1,180
1944 - 5	1,204
1945 - 6	1,259

("The Work of the Milk Marketing Board, 1933-52", p.42)

Recovery, it will be seen, started in 1942 as farmers began to adopt the new techniques of grass-leys farming, the destruction of permanent pasture and the introduction of Alfalfa Lucerne and other new foods, but did not reach pre-war level until early 1944. At the same time the liquid consumption of milk was increasing at an unprecedented rate, thanks to the shortage of other vital foods, and maintained full employment. This situation, with production falling and liquid consumption increasing, could only lead to a drastic reduction in the amount of milk available for manufacturing purposes.

Year		Manufacturing Milk (Mil. galls.)	Percentage of Total
1939-40	..	282	26
1940-1	..	119	11
1941-2	..	108	10
1942-3	..	128	11
1943-4	..	132	11
1944-5	..	133	11
1945-6	..	127	10

("The Milk Marketing Board at Work, 1933-52", p.42)

This, a reduction in the proportion of total milk production being used for manufacturing purposes, would have been hailed in pre-war years as a very favourable development. Now, however, it was a matter for grave concern. A reduction in the amount of milk available for manufacturing purposes meant a reduction in the supplies of home-produced butter and cheese. Imports of dairy products were being drastically reduced, however, by the shortage of shipping space and the German occupation of Western Europe, so that it was necessary to

preserve home production of milk-products at as high a level as possible.

IMPORTS TO U.K.

Year	Butter (Mil. lb.)	Cheese (lb.)	Total Milk equivalent
1938	1,056	323	27,631
1939	970	315	25,547
1940	591	348	17,319
1941	488	455	16,524
1942	301	706	15,007
1943	339	463	13,169
1944	343	507	14,034
1945	425	425	14,457

(Spencer & Johnson, "MILK DISTRIBUTION AND
PRICING IN GREAT BRITAIN" , p.25.)

In view of these facts, it will be seen that it was essential that the government should do all in its power to encourage the production and to regulate the consumption of milk.

The restriction of milk sales and the rationing of supplies was instituted by a statutory order of April, 1941, the "Sale of Milk (Restriction) Order, " which commended dealers to limit their fluid sales in the latter half of 1941 to 6/7ths of what they had been in the first half. Supplies proved to be adequate in 1941, however, and this reduction was never imposed. Then, in October 1941, a

new system of allocation was introduced which was to persist until the end of rationing in 1950. Milk consumers were classified into priority and non-priority groups. The ration allowance to priority groups remained fixed, whilst allowances to non-priority consumers varied with the availability of supplies. The allowances were:

Expectant mothers, mothers of children under 12 months, and children between 4 - 8 months, or 1 - 5 years)	7 pints per week.
---	---	-------------------

Children under 4 months, 8 - 12 months, or 5 - 18 years)	3½ pints per week.
---	---	--------------------

Non-priority allowances:-

November 1941	.	2 pints per week		
Av. 1942	.	2.6 pints per week	(unrestricted during May)	
Av. 1943	.	2.8	"	"
Av. 1944	.	2.9	"	"
Av. 1945	.	2.6	"	"

Giving an overall consumption per head of:-

1938	.	0.42 pints
1939	.	0.42 "
1940	.	0.44 "
1941	.	0.56 "
1942	.	0.59 "
1943	.	0.62 "
1944	.	0.64 "
1945	.	0.66 "

(Spencer & Johnson, p.67)

Thus, despite milk rationing, consumption per head was able to increase steadily throughout the war period. The consumption per head of cheese, however, increased very little, and that of butter fell drastically.

Consumption per head per annum
(lb.)

	<u>Butter</u>	<u>Cheese</u>
1934 - 8 ¹ / ₂ Av. .	24.8	8.8
1940 .	14.0	8.2
1945 .	8.5	9.7

(Spencer & Johnson, p.61)

The National Milk Scheme and Milk in Schools Scheme were, of course, maintained throughout the period.

The first steps taken by the Ministry of Food to stimulate milk production were progressive and quite considerable increases in the guaranteed prices to producers, a trend which continued throughout the war years.

