A REPORT ON THE MARKETING

OF

MILK

FATSTOCK

EGGS

POTATOES

TOMATOES, APPLES AND PEARS

IN

THE UNITED KINGDOM

Prepared for
the
Generaldirektion Landwirtschaft
Europäische Wirtschaftsgemeinschaft Kommission

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PREFACE

1. Objectives of the study.

The terms of reference of the present project were to provide the Commission with a series of short reports describing the major current features and the development of the marketing and price support arrangements operated in the United Kingdom since the war for milk, fatstock (fat cattle, sheep and pigs), eggs, potatoes, tomatoes, apples and pears. It was hoped that this material when collected together would provide the Commission with general background information and specific recent quantitative data which would be of assistance in the solution of some of the many problems raised by Britain's joining the European Economic Community and adopting the E.E.C's common agricultural policy.

The time available for the study was too limited to permit much original work either on data collection or analysis. On the other hand, these reports represent the first occasion on which an attempt has been made to draw together most of the major statistical material pertaining to the commodities concerned and to link this material with a detailed description and appraisal of the marketing and price support arrangements and agricultural trade policies of the United Kingdom.

By and large little space has been devoted to historical developments except insofar as an understanding of their antecedents is crucial to an interpretation of the form of current price support mechanisms and the organisation of the markets for the commodities included in the study.

The study has been conducted on a commodity basis; it was not part of its purpose to deal with post-war agricultural policy in Britain as a whole. Indeed, a knowledge of the provisions of the Agriculture Acts of 1947 and 1957, together with their attendant annual price review procedures, is assumed throughout. On the other hand, perhaps the feature of agricultural market organisation in Britain which will be least familiar to European readers concerns the role and functions of the producer-controlled marketing Boards to which reference is constantly made in the following chapters. Since these organisations occupy a central position in the marketing of four of the nine commodities dealt with, and since an extension of control by producers over the marketing of the remaining five products is currently a live issue of agricultural marketing policy in the United Kingdom, a brief explanatory note on the rationale, form and activities of the marketing Boards is included at this point.

2. Producers' Marketing Boards.

Definition.

Marketing Boards are producer-controlled, horizontal, compulsory, marketing organisations, established under authority delegated by Parliament in enabling legislation to perform specific marketing operations in the interests of particular commodity groups.

The relevant enabling legislation in the United Kingdom consists of the Agricultural Marketing Acts of 1931 and 1933 as amended by the Agricultural Marketing Act 1949.(1) Any group of producers of any agricultural product can prepare and submit for Ministerial and Parliamentary approval a Scheme to regulate the marketing of that product. The marketing Board is the executive body charged with the task of operating the Scheme and is composed of the elected representatives of producers together with a small element of Ministerial appointees.

Objectives and Activities.

Beneath a plethora of superfluous verbiage the essential aim of such Boards is to raise the net long-run money incomes of the producers covered by marketing Schemes enacted under the Acts. This objective is secured by the manipulation of various economic variables determining the profitability of individual enterprises and the industry in aggregate. The main areas of activity of the Boards are summarised below.

Increasing Revenue :

Increase on-farm demand :

Advertising and product development.

Reduction of marketing costs.

Promotion of grading, quality improvement, co-operation, etc.
Provision of market intelligence.
Exercise of countervailing power in centralised selling/bargaining.

Manipulation of supply on given demands :

Production and/or marketed volume control,

Market discrimination.

Securing the adoption of public policies favourable to the interests of members.

Administration of public policies.

Reducing costs :

Monopsonistic reduction of factor prices.

Effecting an improvement in the technical coefficients of production.

Marketing Boards are also concerned to combat price and income stability (as opposed to enhancing unsatisfactory price and income levels) and to suppress competition between producers.

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(1) These three acts are consolidated in the Agricultural Marketing Act, 1958.

To these ends they may operate price equalisation schemes to even out temporal price fluctuations, and they typically try to ensure that all producers of homogeneous products receive a uniform unit price regardless of the actual realisation for their part of the total supply.

Since the power to manipulate important economic variables is denied to individual firms under atomistic competition and increases as the industry organisation approaches monopoly, it will be apparent that the successful performance of several of these functions (and especially supply control and market discrimination) implies a shift in the industry's competitive structure. This is achieved by the terms of marketing Schemes being legally binding on, and compulsorarily applied to, all producers of regulated commodities other than those specifically excluded by the Schemes themselves.

