WHEAT STUDIES

OF THE

FOOD RESEARCH INSTITUTE

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BRITAIN'S NEW WHEAT POLICY IN PERSPECTIVE

DRASTIC declines in world wheat prices, financial crises following prolonged economic recession, and the dominance of Conservatives in the new National Government led in 1932 to significant departures in British wheat policy. Since the repeal of the Corn Laws in 1846, cheap food for the nation had been a cardinal doctrine; the slogan had been, "No tax on bread"; and protective duties and subsidies for domestic wheat growers had been avoided. Now low duties on wheat and flour from non-Empire countries have been imposed; and under the Wheat Act a levy is collected on flour for British consumption, in order to insure British wheat growers a standard return for the millable wheat that they sell. In effect, though not in form, flour is taxed and wheat growers are subsidized.

As they stand, the new measures are both ingenious and moderate. They are directed primarily toward farm relief, not self-sufficiency even within the British Empire. At current levels of wheat prices, substantial aid to British wheat growers is given at small cost to consumers. Wheat growing had greatly declined; it is being stimulated, but with certain checks upon the extent of the stimulus. For the most part, milling operations and the international grain trade are not seriously affected. The influence of the present measures on the world wheat situation will not be large, though in the direction of retarding solution of the world problem of surplus wheat.

The new wheat policy is, however, the "spearhead" of a reoriented policy toward British agriculture, in which animal husbandry strongly predominates. The new program calls for far-reaching experiments in commodity control and agricultural planning, the outcome of which cannot safely be predicted.

STANFORD UNIVERSITY, CALIFORNIA

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In 1932 the United Kingdom signally changed her long-settled wheat policy. Under the Import Duties Act of February 29, flour imported from non-Empire countries was included among the articles subjected to a 10 per cent ad valorem duty effective March 1. After prolonged discussion of numerous proposals, a complicated form of price-supplementing subsidy for domestic wheat growers was provided by the Wheat Act of May 12, to be effective in the cereal year 1932–33. Finally, at the Imperial Economic Conference held in July–August, delegates of the British Government agreed to the levy of a tariff duty of 2*s*. per quarter (around 4 U.S. cents a bushel at exchange rates then prevailing) on wheat grain imported from countries outside the Empire; and this duty came into force on November 17 under the Ottawa Agreements Act of November 15, 1932.

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Since February 1, 1849, imports of wheat and flour had been free of duty, with only minor exceptions that involved no imperial preference. The British wheat trade had been wholly free of government control except, under war measures, from October 1916 to August 1921. Except for steps taken during the war and abandoned in 1921, domestic wheat growing had been given no protection or stimulus. The three recent acts therefore represent a sharp change from the free-trade policy established by the Act of 1846 that provided for the repeal of the long-standing Corn Laws.

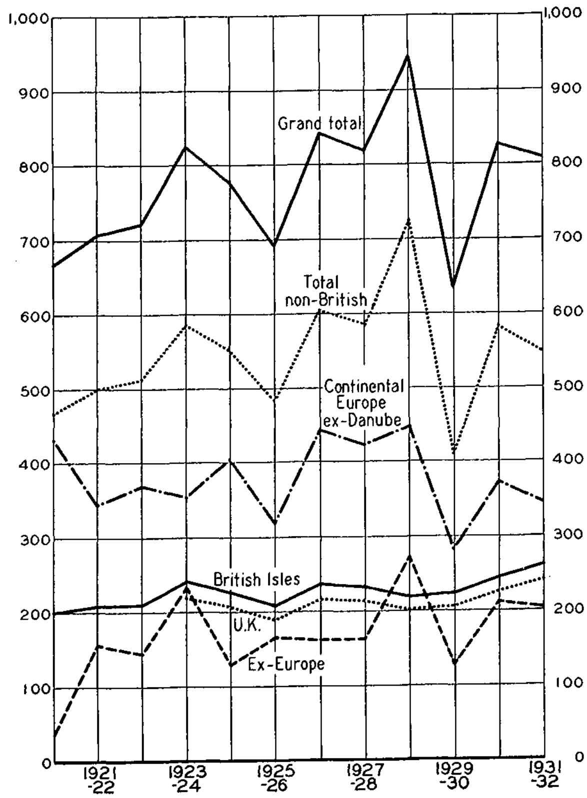
The outstanding fact of the British wheat position is extreme reliance upon imports. In the five crop years ending with 1931–32 the wheat crop of the British Isles averaged 48 million bushels, or about one bushel per capita, while net imports of wheat and flour averaged 236 million bushels. Home-grown wheat constituted only about one-sixth of the wheat consumed for food and feed; five-sixths was imported. In 1931–32, after a yield below average on the lowest acreage in much more than a century, the crop was less than 39 million bushels and net imports were 261 million—87 per cent of the total supply; and well over 90 per cent of the wheat consumed for food was imported.

For many decades—indeed since before international trade in wheat and flour began the striking expansion that has increased it eightfold in sixty years — the United Kingdom has been the leading wheat - importing country. In the five years before the war, her net imports constituted about 30 per cent of the net exports of wheat and flour of net-exporting countries; and in the five years ending July 1932, exclusive of the Irish Free State, about 27 per cent of the world wheat trade. The British Isles usually import more than half as much as all Continental European importing countries combined, and more than all ex-European countries combined (Chart 1, p. 306). In the past decade the present Kingdom's net imports have usually ranged between 205 and 225 million bushels a year; while the Free State, since for decades Ireland has produced very little wheat, has imported annually some 18 to 20 million. In comparison with most other countries and all other groups of countries, British imports are notably stable from year to year (Chart 1). Supplies from overseas arrive in British ports in large but varying volume in every month of the year, and come from all the surplus-producing regions. Outstanding among world wheat markets are those of Liverpool and London, and the Liverpool price has long been regarded as the "world wheat price" *par excellence*.

Consequently, modifications in British wheat policy are not merely of importance to the subjects of King George V, but of international concern. Particularly in a period of unprecedented world wheat surplus, it is striking that the sole remaining major exemplar of a free-trade policy should impose duties on wheat and flour, extend her mild policy of imperial preference to cover staple foodstuffs, resort at last to a thinly disguised "tax on bread" (long anathema), and even subsidize domestic wheat growers. The measures themselves, adopted after two years of intensive consideration, merit study in a period of far-reaching experiments in "farm relief" and regulation of international trade. The domestic subsidy plan is of special interest in view of the widespread resort to quota schemes in various wheat-importing countries, the pressure for some form of domestic allotment system in the United States, and the new farm relief measure recently signed by President Roosevelt.

CHART 1.—APPROXIMATE NET IMPORTS OF WHEAT AND FLOUR, BY MAJOR NET-IMPORTING REGIONS, 1920–21 TO 1931–32*

(Million bushels)



* For most of the basic data, see WHEAT STUDIES, December 1932, IX, 122–23. The total shown represents net exports of exporting countries, adjusted for changes in stocks about August 1. Continental Europe totals include some estimates for Portugal, Estonia, and Poland, and exclude net imports of the USSR and Bulgaria when these occurred. The ex-Europe total is obtained by subtraction.

Here we undertake to trace the evolution of the new policy, to explain the new measures themselves (reserving for later consideration some larger implications of Empire preference), to appraise their significance for Great Britain and their bearing on the world wheat situation, and to inquire into their implications for the future. This discussion rests in part upon an extended study of the historical development of Britain's position as a consumer, producer, and importer of wheat, and the place of wheat in British agriculture, trade, and national policy. For the sake of perspective, some phases of this background are presented briefly in Section I.

A few major conclusions may be summarized here. In principle, Britain's new wheat policy represents a sharp break with the past. It is, moreover, associated with even more radical departures in British policy toward agriculture, industry, and trade that are still in course of expression in specific measures. Yet in its present form, the wheat program is decidedly moderate, as compared either with alternative schemes that were proposed in Great Britain or with measures adopted by many other countries; and its effects on the world wheat situation are of minor, not major, importance.

The primary objective of the wheat program is farm relief. Its adoption became politically possible when extreme declines in cereal prices threatened disaster to many British farmers, and when an economic crisis had brought into power a National Government dominated by Conservatives. The strongly organized British milling industry exerted a marked influence on the final form of the measures adopted, with the result that few handicaps are placed upon ordinary trade operations. The tariff duties on wheat and flour are relatively low. The Wheat Act deliberately limits the quantity of millable wheat on which the standard price is guaranteed, in order to discourage an immoderate extension of wheat growing which might place a heavy financial burden upon consumers of flour. Because of the great predominance of imported wheat in Great Britain, a substantial subsidy to wheat growers involves a very small increase in the price of flour and bread.

The wheat subsidy may help for a time to preserve outmoded methods of cultivation, or it may promote mechanized farming on large tracts of land along with other farming changes; much will depend upon developments in other lines. Yet there seems no early prospect that, under the present measures, wheat will regain a dominant position in British agriculture; it will doubtless continue to be overshadowed by meat and dairy products. Because of the mixed character of much British farming, however, the cash benefit of the subsidy will be fairly widely distributed, and may help the industry as a whole to tide over a difficult period. Since the Act tends to depress the market price of domestic wheat, as distinguished from the farmer's total return from market price plus subsidy, the milling use of British wheat will probably be moderately expanded. There is small likelihood that the wheat measures will appreciably increase employment in agriculture, or even indirectly contribute significantly to lessen unemployment in general.

I. THE BACKGROUND OF THE NEW POLICY

Before Corn Law Repeal

From ancient times wheat has been a staple crop of England and the preferred cereal in the English diet, though barley and oats, and for centuries rye as well, were also extensively used for human food. Crop yields were very low under ancient and medieval agricultural systems, and were only gradually improved as the open-field system gave way to the modern type of farming. For this reason, and because of ill-developed interior transport facilities, English wheat crops were long insufficient to furnish a large enough quantity, at low enough prices, to supply the whole of the cereal diet for even the small population of the country. By the end of the eighteenth century, however, after agriculture, transport facilities, and consumer purchasing power had improved at a faster rate than population increased, wheat had almost wholly displaced other cereals in the English diet. The same process had yet much further to go in Scotland and Wales, where wheat was not extensively grown and oats and barley, respectively, still figured heavily in the diet; and in Ireland, where, in spite of expanding production of wheat on the large estates, the mass of the people lived on a very restricted diet in which potatoes were the principal element.

England was characteristically a net exporter of wheat until about 1765. Exports reached their peak about 1750, when for three years net exports of Great Britain (exclusive of Ireland) averaged about 10 million bushels a year. Thereafter exports declined and imports increased, as population and per capita consumption increased faster than wheat production. Ireland was characteristically a net exporter of wheat from 1765 to 1845, and Irish exports reached their peak in 1833 at about 6 million bushels a year. In spite of Irish shipments to Great Britain, after 1789 the British Isles as a whole were in most years net importers of wheat, and never substantial exporters; but it was not until 1839 that net imports of Great Britain and Ireland first exceeded 20 million bushels in any one year (see Chart 4, p. 310).

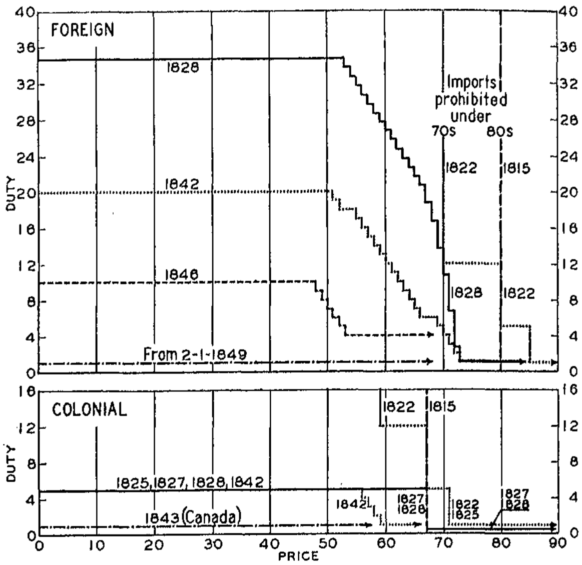
As the most important of the grains, wheat long figured heavily in British public policy. The Corn Laws, temporary statutes modifying them, and executive actions thereunder, have a long and complicated history reaching back into the Middle Ages. The measures involved, with different emphasis at different times, regulation of internal and international trade in grain and grain products, import and export duties, bounties, and prohibitions, and regulation of the prices of bread. While fiscal motives played some part in the earlier centuries and occasionally thereafter, the primary objective of the Corn Laws was to insure an adequate food supply at moderate prices, and to reduce the extremes of fluctuations between dearth and abundance and in prices to producers and consumers.

For a century after 1689 (and indeed for a brief period of years somewhat earlier) the predominant feature of the Corn Laws was a bounty on grain exports, effective when prices were below specified levels. This was supplemented by protective duties on grain imports when prices were below somewhat higher levels. British wheat production expanded and wheat exports reached their maximum while this policy was in force, but the bounty was only one of many factors responsible. After the middle of the eighteenth century, as the Industrial Revolution led to a notable increase in the urban population, exports declined and imports increased in spite of the continuance of this policy. During the Napoleonic Wars wheat production expanded further under the stimulus of high prices, and the urgency of the problem of food supply led to almost continuous suspension of the Corn Law provisions. In 1814 the export bounty provisions, obsolete for decades, were quietly repealed.

From 1815 to 1846 the Corn Laws were directed primarily toward restraint of imports from foreign countries, with the objective of making domestic grain growing sufficiently profitable to insure the maintenance of production, yet allowing imports to balance crop deficits. The Corn Law of 1815 represented the most extreme form of protection to British grain growers. When prices were below levels that were moderate for a war period but very high for a period of peace, imports from foreign countries were prohibited. Except in 1817–18, the prohibition was operative. The Corn Law of 1822 lowered the prices at which prohibition of imports was effective; but at prices that actually prevailed, foreign wheat and flour were practically excluded while this act remained in force. Preferential provisions were applied from 1791 to imports of grain and flour from British North American colonies, and this preference was gradually increased. Irish grain imported into Great Britain shared in the earlier preference and was made duty-free in 1806. From 1825 the maximum duty on wheat and flour from British North America was 5*s.* a quarter, and in 1843 Canada secured the reduction to 1*s.*, regardless of price (see Chart 2, lower section). Nevertheless, the time was far from ripe for marked expansion of wheat growing in Canada, and British imports of colonial wheat and flour continued small.

CHART 2.—WHEAT IMPORT PROHIBITIONS AND TARIFF RATES UNDER THE CORN LAWS OF 1815 TO 1846*

(Shillings per quarter)



* This chart is prepared to give a condensed picture of the transition from high protection to virtual free trade, to afford ready comparison of the sliding-scale tariffs under several different acts, and to indicate the extent of colonial preference. Admission of imports, and rates of duty, were made to depend upon the price of English wheat (here measured on the horizontal scale). By reading up from the price scale, one may read off the rates of duty (indicated by the vertical scale) applied to foreign and colonial wheat, respectively, under different acts.

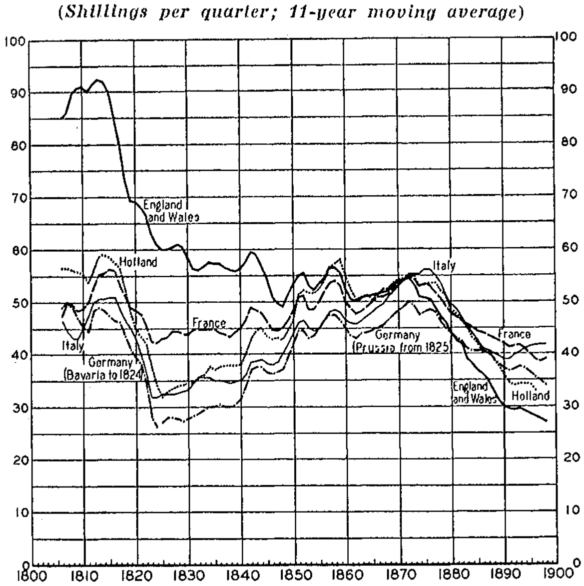
The Winchester quarter was replaced by the slightly larger Imperial quarter in 1825. The colonial preference applied chiefly to British colonies in North America.

The Corn Law of 1828 replaced the prohibitory provisions as to foreign wheat and flour by an elaborate sliding scale of duties, far above those applied to colonial products, and designedly highly protective. The Act of 1842 replaced this scale by a lower, simpler one; under this the maximum duty was 20*s.* instead of 34*s.* 8*d.*, but still very high. The upper section of Chart 2 graphically illustrates the comparison of these two scales, and their relation to the provisions of the two earlier laws. Examples of rates of duty applicable at four different levels of prices, *o* signifying no duty and *x* signifying exclusion of imports, are given on the opposite page:

Wheat price	Duties under acts of 1815	1822	1828	1842
80*s.*	*o*	5*s.*	1*s.*	1*s.*
70*s.*	*x*	12*s.*	10*s.* 8*d.*	4*s.*
60*s.*	*x*	*x*	26*s.* 8*d.*	12*s.*
50*s.*	*x*	*x*	34*s.* 8*d.*	20*s.*

This policy unquestionably restricted British imports of wheat from foreign countries (see Chart 4, p. 310) and kept prices to English producers of wheat considerably higher than they were in Continental Europe (Chart 3) or would otherwise have been in England.

CHART 3.—TRENDS OF WHEAT PRICES IN EUROPEAN COUNTRIES THROUGH THE NINETEENTH CENTURY*
(*Shillings per quarter; 11-year moving average*)



* Based upon charts in an unofficial report, *The Tariff Commission, Vol. 3: Report of the Agricultural Committee* . . . . (London, 1906), Figures 9–12. The quarter is 8 bushels, but the bushel was not of uniform weight.

It certainly was a major factor in the expansion of Irish production of wheat and oats, and probably helped to prevent material declines in English wheat acreage and production that might otherwise have occurred. But it failed to prevent a drastic fall in wheat prices, to save agriculture from severe depression, to insure abundance of cereals at moderate prices, or to stabilize prices of wheat or bread. The results were disappointing not only from the standpoint of the nation but even to domestic grain farmers.

Finally in 1846, after years of effective agitation financed by industrial interests, and after a failure of the potato crop in Ireland had brought famine there, even the Tory Prime Minister (Sir Robert Peel) was converted to free trade in grain. He put through the repeal of the Corn Laws, to be fully effective February 1, 1849, after a transitional period with a much lower sliding scale, which was completely suspended in most of 1847 and 1848. Except for a "registration duty" of 1*s.* per quarter that persisted until 1869, and a revenue duty of about the same amount under the budget of 1902, wheat and flour were thenceforth duty-free until 1932.

FROM 1846 TO 1931

British agricultural policy, from the repeal of the Corn Laws down to the World War, was dominated by the conviction that cheapness and abundance of food were of paramount importance to the nation, and that these ends could best be attained by free trade as contrasted with protective tariffs or domestic subsidies. Experience was interpreted to confirm the wisdom of this policy, for under it, despite a great increase in population and the persistence of much poverty, the masses of the people rose to much higher levels of comfort and well-being. The free-trade policy stood through severe agricultural depressions, notwithstanding repeated attacks from groups who may be succinctly termed "farm reliefers," prophecies of food shortage such as those of Sir William Crookes,[1] and the campaign of "tariff reformers" led by Joseph Chamberlain.

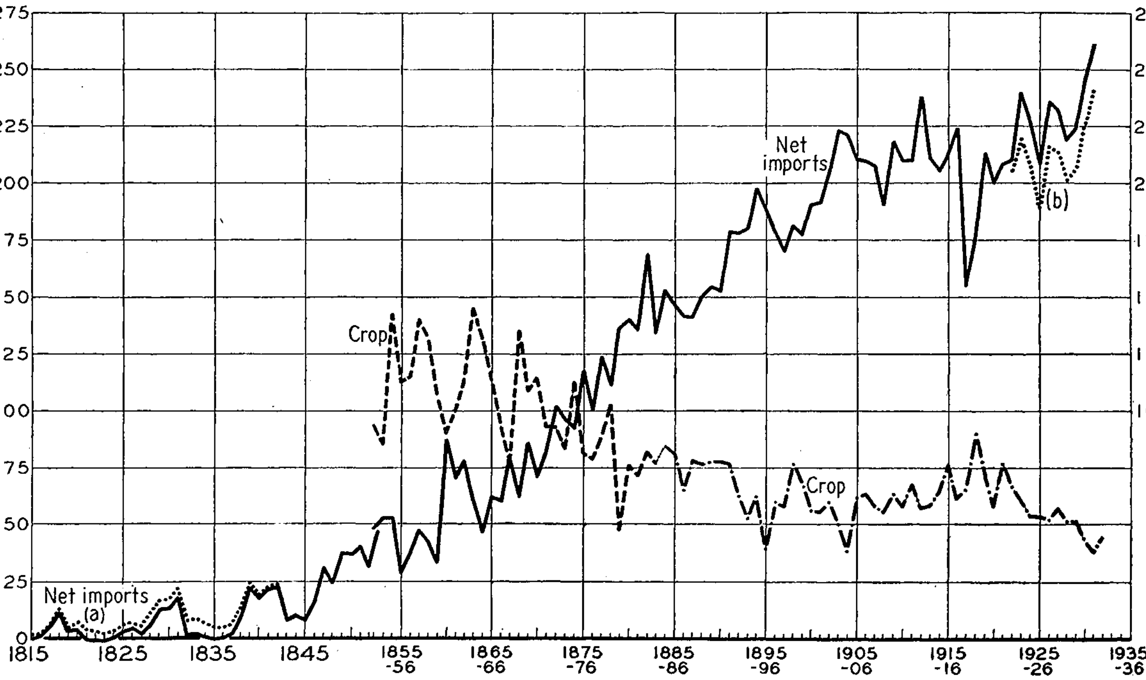
On the whole, the nation accepted with equanimity the agricultural consequences of the free-trade policy. These included: decline in the arable area and of wheat acreage in particular; expansion of grass farming and increasing concentration upon livestock and market gardening; diminution in food calorie output of British farms and increasingly heavy reliance upon imports of wheat and other foodstuffs; and marked reduction in the

[1] *The Wheat Problem, Based on Remarks Made in the Presidential Address to the British Association at Bristol in 1898, Revised with an Answer to Various Critics*, by Sir William Crookes, Third Edition . . . ., (London . . . ., 1917). The first edition was published in the *Proceedings* of the Association; the second in book form in 1899.

absolute numbers engaged in agricultural occupations as population continued to increase.