YEAR	Producer Prices		Av.	Av. retail price d. per pint
	Summer d. per gallon	Winter		
1938 .	10.3	15.6	13.2	3.46
1939 .	10.6	15.8	13.3	3.5
1940 .	13.0	22.8	17.4	3.7
1941 .	15.7	27.5	20.6	4.5
1942 .	16.4	30.8	22.7	4.5
1943 .	16.2	30.8	23.2	4.5
1944 .	16.8	32.3	24.3	4.5
1945 .	17.4	33.0	25.0	4.5d

(Spencer & Johnson, p.80)

As we have seen, production began to rise after 1941. The Ministry decided that a more complete control over the industry was desirable, however, a decision based largely upon the Memorandum on milk policy (cmd 6362) presented to Parliament in May of that year, and on October 1st, 1942, a new agreement between the Ministry and the Milk Marketing Board came into effect.

Until this time all milk had been sold from producer to distributor or wholesaler, with the Board entering the contract only as a third party. Now, however, the Board itself was to purchase all producer's milk at the prices fixed by the Ministry, and to re-sell the whole of the production to the ministry at prices which made allowance for the Board's administrative costs. The ministry was to sell the milk to distributors at fixed prices. The Board were to remain responsible for the collection of all money due from purchasers of milk and for the payment of the guaranteed monthly prices to producers, and in addition

were to assume responsibility, on behalf of the producers, for the transport of all milk to the first point of delivery. These changes, however, with the exception of the reorganisation of transport, had little practical significance for the producer. The Board's official history indeed states:-

"So far as they affected the Board's general organisation the new arrangements amounted to a change more in form than in fact. The Board signed a new agreement with each producer to cover the sales of his wholesale milk, discontinuing the old tripartite arrangement. In effect all producers for the time being continued to send their milk to the same market until they were notified by the Board to do otherwise

There was no longer any necessity for separate contracts between the buyer and the Ministry and purchaser's monthly accounts were prepared in exactly the same way as hitherto except that they have the Ministry's heading instead of that of the Board. "

The delegation of responsibility for the transporting of milk to points of first delivery to the Board was, however, significant, for it was done to facilitate the rationalisation of transport in the milk industry. During the pre-war years cross-hauling and duplication had developed to a marked extent, due on the one hand to the necessity for some dealers to draw supplies from quite distant areas if they wanted milk of special quality, and on the other to the willingness of some producers to deliver their milk to quite distant dealers rather than incur the rather heavy transport charges on depot milk. By 1941, however, vehicles, petrol and manpower were in short supply, and rationalisation became essential. Rationalisation schemes were adopted in the Bristol area and in the transport serving three creameries in South Wales, and proved successful, and following the Memorandum of 1942 (Cmd 6362) the Board was authorised to institute the nation-wide rationalisation of farm transport. The enforcement of the scheme evolved was rendered comparatively easy by the state control of petrol supplies, for

it was possible to curtail the petrol ration of any haulage agent who refused to co-operate in the scheme. The reorganisation proceeded quite slowly, however, and was not completed before 1945. One important factor preventing the complete rationalisation of milk delivery was the promise made at the introduction of the scheme to maintain as far as possible the volumes received by the various handlers - a commitment which prevented the closing of many country depots which might otherwise have been dispensed with. Unfortunately no figures are available to demonstrate the economies effected by rationalisation during this period. In 1948, however, the Ministry of Food estimated that rationalisation was by that time effecting a saving of 45,000 vehicle-miles per day, a saving of 25%. At a census held in 1952, 82% of milk producers considered that rationalisation had proved beneficial and desired its continuance.

Meanwhile, a similar development was taking place at retail level, the zoning of the town and city distribution of milk. There again there was much overlapping, with possibly four or five roundsmen serving the same street or block, and again the shortage of vehicles, petrol, rubber and manpower made rationalisation necessary. In some cities voluntary route-shortening agreements developed during 1940-1, but not until October 1942 did a national system of zoning appear. This scheme was organised and controlled by the Ministry of Food, not the Milk Marketing Board. Under the scheme each distributor was allocated certain streets in which he and he alone might retail milk, and was forbidden to trespass into another distributor's territory on pain of having the ministry cancel or transfer the consumer-registrations on his books. The scheme was not universal. It was applicable only to urban areas of 10,000 people or more. Co-operative societies were exempted, and in some cases "no-man's land" streets and areas in which distributors might still compete were defined. Moreover, the consent of the local trade-council was always obtained before a zoning plan was introduced, and in a few areas in which no agreement was reached competitive delivery was permitted to continue. Nevertheless, zoning plans were put into

effect in 400 of the 669 qualifying areas by April, 1943, and in more than 600 of them by May, 1944. In 1943 the Ministry made an estimate of the saving of manpower and transport realised in areas which had adopted zoning at that time, the statistics being:-