The activities engaged in, and functions performed by, the various Boards are dealt with in detail in the commodity sections which follow. But it may be noted here that amongst the variety of powers which the Schemes may confer on the Boards in pursuance of their price and income raising objectives are the power to buy and sell the regulated product: the power to determine the quantity of the product which each producer may offer for sale: the power to determine the types and descriptions of the product which producers may offer for sale and the prices at which, terms and conditions on which, and the persons to whom, or through the agency of whom, the product may be sold: the power to prescribe the manner in which the regulated product must be graded, marked, packed, etc.: and the power to impose levies on producers to finance the activities of the Boards and fines on those who contravene the terms of the Schemes. In practice promotors of marketing Schemes seek authority to exercise such of the above powers as are thought appropriate to the regulation of the particular product with which they are concerned.

Clearly safeguards are required to prevent the abuse of such formidable powers, and there are a variety of means by which the interests of aggrieved or dissident producers, distributors and consumers are protected. For instance, overall supervision rests with Parliament and Ministers who can refuse to sanction a marketing Scheme on its introduction, or revoke or amend an existing Scheme or prevent specific abuses of its powers if independent Committees of Investigation or public enquiries reveal that any provision of a Scheme or act of a Board is contrary to "the public interest" or to the specific interests of producers, distributors or consumers. Ministers must also report annually to Parliament on the operation of the Schemes. Producers are protected by the requirement that the introduction or amendment of a Scheme requires a two thirds majority of producers and production capacity, whilst a simple majority of producers can secure the revocation of a Scheme which no longer serves their interests. Distributors have a mandatory right to consultation with marketing Boards on any feature of a Scheme or act of a Board which concerns them, and they can have specific grievances referred to an independent Committee of Investigation. Consumers are (notionally) protected by the existence of Consumers' Committees which must periodically report to the Minister on the effect of any Scheme on consumers and on any specific complaints made to them by consumers. More generally,

the price and revenue raising activities of Boards are constrained by the availability of close product substitutes, and especially of competing imported products, and by the inability of the Boards to permanently ward off the effects of fundamental disequilibria in agricultural supply or demand.

Appraisal.

Producers' marketing Boards in the United Kingdom (like comparable organisations in the United States and numerous other countries) owe their origins to the conditions of prolonged agricultural depression which existed between the two World Wars. The means chosen by Governments to combat the price and income depression which ruled in the 1920's and 1930's was to enable producers to overcome the weaknesses inherent in an atomistically organised industry (and in voluntary producers' associations) by permitting them to form statutorily sanctioned compulsory commodity cartels. The intention was that the cartels would use the market power which enforced collective action and complete control over domestically produced supplies conferred to deliberately raise and stabilise the revenue derived from the sale of the regulated products.

In the early days of marketing Schemes the emphasis was on effecting income improvement firstly through the exercise of countervailing power by centralised selling in situations where buyers of farm products had significantly superior market power to that of unorganised producers, and secondly by bringing about improvements in the technical performance of marketing functions through the promotion of grade standardisation, rationalisation of distributive channels, provision of market intelligence, and similar activities. However, such success as the Boards had in improving the incomes of their members was mainly attributable to the pursuit of activities and the exercise of market power in directions which had little to do with the use of countervailing power vis-a-vis buyers or the improvement of marketing efficiency per se. Such activities included supply regulation, market discrimination and persuading Governments to adopt policies favourable to the producers of the regulated commodities. This trichotomy persists to the present day, for although much "lip-service" continues to be given in public debate to the role of marketing Boards as sources of countervailing power and improvements in the efficiency of marketing, in practice the functions of the Boards now, as in the past, are overwhelmingly concerned with the use of the market and political power which stems from their control over domestically produced supplies and their ability to speak for producers as a whole in such activities as market volume control, discriminatory pricing, and securing the enactment of favourable public policies.

It is also important to an understanding of the position and functions of agricultural marketing Boards in the United Kingdom to appreciate that whereas the adoption by the State in war and post-war years of centrally formulated and directed price and income support policies has, in principle, reduced the need for producers marketing organisations equipped with powers to fulfil an independent price supporting role, in practice the marketing Boards have become an integral part of the administrative machinery by which the Government's agricultural price policies are effected.