The decline in wheat acreage as indicated by official statistics from 1868, and the changes in total cultivated area, arable land, and land under permanent grass, are shown in Charts 6 and 7, respectively (pp. 313 and 314). The great expansion of wheat imports in the era of free trade, until in the 1870's they began increasingly to exceed domestic production, and the marked decline in British wheat crops, are shown here in Chart 4. Approximate per capita consumption (for food and feed) of domestic and imported wheat, based upon population estimates and data used for Chart 4, are shown in Chart 5. Official crop estimates were not made prior to 1884. The unofficial estimates for 1852–83 are not comparably trustworthy, and may exaggerate the year-to-year fluctuations in this period; yet there is little ground for distrusting the level they suggest. There seems no reason to doubt that as population and imports increased and as wheat became relatively much cheaper (see Chart 9, p. 334) per capita consumption of wheat for food tended upward in the first three decades of free trade, and remained close to 6 bushels a year down to the World War. Yet as non-cereal foodstuffs were consumed in increasing quantity and variety, wheat lost much of the primacy in the diet that it had had through centuries of British history.

CHART 4.—BRITISH WHEAT CROPS, 1852–1932, AND NET IMPORTS OF WHEAT AND FLOUR INTO THE UNITED KINGDOM, CALENDAR YEARS 1815–52 AND AUGUST–JULY CROP YEARS FROM 1852–53*
(Million bushels)



* Crop data are Lawes and Gilbert estimates for 1852–83, and official estimates from 1884, all converted (in part by approximations) to bushels of 60 pounds; the earlier estimates probably exaggerate the extent of year-to-year fluctuations. Net-import data compiled from official sources, and converted to bushels of 60 pounds; but data given in quarters, for 1815–40, are converted at 8 bushels per quarter. For the earlier years, wheat and flour are reported together, in quarters or hundredweight. From 1852–53, we have converted flour into terms of wheat on the rough assumption of 70 per cent extraction.

[a] Net imports of Great Britain, including those from Ireland (dotted line), and after deduction of imports from Ireland (solid line).

[b] Including net imports of Irish Free State (solid line), and excluding these (dotted line).

Within limits imposed by the controlling principle, agricultural policy was directed in various ways toward ameliorating the effects of agricultural depressions, lightening public burdens on the land, easing internal adjustments of agriculture, increasing the efficiency of farming, and thus helping to make farming pay. During this period as a whole, despite several serious setbacks, British agriculture improved in efficiency, in value of output per worker, and in standards of living on the farm.

The war emergency led to the temporary abrogation of free trade in wheat and flour; to sweeping measures of government operation and control affecting imports, domestic milling, and wheat production; and to the adoption of measures (including the Corn Production Act, 1917, and the Agriculture Act, 1920) designed for continuing support to domestic wheat growers. Under the stimulus of high prices, reinforced by these acts and propaganda, British wheat acreage and production reached in 1918 a higher peak than for thirty-five or forty years (see Chart 4, and Chart 6, p. 313). As soon as was feasible after the war the controls were removed. This process was barely completed when, in 1921, fiscal pressure forced the repeal of the acts under which wheat prices were guaranteed—before, in fact, the provisions were fairly operative.

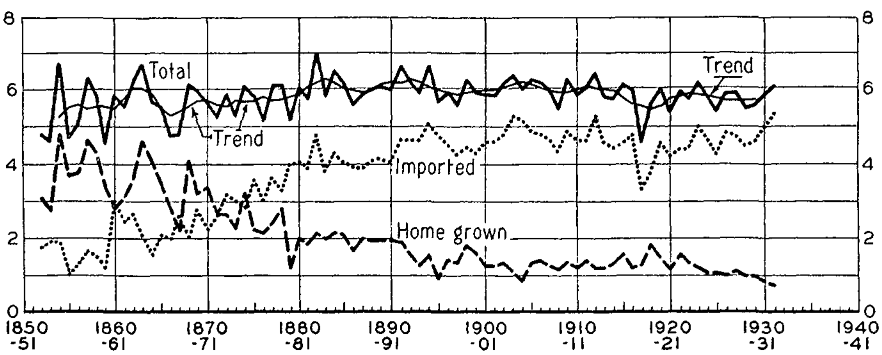
The liquidation of these measures represented a return to the pre-war policy; but what to do for British agriculture in distress and apparent decline remained a burning question throughout the following decade. It was the subject of a series of official investigations, of research with enlarged public support, of intensive consideration by agricultural organizations and political party committees, and of a flood of books and articles.

Cheap food for the nation has remained a cardinal doctrine; but it gradually sank in relative importance (except during and shortly after the great advance in wheat prices in 1924), and in the current depression the extreme cheapness of wheat and bread has definitely reduced it to a subordinate position. This fact goes far to explain the eventual affirmative response to the rising tide of demands for effective protection to British farmers from overseas competition.

The decade following decontrol of the grain trade and the milling industry, and the repeal of the Corn Production Acts in 1921, brought forth a series of events and arguments to persuade the British public that the national interest demanded exceptional aid to domestic farmers, even to the extent of subsidies, tariffs, and other import restrictions. It was not, however, until the extreme fall in wheat prices in 1929–31, and until the "Great Depression" had reached an acute stage, that the slogan "No tax on bread" lost most of its potency, and that a political party could champion agrarian protection without losing its grip on the electorate. As late as May 1929 Mr. Stanley Baldwin, the leader of the Unionist party — traditionally strong in farming circles and protectionist in spirit if often

CHART 5.—APPROXIMATE PER CAPITA SUPPLIES OF WHEAT, HOME-GROWN (EX-SEED) AND IMPORTED, IN THE BRITISH ISLES, 1852–53 TO 1931–32*

(Bushels of 60 pounds)



* Based on data presented in Chart 4, less allowance for seed use, and on official estimates of population. The trend line is a 4-year moving average, further smoothed by averaging each two successive 4-year averages.

only latently so — said that "subsidies and protection for agriculture, ... by the common consent of the country as a whole, ... had been ruled out." Yet in 1930 he and his associates dared at last to come out openly for a program of aid to British wheat growers which proved to involve both tariffs and subsidies.

In the National Government elected by stupendous majorities in October 1931, with almost a *carte blanche* to deal with the national emergency, the Conservatives were dominant. This victory, with public opinion ready to accept radical changes, paved the way for various departures from free-trade policy. The adoption of the new wheat program was doubtless smoother because the wheat program fitted at once into a general scheme of protection, a system of imperial preference, and an evolving plan of aid to British agriculture; and because other nations had already gone to great lengths in seeking to protect their wheat growers from the consequences of drastic price declines.

Significant Events of 1921–31

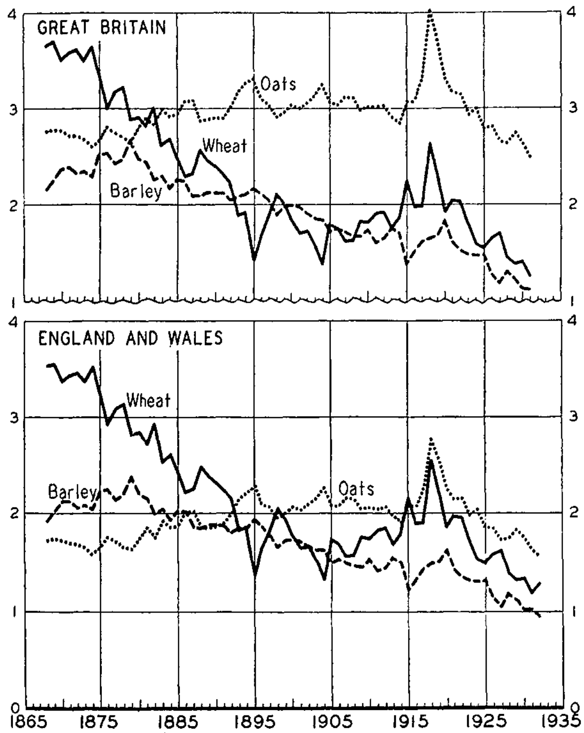
The post-war crisis of 1920 inaugurated drastic reductions in commodity prices, employment, wages, and profits, and brought severe depression to industry, trade, and agriculture in 1921–24. Late in 1922 the Conservative Government appointed an Agricultural Tribunal made up of three eminent economists and an "agricultural assessor," with Sir William Ashley as chairman, to study pressing questions arising out of the agricultural emergency and the gloomy outlook. This Tribunal made interim recommendations in March and November 1923 and submitted its final reports (including one by Professor MacGregor, who did not sign the majority report) in May 1924. Shortly after, with small crops in exporting countries, improved demand in Europe, and consequent sharp advances in wheat prices (see Chart 8, p. 316), the situation was so changed that the new Conservative Government appointed a Royal Commission on Food Prices under the chairmanship of Sir Auckland Geddes. Gradually, without important changes in policy, agricultural and industrial readjustments were made; and with revival of confidence and business activity at home and abroad, and of consumption in Continental Europe, following international agreements in respect to Germany and a great flow of international loans, a period of relative prosperity for British agriculture and industry began in 1924–25.

Despite substantial recovery, economic conditions in Great Britain were far from satisfactory in 1925–29. British export industries did not succeed in regaining old markets and developing new ones to absorb their output. The great expansion of the petroleum industry, during and after the war, cut down export demand for British coal. War-time and post-war industrial expansion in the United States, Japan, India, and elsewhere, and post-war protectionist measures in these countries and Continental Europe, helped to restrict the outlets for British manufactures. Expansion of foreign shipping, partly under the stimulus of national subsidies and other government aids, increased the volume of merchant tonnage beyond the world trade requirements, and cut heavily into the earning power of British shipping and the output of British shipyards.

For these and other reasons, unemployment of unprecedented dimensions persisted even in the best years of the post-war decade, and unemployment relief weighed heavily upon the exchequer. High taxation, required to cover this outlay and war-debt requirements as well, involved a severe drain upon industry. The restoration of the pound sterling to its pre-war gold parity in 1925 tended to intensify the Treasury burden and maladjustments between wages and export prices. The British coal strike which began on May 1, 1926, and lasted for seven months, exerted a seriously adverse influence which did not promptly disappear. While conditions in 1927 and 1928 were again more generally favorable, the United Kingdom had by no means regained what could be regarded as normal conditions of industry and trade when the new crisis broke after the middle of 1929.

In agriculture, the post-war decade was marked by a fairly continuous decline in wheat acreage and production, in arable area, and in agricultural employment, which reduced all three not only far below the war-time peak but to unprecedentedly low levels by 1931 (Charts 6 and 7). From 1921 to 1931 the number of agricultural workers declined by 152,600, or some 17½ per cent, more than a third of this between 1929 and 1931. From

CHART 6.—ACREAGE IN WHEAT, BARLEY, AND OATS IN GREAT BRITAIN AND IN ENGLAND AND WALES, 1868–1932*
(Million acres)



* Official data, available annually from 1867. Wheat acreage in Ireland (which is not included in Great Britain) has been unimportant since early in this period.

the standpoint of food supply, the decline in home-grown wheat was not serious, for after 1925 increasingly abundant supplies were available in exporting countries and danger of food scarcity seemed increasingly remote. But the decrease in arable area evoked concern on other grounds, and the decline in agricultural employment seemed the more deplorable because industry and trade were unable to absorb their own workers. These declines were due in part to measures taken, under the Agricultural Wages Act of 1924, to fix wages of agricultural laborers, and to the natural efforts of farmers to cut their costs and readjust their farming so as to make it pay in the face of overseas competition.

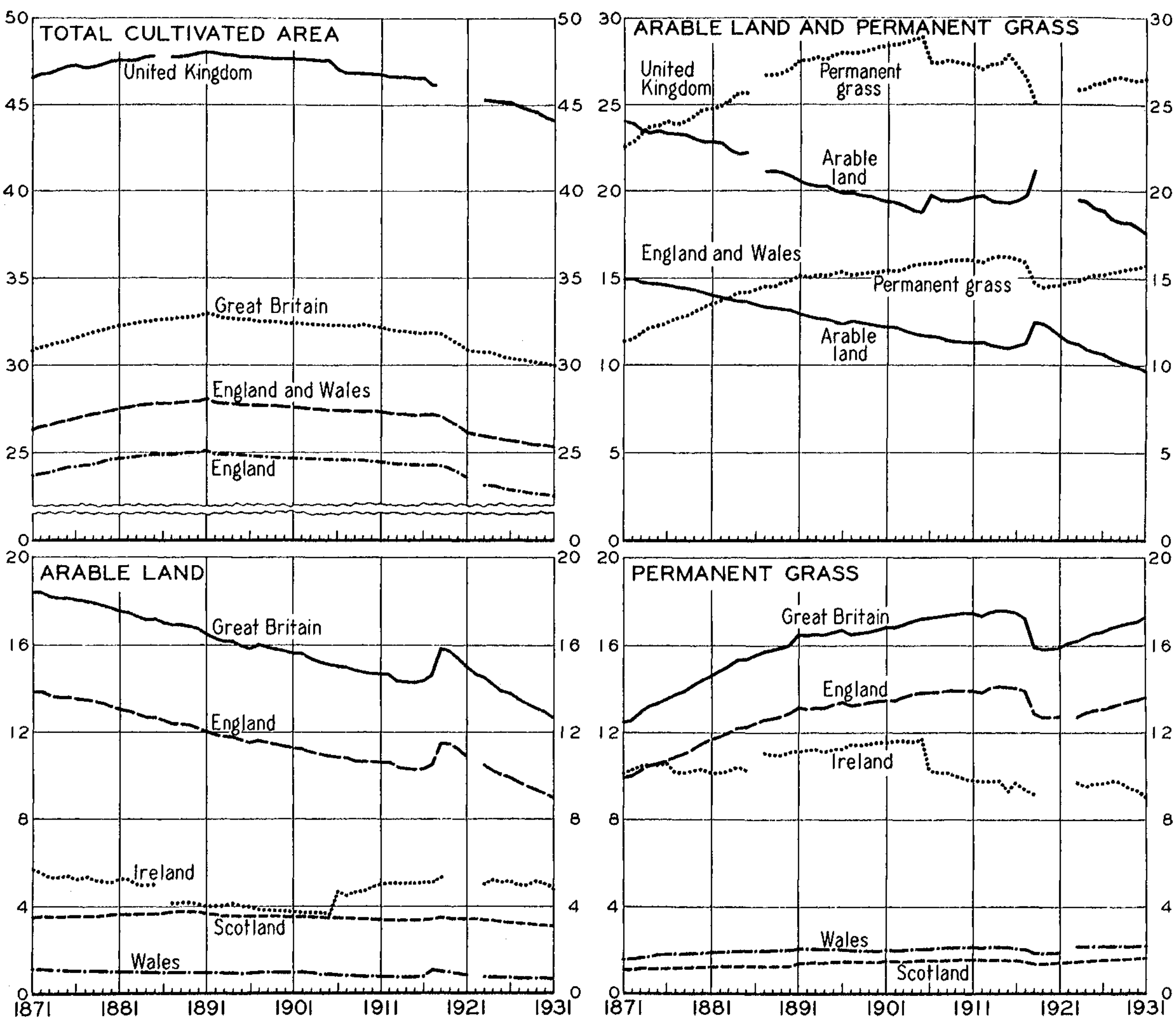
The world-wide economic recession that began late in 1929, and continued with little interruption in 1930–32, came with crushing force upon British agriculture, industry, trade, and finance. Superadded to the stress of the preceding years, the severe depression prepared public opinion to accept radical changes in policy toward industry, trade, and agriculture. Efforts to get other nations to adopt policies of freer trade in the general interest — for example, at the International Economic Conference of 1927 and subsequently—had largely failed; and trade barriers multiplied as the economic recession developed apace. Intensified economic nationalism abroad infected British opinion, and the sentiment gained ground that Great Britain could no longer afford to maintain a free-trade policy in the midst of a world almost wholly protectionist. To open the markets of the Dominions to more British exports seemed a hopeful objective for which it would be worth while to make sacrifices. These currents of opinion figured significantly in the adoption of a new agricultural policy of which the new wheat policy was a part.

ARGUMENTS FOR AID TO BRITISH WHEAT GROWERS

Numerous arguments were brought forward, in the course of the post-war years, to support a return to agrarian protection, particularly in aid of British wheat growers, as well as the extension of imperial preference to wheat imports from Canada and Australia. While by no means wholly consistent one with another, and varying greatly in significance and influence, these arguments had a cumulative effect.

Considerations of safeguarding the national food supply had been the bulwark of protectionist appeal in earlier centuries. In the decades following the repeal of the Corn Laws, as British reliance upon imported wheat and other foodstuffs increased, "food propheteers" (as Sir Henry Rew once termed them) raised their voices in every period of wheat scarcity and high prices. But experience under free trade, and even during the World War, continued to support the dominant view that a national stimulus to British wheat growing in time of peace was not essential as a food policy; and the oft-urged proposal for storing up huge national reserves of wheat against the event of war or dearth was repeatedly rejected. The majority of the Agricultural Tribunal held that considerations of national safety warranted even subsidies and possibly other protective measures to check the decline in wheat acreage, but the Conservative Government refused to accept this view (see below, p. 322). Considering the glut in world wheat markets since 1928, and accumulating evidence that food scarcity in Great Britain

CHART 7.—CULTIVATED AREA, ARABLE LAND, AND LAND IN PERMANENT GRASS IN THE BRITISH ISLES, 1870–1931*
(Million acres)



* Official data, available annually from 1867; gaps reflect data not available to us. Arable land includes only land in crops and fallow; land in permanent grass makes up the rest of the "cultivated area." Changes in classification somewhat affect the comparability of the data, and account for most of the shifts shown for 1885–87 and 1905–06.

The decline in total "cultivated area," since 1891, is partly due to changes in classification, but in part reflects an actual reduction in farm area. The inverse relationship between the curves for arable land and land in permanent grass is strikingly shown in the upper right-hand section, for the whole Kingdom (including all of Ireland throughout) and for England and Wales. The lower left-hand section brings out clearly the impressive downward trend in arable area, particularly in England, and the striking but temporary reversal during the war. The lower right-hand section shows the different trend for land in permanent grass.

or the world at large is not a danger to be taken seriously, such arguments lost most of their rational basis. Nevertheless, the new wheat policy had the support of all those who held the view that Britain's food production must be increased.

The argument that the renewed decline in arable acreage should be arrested, and if possible reversed, was strongly urged by the majority of the Agricultural Tribunal of 1923–24. It is related not only to the foregoing argument but to others, and has had a broad sentimental appeal. Agricultural experts and economists have in the main agreed that, as the economic world and Britain herself have developed, it is economically right and wise for the British Isles to concentrate more and more on grass farming, livestock raising, and market gardening even though it be physically possible to produce far greater quantities of essential foods by concentrating more energy on their production. But the notion has persisted that this involves a waste of natural resources, and to many it has seemed deplorable that Great Britain should be content to import, at heavy cost, vast quantities of food that she could produce at home. Even the Liberal Industrial Inquiry, headed by Sir Walter Layton and including Mr. J. M. Keynes and Mr. Lloyd George, considered that, partly in view of the problem of financing imports by exports, expansion of domestic production of food was a sound objective, though they did not recommend protectionist measures to insure it. Some, like Sir Charles Fielding, urged that measures (which he represented as wholly feasible and desirable) be taken to insure that once more Britain should feed herself from her own produce. The argument for reducing expenditures for imports acquired some additional prominence as events conspired to force Britain to depart from the gold standard in September 1931.

An allied argument was strongly urged to the effect that the decline in the number of persons engaged in agriculture was a momentous and deplorable fact, particularly in a period when the nation was struggling with a huge burden of unemployment; and that support to wheat growers would help arrest and reverse this decline. Supporters of this view were numerous among Liberals, Labourites, and Conservatives. In the course of the later discussions, however, it appeared that it could not be safely assumed that aid to wheat growers, or even increase of the "arable" area, would significantly increase employment on the land. Indeed, with regulation of agricultural wage rates and new developments in mechanized farming, the opinion gained ground that any considerable expansion of wheat growing might actually tend to reduce the numbers employed in agriculture. Yet the older view persisted, and doubtless contributed support to the new wheat program.