	Before Zoning	After	% Re- duction
<u>LONDON</u>			
Men	5,609	4,637	17
Women	2,644	1,998	24
All vehicles	5,904	4,445	25
Petrol vehicles	367	225	39
Petrol (Gals. per week)	4,100	2,400	41
 <u>PROVINCES</u>			
Men	14,033	11,597	17
Women	8,411	7,537	10
All vehicles	27,200	23,500	10
Petrol vehicles	10,119	8,480	16
Petrol (Gals. per week)	81,300	55,800	31
Total mileage per week	1,727,100	1,153,600	33

Another important innovation was made in 1943. Until this time the Ministry, though guaranteeing prices to producers for all milk produced, had not consistently worked at a loss, for the retail price of milk had been high enough to cover the prices paid to producers plus the administrative expenses allowable to the Board, and distributor's margins. But in 1941 the retail price of milk had been frozen at 4.5d. per pint, and when the need to increase milk production necessitated further increases in producer-prices in 1941 and 1942, it became obvious

that if a further increase in retail prices was to be avoided a subsidy would have to be made payable upon all milk produced, and from 1943 onwards the price paid to producers by the Board for their milk has been higher than the price at which the Ministry re-sold the milk to distributors.

Milk subsidy statistics are:-

Year	Direct Subsidies on Production	Welfare Subsidies	Total, including feeding stuff subsidies, etc.
1939	1.0	0.7	1.7
1940	5.3	0.7	6.3
1941	4.4	8.2	13.8
1942	2.0	15.9	20.5
1943	<u>10.8</u>	17.2	30.6
1944	11.5	19.9	38.0
1945	17.4	19.3	44.3

(Spencer & Johnson, p.90)

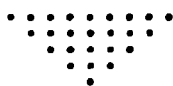
(These figures relate to the whole of the United Kingdom and not to England and Wales only.)

All other changes introduced by the Board or the Ministry of Food during the war years were concerned with the vital question of increasing production, both in terms of quantity and quality. They included the establishment of an artificial insemination service, of a Voluntary Milk Records Bureau, a testing scheme to ensure that all milk was of good keeping quality, a progeny test bureau and a number of grass-drying centres. Also a number of new creameries were constructed, though these had, by this time, come to be used as transport assembly points rather than for the manufacture of milk products. The sum total of these facilities was that the production of milk per cow, which had fallen at the beginning of the war with the loss of imported feeding-stuffs, steadily recovered, and the sale of the highest quality milk doubled between 1939 and 1945.

Year		Accredited Milk Mil. Gals.	T.T. Milk Gals.	% of all Cattle ATTESTED	AV. Yield per COW
1939	..	409	68	3.1%	5,738 lb.
1940	..	385	64	5.7%	5,573
1941	..	379	64	5.6%	4,902
1942	..	383	70	5.8%	4,819
1943	..	375	95	5.7%	5,005
1944	..	367	125	5.6%	5,077
1945	..	365	156	6.0%	5,139

(Milk Marketing Board, "The Board at Work, 1933-52")

The second world war, we may say, in its impact upon the fluid milk industry of England and Wales, produced three effects which were to be of lasting significance. Firstly, it brought about an increase in the per capita liquid consumption of milk which replaced the customary pre-war liquid surplus of milk by an excess of demand over supply in the liquid market. This increased consumption was to persist during the subsequent period. Secondly, it stimulated technical and organisational reforms which it might have taken two decades to bring about under peacetime conditions. Thirdly, it provided, for the first time, the spectacle of the fluid milk industry under full centralised control, and in so doing provided material for the discussions upon the future of the industry which were shortly to ensue. We pass, then, to our final section, in which we shall consider the proposals and developments to which the post-war period has given birth.