This has given the marketing Boards a status and functions which are distinct from the original purposes and conceptions of the Agricultural Marketing Acts. The identification of the Boards with the receipt of subsidies has become a powerful cohesive force between the Boards and their members. Separate consideration of the nature and scope of the functions which monopolistic producers' marketing organisations can, and should be allowed to, perform in economic circumstances which differ radically from those of the depressed 1930's, and of the effects of the marketing practices of the Boards on productive and marketing efficiency and on intra- and inter-sector and international income distribution, has been impeded by a failure to distinguish these matters from the universal preoccupation with the national price policies which the Boards administer. At the same time, the old fear about creating statutory producers monopolies, that that which was "depression led would be prosperity fed", has to some extent been obviated by the intimate association between the State and the Boards in the implementation of national price policies in the war and post-war years and the former's close supervision of the Boards' use of their (latent) market power. In addition the Government has relinquished no control to the Boards over the supply of competing imports.

The adoption by Britain of the E.E.C's agricultural policy is likely to be a water-shed in the affairs of the marketing Boards. Some of them might conceivably find a continuing role by acting as (national) instruments of the Commission in the implementation of price policies in an enlarged Community. The milk marketing Boards are the most likely to fall into this category. Others, like the marketing Board for eggs, will probably have the cohesive function of administering price support policies stripped from them. Forced then to justify their existence by their ability to raise their members incomes by the use of countervailing power, by effecting improvements in marketing efficiency, by raising demand and by their superior commercial competence compared with less monolithic forms of producers' marketing organisations, such Boards may find their existence threatened. Other Boards, like that for potatoes, may find that the liberalisation of trade in agricultural products is synonymous with the end of national import policies which were crucial to the successful implementation of their price support and stabilisation policies.

The adherence of Britain to the Community's common agricultural policy is going to compel a reappraisal of the whole system of national, producer controlled, marketing Boards. Their compatibility with the principle of a unified market, their ability to independently regulate national markets in a unified European market for agricultural products, their potential as national instrumentalities for the implementation of common policies and their suitability for this purpose relative to agencies more representative of other group-interests, their commercial competence compared with smaller, and less constrained producers' marketing associations, their ability to command the financial support and allegiance of their members if their market power is eroded, are all issues which are about to be raised in stark and urgent form. Some observations on these matters are also offered in the following commodity chapters.

CONVERSIONS AND CONVENTIONS.

Conversion factors used throughout this report have been based upon the following relationships :

£ sterling	is equivalent to	D.M. 11.20.
1 long ton (2240 lbs.)	" "	1.0161 metric tons.
1 pound (lb.)	" "	0.4536 kilogram.
1 score (20 lbs.)	" "	9.0720 kilograms.
1 Imperial gallon	" "	4.5460 litres.
1 acre	" "	0.4047 hectares.

The following conventions and abbreviations have been used in tables :

n.a.	not available.
..	not applicable.
-	nil or negligible.
+	less than half the last digit shown.
p.p.g.	pence per gallon.
pf.p.l.	pfennigs per litre.

MILK MARKETING IN THE UNITED KINGDOM

CONTENTS.

MILK MARKETING : BOARD AREAS AND REGIONS

I. THE HISTORICAL SETTING.

The present-day pattern of milk marketing in the United Kingdom has evolved gradually and organically over the last 40 years. Current institutional and structural characteristics of the milk industry, its functional organisation and methods of price determination, and the attitudes and postures of producers, distributors and successive Governments to the marketing and pricing of milk, all have organic roots in the past.

1. The pre-war situation.

The traumatic experience which fundamentally shaped the marketing of milk was the depression of the late 1920's and the decade that followed. Out of the conditions prevailing during this time grew two aspects of policy which were permanently to change the economic climate in which the agricultural industry had to function; firstly the acceptanoe by the State of a general responsibility for influencing farm prices and incomes, and secondly the enactment of permissive legislation which enabled and encouraged producers to regulate and control the marketing of their products in such a manner as would improve the prices they received and the incomes they secured.

Prior to the passage of the Agricultural Marketing Acts of 1931 and 1933 the National Farmers' Union of England and Wales and voluntary co-operative marketing organisations in Scotland (the Scottish Milk Agency and its Aberdeen branch) were the principal representatives of producers in collective bargaining with distributors. Joint Committees of producers' representatives and milk buyers recommended forms of contracts and the prices which should be paid for liquid milk. It is of interest to note that under these early arrangements two features were introduced which have persisted through to the present-day.

(i) The total milk supply was divided according to its utilisation, with a higher price being obtained for liquid milk and a lower price for that which went for manufacture.

(ii) The realisation price for manufacturing milk was determined by a formula and linked to the price of imported products.

The terms of the negotiated contracts were not binding and at no time were they completely agreed or generally adopted. Nevertheless, under these voluntary arrangements an uneasy equilibrium existed, with producers near large centres of population producing a fairly level supply for liquid consumption and those in remote areas producing mainly low-cost summer milk from grass for manufacturing.