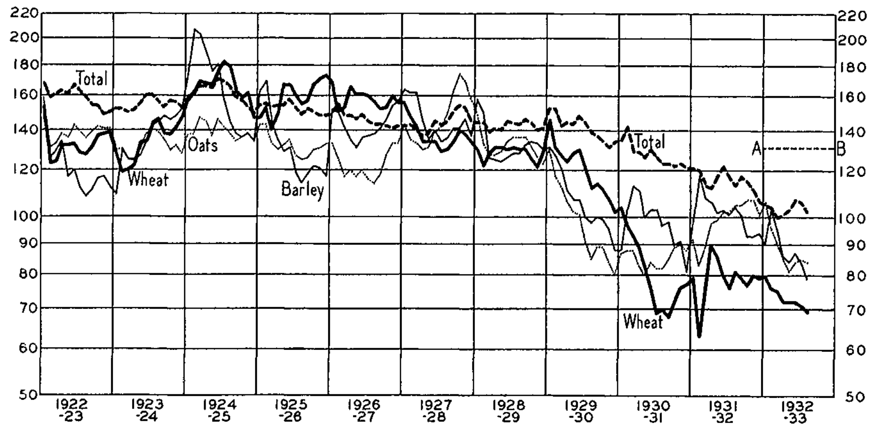
A powerful and incontrovertible argument, which was urged with increasing force in 1929–31, was that British grain growers—and especially wheat farmers — were conspicuously hard hit by the fall of prices, and that they should be saved from the extreme rigors of depression. The severity of this price decline is shown on Chart 8 (p. 316) by index numbers on a 1911–13 base. It was argued that the threatened bankruptcy of these farmers was leading to pressure on others, and that practically the whole agricultural group was endangered thereby. It was also urged that aid to farmers would exert a favorable effect on the whole course of the depression, by increasing the purchasing power of this group; this argument, though appealing, was weaker in its foundations, for it was not made clear how the purchasing power of the nation as a whole would be increased.

An auxiliary argument, voiced by the Committee on the Stabilisation of Agricultural Prices early in 1925, was that stabilization of prices of British agricultural products was urgently needed, and that this not only involved steps toward stabilization of the general price level but also lent support to commodity-control schemes of various sorts. The distressing price debacle of 1929–32 added new force to this argument. It certainly has exerted considerable influence on the form of the new program for wheat and other farm products; and while price stabilization does not, strictly speaking, imply price raising, it almost inevitably involves a form of control including protectionist devices.

It is always difficult to ascribe appropriate weights to the various influences that in combination result in a new departure in policy. It seems fairly clear that all the foregoing arguments, however well or ill founded, contributed to the adoption of the new wheat program. Yet in effect, if not wholly in intent, the domestic measures represent primarily farmer relief, calculated to avert shocks to the national economy from financial disaster to farmers, rather than a serious and well-considered attempt to safeguard the national food supply, to increase the output of calories in Great Britain, to decrease imports of foodstuffs in aid of the British international balance of payments, to increase employment on the land, or to promote general recovery from the depression. The import duties on flour and wheat, with Empire preference, appear to represent mainly a limited sop to the millers on the one hand, and to Canada and Australia on the other, as a means of gaining their support for other government aims, rather than a step toward substantial protective tariffs on food.

CHART 8.—INDEX NUMBERS OF MARKET PRICES OF FARM PRODUCTS AND OF THREE PRINCIPAL GRAINS, IN ENGLAND AND WALES, MONTHLY FROM AUGUST 1922*

(Logarithmic vertical scale; 100 = average for corresponding months in 1911–13)



* Official data of the Ministry of Agriculture. The total index is a weighted average of the commodity indexes, each of which is expressed as a percentage of the 1911–13 average price for corresponding months. Line *AB* represents 10*s*., the present standard price of wheat, as a percentage of the average price in the calendar years 1911–13.

WHEAT IN BRITISH AGRICULTURE

The prominence of wheat in the new agricultural policy is explained by various facts.[1] (1) Wheat is regarded as the major essential foodstuff; and despite its abundance and cheapness, there is a disposition to view with concern the continued decline in its cultivation in England. (2) Although efforts to increase the food supply are not called for by present conditions, and aid to wheat growing may not help to increase the number of workers on the land, illusions on these points still exert large influence. (3) Wheat is the principal cash crop; it occupies a larger acreage, better distributed by areas and in rotations, than any crop except oats, which is mainly fed on farms where it is grown; hence wheat seemed the focal point either for farm relief or to arrest or reverse the decline of what is called arable farming. (4) Among agricultural products, its price was more seriously depressed than any except that of barley in the price decline of 1920–23, and the most severely affected by the price declines of 1929–31 (Chart 8); hence in order to relieve agrarian distress aid to wheat growers seemed appropriate, particularly because other farmers felt the competition of those driven out of wheat growing. (5) The larger farmers, who include many wheat growers, can voice their appeals most effectively and have done so. (6) Wheat was the commodity most widely

[1] Cf. Viscount Astor, "Wheat," *Nineteenth Century*, March 1932, CXI, 316–29; F. N. Blundell, *A New Policy for Agriculture* (London, 1931), pp. 37–39; Sir E. John Russell, *The Farm and the Nation* (London, 1933), p. 36.

dealt with by agrarian protective measures abroad, and appeared to lend itself most readily to governmental aid.

Actually, however, wheat has a small place in British agriculture. For decades it has been of very minor importance outside of England, and a major product there only in the eastern counties and a few districts outside. In recent years it has occupied only about 4 to 5 per cent of the "cultivated area" (including permanent grass) of Great Britain, and only about 10 to 11 per cent of the "arable area" in crops and fallow. Even in England and Wales, where corresponding percentages are somewhat higher, barley occupies nearly as much acreage as wheat, and oats somewhat more, while in Great Britain (including Scotland) the oats acreage is much larger (Chart 6, p. 313). Farm returns from sales of wheat have constituted, in recent years, only 4 to 6 per cent of the estimated total cash income from agriculture in England and Wales, of which around 70 per cent has come from livestock and animal products.

Nevertheless, in a considerable part of the United Kingdom wheat has an established place in crop rotations. Under the rotation systems commonly employed, wheat is seldom grown on the same land oftener than once in four years; hence the land intermittently used for wheat may amount to 15 to 20 per cent of the cultivated area, or possibly more. When the annual wheat acreage of the Kingdom approached or even exceeded 4 million acres, before the great decline in wheat acreage from the 1860's to the 1890's, the corresponding percentages were much larger; but a competent authority said in 1883 that "the value of this crop even at the time when wheat was still fetching, as is not now the case, a profitable price, was but from a tenth to an eighth of the aggregate outturn of our farms."[1] During this earlier period the decrease in wheat acreage was accompanied by a much smaller net decrease in barley acreage and an increase in oats acreage. Since the war-time peak, however, all three cereals have been relatively unprofitable,[2] and the acreage of all three has declined. The result has been, as in the earlier period, though in even more marked degree, a decline in arable area in spite of increases in sugar beets (under the subsidy policy adopted in 1925) and some minor crops.

It must not be inferred that England, at least, is ill adapted to wheat growing. On the contrary, not only is the acreage suitable for wheat much larger than has latterly been devoted to the crop, but the climate and soil are such that, with appropriate methods of cultivation, excellent yields can be secured.[3] Indeed, the average yield per acre rose strikingly in the eighteenth century to a level estimated by Arthur Young in 1770 at 23 bushels. In the middle of the nineteenth century James Caird put it at almost 27 bushels. The average in recent years is about 33 bushels, exceeded only in the Netherlands, Denmark, and Belgium. The lowest yield recorded in official estimates (beginning in 1884) has been only slightly below 27 bushels; the peak, under extraordinarily favorable conditions in 1921, was 37 bushels per acre. Much higher yields are common, and much further increase in average yields is regarded as attainable. The growing period is long; excess of rainfall seldom lowers yields, though it often injures the quality; drought is not a menace; frost causes little or no loss; though the toll of fungoid pests is larger than is generally realized, serious epidemics of plant disease are a thing of the past; the wheats commonly grown are noted for excellence of yield; and with the aid of modern machinery harvest losses such as occurred in 1879 are no longer experienced.

The shortcomings of English wheats, from the standpoint of modern milling and baking practice, lie in quality considerations in which wheat varieties play some part and climate and weather a large one. The wheats are characteristically soft, and yield relatively weak flour suitable for biscuits and pastry

[1] Major P. G. Craigie, Secretary of the Central Chamber of Agriculture, "Statistics of Agricultural Production," *Journal of the Royal Statistical Society*, March 1883, XLVI, 9.

[2] In the case of oats, partly because of reduction in numbers of horses; in the case of barley, partly because of a decline in beer consumption.

[3] Cf. Sir R. H. Biffen and F. L. Engledow, *Wheat-Breeding Investigations at the Plant Breeding Institute, Cambridge* (Ministry of Agriculture and Fisheries, Research Monograph No. 4, London, 1926), especially pp. 4–6.

but for the most part unsatisfactory to the bread baker.[1] New varieties developed in the last twenty years, notably Little Joss, Yeoman, and Yeoman II (the latest, and considered the best), are regarded as fairly good bread wheats, though even their flour does not usually yield loaves as large in volume or as many to the sack of flour as that of most hard wheats imported. Moreover, English wheats as marketed usually have a much higher moisture content than that of imported wheats, which are mainly grown in sub-humid areas; and often excessive moisture damages the milling quality of a considerable fraction of the crop.

In addition to the factors just mentioned, another is important in practice. British wheats, of many varieties, harvested in small lots under varying conditions, in different parts of the country, are not readily available to the mills (concentrated heavily in the cities on or near the coast) in sufficient amounts and sufficiently uniform in type and quality to compete most effectively with the pick of all the world's export wheats. The contrast has become more marked as Canadian wheat production and exports have increased by leaps and bounds, and as ocean freight rates have fallen heavily while inland transport costs have held up.

There are, however, still other important reasons for the modest place that wheat has occupied in British agriculture in recent decades. The British Isles are ideal for livestock raising. Over a large part of the country, varied though it is, climate and soil favor abundant growth of grass rich in vitamins, excellent for cattle and sheep. Imports of feedstuffs to supplement domestic crops are available in great variety and abundance at a low cost. The cheapening of wheat and the rise of wages over the past hundred years have led to a great increase in consumption of meat, milk, and butter. While imports of meat and lard, and butter in lesser degree, have been heavy, there has been an expanding domestic market for products of British animal husbandry. Competition from overseas is restrained, much more than in the case of cereals, by higher transport costs. In economic terminology, Britain's comparative advantage in agriculture has been in livestock growing and market gardening. Land rents determined by this competition impose a relatively heavy burden on cereal farming.

Sir Thomas Middleton, Deputy Director-General of the Food Production Department during the war, authoritatively stated in 1923:

> .... It has been seriously asked, "Is it not possible for the United Kingdom to feed its entire population, or at least to supply all necessary foods, except the small percentage that could only be grown in tropical or semi-tropical climates?" From the purely agricultural point of view it may be answered that there would be no special difficulty, if the people of this country were content to place themselves under the direction of some all-powerful Food Controller, who would feed them with what was necessary, as a farmer feeds his cattle. If they would be satisfied with the rations of protein, fat, and carbohydrate which their bodies must have, and if they would be prepared to pay for their food on a calorie basis the farmer could no doubt supply the necessary protein and energy. But the public would not be content with rations of protein, fat, and carbohydrate, and would not pay on a calorie basis. They must have bread and meat and many other things in certain customary quantities; and thus under present circumstances, or under any circumstances that can be foreseen, there is no possibility of providing the foods they demand, from the soils of the United Kingdom. It would require more than twenty million acres of land to supply the grain alone that is consumed in the country, and to secure this quantity of grain it would be necessary to plough every acre of cultivated land not subject to flooding and not too far above sea-level to prevent corn from ripening. The cost would be prohibitive, and the suggestion that we might furnish our people with their normal food supply may be dismissed as absurd.[2]

[1] Biffen and Engledow, *op. cit.*, pp. 87–90, 107–14; and Ministry of Agriculture and Fisheries, *Report on the Marketing of Wheat, Barley and Oats in England and Wales* (London, 1928), pp. 16–20, 168, 199–201.

[2] T. H. Middleton, *Food Production in War* (Publication of the Carnegie Endowment for International Peace, Oxford University Press, 1923), pp. 323–24. Professor Lionel Robbins, before quoting this passage in his chapter on "The Case for Agriculture" in *Tariffs: the Case Examined*, by a Committee of Economists, under the chairmanship of Sir William Beveridge (Longmans, London and New York, 1931), said: "To make this country self-supporting as regards food supply would involve a sacrifice of the material gains of a century."

Middleton added on a later page (p. 324), however: ". . . . if the vanished hand of the Food Controller could be restored, and he compelled us to satisfy from 40 to 50 per cent. of our total needs from our own

Whatever the physical possibilities that Great Britain could produce enough calories to feed her people from her own soil, and become self-sufficing in wheat among other crops, there is no prospect that (without substantial subsidies) this could be made to pay British farmers as well as continued concentration on less essential foodstuffs. That it would be to the advantage of the nation, in a period when even the future holds out no prospect of coming dearth of wheat,[1] seems doubtful in the extreme. The best agricultural opinion is that further development in other directions is appropriate from practically every standpoint.

British Milling and Baking

A few facts regarding the British milling and baking industries are relevant to the present discussion.

For centuries wheat was ground in local mills, driven by wind or water, many of them in the rural districts. As urban centers grew up, larger mills, driven by water or steam, were established in the cities, and these drew grain from a wider area. During the nineteenth century, as wheat imports increased by leaps and bounds—first chiefly from Ireland and Continental Europe, then from overseas—the milling industry grew mainly in the port cities. The introduction of the roller-milling process in the 1870's, in Hungary and the United States, was followed in the 1880's by revolutionary developments in British milling. Big, new, modern mills were built in the port cities and other centers readily accessible to imported wheat, and the country mills tended gradually to disappear. In recent years, country milling has been of very minor importance (except for grinding for stock feed), and millers of imported wheat have dominated the flour trade.

The industry is financially strong, intelligently led, and technically efficient. It has distinct advantages in having ready access to all the world's export wheats and in having a large domestic market for milling offals. It has sufficient capacity to grind the country's entire flour supply and a fair amount for export; yet in the past five years flour imports have averaged around one-eighth of the British supply, and flour exports only about 5½ per cent of the output of British mills.

Since the war the industry has become heavily concentrated in the hands of a few large concerns, notably Joseph Rank, Ltd. (which recently bought control of the Associated London Flour Mills, Ltd.), Spillers, Ltd., and the Co-operative Wholesale Society.[1] These three companies probably control at least two-thirds of the flour-milling capacity of the Kingdom. Furthermore, with the ex-Ltd., and the Co-operative Wholesale Society.[2] which produces some 20 per cent of the national output of flour, practically the entire industry is operating under a "rationalization scheme." This was adopted in September 1929, to cope with the depressed and disturbed condition from which the industry suffered for years after its release from government control in 1921.[3] The avowed objective is to reduce costs of manufacture and delivery, and to eliminate superfluous milling capacity. The scheme is administered by the Millers' Mutual Association which, like a German cartel, assigns to each member mill a quota of flour to deliver for domestic use each month, collects specified fines on deliveries in excess of quotas, and distributes the pooled collections at the end of the year. A fund derived from initial assessments is drawn upon to purchase mills to be dismantled. Members are understood to have agreed not to buy foreign flour. Competition from British mills outside the Association and from imported flour alone prevent the Association

land, it might be no bad thing. There is great scope for economy in the selection and use of foodstuffs, and a Food Controller who could compel us to purchase and use food wisely would quickly solve most of our pressing economic difficulties."

[1] See J. S. Davis, "The Specter of Dearth of Food: History's Answer to Sir William Crookes," in *Facts and Factors in Economic History* (Harvard University Press, 1932), pp. 733–54.

[2] See A. H. Hurst, *The Bread of Britain* (London, 1930), p. 28, and more recent issues of trade journals.

[3] See *Interim Report on Cereals, Flour and Bread, 1923* (Cd. 1971), by the Departmental Committee on Distribution and Prices of Agricultural Produce, pp. 39–42; *Milling*, August 31, 1929, pp. 225–26, 236–37, and subsequent issues; London *Times*, August 31, 1929, p. 10, and September 2, 1929, p. 7; *Northwestern Miller*, September 30, 1931, p. 926, and October 14, 1931, p. 80.

from constituting a complete monopoly. The scheme is working to the general satisfaction of millers, and is credited with having brought the industry out of poverty into prosperity. Such concentration and "rationalization" not only do not offend British sensibilities, but seem to be regarded as sound business developments.

British millers and their trade associations were thus in a position to exert great influence on the final form of the new wheat measures. They did not succeed, however, in getting the restrictions on flour imports that they desired. They have done their utmost to secure high tariffs, other restrictions, or embargoes on flour imports, or at least safeguards against flour "dumping" in the British market. Charges of dumping have been directed chiefly against French flour, particularly when, as in 1930–31, it was exported with the aid of a refund of import duties tantamount to an export bounty; and against Canadian and Australian flour, which it is claimed is sold in England at lower prices than in the exporting country. Early in 1933 the Millers' Mutual Association was reported to have drafted a form of agreement evidently designed to prevent flour factors and merchants in London who act as wholesale distributors for member millers from dealing in imported flour.[1]

The baking industry, which is almost wholly independent of the milling industry, is much less highly concentrated and organized, although there are several large baking concerns and one or two fairly important trade associations. Unlike the milling industry, the baking industry was not subjected to public control during the war. Indeed, the war-time arrangements permitted high-cost bakeries to remain in operation, and arrested the process by which small bakers were being driven out by competition from factory bakeries. Since the war, there has been considerable expansion of modern facilities by factory bakeries, but local associations of bakers and confectioners have helped to keep small retail bakeries alive.

Most of the bread consumed in Great Britain is produced by bakers, large or small, rather than baked in the homes. It is estimated that rather more than half of the flour used is baked into bread, but a large fraction is used for biscuits, cakes and pastries, and in home cooking. Much if not most of the biscuit flour is made of domestic wheat, and domestic wheat constitutes an element of varying importance in the general-purpose flour for household use. Recently efforts have been made, as part of the "Buy British" movement, to popularize all-English flours sold under a "National Mark," including an all-English (Yeoman) flour for use in bread making; and we may expect such efforts to be intensified if British wheat production expands under the new policy.

The Food Council, which was set up in 1925 with authority to investigate and recommend but without "statutory powers," has recommended specific scales of prices for ordinary bread, in close relation to going prices of standard straight-run flour; and in general bakers' prices have conformed to this scale over considerable periods. In 1932, at the instance of the bakers, the London scale was modified so as partly to meet their request on the basis of increased costs for wrapping and delivery which had become more common. The Food Council is therefore among the organizations naturally concerned with the application of the new wheat policy as it affects bakers and consumers.

II. EVOLUTION OF RECENT MEASURES

Although the war measures were completely liquidated by 1922, the steps taken to meet the war emergencies left a deep impress on the nation's thought. Suggestions drawn from that experience were repeatedly urged, though for years only by reformers or minority groups, to meet several very different problems of peace. Out of the various currents of opinion already discussed there emerged, as early as 1930, a measure of agreement among

[1] *Northwestern Miller*, January 18, 1933, p. 165; *Southwestern Miller*, February 7, 1933, p. 39.

influential groups that serious steps should be taken to aid British wheat growers. When in 1931 the nation was at last ready to resort to protection, decision had yet to be reached on important questions of method. Precisely what devices should be employed? What cost should be incurred, and how should its burden be distributed? What degree of government action or regulation of private trade should be provided for?

Representative Proposals, 1923–30

The principal proposals brought forward in the course of the decade were: (1) high tariffs on wheat and flour, with Dominion preference; (2) subsidies on arable or on fallow land; (3) a wheat import board; (4) guaranteed prices for home-grown wheat; (5) compulsory milling quotas for domestic wheat; (6) import quotas for Dominion wheats; and (7) tariffs on imports with some Dominion preference, to raise funds to subsidize domestic growers. Not all of these, of course, were mutually exclusive, and the scheme finally adopted was evolved from elements in several of them.

1. *Tariffs.*—High tariffs on wheat and flour were open to weighty objections. If used alone to raise the price of domestic wheat to a remunerative level, very high rates would be required; and Germany's experience in 1929–31 showed that even such rates would not serve their purpose unless accompanied by compulsory use of domestic wheat in milling.[1] Such tariffs could serve their domestic purpose only if they were levied on Dominion wheat and flour, to the injury of Dominion wheat growers. No responsible leaders could support a program involving heavy increases in prices of flour and bread, and Treasury benefits at the expense of the great mass of consumers. Public prejudice against tariffs on essential foodstuffs, and party commitments against taxes on food, were such that it was not until 1931 that the nation became reconciled to any form of tariff protection or subsidy for British agriculture, apart from the temporary aid to an infant industry afforded by the Sugar Beet (Subsidy) Act of 1925. By this time, other devices for aiding British wheat growers had won a general hearing. Consequently, high tariffs were never seriously considered.

2. *Subsidies on arable land.*—The Agricultural Tribunal of Investigation, in November 1923, made several interim recommendations to meet the then emergency caused by extreme price declines in 1920–22 and aggravated by severe drought in 1921. Among these was a proposal for a subsidy of 10*s*. an acre on arable land (except that in clover and grass seeds, small fruits, orchards, and hops) and an additional subsidy of 10*s*. an acre on land in wheat.[2] The latter was urged on the ground that wheat was the most essential foodstuff, the principal factor in maintenance of arable farming, and the product that had declined most in price. The cost of the subsidy was estimated at 6 to 6½ million pounds. Professor MacGregor, a member who subsequently submitted an extended report more or less divergent from that of the majority, accepted this subsidy proposal only on condition that considerations of national defense should be deemed to justify it.[3]

In August 1925 the Council of Agriculture for England, in answer to the Baldwin Government's request for suggestions as to how the country could secure "the maximum employment of labour at reasonable rates of wages, together with the full use of the land for the production of food at the lowest possible prices consistent with the fair return to those engaged in the industry," recommended a subsidy of £2 per acre on bare fallow or fallow crops up to a maximum of one-fourth

[1] Wheat Studies, December 1931, January 1932, February 1932, VIII, 104–05, 169, 218, 267–69.