CHAPTER EIGHTPOST - WAR DEVELOPMENTS

When the second world war ended in July, 1945, it must have been immediately obvious to all concerned in milk production and distribution that the termination of hostilities could not bring with it the end of rationing and the removal of all controls. Fluid milk supplies were still hardly sufficient to meet demands, and it was expected that the solid policy upon which the government intended to embark would mean a steadily expanding liquid consumption throughout the ensuing decade. Moreover, the importing of manufactured milk products from overseas, which had been so long limited by lack of shipping space, was now to be kept at a low level for another reason - the need to effect a balance of payments, which would mean a substantial reduction of imports to counterbalance the loss of foreign investments. It seemed safe to assume that the control of all agricultural production and marketing must be left in the hands of the Ministry for some years at least. Even at this early stage, however, some consideration was being given to the future position of the Agricultural Marketing Boards. On November 7th, 1945, the then Minister of Food made a statement outlining the Government's future policy. The main points of the statement were that

- (i) The Government accepted responsibility for the provision of the necessary supplies of the main foods at reasonable prices to maintain an adequate standard of nutrition.
- (ii) The Ministry of Food would be placed on a permanent footing as the department of state primarily responsible for the procurement and subsequent distribution of all foods of importance in the national diet;
- (iii) So long as the period of food shortage lasted there would be a continuance of controls, usually involving consumer rationing or its equivalent coupled with price control at all stages of distribution.

When supplies were again readily available, however, the Government intended to operate only such controls as were considered necessary to ensure the protection of the consumers' interests and standard of nutrition and the reform of distributive systems.

The distribution of milk had, of course, been extensively reformed already under the rationalisation plan introduced in 1942. But the phrase "protection of the consumers' interests" is important in that it indicates a dissatisfaction with the producers-Board system of marketing in Government circles, and it seems reasonable to assume that the concept of a Joint Committee was still held in favour.

In December 1946 a committee was set up, under the chairmanship of The Lord Lucas, to "review the making of the Agricultural Marketing Acts; to consider what modifications of the provisions of those Acts for the organisation of producers are desirable in the light of experience before 1939 and on the developments in Government policy since then; and to make recommendations," thus emphasising that some modification of the Marketing Board system was eventually planned.

In 1947 Government agricultural policy was given statutory form by the Agriculture Act of that year, an Act

"For the purpose of promoting and maintaining, by the provision of guaranteed prices and assured markets for the produce mentioned in the first schedule, a stable and efficient Agricultural industry capable of producing such part of the nation's food and other agricultural produce as it is in the nation's interest to produce in the kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return upon capital invested in the industry."

As such, it provided a comprehensive statement of Government policy. Its enactments were, briefly, that the Minister was to review economic conditions in agriculture

at fixed intervals, and to fix guaranteed price level in the light of these reviews and as soon after them as possible, and that he should make no arrangements for any scheduled product (milk, cattle, sheep, pigs and eggs) that might entail earnings below the guaranteed minimum. Other enactments concerned agricultural holdings, etc. and did not directly affect milk production.

The importance of this Act for the milk-producing industry was simply that the wartime conditions of government control and guaranteed prices were given statutory authority and their continuence pledged, for the immediate future at least. This was probably an important contributory factor in the steady increase of milk production in post-war years.

The Lucas Committee made their report in the closing months of 1947, and, after outlining the past history of the Marketing Boards, stated that in their opinion the future of Agricultural Marketing must lie in one of four alternatives, these being:-

- (i) The laissez-faire position existing before 1931.
- (ii) The pre-war Marketing Board system, of which the report says
 "producers were in a position, subject to certain safeguards, to exert monopoly control over the marketing and distribution of agricultural produce."
- (iii) The existing system of control by the Ministry of Food.
- (iv) "A system under which the marketing of farm produce could be managed on public utility lines by corporations representing not any sectional interest, but the community in general."

And, adds the report,

"It is this last solution which we emphatically recommend should be adopted."

The existing system of Ministry control is condemned on the grounds that civil service organisation is really

not suitable for marketing duties. The pre-war Marketing systems are disposed of in the following words:-

"There appear to us to be two arguments which are conclusive against permitting producer control of Agricultural Marketing. Firstly, marketing is a continuous process in which not only the producer but the consumer and distributive trades are interested. To give one party (producers) exclusive monopoly control of the process was only tolerable so long as the producers were suffering from the economic disadvantage of a supply that exceeded effective demand. Secondly, in so far as products listed in Schedule I of the Agriculture Act are concerned, it is the taxpayer who in effect buys the produce at the point at which the guarantee operates."