[2] *Second Interim Report* (Cd. 2002). In the *First Interim Report* (March 29, 1923, Cd. 1842) the Tribunal had favored protective duties (with Empire preference) on malting barley and hops, an export duty on millfeed ("wheat offals"), an import license system for potatoes, and excise exemption for sugar from home-grown beets, but had expressly declined to recommend subsidies.

[3] In the *Final Report* (May 1924, Cd. 2145) the interim recommendations were broadly indorsed by the majority (p. 90), the question of protection and subsidies was discussed (pp. 45–46, 98–99), and Professor MacGregor renewed his dissent on this point (pp. 194, 201), saying: "There is no other reason than national insurance which, in the present state of national finance, would justify this expenditure."

of the arable land in each holding.[1] But the Government, while admitting the desirability of increasing the arable area, felt unable to adopt either a protective duty or a subsidy by which alone, at prevailing price levels, such an end might be achieved. In view of later developments, the relevant passage in the Conservative party statement of policy deserves quotation.

> The Government have considered various proposals which have been submitted to them involving subsidies, either direct or indirect, to encourage corn growing or the increase of the arable area, but they have come to the definite conclusion that they cannot support or advocate any of them. A subsidy may sometimes be justified as a purely temporary expedient or if it is required to start a new industry like beet sugar, but any general scheme of subsidies for agriculture is open to the gravest objection. They would have to be unlimited in duration and very large in amount to have any material effect in increasing the arable area or the number of workers employed. Even a subsidy of 2*l*. an acre on arable land, which would amount to over 20,000,000*l*. a year, would not necessarily result in any considerable increase, and in the present financial situation of the country, it is impossible to contemplate a large additional charge on public funds without any guarantee of a corresponding national benefit. Moreover, in view of the extreme variations all over the country in the quality or productive capacity of the land, it is impossible to devise any scheme of subsidies which will not result in the payment of a bonus to farmers who do not need it and for which no return will be received by the nation.[2]

3. *Import boards.*—At the Imperial Economic Conference of October–November 1923, Prime Minister Bruce of Australia elaborated a proposal for import boards, specifically for wheat and meat, by which three objectives—stabilization of prices, national reserves against war or other emergencies, and Dominion preference—might be attained without imposing any tariff duties.[3] Under this scheme, imports from non-Empire countries were to be purchased only by the import boards; home-grown produce was to be freely marketed; Dominion produce was to be freely marketed so long as the control of non-Empire imports sufficed for stabilization of British prices, and otherwise bought by the import boards only in such quantities as they should see fit. This plan was suggested as an alternative to (*a*) protective tariffs on food and raw materials with Dominion preference (which Mr. Bruce himself preferred but thought impossible to get), (*b*) a sliding-scale tariff, (*c*) subsidies to British and Dominion producers, and (*d*) a system of import licenses. Opposition from the British delegation had ruled out the first two of these alternatives, and a Subcommittee on Food and Materials reported adversely on the others and the import board proposal as well.[4]

The import board plan was not seriously considered by the Agricultural Tribunal, though Professor MacGregor discussed it briefly in his portion of the *Final Report,* referring to the Kanitz proposal in Germany in 1894 and Norwegian proposals of 1922 and 1923 which were subsequently adopted. The idea naturally appealed to the Labour party, and the Independent Labour party sponsored it, as early as 1924, as part of a Socialist Policy for Agriculture. The agricultural economists who constituted the Committee on Stabilisation of Agricultural Prices, appointed by the first Labour Minister of Agriculture, discussed the import board proposal with evident sympathy in their report of January 1925. Representatives of the Labour and Independent Labour parties urged the scheme upon the Royal Commission on Food Prices.[5]

[1] See the Council's *Report on Agricultural Policy . . . .* (London, 1925), pp. 3–4, and *Journal of the Ministry of Agriculture,* XXXII, 525–35. Agricultural Councils for England and Wales, respectively, and an Agricultural Advisory Committee for England and Wales, were provided for in the Ministry of Agriculture and Fisheries Act, 1919, which substituted a ministry for the previous board. See John P. Maxton, *A Guide to Agricultural Policy* (Ruskin College Study Courses, No. 3, Oxford, 1929), pp. 9–10.

[2] White Paper on *Agricultural Policy* (1926, Cd. 2581), pp. 2–3. Cf. also *Journal of the Ministry of Agriculture,* XXXIII, 67–68.

[3] *Record of Proceedings and Documents* (1924, Cd. 2009), pp. 78–81, 215.

[4] *Ibid.,* pp. 199–203, 244–48.

[5] Statements and testimony by Fred Bramley and Arthur Greenwood, and by E. F. Wise, in *First Report of the Royal Commission on Food Prices with Minutes of Evidence and Appendices* (Cd. 2390), II, 240–54, 323–35, 352–64; III, 120–23, 179–82. Sir Charles Fielding also submitted a far-reaching plan for a food import board, and Sir Leo Chiozza-Money proposed a new department of state to be charged with provisioning the nation. *Ibid.,* II, 97–123; III, 62–63, 65.

But the Earl of Crawford and Balcarres, who had been chairman of the Royal Commission on Wheat Supplies during the war, testified as to the far-reaching implications of the proposal and urged various objections to it,[1] and the majority of the Commission went on record against its adoption.[2]

The scheme was embodied in the official program of the Trade Union Congress and the Labour party in 1926.[3] But against tacit or open opposition from the Unionist and Liberal parties, neither the first nor the second Labour Government had sufficient parliamentary support to make an issue of the import board proposal.[4] The plan was nevertheless kept alive, and in October 1927 and June 1928 the Council of Agriculture for England strongly urged the Government to give it careful consideration.[5] Early in 1930 some branches of the National Farmers' Union declared definitely for it. The Northamptonshire branch proposed that bread prices be fixed at 9*d.* per 4-pound loaf and that imports be controlled through a Statutory Purchasing Board controlling all imports of cereals and cereal feedstuffs, so that domestic wheat growers could be guaranteed approximately 60*s.* per 504 pounds (equal to 13*s.* 4*d.* per cwt.; cf. Chart 10, p. 339).[6] The Agricultural Conference convened by the Government in January–March 1930 divided its favor between the import board and milling quota plans.[7] Dr. Addison, who became Minister of Agriculture in June 1930, was said to favor a wheat import board. Though the Labour Government did not press it, it remained a plank in the Labour party platform. At the Imperial Conference of October–November 1930 it was pushed into the background by the proposal of Dominion quotas.[8]

4. *Guaranteed prices.*—Agricultural interests and farmer organizations more or less persistently favored guaranteed prices for wheat, and struggled with the thorny problem of finding acceptable devices for implementing the guarantee. Subsidies, import restrictions, an import purchasing board, compulsory milling quotas, and revenue tariffs and excise taxes on wheat and flour seemed the principal alternatives.

The Agriculture Act of 1920 had embodied a system of guaranteed prices for home-grown wheat to vary with ascertained costs of production; but this was repealed in 1921 because the Treasury could not bear the subsidy burden. Early in 1925 the Council of Agriculture for England asked a standing committee to study a proposal that the Government guarantee cereal prices.[9] In 1927 the Central and Associated Chambers of Agriculture came out for the principle of a guaranteed price.[10] Early in 1930 farmers began actively to demand guaranteed prices, for wheat, at levels ranging from 55 to 60*s.* per quarter of 504 pounds, but contemplating the maintenance of this price by restriction of imports rather than by subsidy. A large mass meeting of landowners, farmers, and farm workers from twenty-five counties, held at Cambridge early in March 1930, unanimously urged "that measures should be taken to assure to farmers a remunerative price for cereals. Further, the meeting is of the opinion that the position calls for the sinking of all party differences, and desires to press upon Parliament, his Majesty's Government, and the public that unless effective steps are at once taken to meet the situation nothing but calamity faces the industry."[11] In March 1930, also, the Agricultural Conference and the Council of the National Farmers' Union

[1] *Ibid.*, III, 123–24.

[2] *Ibid.*, I, 133–35.

[3] *A Labour Policy in Agriculture* (London, 1926).

[4] See C. Dampier Whetham, *Politics and the Land* (Cambridge, 1927), pp. 10–11, and the *Rural Report of the Liberal Land Committee 1923–5.*

[5] *Journal of the Ministry of Agriculture*, XXXIV, 833–36; XXXV, 365–69. In May 1927, the Council had urged that the Safeguarding of Industries Act be extended to agriculture. *Ibid.*, XXXIV, 351–54.

[6] *The Times*, March 3, 1930, p. 20.

[7] *Ibid.*, March 19, 1930.

[8] The Committee on Economic Co-operation appointed subcommittees to consider suggestions affecting other commodities than wheat, and for wheat confined its attention to Empire quota schemes. *Appendices to the Summary of Proceedings* (Cd. 3718), pp. 89–136.

[9] *Journal of the Ministry of Agriculture*, XXXII, 62.

[10] See letter of Mr. M. G. Townley in *The Times* of March 3, 1930, p. 24.

[11] *The Times*, March 3, 1930, p. 20. Supporting messages were received from a similar mass meeting at Berwick-on-Tweed.

came out for a guaranteed price of 55*s.* for the wheat crop of 1930, and urged statutory adoption of a system for guaranteeing profitable prices for home-grown grains.[1]

Late in February 1930, Mr. Stanley Baldwin announced his support of a guaranteed price for all home-grown wheat of millable quality offered for sale.[2] This implied the commitment of the powerful Unionist party to this central element in the new policy. Mr. C. S. Orwin, Director of the Agricultural Research Institute at Oxford and Agricultural Assessor of the Tribunal of 1922–24, said in his book on *The Future of Farming*[3] that the proposed subsidy on wheat "might be accepted as a temporary expedient, designed to tide the cereal farmer over a bad patch, to maintain rural industry, in general, in the corn-growing districts, and to prevent the flow of agricultural labour into the ever-growing stream of unemployment"; but he warned of dangers in making it more than temporary, lest it "raise again the problem it was intended to solve" by stimulating the planting of sub-marginal acres and, with subsequent declines in the market, bring these farmers to claim fresh state aid.

5. *Compulsory milling quotas.* — Domestic milling quotas, to reinforce high tariff duties, were employed in aid of wheat growers in Germany, France, and Spain in 1929–30, and were shortly copied elsewhere in Continental Europe.[4] This device was to require millers to use not less than a specified proportion of home-grown wheat in their mill mix, the minimum percentage being fixed with reference to the amount of domestic wheat available in relation to flour requirements. Naturally this scheme attracted interest in Great Britain.[5] The Conservative party shortly espoused this plan. In a letter to Mr. Neville Chamberlain, published in *The Times* of October 16, 1930, Mr. Baldwin said:

> In the case of wheat, we have already stated our intention, as part of our domestic agricultural policy, to introduce a system under which a definite proportion of the flour used to make the bread baked in this country shall be made from home-grown wheat. This proportion will be fixed from time to time in such a way that all the wheat of the requisite quality produced in this country will be utilized. We have adopted this method in preference to a tariff on foreign wheat, because no tariff which we could recommend would be sufficient in itself to solve the problem of the wheat producer in this country. But by combining a guaranteed price for wheat with the legislation to which I have referred, we shall be able to give the home farmer not only a guaranteed market for his produce, but a market at a price which will make it worth his while to grow it....

Mr. Baldwin thought it would be a natural extension of the plan "to allocate a further proportion to the Empire."

For Mr. F. N. Blundell's book, *A New Policy for Agriculture*, published in the spring of 1931, Mr. Chamberlain wrote a laudatory foreword. In this he said that "we should set ourselves to encourage the production of wheat within strictly defined limits, by a quota system combined with a guaranteed price and supported by a subsidy." He expressly commended the author's "lucid exposition of the purpose and method of the quota system—perhaps the most complete and comprehensive that has yet been given . . . ."

With rigid enforcement — not inherently difficult in Great Britain—a milling quota would not in Britain require high tariffs (if any) on imported wheat, though it would necessitate high tariffs or rigid limitation upon the sale of imported flour. It would not make for high prices of flour; but it would necessitate a significant increase in the use of British wheat in bread flour, with possibilities of deterioration of flour quality and certainly increased costs of transportation to the port mills. It would raise the cost of domestic wheat to the small inland mills whose special product, household and biscuit flour, had already suffered from competition of cheap French flour. It would lead to the diversion of home-grown wheat from poultry feeding to mill use, and probably make poultry feed more expensive. It offered no advantage to the Dominions, but on the contrary

[1] *The Times*, March 19, 24, 1930.

[2] *Ibid.*, February 28, 1930.

[3] Published in the summer of 1930; p. 46.

[4] See WHEAT STUDIES, December 1930, VII, 114–15; December 1931, VIII, 173.

[5] Indeed, a milling quota bill had been introduced into Parliament in 1928.

threatened to diminish British absorption of all imported wheat.

In the course of the quota discussions, therefore, it was proposed to issue negotiable certificates on sales of domestic wheat, and to allow millers to fulfil their quota obligations by purchasing these certificates without requiring them to grind the wheat. The transfer of certificates, it was thought, would enable a balance to be struck among millers as a group, some using more and some less than the quota, and those using more selling their excess certificates to the ones using less. The plan thus evolved might be termed a "buying quota" as distinguished from a milling quota.

6. *Dominion quotas or tariff preference.*—The idea of quotas or tariff preference for Dominion wheats, without resort to an import board, gradually gained ground as milling or buying quotas for domestic wheat were increasingly urged. The old sentiment in favor of Dominion preference of some sort had been stronger since the war than before, and had found expression at various Imperial Conferences and in action on various commodities other than cereals. Resentment at Canadian holding of wheat in the fall of 1929 retarded the growth of this sentiment; and it was not until the later stages of evolving the program that decision could be reached on how to combine aid to Dominion grain growers with protection to British growers.

7. *Tariff, preference, and subsidy.*—British millers vigorously opposed both milling quotas for domestic wheat and import quotas for Dominion wheats. When they became convinced that some measure would be adopted, they stood for imposition of tariffs on wheat with Dominion preference, higher tariffs on imported flour (or its exclusion), and the use of such tariff revenues to provide some form of subsidy or guaranteed price to domestic growers.

Developments in Plans, 1930–31

After the middle of 1930, as declines in wheat prices went to greater extremes and governmental measures were more and more widely adopted abroad in aid of wheat growers, more strenuous efforts were made in Great Britain to reach definite agreement on some harmonious combination of various plans. One of the earlier comprehensive proposals was put forward by Colonel E. A. Ruggles-Brise, M.P., in *The Times* of September 19, 1930. Its main features were: (1) the compulsory use of 15 to 25 per cent of home-grown wheat, and up to 65 per cent of Dominion wheat, both quotas probably to begin at the lower levels and increase gradually; (2) a guaranteed price for home-grown wheat, presumably around 55*s*. per quarter, Dominion wheat to be bought at going market prices; (3) a government subsidy to millers to make up the difference between prevailing world prices and the guaranteed price for home-grown wheat; (4) the exclusion of foreign flour as soon as treaty engagements should permit, with possibly some regulation of the amount of Dominion flour to be admitted. Colonel Ruggles-Brise thought that the combined home and Dominion quotas should not exceed 85 or 90 per cent of total requirements, leaving a margin open to the competition of foreign countries, particularly Argentina. He believed that "the internal machinery of the scheme could be worked by the Milling Association itself without any great measure of supervision." This scheme was held by its author to be superior to an import board in that it would involve little disturbance of established trade channels, and that it offered to both British and Empire agriculture the promise of continuity of policy.

The question of imperial preference on wheat came up at the Imperial Conference which met in London in the autumn of 1930. Representatives of Canada and Australia made it clear that they attached great importance to the subject. Canadian Premier Bennett stated: "The primary concern of Canada to-day is profitably to sell its wheat. We believe that we shall be reaching towards a solution of that problem if we can establish a better market in Great Britain. This market we want and for it we are willing to pay, by giving in the Canadian market a preference for British goods."[1] Mr. Bennett thought that imperial preference could be put into effect through a system of preferential tariffs. The

[1] Imperial Conference, 1930, *Appendices to the Summary of Proceedings* (Cd. 3718), p. 33.

British representatives opposed any policy involving duties on foodstuffs or raw materials, and suggested that other methods be examined. The resulting discussions centered upon quota schemes. Draft plans submitted to the Conference by the "Committee on Economic Co-operation"[1] were similar to the scheme for an Empire quota outlined by Colonel Ruggles-Brise. The Imperial Conference regarded a quota for home-grown wheat as outside the scope of its deliberations, but assumed "that a quota scheme for wheat of Dominion growth would not be introduced without the introduction also of a quota scheme to absorb the whole of the wheat of millable quality grown in the United Kingdom."[2] After much discussion the Conference concluded that it had not time enough to reach a final decision on how best to maintain and extend inter-Empire trade, and that the Economic Section should later resume the discussion at Ottawa.[3] This meeting was finally set for July 1932, and it was generally assumed that quotas would be considered there.

In January 1931 there was held, under the auspices of the Central Chamber of Agriculture, a joint conference between representatives of British agriculture and of the Research Committee of the Empire Economic Union. With a view "to considering the framing of an agricultural policy acceptable to both agricultural and industrial interests," a Joint Committee on Agricultural Policy was set up to give the matter more detailed study.

After a series of fourteen meetings, this Committee issued its report in October 1931, outlining a comprehensive plan of agricultural protection.[4] It referred to an Empire wheat quota, but without committing itself on this point. For home-grown wheat it recommended (1) that a quota be fixed annually by the President of the Board of Trade, and carried out by agreement with millers if possible, otherwise by a system of milling licenses; and (2) that a guaranteed price (perhaps increasing progressively through the crop year) be paid by millers on the basis of good milling quality, millers to be reimbursed by the Treasury for "the difference between the guaranteed price and a world price for home-grown wheat calculated on a basis of the relative prices of home-grown and foreign wheat of comparable quality over a period of five years." They further recommended setting up a "Wheat Advisory Council" (and local councils similarly organized) to include "representatives of the National Farmers' Union, the Milling Trade Association, and the National Association of Corn Merchants," as well as neutral members; that "a reasonably high duty" be imposed on foreign flour (e.g., 33 1/3 per cent ad valorem) "with free Empire entry up to a maximum total to be agreed upon"; and that the President of the Board of Trade be empowered to prohibit imports or, "if treaty obligations prevent this course, to impose higher rates of duty on either foreign or all flour."

The Grand Council of the Federation of British Industries promptly supported the recommendations of the Joint Committee.[5] The Agricultural Council voted approval at its December meeting.[6] The Liverpool Corn Trade Association, however, stated that a quota or quotas on foodstuffs would throw the markets into the greatest confusion; the milling industry also felt unable to accept the quota principle,[7] and set about the formulation of alternative proposals.

In the meantime there had been other evidences of the drift of group opinion. The National Association of British and Irish Millers, at a general meeting in London on March 19, 1931, voiced opposition to a quota system or an import board.[8] The Labour Government was again reported to be preparing a quota measure, and during the summer conversations on the subject were reported between the Minister of Agriculture and representa-

[1] *Appendices to the Summary of Proceedings* (Cd. 3718), pp. 101–02.

[2] *Ibid.*, p. 93. [3] *Ibid.*, p. 44.

[4] "Report on Agricultural Policy: A Tariff Policy for Agriculture," in collection of reports entitled *A Plan of Action*, compiled by L. S. Amery (London, 1932), pp. 44–64.

[5] *Corn Trade News*, October 21, 1931.

[6] *Journal of the Ministry of Agriculture*, January 1932, XXXVIII, 1032–33.

[7] *Corn Trade News*, October 21, 1931; see also Blundell, *op. cit.*, pp. 54–56.

[8] *Milling*, March 28, 1931, p. 352.

tives of various political parties. In October, the Council of the National Farmers' Union again resolved in favor of a guaranteed price for wheat, and expressed approval of the appointment of a cabinet committee to consider the balance of trade and the imposition of import duties.[1]

An added incentive to British protective action was provided in the fact that neighboring western European countries, harmonizing the "Pan-Europe" idea with the long-established bargaining principle, began in 1931 to develop a system of commercial agreements granting import quotas to European grain-exporting countries in exchange for preferential treatment on their own manufactured goods.[2] Such arrangements threatened to reduce the European market for British manufactures and suggested the application of the same bargaining principle in supplying British foodstuff needs. Also, the example of Continental countries in extending agrarian protection by means of tariffs and milling quotas increased the dissatisfaction of British farmers and strengthened their demands for similar protection. The failure of the London conference of wheat-exporting countries, in May 1931, probably reacted in favor of sentiment for an Empire policy.