Perhaps most important of all, the Report goes on:-

"It is for this reason, also, that we dismiss the alternative advanced by distributive organisations which indicated that the only amendment required in the Agricultural Marketing Acts as they stand is the dilution, if not abolition, of producer-control of boards by bringing on to these bodies representatives of all the other trade interests concerned."

The Lucas Committee, then, believed that it would be necessary to go much further than the appointment of permanent councils of interest-group representatives or independent persons with which previous reformers had been preoccupied, and indeed stated that

"We strongly oppose any form of nomination of members of Commodity Commissions (by which name they decided to call the Boards they wished to see set up) by outside bodies. Members of commissions will be, in fact, the business executives of the taxpayer."

The Commodity Commissions were to be given control of their respective products throughout all stages of its

production, distribution and processing and were, in addition, to make all possible economies in distribution and to act in an advisory capacity to the Ministry. The existing producers' Marketing Boards would be preserved to represent their members in price-negotiations and to enforce the decisions of the commodity commission, but, said the Report:

"We would emphasise that no tenderness for existing interests must be allowed to stand in the way of the tax-payer's right to have his produce disposed of by the most efficient organisation possible."!

No specific proposals for the marketing of fluid milk were made.

Needless to say, the proposals of the Lucas Committee have not been implemented, for a number of reasons. We need mention only the successful record of co-operation between Boards and Ministry during the war, the preference on the part of Government and permanent departmental staff alike for the utilisation of existing machinery, and the desire of the party then in power to woo the agricultural constituencies, even assuming that there was thought to be any advantage in the scheme. It seems safe to state that responsible thought in Government circles tended towards the modification of the existing structures rather than towards their replacement by a new form of authority, and towards a more moderate policy generally.

In 1948 came further proposals for the reform of the Marketing Board system (though again the term "reform" is, perhaps, something of an understatement.) The Williams Committee had been appointed in 1946 to examine the distribution of liquid milk and to advise upon any changes which might be necessary. Their review of the distributive system is, indeed, an able and invaluable study. Their projected changes, however, with which we are here concerned, amounted to the repeal of the whole of the Acts of 1931 and 1933. The authority which they proposed to set up bears a certain similarity to the "semi-public corporation" of the Lucas Report, being described as:-

"A statutory milk authority, not part of the civil service, but working under the overall authority of the Government departments concerned."

The appropriate Ministry was to continue to fix prices, subsidies and retail margins, the "Milk Commission", a small body of independent members, being responsible solely for the negotiation of seasonal variations with the producers, payments to producers, and the control of transport to first to first destination and the management of creameries. It might also undertake the negotiation of distributive and manufacturing margins. Essentially the Williams "Milk Commission" is a combination of alternatives (iii) and (iv) of the Lucas report.

The most interesting sections of the Williams report are those which comment upon the status of the existing Milk Marketing Board. For example -

"The Milk Marketing Boards would like at least to have back their full pre-war powers. But if this were done the field of dispute between them and any potential Distributors' Board would be widened and efficiency lost. It would be necessary to provide for appeal to an independent body."

And again -

"The Milk Marketing Boards have lost what, in the views of the previous committee of enquiry, was the main reason for constituting them, and what in practice has been their main function, the negotiation and fixing of producers' prices. These are now fixed by the government, and the producers have less interest in the result than consumers or taxpayers."

(This last comment, at least, seems manifestly unfair. In so far as producers' prices were not the determinant of the government-subsidised retail prices, consumers were not directly affected by producer prices; we must remember that

consumers were paying only 80% of the total cost of milk at this period. And producers were materially affected by producers' prices at least as much as taxpayers!).

This committee did not even share the opinion expressed in the Lucas report that the Marketing Boards should be preserved for negotiative and disciplinary purposes, believing that these functions might be equally well undertaken by the National Farmers' Union, and stated that the Board's executive staff would be absorbed by the Milk Commission.

In the following year came further legislation which considerably modified the position and powers of the Marketing Boards, though not in accordance with the recommendations of either of the post-war committees. The essential provisions of the Agricultural Marketing Act of 1949, described as "An act to repeal the Agricultural Marketing Acts, 1931 to 1933, and for purposes connected therewith " may be quickly summarised. Some modifications of the composition of the boards was announced, but the significant clauses are those which extend the powers of the Minister to overrule a Board

"If it appears to the Minister that the result of any act or omission of the Board is or will be contrary to the public interest, the Minister may give to the Board such directions as he considers necessary or expedient for the purposes of preventing that result or mitigating the damage to the public interest entailed thereby, and it shall be the duty of the Board to comply with that order, providing that it is not required to do anything which it has no power to do under the scheme."