The Final Stages

The triumph of a general policy of protection in England came about through the financial crisis which forced the abandonment of the gold standard in September 1931 and precipitated a general election in the following month. Among the Conservatives who became leaders in the new National Government were several prominent advocates of protection, and the Labour leaders who joined them became involved in commitments to protection as a means of temporary relief for the economic crisis, largely in the hope of raising the general price level. Mr. Ramsay Macdonald's campaign manifesto asked that the Government be left "free to consider every proposal likely to help, such as tariffs, expansion of exports and contraction of imports, commercial treaties and mutual economic arrangements with the Dominions."[3] Mr. Stanley Baldwin spoke of "such a free hand as will allow us to use prohibitions, quotas or duties, as may seem most effective in the circumstances."[4] Mr. Baldwin alluded to the desperate position of agriculture, and declared that the first step in a program of "immediate and far-reaching measures of relief" should be assistance to cereal farmers. His expressed preference was for a quota and a guaranteed price for wheat. Prominent industrialists, like Mr. Walter Runciman, became friendly to protection. The Liberal leaders who supported the National Government, while emphasizing their adherence to the classical principle of free trade, alluded to "emergency measures" which "might be found necessary to deal with the immediate situation."[5] With the victory of the National Government, the adoption of milling and import quotas for wheat was generally anticipated. A duty on wheat was also regarded as a possibility, and trade reports suggested that some wheat and flour stocks were accumulated under such an expectation.

Sir John Gilmour, Minister of Agriculture in the National Government, advised the House of Commons on November 26, 1931, that the Government would shortly introduce a bill providing a quota system for home-grown wheat.[6] He said that the scheme was designed to secure for producers a certain market and to enable them to receive a higher price, subject to statutory maximum, for wheat of milling quality; that no contribution from the exchequer by way of a subsidy would be involved; and that it was not the Government's intention to encourage the cultivation of wheat on land unsuited to it. He stated that the Government was giving attention to problems relating to other agricultural products, including barley, but that the quota would apply to wheat only. In announcing the quota policy, he said that no legislation would be passed until after the various trades had been consulted. The plan, however, was intended to be operative for the 1932 crop.

[1] *Northwestern Miller*, October 14, 1931, p. 90.
[2] See WHEAT STUDIES, January 1932, VIII, 221–23.
[3] *The Times*, October 8, 1931, p. 10.
[4] *Ibid.*, October 9, 1931, p. 12.
[5] *Ibid.*, October 10, 1931, p. 7.
[6] 260 H.C. Deb. 5 s., 494.

Pending the drafting of actual legislation, no comprehensive statement of the Government's quota plan was published. Apparently a buying quota of about 15 per cent was contemplated,[1] with negotiable certificates and a fixed maximum price to be determined.[2] When on December 11 the Government announced its adherence to the additional policy of an Empire wheat quota,[3] this project was left in a still more undefined form, with the announcement that no action would be taken on it before the Ottawa Conference.

Both aspects of the Government's policy encountered strong opposition from the milling interests. The millers were not disposed to deny that some aid to farmers was desirable, but they were concerned that the form adopted should not be inimical to their own interests. After the announcement of a domestic quota policy, representatives of millers, as well as of farmers and importers, called upon the Minister of Agriculture in order to express their opinions and to obtain further information.[4] The millers were far from reassured on the matter of a domestic quota when news appeared of the Government's espousal of the quota principle for the Dominions also. Thereupon the President of the National Association of British and Irish Millers, on December 4, 1931, addressed a letter to the Prime Minister, the keynote of which was sounded in the following sentence:[5] "We much regret that before these steps were taken the industry principally concerned with these subjects was not consulted, as we are in a position to prove that both schemes are almost impracticable, and certainly most inefficient and uneconomic." The letter declared further that the millers were prepared "to put forward the principles of a straightforward scheme" which would accomplish all that was required, and concluded by stating that they could not give their cooperation to such ill-advised schemes as those in question. The controversy between the millers and the ministers concerned grew somewhat bitter. The millers resorted to conspicuous advertising displays in the newspapers, and publicly contradicted a statement given out by Mr. Thomas, Secretary for the Dominions, to the effect that a satisfactory agreement had been reached.[6] Government spokesmen countered with statements that they would tolerate no "dictation" from the members of any industry.[7]

Millers declared that the quota scheme, if adopted, would prove very disturbing to the trade and more expensive to the country than a tariff; that it would lead to the nationalization of the milling industry; and that similar schemes in other countries had resulted in increases in the price of bread out of all proportion to benefits to farmers. They were especially concerned over the danger of being placed at a disadvantage in the home market in competition with overseas millers. Government spokesmen indicated that flour importers would be obliged to purchase certificates for quantities of home-grown wheat equivalent to the quota, and thus presumably would be placed under an equal handicap with domestic millers.[8]

Flour importers were concerned for their interests also, but appeared to take a more conciliatory attitude toward the Government. Some suggested that British millers were seeking a greater advantage in the domestic market than they already possessed, as the price of their agreement to the Government's plan; but that the Government was properly reluctant to restrict imports of foreign flour, as it relied upon competition to keep down the prices of flour and bread.[9]

Wheat traders expressed opposition to the quota principle, with particular reference to the projected Dominion quota, pointing out the national advantages which they claimed were conditional upon "freedom of marketing

[1] *The Times*, November 27, 1931, p. 12.

[2] *Ibid.*, December 4, 1931, p. 15.

[3] *Ibid.*, December 12, 1931, p. 6; 260 H.C. Deb. 5 s., 2320–24.

[4] *The Times*, December 3, 1931, p. 12.

[5] *Ibid.*, December 8, 1931, p. 8.

[6] A large-type statement by the millers appeared in *The Times* of December 10, 1931, p. 11; another in the issue of December 14, p. 19.

[7] 260 H.C. Deb. 5 s., 2323–24; *The Times*, December 11, 1931, p. 19.

[8] See outline of quota plans in *The Times* of December 11, 1931, p. 14.

[9] *Northwestern Miller*, January 6, 13, 1932, pp. 44, 118.

and the free selection of world wheats for British milling." They declared that the Liverpool corn market had done specially valuable service in maintaining "a constant supply of wheat from all over the world at the lowest possible prices," and had acted as a buffer against the effects of speculation after the country went off the gold standard. The quota, they argued, would be useless to the Dominions unless it raised prices of their wheats.[1]

The millers put forth alternative plans as they had promised. According to an unofficial report (the negotiations were to be kept secret), the first of these called for an import duty on wheat (4*s*. per quarter), with a Dominion preference to the extent of half of the duty, and with restrictions on imported flour. Though hitherto opposed to a tariff on wheat, millers appear to have urged that a low tariff would be less disturbing to the trade than a quota system, and also that such a tariff would be cheaper to administer and therefore more economical for the consuming public.

When the Government frowned on the suggestion of a tariff, the millers appear next to have suggested a levy of 2*s*. per sack on flour milled in the United Kingdom, and of 4*s*. per sack on imported flour, the fund thus raised to be used in subsidizing domestic wheat production. This plan, it was urged, would secure the object in view, would not interfere with the markets for either domestic or imported wheat, and would be much easier to administer than the quota plan. The press, however, reported that the Minister of Agriculture was "fighting" for his original proposal.[2]

Early in January 1932 groups of farmers, millers, grain traders, flour importers, stock breeders, and representatives of co-operative societies came together in London, and discussed the proposed measures both among themselves and with the Ministry of Agriculture. As a result, on January 12, tentative agreement upon a modified plan and the establishment of a representative committee to consider further details were reported.[3]

When the quota plan emerged from these discussions and was introduced into Parliament as the Wheat Bill, it was seen to have become, in essentials, the millers' plan for a subsidy and a flour levy, with the added features of a wheat commission, a flour corporation, and a provision for compulsory buying of year-end stocks. The millers' and traders' organizations gave their approval to the new draft plan as the most workable from their point of view, while making it clear that, left to their own choice, they would prefer no regulation at all. Before the Wheat Bill was acted upon, Parliament enacted on February 29, 1932, the Import Duties Act, a new general tariff law effective March 1.[4] Under this Act wheat was among the few commodities (including also meat, raw cotton, and raw wool) on which no duty was imposed, while flour was among those subjected to a duty of 10 per cent ad valorem; for the time being all goods from Empire sources were exempt from the new duties. In the next few weeks the Wheat Bill was debated and passed[5] with only minor amendments, although many were proposed.

The way was then cleared for consideration of an Empire quota. The British Government, however, had little to say on the subject as the date for the opening of the Ottawa Conference approached.[6] Millers and grain traders continued to voice vigorous disapproval. Meanwhile some disparaging views on the quota proposal were expressed in the Dominions. Addressing the Australian Chamber of Agriculture on April 12, the Commonwealth Secretary for Markets contended that a quota scheme would only tend to dislocate trade, and stated that the Commonwealth Govern-

[1] *Milling*, January 2, 1932, p. 10, reporting discussion and a resolution by the Liverpool Chamber of Commerce.

[2] "Quota Supplement" to *Corn Trade News*, December 30, 1931, quoting the *Daily Herald* of December 19, 1931.

[3] The Minister alluded to the agreements reached at this conference when he presented the Wheat Bill for its second reading: 261 H.C. Deb. 5 s., 962.

[4] 22 Geo. V, c. 24.

[5] 22 and 23 Geo. V, c. 24.

[6] A remark in Parliament by the President of the Board of Trade (apropos of coal import quotas in British export markets), to the effect that quotas were "obstacles to international trade," gave rise to speculation as to whether the Government was preparing to abandon the idea. *Milling*, April 23, 1932, p. 449.

ment would not "encumber its case at Ottawa with requests for preferential treatment as regards wheat and wool."[1] In Canada expressions of adverse or skeptical opinion were common. It was reported that the Winnipeg Grain Exchange, the United Grain Growers, and the western wheat pools advised the Dominion Government that in their opinion neither a quota nor a tariff preference held discernible advantages for Canada.[2] The view was freely expressed that such measures would simply intensify competition, with depressing effects upon world prices. The danger of retaliatory measures was also recognized both in Canada and in Australia. On the other hand, Premier Bennett of Canada now renewed his earlier advocacy of such a preferential tariff as expressed at the Imperial Conference in 1930 (see above, p. 325); and Mr. John I. MacFarland, general manager of the Canadian Co-operative Wheat Producers, Ltd., was reported to have supported him.[3] The British millers' organization, anxious to avoid an Empire quota, announced that it would not oppose a low preferential tariff on wheat, provided that "a corresponding adjustment" were made with reference to flour imported from the Dominions.[4]

The Ottawa Conference deliberated in private, and press reports of the proceedings were based partly upon statements given out by the delegates, partly upon rumors and surmises. On August 21, upon its conclusion, a summary of proceedings and parts of the agreements (including the agreements relating to wheat) were published.[5] Instead of a quota, a duty of 2*s.* per quarter on foreign wheat entering the United Kingdom was agreed to; and the inclusion of this measure was generally attributed to the insistence and forcefulness of the Canadian Premier. The Conference had covered a wide range of subjects, and a number of its decisions affected the industrial interests of eastern Canada. One explanation offered by correspondents for the forcing of action on wheat was the necessity, from the standpoint of Canadian domestic politics, of showing some definite accomplishment in the interest of Western farmers. Australia acquiesced in the decision, apparently without enthusiasm. On November 15 the Ottawa Agreements Act, 1932,[6] gave legal force to the Conference decisions.

President W. Norman Vernon, of the National Association for British and Irish Millers, in reporting to the Association on April 6, 1933,[7] expressed the conviction that the efforts of milling representatives at the Ottawa Conference prevented the adoption of a Dominion quota, and probably other "impositions" that would have handicapped British milling; but he voiced disappointment at failing to secure the desired limitation upon flour imports from the Dominions, or even safeguards "against dumping and unfair and subsidized competition."

III. THE WHEAT ACT IN OPERATION

The Wheat Act became a law on May 12, 1932. The administrative machinery was promptly set up, with Lord Peel as chairman of the Wheat Commission and Mr. H. D. Vigor of the Ministry of Agriculture as vice-chairman. The first series of regulations was issued on June 15 and the initial order a day later. The levy on flour came into force on June 19, and the scheme came fully into effect as the new "cereal year" opened on August 1.

Main Features of the Plan

The primary object of the Act, as stated in the preamble, is "to secure to growers of home-grown millable wheat a standard price and a market therefor." To achieve this without resort either to fixing a minimum market price or to purchase by a governmental agency at the risk of the exchequer, an ingenious but complicated scheme was adopted. This provided (1) for distributing a bonus, bounty, or

[1] *Milling*, April 16, 1932, p. 423.

[2] *Northwestern Miller*, July 27, 1932, p. 234; *Corn Trade News*, June 8, 1932; *Milling*, July 23, 1932, p. 88 (quoting *Manchester Guardian*).

[3] *Modern Miller*, August 13, 1932, p. 15.

[4] *Milling*, August 27, 1932, p. 222.

[5] *Agreements Concluded at the Imperial Economic Conference, 1932* (Ottawa, 1932).

[6] 22 and 23 Geo. V, c. 53.

[7] *Milling*, April 16, 1933, p. 401.

price supplement to growers in proportion to their sales of millable wheat, sufficient to bring the average "farm price" of such wheat up to a standard price initially fixed at 10*s*. per cwt.; (2) for raising the required funds by a levy on flour, British milled or imported, as delivered for consumption; and (3) for the establishment of two new agencies, a Wheat Commission and a Flour Millers' Corporation. Before entering into details and qualifications, the main features of the system may be briefly set forth.

Wheat growers sell their grain as, when, and to whom they choose, for what it will bring; but if they wish to get the bonus they must register and make certified reports of all sales of millable wheat. At the end of the crop year the quantity of millable wheat thus sold by registered growers, and the average price received by them, will be computed from the certified returns. If this "ascertained average price" is below the "standard price" fixed by or under the Act, the difference will be the "price deficit." Each grower will then receive (less interim payments that may have been made)[1] a "deficiency payment" representing approximately the price deficit multiplied by the certified quantity of millable wheat that he sold. Administrative expenses, however, are first deducted. Subject to this deduction, the Act guarantees a minimum average "farm price" of millable wheat, but it does not guarantee this standard price to individual growers. Those who sell their wheat for more than the ascertained average price will get, from sales proceeds plus deficiency payments, more than the standard price, while those who sell for less than this average will get a total return less than the standard price.

The "Wheat Fund" to meet the deficiency payments is raised by a virtual excise tax called a "quota payment" levied on each sack of flour produced at home, or imported, cleared from customs, and delivered for domestic use, subject to refunds on exports of flour and bread. The rate of this levy is set on the basis of estimates of three factors. Estimates of the "anticipated supply" of millable wheat on which deficiency payments will have to be made, and of the average price that growers will get for this wheat, together yield an estimate of the Wheat Fund required. An estimate of the supply of flour, from production and imports, that will be delivered and retained for domestic use in that year leads to a calculated figure for the required levy per sack. The rate may be altered as changes in estimates may require, but the estimate of anticipated supply of wheat in any cereal year is not subject to change after January 31 of that year. The intention is to make each year's operations a unit, and to raise just enough to cover the sums required; but in case of a surplus or deficit in one year's operations the new rate may be so adjusted as to eliminate it.

The legal responsibility for executing the Act is vested mainly in the Minister of Agriculture and Fisheries, subject to the annulment of any order, regulation, or "byelaw" by either House of Parliament.[2] He is to make "all orders prescribing the average price of home-grown millable wheat, the anticipated supply of such wheat, the amount of quota payments, or the cessation of such payments." On other matters put in his charge by the Act he is to act jointly with "the Secretaries of State concerned with agriculture in Scotland and Northern Ireland respectively," at present the Secretaries for Scotland and Home Affairs. In most particulars, however, the Minister (as defined above to mean one official or three) acts upon information or advice furnished by the Wheat Commission, or passes upon the regulations they propose to enforce.

The actual burden of administering the Act falls mainly on the Wheat Commission,[3]

[1] This year interim payments of 3*s*. per cwt. were made in December, March, and May, in respect of sales evidenced by certificates received in the preceding months.

[2] To this end Section 18 of the Act requires all orders, regulations, and "byelaws" to be laid promptly before Parliament, and the veto action may be taken by resolution within the ensuing twenty-eight days on which the House has sat.

[3] Section 17 (1) of the Wheat Act provides: "If at any time a Board is established under the Agricultural Marketing Act, 1931, for the purpose of regulating the marketing of home-grown wheat, and the Minister, after consultation with the Wheat Commission, is of opinion that any functions of that Commission with respect to registered growers should, in

which issues byelaws or detailed regulations for giving effect to the provisions of the Act[1] and sees to their application. It is set up as a corporate entity and is not formally attached to the Ministry of Agriculture,[2] though the Minister (as above defined) must approve its byelaws and budget estimates. As its Chairman has recently said, "generally speaking it acts independently."[3] The Commission is composed of nineteen members appointed by the Minister, who fixes the term of appointment of each member, the salaries of the chairman and vice-chairman, and the compensation for expenses (including per diem) of non-salaried members. Presumably the chairman, vice-chairman, and staff will do most of the work, but numerous decisions will require action by the Commission. Of the seventeen unpaid members, five represent British wheat growers, three the flour millers, one the flour importers, three the dealers in home-grown millable wheat, and five the flour consumers including at least one representing the bakers.[4] Before making appointments to represent specified classes, the Minister, as above defined, was required "to consult such bodies as, in his opinion, represent that class," the Board of Trade serving this purpose for the non-baker consumer interests.

The Flour Millers' Corporation is designed as a responsible, representative agency through which the millers may play their part in the execution of the Act.[5] It consists initially of five members appointed by the Minister, but may subsequently be reconstituted with members elected by registered millers, under a scheme drafted by the Corporation and approved by the Minister. The Corporation registers all millers subject to the levy and keeps this register up to date. It routinely collects quota payments from registered millers, has charge of this "Millers' Quota Fund," and transmits collections weekly to the Commission. It is also to purchase and dispose of stocks of millable wheat remaining unsold by growers late in the crop year if and as may be ordered by the Minister (see below, pp. 333–34).

From this broad summary, we may now turn to some of the details of the plan and its operation, first with respect to the procedure by which the bonus or price supplement termed a deficiency payment may be claimed.

Procedures Affecting Wheat Growers

Each wheat grower must first be registered in a manner prescribed by the Commission, showing where his farm is located, its area, and the area now under wheat (Byelaws 22–25). In October 1932 the Chairman said that 84,000 farmers were registered, with England and Scotland "well up to date" but "a few laggards still in Wales and Ulster." It may be inferred that the live register will ultimately include from 85,000 to 100,000 names, with an average of some 15 to 20 acres in wheat per farmer.

For each sale of wheat each registered grower must apply, within fifteen (at first, eight) days after the dispatch of the wheat, for a certificate from a merchant authorized by the Commission (Byelaws 28–40). Nearly 2,000 of these "authorized merchants" have

relation to Great Britain or any part thereof, be transferred to that Board, he may by order so transfer those functions, and any such order shall contain such consequential provisions as may be necessary for giving effect to the transfer." There is no present prospect of the establishment of such a marketing board for wheat.

[1] The first set, issued on June 15, was replaced by a second issue on July 12, 1932: *Statutory Rules and Orders, 1932*, Nos. 472, 588.

[2] In this respect it resembles the war-created agency, the Royal Commission on Wheat Supplies.

[3] See radio address by Lord Peel on October 26, quoted in *Journal of the Ministry of Agriculture*, December 1932, XXXIX, 850–52.

[4] A nearly complete list was given in *Milling*, May 28, 1932, p. 608, and the full list in *Journal of the Ministry of Agriculture*, July 1932, XXXIX, 306–08. Representing flour consumers were the Chairman of the incorporated Society of Principal Wholesale and Retail Bakers, one each from the National Association of Biscuit Manufacturers and the Scottish Consumers' Co-operative Movement, the Chairman of the Food Council, and a Mr. Barbour from Northern Ireland. The grower members are the President of the Central and Associated Chambers of Agriculture, the Chairman of the Cereals Committee of the National Farmers' Union, and others connected with the N.F.U., the N.F.U. of Scotland, the Scottish Chamber of Agriculture, and the Central Landowners' Association.

[5] Section 5 (3) provides that if importers set up a corporation representing them the Commission may with its consent provide for accepting quota payments from importers through that corporation. None has been set up to date, and importers are making their payments individually.

been appointed, covering all localities where wheat is grown; presumably they include a large proportion of the "corn traders" who deal in British wheat. The prescribed certificate must show the quantity, price, and other details of sale and delivery, and state that the wheat was of the last crop and grown on the specified farm occupied by the registered grower, that it was sold as represented, and that it was of millable quality. The farmer is required to enter on this certificate his register number and his claim for payment and mail it to the Commission, or ask the merchant to mail it in with his certificate.

To be eligible for coverage by such certificates, the wheat must have come direct from the registered grower's farm, except as it may have been previously moved in accordance with a permit issued by the Commission, after a formal application setting forth the purpose and other details concerning the proposed removal (Byelaws 41–44). Such permits are granted as a matter of course to facilitate cleaning or conditioning of wheat; and the Commission has encouraged growers to apply for permits for this purpose. By a new byelaw effective February 6, 1933, the Wheat Commission requires "that an authorized merchant must be satisfied, before issuing a wheat certificate, that the wheat in question has been dispatched from the farm on delivery of, or to the order of, a buyer named in the certificate . . . . , and that none of it was so dispatched for the purpose of being redelivered to the person who sold it."[1] This provision, apparently deemed necessary to prevent double claims, seems likely to reduce the use of his own wheat by a farmer on his own farm, and to impel farmers to buy what millable wheat they wish to use.

The decision on the point of millable quality rests with the authorized merchant, who is to apply the standard prescribed by the Minister as directed by the Act. The definition issued on July 29, 1932, which merely expressed in words the customary trade practice, reads as follows:

> Millable wheat shall be wheat which is sweet and in fair merchantable condition, commercially clean as regards admixture and tailings, and commercially free from heated or mouldy grains or objectionable taint, and capable of being manufactured into a sound and sweet flour fit for human consumption having regard to the customary methods employed in the milling industry for cleaning and conditioning wheat.

Appeal from an authorized merchant's decision refusing to issue a certificate, on this or other grounds, may be made to a regional arbitration body called a "local wheat committee" composed of nine, twelve, or fifteen persons appointed by the Commission, two-thirds representing the interests of dealers and millers and one-third the interests of registered growers (Byelaws 45 – 51). Such a committee has been appointed in each of fifty-four areas into which Great Britain was divided for this purpose (listed in Byelaws, Third Schedule). The decision of a quorum of this committee is to be final, and its chairman may issue a certificate refused by the merchant.

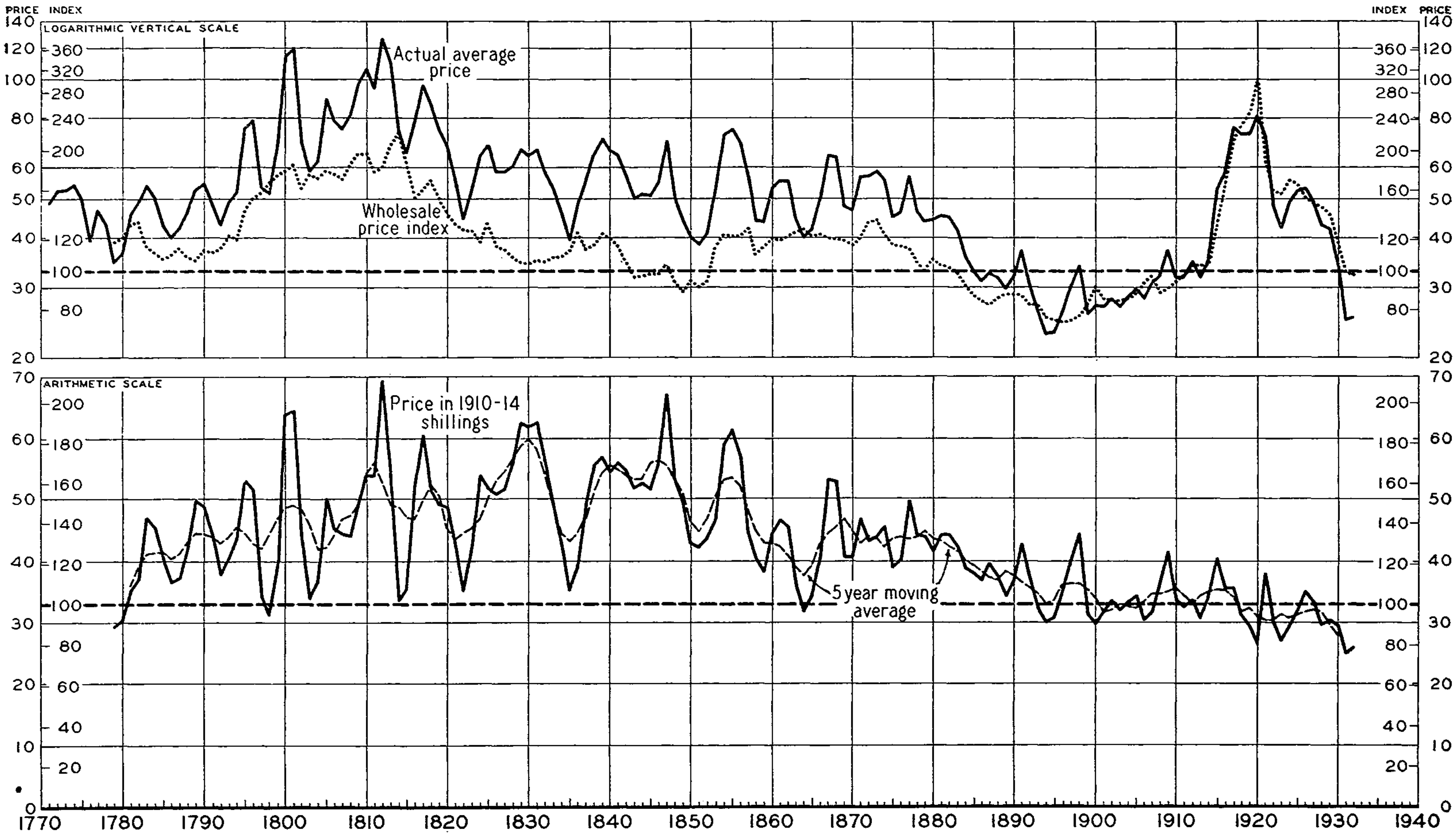
With a view to insuring the grower a market for his wheat, and doubtless also to facilitate a clean ending of each cereal year, the Act (Sec. 1) and Byelaws 54–58 establish a procedure for the purchase of stocks of old-crop wheat near the end of the cereal year up to a maximum of one-eighth of the "anticipated supply" of the year as estimated up to January 31.[2] This year this maximum is 2,475,000 cwt., or 4.62 million bushels of 60 pounds. To this end, the Wheat Commission may require every registered grower to report his stocks of home-grown wheat unsold on a specified date (Byelaw 53). The actual purchase is to be made by the Flour Millers' Corporation, directly or through agents; and the Corporation may sell or otherwise dispose of the wheat, prorating profits or losses (after

[1] *Milling*, February 11, 1933, p. 160; *Journal of the Ministry of Agriculture*, March 1933, XXXIX, 1141–43. Previously a farmer was permitted to repurchase for seed wheat that he had sold, provided that it had remained for three days in the merchant's warehouse or a public warehouse. *Ibid.*, December 1932, XXXIX, 852.

[2] It has been pointed out (e.g., *Milling*, September 17, 1932, p. 307) that no provision is made for a situation in which stocks on farms June 1 exceed one-eighth of the anticipated supply, and hence that the Corporation's purchases would not absorb all. To us the contingency seems not one to be taken seriously, in part because such holding by farmers seems unlikely, and in part because feed use affords so considerable an outlet for British wheat.

CHART 9.—ANNUAL AVERAGE PRICE OF DOMESTIC WHEAT IN GREAT BRITAIN, 1771–1932, SILBERLING AND SAUERBECK-STATIST INDEX NUMBERS OF WHOLESALE PRICES IN GREAT BRITAIN, CONVERTED TO THE BASE 1910–14, AND DEFLATED WHEAT PRICES, 1779–1932*

(Prices in shillings per imperial quarter; index numbers in percentages of 1910–14 average)



* Based upon official price data; Silberling index for 1779–1850 in *Review of Economic Statistics,* October 1923, V, 232–33; and Sauerbeck and Sauerbeck-Statist indexes from 1851 as reported in *Journal of the Royal Statistical Society.* The Silberling index is converted to the 1910–14 base by equating its average for 1848–50 to that of the Sauerbeck index for these years converted to the 1910–14 base.

The actual price data and wholesale price indexes are plotted on a logarithmic vertical scale, the better to show relative changes at different levels; the two scales are superimposed with the price average for 1910–14 = 100. The "deflated" series, plotted on an arithmetic vertical scale, is the result of dividing each item in the actual price series by the corresponding index number of wholesale prices. It may, if desired, be read as an index on a 1910–14 base.

The lower curve brings out, for the price of wheat in terms of commodities in general, the upward trend (amid wide fluctuations) before Corn Law repeal; the downward trend in subsequent decades of the nineteenth century; and the drop to unprecedentedly low levels in 1931 and 1932. The standard price of 10*s.* per cwt., if similarly "deflated" by the Sauerbeck-Statist index for the crop year 1932–33, would be about at the level shown for 1881, 1882, and 1898.

expenses incident to this operation) among registered millers in proportion to their output for the year. In making such purchases, the Corporation will act under order from the Minister, who will indicate what stocks are to be purchased and within what period, and specify for each area an f.a.q. price not exceeding the standard price. The Wheat Commission, however, must first inform the Minister in June that it is expedient to issue such an order; and presumably it will draft the order and recommend the regional price, the broad standard for which is what a willing buyer would pay a willing seller of home-grown millable wheat of fair average quality. With due reference to this fixed price, the actual price of particular lots is to be determined by agreement between the grower and the Corporation, or, in case of disagreement over price or dispute over the eligibility of the lot in question, by the local wheat committee.

These provisions are now being put to their first practical test. Their chief importance probably lies in the fact that if, as the end of the cereal year approaches, farmers should have a good deal of millable wheat left unsold, at least a large part of this will be taken off their hands at a fairly definite price so that they will not need to dump it on the local market in order to secure claims to deficiency payments in respect of it. Since the millers will bear the risk of profit or loss from the disposition of this wheat, their influence may be counted upon to prevent the price from being fixed unreasonably high.

The Standard Price and Deficiency Payments

The standard price for home-grown millable wheat is fixed by the Act at 10*s.* per cwt. of 112 pounds, which equals 45*s.* per quarter of 8 bushels of 63-pound wheat; these are the two units in which domestic wheat is most commonly sold. Per bushel of 60 pounds, the standard price is equivalent to about $1.30 gold at par of sterling exchange, about 86 cents with the pound at $3.20, and about $1.10 with the pound at $4.10. Of course, any such conversions afford only a rough approximation under currency conditions now prevailing.

The standard price is fixed by the Act for the first three years' operations. Not later than March 1, 1935, the Minister must appoint a committee of three to report on the desirability of raising or lowering it on or after August 1, 1935. A change may then be made by provisional order of the Minister, which becomes final when confirmed by Parliament.

No data precisely corresponding to those which will yield the ascertained average price have hitherto been gathered. The average *Gazette* price of British wheat, published weekly under Corn Returns Acts which go back to 1770 (see Chart 9 for annual averages), is probably very close to it, though slightly higher. This is computed from returns from every buyer of grain in each of a specified list of towns, and covers "the amount of every parcel of each sort of British corn bought by him in the town whether from the producers or otherwise. . . . ." Into this average price, therefore, enter sales of non-millable wheat as well as of millable wheat, and other transactions than first-hand purchases from growers. The average sales price of 16.47 million cwt. of millable wheat covered by certificates received between August 27, 1932, and April 14, 1933, was officially reported as 5*s.* 4*d.*;[1] weekly *Gazette* prices from August 1 to April 14 averaged 5*s.* 6*d.*

A standard price of 10*s.* per cwt. does not look high in comparison with actual *Gazette* prices in most of the post-war period, as shown in Chart 10 (p. 339). It is, however, some 32 per cent above the average for the five crop years ending July 1914, which was about 7*s.* 7*d.* per cwt. ($1.003 per bushel); and the Sauerbeck-Statist index number of wholesale prices was practically at the same level in April–May 1932 as in that 5-year pre-war period.[2] The standard price is also far above the levels to which British wheat has fallen in the past three years. The lowest average weekly price thus far reported since

[1] *Journal of the Ministry of Agriculture*, May 1933, XL, 155. The corresponding total up to January 13 was 10,372,376 cwt., at an average price of 5*s.* 5*d.* *Ibid.*, February 1933, XXXIX, 1045.

[2] In other words, the standard price established by the Act was about 32 per cent above the 5-year pre-war average in relation to the general index of wholesale prices.

the war was 4*s*. 6*d*. per cwt. in the week ending September 26, 1931, just after Britain went off the gold standard. The average of weekly prices during the present crop year, to April 21, has been 5*s*. 6*d*., but prices have been below this average most of the time since mid-November 1932. In very recent weeks, however, they have risen from the spring low of 5*s*. 1*d*.

In view of the probability that the scheme will stimulate domestic wheat production, the maximum amount of millable wheat on which the standard price is assured was fixed at 27 million cwt., equivalent to 50.4 million bushels of 60 pounds. We consider (see below, p. 344) that this may imply a total crop of some 59 million bushels. According to official estimates the crop of Great Britain and Northern Ireland has exceeded 53 million bushels only once (1927) since 1923; it averaged 49.4 million bushels in 1923–32, and in 1931 fell to 37.8 million.[1] If in any year the amount of millable wheat sold should exceed the stated maximum, quota payments will be levied such as would provide deficiency payments only on this maximum quantity; and the deficiency payments will be prorated over the total amount of millable wheat actually sold and will thus not bring the ascertained average price fully up to the standard price.

Two minor qualifications must be made. First, from payments calculated as due to registered growers a deduction is to be made to cover all administrative expenses incurred in the execution of the Act, whether by the Wheat Commission itself (including refunds of expenses of the Flour Millers' Corporation, except in connection with the purchase and disposal of stocks which it may be required to buy) or by other government departments. The Commission may incur expenses only within estimates approved by the Minister, and the Corporation only within estimates approved by the Commission. The present expectation is that the total administrative expense will be about 1 per cent of the Wheat Fund income.

Second, it is provided that estimates of the "anticipated supply" of millable wheat may not be altered after the middle of the cereal year. If duly certified sales of millable wheat by registered growers in the cereal year exceed the estimate standing on January 31, the deficiency payments per cwt. will be reduced. For example, if the anticipated supply were 19 million cwt. and the actual sales 20 million, the deficiency payments would be 5 per cent less than if calculated on actual sales, and the growers would receive, on the average, from sales price and deficiency payments, this much less than the standard price. In practice, it is to be expected that the Commission will prefer, within reason, to make liberal estimates of the millable supply in order to limit the risk of thus disappointing the growers.

The Flour Levy

The basic formula for arriving at the rate of flour levy ("quota payment") is $\frac{S \times D}{F} = Q$, when S is the anticipated supply of millable wheat, D the estimated price deficit per cwt., $S \times D$ the Wheat Fund requirement, F the estimated flour deliveries, and Q the quota payment per sack of flour. The first line in the tabulation below represents an applica-

S (million cwt.)	D (per cwt.)	S X D (million shillings)	F (million sacks)	Q (per sack)
19.8	4*s*. 3*d*.	84.15	37.4	2*s*. 3*d*.
19.8	4*s*. 8*d*.	92.40	37.4	2*s*. 6*d*.
19.2	4*s*. 9*d*.	91.20	35.3	2*s*. 7*d*.

tion of the formula as reflected in the initial order of the Minister June 16, 1932. The amount of flour supply subject to the levy was estimated at 37.4 million sacks, for about 13½ months from June 19 on the assumption

[1] Following are the data in million bushels, million acres, and 60-pound bushels per acre:

Year	Production	Acreage	Yield per acre
1923	59.4	1.81	32.9
1924	52.9	1.60	33.1
1925	52.9	1.55	34.1
1926	51.0	1.65	30.9
1927	55.8	1.71	32.6
1928	49.8	1.46	34.1
1929	49.8	1.38	35.9
1930	42.3	1.40	30.1
1931	37.8	1.25	30.2
1932	43.6	1.34	32.5
Average	49.5	1.52	32.6

of about 33.3 million sacks per year.[1] To provide the Wheat Fund to meet the forecast price deficit on the anticipated supply, a levy of 2*s.* 3*d.* per sack on this estimated flour supply was indicated.

Obviously with a view to keeping to a minimum disturbances to the flour and baking trades[2] (and, presumably, the "tax on bread" as well), Lord Peel stated in October 1932 that "the Commission are anxious to make as few changes as possible in the quota payment, and will only increase the payment in case of absolute necessity."[3] Effective October 30, 1932, however, the rate of levy was increased from 2*s.* 3*d.* to 2*s.* 9*d.* Wheat prices had fallen; hence the price deficit per cwt. seemed likely to average somewhat higher than first estimated. With no reduction in the forecast of sales of millable wheat, the Wheat Fund requirement appeared higher. The Commission did not announce any revision of its estimate of the average price deficit for the year or of the anticipated flour supply. By way of illustration, we have inserted in the second line of the foregoing tabulation such figures as might have been used. Assuming F unchanged, and D to be 4*s.* 8*d.*, Q would work out to 2*s.* 6*d.* To obtain this average for 13½ months, when a third of this period had expired, would have required an average levy from October 30 of 2*s.* 7½*d.* The revised rate was put higher than this, perhaps to avoid further increases in case wheat prices should fall still lower or the actual flour supply fall below that anticipated.

The third line in the tabulation indicates our tentative estimates of the outcome of the first year's operations. For reasons given below (p. 344), we put S at 19.2 million cwt., slightly below the forecast amount. Since realized prices averaged 5*s.* 4*d.* up to April 14, and market prices have on the whole been lower since last November, we put D at 4*s.* 9*d.* If the rate of levy should remain at 2*s.* 9*d.* to July 31, as we expect, the average for the 13½ months would be about 2*s.* 7*d.* To raise the indicated Wheat Fund requirements ($S \times D$), this average levy would have to be collected on only 35.3 million sacks of flour. If the levy should be collected on more than this amount of flour, and/or if the wheat sales entitled to deficiency payments should fall below 19.2 million cwt., some surplus would be left.

We presume that the Commission would like to enter the 1933–34 cereal year with a surplus in the Wheat Fund, for this would make it possible to hold down the rate of quota payment in the coming year when two factors are certain to make for increase. Flour deliveries will be subject to it for only 12 months instead of 13½, so that F is certain to be smaller than in the initial year even if there should be a slight increase in monthly flour consumption; and the supply of millable wheat, with an increased acreage and favorable crop prospects, is practically certain to be larger, perhaps substantially larger. It now seems improbable that the Wheat Fund surplus on August 1, 1933, will be sufficient to permit continuance of the levy at 2*s.* 9*d.* per sack in 1933–34.

Burdens and Benefits

The amount of money involved is not very large. This year, the total collected and distributed seems likely to be around 4½ million pounds sterling. If, while the standard price remains at 10*s.*, in some year the price deficit should be 5*s.* and the sales of millable wheat 27 million cwt. or more, the amount collected and distributed would be less than 7 million pounds. To raise this sum by levy on a flour supply of 33 million sacks would require an average rate only slightly over 4*s.* per sack. It is officially estimated that a sack of flour yields about 376 pounds of bread (equivalent to 270 pounds of bread to the 196-lb. barrel of flour). On this basis, an addition of 4*s.* per sack of flour means about ½*d.* per quartern (4-lb.) loaf. If all the maximum probable cost were passed on to consumers, it would

[1] Wheat milled for feed is not subject to the levy. Under provisions of the Act the Commission had, by October 1932, granted exemption to 1,800 provender millers, "who applied certifying that their output has not comprised and will not comprise any flour other than meal . . . . [for] animal or poultry food."

[2] The Act provides (Sec. 14) in effect that, in case of increase or decrease in the quota payment, contract prices on unfulfilled contracts for flour shall be increased or decreased accordingly.

[3] Radio address cited above, p. 332.

add only about a farthing to the price of a 2-pound loaf of bread.

One cannot state specifically the percentage by which flour costs to bakers and retail buyers of flour have been or may be increased by the levy. A considerable variety of flours are sold and these carry varying burdens; in the delivered cost of flour, transportation charges constitute an appreciable though varying fraction; and flour prices change. On the basis of flour prices (quoted subject to the "quota payment") in the last three weeks of January 1933, however, the levy of 2*s.* 9*d.* per sack of 280 pounds represented an addition of 14 to 15 per cent to the prices of bakers' flour, ex-mill, Liverpool; about 13½ per cent to prices of all-English straight flour, ex-rail, London; about 12 per cent to prices of London straights, delivered, London; and around 10 per cent to prices of Manitoba (top) patents, ex-store, London.[1]

Bread is very cheap in Great Britain. In the summer of 1931, before the departure from the gold standard, the retail price of the standard 4-pound loaf in the Kingdom averaged 7*d.*, equivalent to about 3.6 cents per pound, when in the United States the average was 7.4 cents per pound. The much lower retail price of bread in England is due mainly to two facts: ordinary British bread is made chiefly of flour, yeast, and salt, whereas in the United States it usually includes sugar, shortening, and milk; flour milling and transportation costs (net),[2] and bread selling, advertising, and delivery costs (and services), are much lower than in the United States. These costs, however, are considerably higher in Great Britain than before the war, mainly because of increased services in connection with bread sales (larger variety of breads, more wrapping and delivery, etc.), higher wage costs per unit of bread, and possibly higher milling profits attributed to milling combinations. Accordingly, the spread between retail bread prices and wholesale wheat prices has been considerably wider than before the war.[3]

The course of retail prices of bread since August 1922 is shown on Chart 10 in relation to prices of British and imported wheat. The wheat prices may be read in shillings per cwt.; or they may be read in pence per 4 pounds, for reasonable comparison with bread prices per 4-pound loaf, since it takes approximately a pound of wheat to make a pound of bread. The spread between the two curves has varied more or less, chiefly because bread prices are much more stable; but apart from temporary variations the spread has not changed materially for a decade.

Since the adoption of the Wheat Act and the imposition of the levy on flour used domestically, wheat prices have declined somewhat in British currency, bread prices have risen somewhat, and the spread has widened moderately. Even in British currency, however, bread prices have risen from the low level of 6¾*d.* in the summer of 1931 only to 7¼*d.* in the early months of 1933, and have been lower than in any post-war year prior to 1931. The "tax on bread" is of slight moment, though bread consumers (rather than millers or bakers) are bearing most if not all of the cost of the virtual subsidy to domestic wheat growers, sufficient to cover the wide difference between the standard price of 10*s.* per cwt. and the very low market price of wheat (see cross-hatched area on Chart 10).[4]

The scheme may yield as much as £50 to £80 a year, gross, to the average wheat grower. The relatively large addition to the growers' income at the expense of a very small burden to consumers is due, of course,

[1] See flour price quotations in *The British Baker* (London) and *Milling* (Liverpool).

[2] British millers enjoy the advantage of a better market for millfeeds. In the past two or three years, moreover, British millers have been able to get wheat cheaper than millers in the United States.