The Act further provides that a Minister may take immediate action upon a complaint made to him by a consumers' committee or other body concerning the doings of a Marketing Board, if he considers that such action is necessary in the public interest, and that

"The Minister shall by order make any amendments to any scheme that appear to him to be necessary to bring the scheme into accordance with any provisions of the Act which require schemes to be framed to secure certain results."

The Act did, however, widen the scope of the Boards by permitting them to render a great variety of services to their constituents, stating that they might -

"manufacture or acquire and sell or let to registered producers anything required for the production or transportation, handling-processing of the product, or render any necessary service or co-operate with any person in doing so."

The Act of 1949 was important, however, not so much for the controls which it imposed upon the Marketing Boards, important as these were, as for the fact that by framing such controls it acknowledged that the Boards were to remain in existence, and in all probability to resume at least some part of their functions of pre-control days.

After 1947 a general tendency for the pre-war position to reinstate itself is noticeable in the milk industry. Fluid milk production was still increasing steadily and soon became adequate for all demands: indeed, the proportion being used for manufacturing purposes began to rise after 1947.

Year	Total Pro- duction Mil.	Manufacturing use Galls.	Percent- age Manu- factured
1944 - 5	1,204	133	11%
1945 - 6	1,259	127	10
1946 - 7	1,243	98	8
1947 - 8	1,321	137	10
1948 - 9	1,459	147	10
1949 - 50	1,521	239	15
1950 - 51	1,579	207	13
1951 - 2	1,517	136	9

Year	TOTAL Prodn.	Manufacturing <u>Mil.Galls.</u>	<u>Percentage Manufactured</u>
1952-3	1600	300	18%
1953-4	1650	310	18%

(Milk Marketing Board)

In May and June of 1950 unlimited liquid sales of milk were permitted for the first time. This was repeated in the summer of 1949, and finally milk rationing ended in January 1950.

In 1948 the Williams Committee, commenting upon the zoning of milk distribution in towns and cities, stated that

"We can see no reason for excluding new entrants to the retail milk trade once supplies are plentiful"

and also that

"It would be unreasonable to deny to the consumer indefinitely the choice of supplies",

and suggested that consumers be permitted to change their registrations with suppliers at certain times. This proposal was put into effect in May 1948, and the breakdown of the zoning system of delivery dates from this date. Consumer registrations were finally terminated, except for consumers obtaining free a specially subsidised milk, in May 1950, shortly after the abolition of milk rationing.

It is interesting to note that the Williams Committee, though believing that it would be possible to obtain even greater economies through zoning, believed that

"This would only be possible under public control. To give one private distributor, or an amalgamation or union of such distributors, legal monopoly in any area seems to us out of the question."

and they for this reason advocated a return to conditions of free competition amongst retailers. Two members of the committee, however, issued a minority report in which they declared themselves to be of the opinion that public ownership and operation of the milk distribution system preferable to competitive distribution as a permanent arrangement.

Another important development has been the partial withdrawal of government subsidies upon milk production after 1949, observable in the reduction in guaranteed minimum prices:-

<u>Pricing Year</u>	<u>Guaranteed Minimum</u>
1950-1	2/2d.
1951-2	2/2d.
1952-3	2/-
1953-4	1/10d.

and in the reduction of subsidies upon foodstuffs and fertilisers, so that, although both production and the wholesale price of milk have continued to increase, the amount being utilised for payment of subsidies has fallen. There has been no reduction, it should be noted, of subsidies payable under the welfare scheme.

GOVERNMENT SUBSIDIES UPON MILK PRODUCTION, 1946/53

Year	Direct Subsidies	Welfare	Foods and Fertilizers	TOTAL
		Milk Mil. Es.		
1946	24.5	19.5	8.7	52.7
1947	38.5	23.4	10.9	72.8
1948	35.8	28.4	17.5	81.7
1949	44.2	31.2	32.6	108.0
1950	63.6	30.2	22.3	117.1
1951	75.7	30.1	8.6	114.4
1952	60.0	35.2	9.3	104.5
1953	46.0	40.8	9.2	96.0

(Spencer & Johnson, p.90)

(These figures relate to U.K. as a whole and not to
England and Wales only.)