[3] It is not feasible to measure this precisely, for retail bread prices available for 1913 appear not wholly comparable with (and probably slightly too low for comparison with) the post-war series. Comparative averages for 1913 and two recent years run as follows, in pence per 4 pounds:

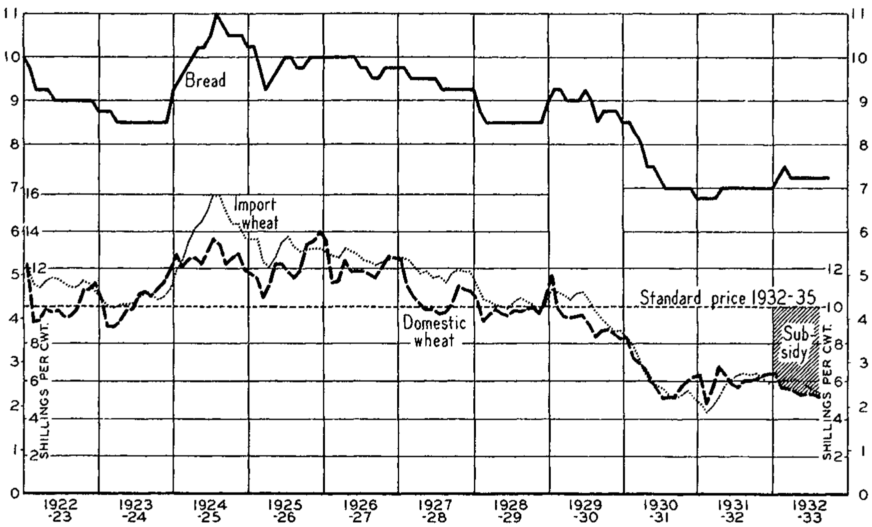
	1913	1930–31	1931–32
Imported wheat	3.55	2.63	2.38
Domestic wheat	3.17	2.67	2.59
Bread (13-mo. average)	5.8	7.5	6.9

[4] This position was bitterly attacked in the parliamentary debate on the Wheat Bill, and it was argued that even a halfpenny per 4-pound loaf meant a real additional burden on the lowest-paid workers and the unemployed. Increased purchasing power by wheat growers was not regarded as compensatory.

to the fact that British farmers furnish only a small fraction of the wheat consumed for food in Great Britain. Broomhall said, in the *Corn Trade News* of February 22, 1933: ". . . . We are bound to say we cannot imagine why such a plan [domestic allotment plan] should be unworkable in the United States any more than the quota plan is unworkable in our country, for in some respects the two plans the United Kingdom which is sufficient to yield a bounty to wheat growers there amounting to very substantial sums per bushel, and to 80 or more per cent of the farm price, would in the United States yield only a small fraction of this amount per bushel. In order to raise the price of wheat to United States growers as much as is done in the United Kingdom, the required levy on

CHART 10.—AVERAGE PRICES OF DOMESTIC AND IMPORT WHEATS, AND OF BREAD AT RETAIL, IN THE UNITED KINGDOM, MONTHLY FROM AUGUST 1922*

(Main scale: pence per 4 pounds)



* Prices of import wheat computed from official data of quantities and values; other prices as officially reported, bread prices as of the first of each month. By the inset scale, the wheat prices may be read in shillings per cwt., the unit now officially employed. The dashed line shows the standard price in effect under the Wheat Act. The shaded area marked "Subsidy" gives a rough indication of the "price deficit" under the Act, though the ascertained average prices from which it will be computed may be slightly under the average of domestic prices here shown.

are very similar. It seems to us that the plan offers a reasonable prospect of relieving the undoubted distress prevailing among the United States growers . . . ." Two weeks later he added: "As we have said before, we think this plan would work all right as far as wheat is concerned, but it would be a very complicated business to lift all agricultural prices through allotment plans . . . ."

Broomhall strangely overlooked, however, the striking differences which lie in the conditions affecting the application of the two plans. The United Kingdom raises less than one-fifth of the wheat it consumes, while the United States, on the average, raises something like 130 per cent of the wheat consumed here. A tax on flour consumption in flour consumption would be many times as high as the one now in effect in the United Kingdom—so high indeed that consumption would be radically reduced.

Furthermore, the administration of the scheme would be vastly larger and more complicated in the United States. Probably 1½ to 2 million American farmers would be directly concerned, as compared with less than 100,000 British farmers. Both the wheat acreage and the geographical area which the administration would cover are many times greater in the United States. Whereas British wheat is all consumed at home, and quality and regional differences are fairly narrow, some American wheats are ordinarily exported and differences of type, quality, and regional position are important. Finally, it must be admitted that, for various reasons, administration of such measures is in general more skilfully handled in Great Britain than in the United States.

The application of the Act involves a large amount of detailed reports and records. It requires keeping up to date registers of all growers who wish to claim deficiency payments, of merchants authorized to certify as to the millable quality, of all millers subject to making quota payments, and of provender millers exempted from making such payments. It also requires getting detailed reports and keeping detailed records of every sale of millable wheat by each registered grower, every case of removal of wheat from a farm except for sale, every parcel of imported flour cleared from customs by each importer, the amount of flour delivered by each miller every week, and the amount of flour and bread exported or shipped as stores by every exporter. It further involves the functioning of local arbitration committees to settle disputes between growers and authorized merchants on points involving the issue of certificates, and between growers and the Flour Millers' Corporation or its agents regarding the quality and price of wheat tendered to the Corporation when it is compelled to buy hitherto unsold stocks near the close of the crop year. Each registered grower must also keep records showing quantities and prices of wheat purchased or sold by him each month, and furnish to the Wheat Commission, on request, a specified portion of this record and a statement of unsold wheat stocks (Byelaws 52–53).

The Wheat Fund controlled by the Wheat Commission is deposited in a special account at the Bank of England. The accounts are to be audited by the Comptroller and Auditor General, who must report to Parliament. The Millers' Quota Fund, controlled by the Flour Millers' Corporation, is also subject to official audit. Into the Wheat Fund flow all quota payments. It is drawn upon for refunds on exports of flour and bread, or shipments as ship stores; administrative expenses of the Wheat Commission (including ordinary expenses of the Flour Millers' Corporation) and other departments as approved by the Minister; and interim and final deficiency payments to individual registered growers.

At best a quota system of any sort, though applied to but a single commodity produced by no more than 100,000 growers, involves a large amount of "red tape." The administration can be systematized, and the cost to the Wheat Commission is provisionally estimated at not over 1 per cent of its income, which may be interpreted to mean about £45,000 a year. The unrecompensed burden of trouble incurred by farmers, millers, dealers, and committees cannot readily be appraised. The enforcement of disputed claims and penalties for forgery, fraud, etc., will add something to the national cost. Administration of such measures is usually handled efficiently and cheaply in England, and it may be that with all its detail the procedure will not prove cumbersome and oppressive.

Reception of the Act

Though the Wheat Bill was passed by an overwhelming vote, it was subjected to numerous criticisms. Supporters found it extremely complicated, and critics called it a masterpiece of bungling draftsmanship. Even the Government's spokesmen differed as to whether the Act was a temporary emergency measure or an expression of permanent policy. Wheat growers would have liked to see a higher standard price and a higher limit on production on which the standard price was assured. Others argued that wheat rightly has a small place in British agriculture, that there is no justification for trying to increase its importance, and that government aid to agriculture should be given in other directions. Even supporters of the measure were impatient for disclosure of other elements in the program for aid to agriculture. Critics objected to the tax on bread and the complexity of the procedure adopted, arguing that the burden on consumers would be far from negligible and that even the farming class as a whole would pay more than wheat growers would gain. Some reasoned that many farmers who needed relief would not get it, while many who were not in distress would profit by the subsidy; or that the net effect would be to maintain land rents, rather than to benefit operating farmers. Labour critics complained that no provision was made to insure that agricultural labor would share in the benefits. Free-traders called attention to the ill effects of protective measures abroad, and to the probability that a tariff-subsidy policy, once adopted even in mild form, would inevitably lead to demands for higher and more extended protection to wheat and other products.

In operation, however, the Wheat Act appears thus far to have been accepted with substantial equanimity, without serious complaint from any quarter to offset the gratification of wheat growers at the virtual stabilization of their returns on a level far above current market levels. It is naturally most popular with farmers in the areas where wheat is a fairly important crop, and somewhat unpopular in sections where wheat growing is of negligible importance, as in most of Scotland.

Millers are disposed to grumble over paying the levy on delivery of flour, regardless of whether they eventually collect from the flour buyer. Uncertainty as to changes in the rate of levy is represented as a disturbing factor in the milling industry. Some millers failed to get their drawback on flour milled for export because they did not comply with the requirement that such flour be "pre-entered" on a specified form that must be delivered to the customs authorities before shipment. Some have complained of the definition in the Act, as applied by the Wheat Commission, whereby low-grade flour destined for feed use has been subjected to the levy. Millers also feel disgruntled because of the absence of limitation on flour imports or even of safeguards "against dumping and unfair and subsidized competition" (though the extent of such dumping is open to dispute); and for these objects their associations are still working hard.[1] Nevertheless, the Wheat Commission has generally been praised for the co-operation it has secured and the general smoothness of the administration of the Act; and one of the miller representatives on the Commission (Mr. S. Armstrong, J.P.) evoked applause when he said recently, at the annual meeting of the National Association of British and Irish Millers, after adverting to the complaint first mentioned above:

> . . . . But whilst this grievance does exist, along with other more important ones, we cannot but admit that the working of this Wheat Act has been a most wonderful thing for British agriculture. I do not suppose that those of you who live in places where arable cultivation is comparatively unimportant can realize the situation as we find it in some of the Eastern Counties, Lincolnshire, for example. You want to go North to see the full extent of the agricultural tragedy. The prompt payments on account which the Commission have been able to make have given new hope to the agricultural industry; land that has been going out of cultivation has been arrested, and people have had some new hope put into them. It has not been, of course, sufficient to turn the balance of agricultural fortune, but it has been sufficient to give people who have been hardly used some new hope for the future. And if our own industry has helped to redress this wrong which agriculture has suffered under successive governments, we ought all to be pleased to have contributed our part . . . .[2]

IV. OBSERVATIONS ON THE NEW POLICY

Britain's new wheat policy, as thus far evolved, is unique and in striking contrast to the wheat policies of other nations. A minimum disturbance to the British grain trade and milling industry is involved. The tariff duties imposed on wheat and flour (from non-Empire countries) are practically the lowest now in force anywhere. There are no indirect restraints upon imports of either wheat or flour—by import quotas, rationing of exchange, or otherwise, as in most countries of Continental Europe. No import monopoly is created, as in Norway and Switzerland. No fixing of *market* prices is involved. No governmental board is set up to buy and

[1] For such criticisms, see *Milling*, April 15, 1933, pp. 401–02; May 20, 1933, pp. 517–18, 528–29. The latter issue contains correspondence in *The Times* of May 13 and 16 between Lord Peel and Sir Malcolm Robertson arising out of remarks by Sir Malcolm at the annual meeting of Spillers, Ltd. (see *Economist*, May 13, 1933, p. 1044).

[2] *Milling*, April 15, 1933, p. 403.

sell either foreign or domestic wheat; and no authority exists for authorizing a subsidiary or supplementary corporation (such as the Grain Stabilization Corporation) to do this, except so far as concerns the purchase of unsold domestic stocks near the end of the crop year. No milling quota is established (as in Germany, France, Italy, Holland, and Belgium); hence domestic wheat is not forced upon the mills. Wheat growers and local corn dealers are affected, in their dealings in wheat, only by regulations that necessitate reports and certificates, limit the freedom of movement from the farm except for sale, and require the sale of wheat, if it is to get the benefit of the price guarantee. The effect on prices of flour and bread is small, and on their quality very limited. The standard price set is very moderate, judged by Continental European standards. Though the per bushel subsidy to wheat growers is substantial and the per farmer subsidy considerable, at current price levels, the aggregate pecuniary benefit to domestic wheat growers is comparatively small, and it is subject to specific limitations. No compulsion is exerted upon farmers to increase or decrease the acreage devoted to wheat or any other purpose, or to change their farming practices. In form, indeed, the levy on flour does not constitute a tax, or the payments to wheat growers a government subsidy; the receipts are not taken into the exchequer, or the deficiency payments met out of it.

In short, the new measures as they stand represent in most respects an extremely moderate and well-studied departure from Britain's long-established wheat policy. In principle the change they bring is radical; but in degree they are far less revolutionary than the resort to protection for British industry in general, and than other features of the new agricultural policy embodied in the Agricultural Marketing Bill, 1933, to which brief reference is made below.

The primary object of the Wheat Act was to aid financially distressed British wheat growers, not to increase home production of wheat. The object of the tariff on foreign flour was chiefly to give some protection to British millers and to have something to bargain with at the Ottawa Conference. The object of the Empire preference on wheat grain was to get tariff concessions from the Dominions to aid hard-pressed British export industries. Wheat and flour were so cheap, and the prospective influence of these measures on the cost to consumers of flour and bread was so slight, that the old slogan of "no tax on bread" seemed obsolete. Moreover, the price guarantee was so framed, as we have seen, that even the maximum guaranteed to producers, or paid by consumers under the influence of those provisions, would be very moderate. The objectives of increasing the arable area and employment on the land, while not entirely discarded, lost much of their weight in connection with the wheat policy; increased food production in time of peace appeared unnecessary, and discussions made it apparent that expansion of wheat growing might, with mechanized methods now available, even further reduce agricultural employment.

Effects on British Wheat Growers

The Wheat Act is succeeding in its primary object of giving substantial financial aid to distressed British farmers who grow wheat. In the first year of its operation, the distribution from the Wheat Fund is likely to be around 4½ million sterling, and to represent a supplement of some 90 per cent to the farmers' cash receipts from wheat sales. On the average, this means over £50 per wheat grower. If this does not make British arable farmers prosperous, at least it goes far toward rescuing them from loss. A Cambridge University investigation recently indicated that, largely in consequence of the wheat subsidy, the average gross income on four hundred farms in East Anglia (where wheat and sugar beets are both important) would be £20 greater in 1932–33 than in 1931–32, though still falling some 16 per cent short of yielding a "fair return" for invested capital and unpaid labor.[1] Undoubtedly in part the wheat subsidy serves to offset the reduction in the sugar-beet subsidy, which is now at its third and lowest level and is due to expire in September 1934.

[1] *The Times*, February 27, 1933.

Though the "standard price" guaranteed is by no means as high as British wheat farmers desired, it is far above prevailing market prices of British wheat even in a pound sterling that is depreciated abroad (Chart 10, p. 339). It is, moreover, distinctly high as compared with current prices of most other farm products. It represents about 131 per cent of the 1911–13 price of wheat (see line *AB* in Chart 8, p. 316). In recent months barley and oats have averaged around 85 per cent of their prices in corresponding months of 1911–13, and the general index of farm prices has fluctuated since July 1932 between 100 and 107 per cent of the 1911–13 levels. While market prices of British wheat are among the lowest in the whole index (in recent months, hay and wool alone have been lower), the guarantee brings wheat up to the top of the list. Moreover, the assurance of a fairly definite minimum price, for three years at least, eliminates heavy risks that British growers have hitherto incurred.

The wheat growers' cash income from wheat is certain to increase from the low levels to which it had fallen in recent years as wheat acreage contracted, wheat prices declined, and an increasing proportion was fed on farms where grown. Larger wheat crops, a larger proportion marketed to get the bonus, and a higher price (including deficiency payments) than in the three years prior to 1932–33 will insure this. If, as now seems likely, the maximum quantity of millable wheat on which an average price of 10*s*. per cwt. is guaranteed should be reached in 1933–34 or 1934–35, the farmers' cash returns from wheat will approach or exceed 13½ million pounds, or probably three times as much as at their low point in 1931–32. Of this total, the subsidy may contribute something approaching one-half.

The net income from farming attributable to the measure will probably not, however, increase by as much as these figures may suggest; for in part wheat income will replace income from other crops displaced by wheat, and in part cash income will replace noncash income as farmers sell their wheat to get the bonus and buy wheat for feed.[1] Since wheat is so small a factor in British agriculture, the net addition to farmers' net income in Great Britain resulting from the wheat measures seems unlikely to exceed 5 per cent of the total.[2]

Effects on Wheat Acreage and Production

It will be recalled that a secondary objective of the Wheat Act was to check the decline in wheat growing, and in arable cultivation in general, and to bring about a limited increase. This too bids fair to be achieved; it is another question whether the result will really be advantageous to the nation.

Some have attributed the 7 per cent increase in wheat acreage for the 1932 crop to the prospect of the passage of the Act; yet some recovery of acreage from the very low level of 1931 might well have occurred in the absence of this stimulus. A much more substantial increase in wheat acreage has occurred this year; and while favorable weather conditions probably contributed to this result, most of the increase must be credited to the guarantee of a wheat price that must have appeared very attractive as compared with alternative crops. Cambridge agricultural economists, analyzing reports of farmers' intentions to plant wheat (up to mid-November) on some hundreds of farms in the eastern counties, found these indicating a 36 per cent increase from the low 1931 level; and they hazarded an estimate of an increase of a third in the wheat acreage of the Kingdom.[3] The official report of intentions for autumn sowing indicated an increase of 17 per cent over the 1932 acreage;[4] but many farmers thought this an underestimate, and an unusual amount of sowing during the winter had been unofficially reported.[5] Early in May the Wheat Commission called upon wheat growers to report on the acreage sown for

[1] Such a calculation would also have to take into account some diversion of farming effort from production of other products, and consequently some favorable influence on prices of these other products.

[2] See above, p. 317.

[3] R. McG. Carslaw and A. W. Menzies-Kitchin, of the University of Cambridge, Farm Economics Branch, in *The Farm Economist* (Oxford), January 1933, I, 17–18.

[4] *The Agricultural Market Report*, January 13, 1933.

[5] *Corn Trade News*, May 10, 1933.

the 1933 crop (as well as their stocks of 1932 wheat unsold). The returns from this inquiry are not yet available to us; they seem likely to show an increase of at least 20 per cent over the official acreage estimate for 1932 and 30 per cent over that of 1931.

We anticipate that much of the increase will be at the expense of acreage in other crops, probably including sugar beets, barley, and oats, but certainly some will represent a return to crop use of land recently laid down to permanent grass. The final statistics for 1933 may thus show a small increase in the arable area, which (for England, Wales, and Scotland) reached its lowest point in 1932. Whatever the increase in wheat acreage in subsequent years, it seems to us probable that the arable area will increase by less than the wheat acreage.

It is pertinent to ask how far British wheat acreage is likely to increase under the stimulus of the Act. The answer is not easy. It seems reasonable to expect that by 1934, the last year for which the *present* standard price is guaranteed on a maximum of 27 million cwt. of millable wheat, the wheat acreage will have expanded at least to the level that would be expected to yield this quantity. Indeed, if the British wholesale price level, and that of other British farm produce, should fail to rise much above the levels that have prevailed in 1932–33, the present guaranteed price is likely to be so attractive[1] that the wheat-acreage expansion may go well beyond the level suggested.

Experience must be awaited before one can say with assurance how large an acreage would yield an average crop that would provide millable supplies of 27 million cwt. No statistics of the amount or proportions of millable and unmillable wheat have hitherto been available; and inevitably the proportions vary from year to year. The Wheat Commission may perhaps have slightly overestimated the millable wheat in the crop of 1932. Its initial forecast, which was not changed within the designated period (to January 31),[2] was 19.8 million cwt., or about 85 per cent of the estimated crop of Great Britain and Northern Ireland. It would seem that wheat growers were this year afforded an exceptional stimulus to sell every bushel of wheat that would pass as millable, except perhaps 3 or 4 million bushels for seed. Sales covered by certificates received up to April 14 (16.47 million cwt.), plus estimated stocks of all wheat on farms April 1 (2.9 million),[3] total 19.4 million cwt., and we doubt if the year's total will reach this figure. If this year's sales of millable wheat fall somewhat below the initial forecast, the result may be due mainly to larger harvest damage than usual last summer, and in part to failure of farmers in the first year's operations to comply with certain technical requirements of the Commission.

If, on the average, 85 per cent of the crop will be sold as millable, a millable supply of 27 million cwt. would correspond to a crop of about 59 million bushels, which at current average yields would represent the outturn from about 1.8 million acres.[4] Such a crop would be larger than the average of the 1930–32 crops by 18 million bushels, or 44 per cent. Subject to correction by experience, we now are disposed to think that the expansion attributable to the Act as it stands will run at least this high and probably somewhat higher.

[1] A price of 10*s.* per cwt. is equivalent to 42*s.* 10*d.* per quarter of 480 pounds. The significance of this price must be considered in relation to the general price level. If one "deflates" annual average *Gazette* prices of British wheat by the Sauerbeck-Statist index number of wholesale prices, expressed on a 1910–14 base, a deflated price as high as 42*s.* 10*d.* per 480 pounds has been reached only once since the early 1880's, and that was in 1898, when prices were so high as to evoke Sir William Crookes's drastic warning (see Chart 9, p. 334). Since May 1932 the Sauerbeck-Statist index has run below the 1910–14 level, so that the current price, similarly deflated, would be above 42*s.* 10*d.* in terms of 1910–14 shillings.

[2] *Journal of the Ministry of Agriculture,* March 1933, XXXIX, 1143–44.

[3] This was the Ministry of Agriculture's estimate, as given in *Agricultural Market Report,* April 21, 1933. The figure is the lowest of all the years since these estimates were first made in 1918, and only 72 per cent of the figure for April 1, 1932, and the average for April 1, 1928–32. It represents 13.1 per cent of the 1932 crop, which is not as low a percentage as had been recorded in some earlier years. The Wheat Commission's reports from farmers on stocks on hand will presumably yield more accurate data.

[4] This was the figure suggested by the Minister of Agriculture (Sir John Gilmour): 262 H.C. Deb. 5 s., 969.

A 50 per cent expansion of wheat acreage over the average for 1930–32 would mean a total of about 2 million acres. The wheat acreage of Great Britain (i.e., exclusive of Ireland) was approximately this large in 1898 and 1899, 1916 and 1917, 1921 and 1922, and exceeded it in 1915, 1918, and 1919. Except under the war stimulus, however, it has not significantly exceeded this level since 1892; but at its maximum, in the middle of the nineteenth century, the wheat area of Great Britain may have been nearly twice as large.

Since both yield and quality vary a good deal from year to year, sales of millable wheat approaching or exceeding the stated limit might occur even in 1933. If this year's acreage should be 25 per cent higher than in 1932 (as now seems possible), the average yield 36 bushels of 60 pounds per acre (approximately that of 1929), and the quality so high that 85 per cent of the crop were sold as millable (as forecast for the 1932 crop), the sales would be about 27½ million cwt. While at the present writing (June 10) it does not appear probable that the limit will be reached in 1933–34,[1] the possibility is clearly present. The extent and rapidity of expansion will depend partly on the prices of imported oats, barley, and corn.

Opinions differ as to whether the subsidy to wheat farmers will retard or accelerate the clearly marked tendency in some areas toward larger-scale, mechanized wheat growing. On the one hand, it would seem to make it possible for the smaller-scale growers to continue their older methods; on the other hand, it will presumably afford assured prospect of substantial profits to those who shift to the newer methods.[2] We lean to the view that, whether or not the Act should remain indefinitely in force, the tendency will be rather to promote the shift, at least in the less hilly regions. If this should occur, the Act may actually decrease the number of persons engaged in wheat growing, particularly if the present limit on which a guaranteed price is assured is retained.

The effect of the Act upon the character of British farming in general is difficult to forecast. Orwin and Lee have recently published[3] a brief analysis of the net returns on three large farms in the years 1921–31. The most successful of these was one on which the system was completely reorganized after the war, with the result that more land and more labor were employed, the net returns increased, and the net profits maintained, even during the decline of prices. The farm on which the system was unchanged fared well in 1921 and 1929, but in most years had to dip into capital to meet rent and wages. On a third farm the system was maintained but labor outlays reduced; it was more successful than the second, but the net returns declined continuously from 1927, and 1931 showed a large net loss. Competent students of agriculture in Great Britain are convinced that the time is ripe for numerous changes in farm organization and methods, to the advantage of farmers and the nation.[4] We venture to think that the broad tendency of the new agricultural policy will be generally to strengthen, for the time being at least, the hold of existing methods of farming. Yet it is possible that the improvement in incomes and in stability of per acre returns from wheat may facilitate certain kinds of improvement that would otherwise be impossible. Much will depend on agrarian psychology.

How far indirect advantages may accrue to farmers who do not grow wheat is impossible of forecast with assurance. Presumably there will be some diminution of pressure of farmers into livestock growing, but the major competition that British livestock growers face comes from abroad. The livestock farmers are somewhat adversely affected by 10 per cent tariff duties on most feedstuffs from outside the Empire. Doubtless some farmers will be induced by the measure to grow wheat

1 See Broomhall's *Corn Trade News*, May 10, 1933.

2 Cf. Viscount Astor, "Wheat," *Nineteenth Century*, March 1932, pp. 319–21; *Milling*, August 6, 1932, p. 137.

3 C. S. Orwin and J. R. Lee, "The Distribution of the Profits of the Land," *The Farm Economist* (Oxford), January 1933, I, 2–4.

4 These are touched upon, and some references to literature cited, in *The Farm and the Nation*, by Sir E. John Russell, Director of the Rothamsted Experimental Station (London, 1933). See also various works by Mr. C. S. Orwin and his associates at Oxford; and Viscount Lymington, *Horn, Hoof and Corn* (London, 1932).

where conditions are less suited to it, and at costs that will yield them little or no advantage in wheat as compared with other crops. Changes in the place of wheat in mixed agriculture and as a cash crop will emerge in the course of a few years' experience, provided that prices of animal products are stable enough to enable landlords and small owners to make foreseeable adjustments.

Effects on Marketing and Use of British Wheat

The obvious effect of the Act will be to increase the amount of British wheat marketed, not only because of increased production, but because the requirement of definitive sale as a condition of obtaining the price supplement will attract to market wheat that would otherwise be fed on the farms where it is grown. It is reasonable to expect that almost all wheat that is millable, or can be made so by cleaning and conditioning, will actually be taken to market and sold in order to claim the guaranteed price upon it. Local corn dealers may be counted upon to welcome this increase of business, as well as increased use of cleaning and conditioning facilities.

Nevertheless, we do not expect the quantity of wheat fed to livestock to be reduced, and it may well continue to increase. While no statistics of the disposition of the British crop have been available, it is clear that a large and increasing fraction of the crop has been used for feed, chiefly for poultry (see below, p. 347). Indeed, the cheapness of wheat in most years since the war has probably been no small factor in causing a great expansion in the poultry flocks of the Kingdom.[1] Larger wheat crops will doubtless contain increased quantities of tail wheat (usually ranging from 5 to 15 per cent of the crop), which will be used for feed as heretofore. Moreover, even if all millable wheat should be marketed, it will be available to general farmers and poultry specialists at prices that will be lower rather than higher as a result of the Act (see below, p. 349). Farmers are free to sell all their millable wheat and to buy what they want for feed, and the expense of hauling, dealers' margins, and sometimes cleaning and conditioning will often (if not usually) be moderate compared with the deficiency payment obtainable by marketing it.

In the present period of world wheat surplus, it is a virtue of the Act that it does not tend to reduce the feed outlet for millable British wheat. Moreover, from the standpoint of reserves against some future period of wheat scarcity, it may be accounted an advantage to have a large supply commonly used for feed that can, if need should arise, be diverted to food use.

Wheat growers may also sell millable wheat that they would ordinarily retain for seed, and buy their seed wheat. The extent of this will presumably depend mainly on the relation between the premium on seed wheat and the deficiency payment per unit of sale. It will be a desirable by-product of the Act if it encourages the practice of planting purer, better-tested, and more appropriate seed.

As British wheat production increases, considerably larger amounts will presumably be used in bread flour. Since no statistics of the disposition of the crop have been available, even the percentage milled has been the subject of estimates. The Linlithgow Committee, in 1923,[2] put the proportion at about two-thirds of the crop. An official estimate of 65 per cent, on the basis of the crops of 1924–27, has been reported.[3] In 1929 we were informed that a leading milling authority put the figure at 55 to 60 per cent. In 1932 a British grain dealer of high standing expressed the opinion that latterly not over 40 per cent of the crop had been milled. We have no doubt that, as production has declined and as prices have fallen, the amount used for feed has increased and that the percentage milled has declined in some such degree as these successive estimates imply. With larger crops, even though

[1] The annual *Agricultural Statistics* show that the fowl population of England and Wales, after declining somewhat between 1913 and 1921, more than doubled between 1921 and 1931. Egg production per hen has also increased.

[2] Ministry of Agriculture and Fisheries, Departmental Committee on Distribution and Prices of Agricultural Produce, *Interim Report on Cereals, Flour and Bread* (Cd. 1971), p. 12.

[3] Reported by Homer S. Fox, in *Foodstuffs 'Round the World*, March 25, 1932.

feed use should expand further, the percentage milled is likely to rise.

According to an official report published in 1928,[1] "Of the supplies of home-grown wheat actually marketed, it may be estimated that roughly 30 per cent is used for bread-making flours, while the remainder is allocated in fairly equal proportions between (1) blending and scaling flours, (2) biscuit flour and special manufactures and (3) stock feeding (chiefly poultry food)." The Ministry is said to estimate that about 75 per cent of the average crop has been sold off the farm. Accepting these percentages, and the official estimate for seed use, one gets the following rough percentages of the total crop by uses:

Bread flour	22.5	
Blending and scaling flour	17.5	
Biscuit flour, etc.	17.5	
Total flour milled		57.5
Stock feed, milled or unmilled		17.5
Total sold off farms		75.0
Retained for seed	7.5	
Retained for feed	17.5	
Total retained on farms		25.0
Sold and used for feed	17.5	
Retained for feed	17.5	
Total feed		35.0

Of the small crops of 1930 and 1931, a much smaller proportion probably went into bread flour, a much larger proportion into feed use, and somewhat larger percentages into household, biscuit, and pastry flours for which the soft and weak British wheats are well suited. These latter outlets for flour, however, can probably not be greatly expanded, and if and as more wheat is milled it will find its outlet chiefly in bread flour.

Such an outlet is available, quality and price conditions permitting, for a considerably larger fraction of the British wheat crop.[2] The smaller inland mills have been accustomed to use as much as 25 per cent English wheat in bread flour sold to local bakers—on occasions more. The port mills in general (including "inland" mills supplied by water), which mill something like 85 per cent of the country's flour requirements and cater chiefly to large bakers, have used and prefer to use a considerably smaller proportion of English wheat. This is because even the wheat varieties best suited for bread flours yield flour that gives the baker fewer loaves per sack, and these of smaller volume, than can be made from good imported wheats. From the standpoint of bakers, if not of consumers, increasing the proportion of British wheat in bread flour beyond a certain point means deterioration of flour quality.

In spite of what has just been said, there is no reason to expect in Great Britain, as in Continental Europe under milling quotas, such deterioration of flour quality as will adversely affect the palatability of bread and consequently the amount of bread consumed. The prospective expansion in admixture of British wheat, under the present form of the Wheat Act, can probably be absorbed without leading to this result; and we may expect that millers, bakers, and consumers would be jointly concerned to prevent such contraction if it were to threaten. This is the more probable because already millers and bakers are concerned over evidence that bread consumption per capita has declined significantly in the past few years,[3] possibly for the same reasons that have operated in the United States.[4] Since the Act in operation will not tend to reduce the feed use of wheat, and should not appreciably affect food consumption of it either by reason of quality or price, its effects on total wheat consumption in the Kingdom will probably be negligible.

[1] Ministry of Agriculture and Fisheries, *Report on the Marketing of Wheat, Barley and Oats in England and Wales* (Economic Series No. 18), pp. 21–22.

[2] *Ibid.*, pp. 19–23.

[3] Thomas Shaw, Advisory Officer of the Millers' Mutual Association, recently said, in arguing for a bread and flour advertising campaign, that Board of Trade figures show, over the past five years, a decline in flour and bread consumption of 5 to 10 per cent in England and Wales and 15 per cent in the London area (*Milling*, April 15, 1933, p. 404). We have not been able to check these figures, and are disposed to doubt whether so great a decline can properly be shown to have occurred. One of the early steps of the Association was to support an advertising campaign with the slogan "Eat more bread" (*ibid.*, September 14, 1929, p. 290). This appears to have been as futile as like campaigns in the United States.

[4] See WHEAT STUDIES, July 1926, II, 265–92; February 1929, V, 149–54.

Bearing on the World Wheat Situation

So far as the measures now in force are concerned, the effects on the world wheat situation are of minor, not major, proportions, and much less than if any one of several other types of measures had been adopted.

In the present period of world wheat surplus, any expansion of British wheat production which leads to reduction in British imports of wheat must tend to retard the return to normal conditions in world wheat markets. The Wheat Act in its present form may add, on the average, some 18 or 20 million bushels (or more) a year to effective wheat supplies. This is not a large item in relation to the total volume of international trade, but if it should mean a reduction of 8 or 10 per cent in British wheat imports, it could not be called negligible.

The duty on imports of foreign flour has added, to forces already in operation,[1] another factor tending to restrict United States flour exports to Great Britain, whether ground from domestic or from Canadian wheat; and these have dropped to negligible amounts. It has imposed only a slight handicap on imports of French and other Continental flour, against the "dumping" of which British millers continue to protest. Imports of Canadian flour, which are not subject to the duty, have also declined.

The duty on foreign wheat has thus far, apparently, affected chiefly the price that Argentine exporters and growers realize on their wheat. For other reasons, United States wheat has been too high in price to permit appreciable exports to Great Britain. The duty has probably not yet significantly affected the proportion of British wheat imports contributed by various countries, though its longer-run tendency must be to raise the proportion from Canada and Australia and to lower that from Argentina and the United States.

Under standing official decisions, Canadian wheat may enter duty-free only if shipped on through consignment to the United Kingdom.[2] This almost completely prevents the flow of Canadian wheat through the United States (one of its normal export channels) to the United Kingdom. The result is seriously disadvantageous to American commercial interests that have participated in this part of the Canadian export trade;[3] and it will probably slightly raise the average cost of export shipment from Canada to Europe, since the cheapest winter route is now closed to duty-free Canadian wheat.

If the duty on wheat will not be raised and no limitations will be placed upon wheat imports,[4] and if also the encouragement to British wheat growers will not be increased, we may expect the new British wheat policy to continue of minor importance to the world wheat situation. It does not promise materially to restrict wheat consumption in Great Britain, or in important degree to increase wheat production there, as high tariffs and milling quotas have done in several countries of Continental Europe and elsewhere. It interferes in relatively slight degree with the course of international trade in wheat. It will exert little influence on the amount of wheat stocks carried in Great Britain, as changeable tariffs and other regulations elsewhere have done and are doing, and as milling and import quotas would probably have done if they had been adopted in the United Kingdom. By leaving the grain trade free to perform its usual functions, the

[1] These include the measures taken by the Federal Farm Board, and speculative influences as well, that have kept wheat prices in the United States above export parity for most of the past three years. See especially "Price Spreads and Restraint of United States Wheat Exports," WHEAT STUDIES, October 1932, IX, 1–22; and also *ibid.*, November 1930, VII, 65; December 1930, VII, 158–64; December 1931, VIII, 149–67; December 1932, IX, 77–80; May 1933, IX, 289.

[2] The Ottawa Agreements Act (22 and 23 Geo. V, c. 53), which provides for the preference, uses the words "consigned from any part of the British Empire." In dealing with test shipments, this has been construed by the Commissioners of Customs and Excise to mean direct consignment from an Empire shipping-point to a named destination in the United Kingdom. The Liverpool Corn Trade Association has been pressing for modification of this rule, and reports indicate that the Canadian Government is likewise dissatisfied with it. See *Northwestern Miller,* March 8, 1933, p. 585; *Corn Trade News,* April 5, 1933; and *Milling,* April 29, 1933, p. 448.

[3] Canada has under consideration the application of a rule of coastwise shipping, modeled after the law of the United States; this, too, would adversely affect existing American interests.

[4] So the recent trade agreement with Argentina appears to provide. See *Corn Trade News,* May 10, 1933.

policy permits world wheat marketing to proceed more smoothly than if a gigantic wheat import board—better adapted to periods of extreme scarcity than to one of large surplus —had been put in control.

Effect on Prices of British Wheat

It should be observed that the tendency of the Act in operation will be to lower the *market* price of British wheat, for two reasons. In the first place, to some such extent as British wheat production expands under its stimulus (see above, p. 348), the market for imported wheat will be reduced, and thus the relation between world export supplies and import requirements affected in such a way as to lower (or retard the advance of) world market prices; sequentially, the prices of British wheats will be affected.

More important, prices of British wheats will tend to stand lower in relation to prices of import wheats. As we have stated, the quantity demanded for biscuit and household flour, for which British wheats are especially adapted, is limited. Though good routine bread can be made from flour ground wholly from domestic wheat, most commercial bakers strongly prefer bread flours containing little or no British wheat, chiefly because more loaves and loaves of larger volume can thus be obtained from a sack of flour. Because of these facts, and the concentration of flour mills at ports and near-by cities, local market prices of British wheats are ordinarily below import prices of foreign wheats, the discount varying with the amount and condition of the domestic wheat available for sale, and in different parts of the season. (For a very rough indication, see Chart 10, p. 339). An increased supply of domestic wheat can scarcely find buyers except at still greater discounts; and the terms of the Act enable producers to feel relatively indifferent to the level of market prices within a season, while increasing their incentive to sell at *some* price.

If British wheat prices come to stand so low in the price scale of wheats available to millers as to induce expansion of their use in bread flour, the imports and import prices of similar wheats (such as Continental and Australian) are likely to feel this competition most. But it may also reduce the demand for the filler wheats (chiefly Argentine and American) and increase the demand for the hard Canadian or Russian wheats. The actual outcome will depend in part on developments in milling and baking technology which the newer price relationships will stimulate.

We do not imply that prices of British wheat will descend to still lower levels. Other factors may bring about advances in world wheat prices in terms of British currency. Conceivably, also, developments in British milling technique, or fresh regulations of some sort, may increase mill demand for domestic wheats and prevent their prices from falling to larger discounts below prices of import wheats. Yet the direct influence of the Act is clearly in the direction indicated.

Whither the Wheat Policy Is Leading

It would be rash at this time to predict how long the Wheat Act will endure or what modifications it will undergo while it remains in force. Prophecy is especially hazardous when proposals are prominently sponsored, in Great Britain as well as the United States, for raising the whole price level to that of 1929 or 1926. If world wheat prices should rise so far that prices of British wheat should average above the standard price, the machinery of the Act would largely cease functioning for the time. Such a degree of price enhancement is not now in sight, but it may come about either through effective progress in absorbing the present world wheat surplus, or through material contraction of world wheat acreage, or through material advance in all commodity prices in Great Britain. If the latter should occur, British farmers may be expected to press for raising the standard price. Also, as domestic wheat production increases, growers will press for increases in the limit on which the standard price is guaranteed.

Pressure is already being exerted for new or increased duties on several farm products; and the case for these seems the stronger because the guaranteed wheat price is so much above its usual relationship to prices of other farm products. The National Farmers' Union, like the millers, is pressing for a duty on Empire flour and higher duties on foreign flour.

Pleas for higher duties on oats and oat products, and other aid to oat growers (notably from Scotland), have been made on the ground that oat growers, too, are being forced to sell below cost of production and face the prospect of reducing their arable land. Livestock growers, distressed by declines in prices of animal products, have demanded aid.

In fact, the adoption of the new wheat policy was the "spearhead" of a radically new policy of support to British agriculture in practically all its phases. While devised to meet critical conditions, this is not in form an emergency policy. Conceivably it may, like the Agriculture Act of 1920, be abandoned under pressure of new emergencies. Certainly it will undergo fresh scrutiny when the current depression is past. Yet it is evidently designed to endure.

This new policy is characterized by a commodity approach. The tariff duties imposed on many products in 1931 and 1932 were supplemented by the Agricultural Marketing Act, 1931, which was presented by the Labour Government but accepted by all parties. This authorized the set-up of marketing boards for different primary commodities, under which a majority of the growers of a farm product could bring about "compulsory co-operation" of all;[1] but it did not touch the problem of import restrictions or extend to processed farm products. The idea of import quotas, though rejected for wheat, has a powerful appeal to the present Government.[2] Since the Ottawa Conference, quota restrictions have been imposed on various products, including meats. Recently trade agreements have been negotiated with Denmark (signed April 24), Germany, Argentina, Norway, and Sweden.[3] These agreements set limits upon the restrictions that will be applied against the country concerned, and have excited protests from farmers; but the Government insists that they will not hamper its agricultural program.

The outstanding recent development of the policy is found in a new Agricultural Marketing Bill, passed by the House of Commons on May 30, 1933. This is elaborately designed to assure farmers that if they will organize their own industries the Government will, by import quotas adopted on the advice of marketing boards and market supply committees, prevent imports from defeating a particular scheme after its approval by Parliament.[4] The bill is frankly bold, drastic, and experimental, to meet "a crash superimposed upon a decline." It permits great strides to be taken in the direction of agricultural planning and control on the initiative of farm commodity producers. The new bill is quite as revolutionary as the Agricultural Adjustment Act recently signed by President Roosevelt.

The wheat program itself is so much more moderate than those commonly adopted in other countries that its influence, by way of example, might seem to be in the direction of moderating trade barriers of various kinds and thus aiding in the solution of the world wheat problem. Yet the new policy of which it forms a part represents the adoption by Great Britain of a course full of trade regulations and restrictions, under public control. There is inherent conflict between the principle of a planned national agriculture and reasonable freedom of international trade, with or without specific agreements with individual countries. The United Kingdom has therefore embarked upon a socio-economic experiment of major proportions, completely at variance with the principles of national economic policy to which she adhered so long with remarkable success. Whether the new agricultural policy will prove workable and appropriate in the world of today, or a great stride in a false direction, or the first of a series of experiments toward a new order, better or worse, it remains for history to tell.

1 See Ministry of Agriculture and Fisheries, *The Agricultural Marketing Act, 1931* (Economic Series No. 33, London, 1931); and H. J. Wadleigh, "The British Agricultural Marketing Act," *Journal of Farm Economics*, October 1932, XIV, 558–73.

2 See the address of Major Elliott, Minister of Agriculture, to the Agricultural Council for England, in *Journal of the Ministry of Agriculture*, January 1933, XXXIX, 933; and *The Times*, May 11, 18, 1933, reporting debates on recent trade agreements.

3 *Ibid.*, April 27, p. 11; April 29, p. 14; May 8, p. 20.

4 See reports, articles, and correspondence in *The Times* for March 1933.

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