Finally, in April, 1954, we have seen a statement of Government policy which places the Milk Marketing Board in a position comparable with that which it occupied in 1949. Comparable, but, be it noted, by no means identical, for there are important differences. The Marketing Act of 1949 had already done much to strengthen ministerial control over the Marketing Boards, as we have seen, and the 1954 agreements set further checks and limits to their powers.

It had been announced in a white paper of November, 1953, that the Government intended to bring the control of marketing, distribution and selling prices to an end as quickly as possible, and discussions were arranged between the Government, Milk Marketing Boards and National Farmers' Union to decide what form future arrangements for milk marketing were to take. The arrangements finally agreed upon entailed the removal of the Ministry of Food from the market, and the re-institution of the Milk Marketing Board as the representative of producers in the sale of fluid milk. It was agreed that the Government should continue to fix market prices for as long as consumer-subsidy should continue, after which the Board was to be at liberty to negotiate milk prices with the buyers' representatives.

A number of modifications unknown before the war have, however, been introduced. It is now necessary, for instance, for the Board to give to the Minister prior notification of any projected price-negotiation. More important has been the setting up of a Joint Milk Committee, to be composed of members of the Milk Marketing Board and of the Central Milk Distributive Committee. This committee will discuss any projected changes in milk marketing procedure, and if unable to agree, will refer all questions to an independent consultant, whose ruling both sides will be obliged to accept. This concept of a Joint Committee is remarkably similar to that of the Milk Advisory Committee incorporated in the projected Milk Industry Bill of 1938.

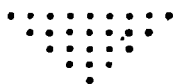
Guaranteed prices, it was decided, were to be continued, but should be coupled with a "standard quantity" arrangement, the full guaranteed price to be paid for supplies up to this quantity and a lower price for any excess, the Board pooling receipts from sales at both prices as during pre-war years. The actual receipts of the Board will depend also upon the difference between the lower guaranteed price and the actual price received for manufacturing milk, this difference to be met - or shared, as the case may be - between the Board and Government on equal terms.

Thus the Board, though in a much modified position, is now once more a Milk Marketing Board in fact as well as in name. The Board's General Manager, Mr. J.L. Davies, said upon the 21st anniversary of the founding of the Milk Marketing Board, in October, 1954, that:-

"We came out of control, at least full control, in April, and we celebrate our coming of age after six months experience once again of selling milk in the market. The Board has survived as a producer's marketing organisation after a period of control and much debate - that is in itself an achievement On the other hand, we cannot be free and unfettered like private industry. Decisions by a marketing board affect an industry, and may affect all parties to that industry including consumers and the government. The Marketing Board is almost a public Authority, but not quite..... it would be the wish of any General Manager that we shall have all the courage and enterprise of private industry, together with the caution and capacity of the civil service." *

And upon that pious note, I close.

* The Milk Producer, November 1954.



BIBLIOGRAPHY

- 579
1. Forrester, "The Fluid Milk Market"
(Economic Series 14), 1927.
 2. Beveridge, "British Food Control", 1928.
 3. Grigg Committee Report -
(Economic Series 38) 1933.
 4. Ruth L. Cohen, "History of Milk Prices", 1936.
 5. Aston & Rowntree, "British Agriculture", 1938.
 6. Report of Cutforth Committee, (Economic
Series 44) 1938.
 7. Milk Marketing Board "Five Years Review", 1938.
 8. Milk Marketing Board, "The Board in Wartime", 1946.
 9. Statutory Instruments of 1947.
 10. Report of Lucas Committee, (Economic
Series 48) 1947.
 11. Report of Williams Committee, 1948.
 12. Statutory Instruments of 1949.
 13. Milk Marketing Board, "The Board at Work,
1933-52" 1952.
 14. Spencer & Johnson, "Milk Distribution
and pricing in Great Britain", 1953.
 15. Blagburn, "Agricultural Marketing Policy"
in Financial Times Review, 1954.
 16. 21st Annual Report of the Milk Marketing
Board, 1954.
 17. "The Milk Producer", October 1954.