This equilibrium was shattered in 1929 when the precipitate fall in world prices of butter and cheese was reflected in the depressed price obtainable for manufacturing milk by domestic producers. The willingness of these producers to accept lower prices than those nationally agreed in their anxiety to break into the liquid market, soon resulted in the voluntary agreements on liquid milk prices being undermined and prices falling to ruinous levels for all.

It was to combat the intrinsic weaknesses in voluntary marketing agreements between distributors who had considerable market power (particularly at the local level) and producers who had none, that the Agricultural Marketing Acts were enacted and the milk marketing schemes brought into existence. Beneath a mass of verbiage, the essential purpose of the legislation was to enable producers to restrict competition amongst themselves and raise prices by enforced collective action.

Four of the present five Milk Marketing schemes were brought into existence within fifteen months of the Agricultural Marketing Act of 1933 passing into law.(1) By and large, the fact that four separate schemes were introduced was an historical accident stemming from the pre-scheme situation in which south of the border negotiations with distributors were conducted by the National Farmers' Union of England and Wales and in Scotland bargaining was conducted on a more regional basis. There appears to be no intrinsic reason why five separate Boards should be perpetuated in the future.

The first task of the Milk Marketing Boards on their establishment was to substitute a system of combined selling for the methods of recommended terms and prices, voluntary agreements and individual contracts which had previously obtained. Each Board therefore took powers under its scheme to prescribe the terms of contracts between producers and buyers, including the power to specify the prices at which milk must be bought and the prices at which it could be resold. By so doing the Boards were able,

(i) to ensure that milk was sold at differential prices according to its utilisation,

(ii) to prescribe the prices at which milk might be sold at all stages of the distributive chain, and particularly minimum retail prices,

(iii) to ensure that milk bought for one purpose could not be used for another.

The Boards in all four areas were in a position to announce provisional prices and each set up an efficient organisation for promptly paying producers, on a monthly basis, for all milk sold wholesale. These two aspects of the operation of the marketing schemes were very highly regarded by producers. Their ability to plan the production of milk with foreknowledge of prices and the assurance of a regular monthly income contrasted strongly with the generally prevailing uncertainties of the times.

Other activities which were undertaken by the pre-war Boards, and which have been continued up to the present day included the administration of :

(i) consumer subsidies on milk made available at cheap rates, on welfare grounds, to expectant and nursing mothers and school children,

(ii) subsidies under the Attested Herds Schemes designed to encourage the production of milk from tuberculosis-free herds,

(iii) subsidies which were paid between 1934 and 1939 on milk made into butter and cheese.

Additionally, the Boards were concerned to increase the total demand for fluid milk and to differentiate their product, and to this end they undertook promotional activities, and paid and charged premiums on milk from accredited, attested and T.T. herds.

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(1) The milk marketing scheme for Northern Ireland was introduced in 1955.

2. War-time and immediate post-war arrangements.

On the outbreak of war it became necessary for the Government to take control of the procurement, utilisation, distribution and pricing of all foodstuffs in order to protect consumers, influence production and consumption patterns, and ensure that distribution was effected as efficiently as possible. A system of assured markets and guaranteed prices was introduced for all the principal agricultural products and the Ministry of Food became responsible for buying farm products and determining prices and margins at all stages of distribution. The independent marketing functions of producerBoards largely lapsed, though the administrative, acccunting and marketing facilities and the personnel of the Boards were used as much as possible.

The Milk Marketing Boards continued to operate, but with far-reaching changes in their powers and functions.

The most important changes were :

(i) the introduction of a system of guaranteed prices paid uniformly to all producers irrespective of their location or the utilisation of their milk, and

(ii) the Ministry of Food assumed the power to fix prices and distributive allowances and margins, including maximum retail prices for liquid milk.

Thus the Boards lost their primary responsibility for negotiating with buyers, prescribing contract terms and prices, and operating the milk price pools. And, while the Boards' accounting staffs and facilities continued to be used for effecting payments to producers, of the functions the Boards had previously performed virtually only the administration of producer-owned creameries and the administration of producer and welfare milk subsidies remained.

On the other hand, the milk Boards at this time took on functions which they had not previously performed, and which have been retained to this day.

(i) Instead of being a third party to contracts between individual producers and distributors, the England and Wales Board now became the first buyer of milk.

(ii) A scheme put forward by the Government for the rationalisation of the first stage of milk assembly was successfully put into effect by the Boards. The Boards became responsible for organising the collection of milk from farms and its delivery to the point of first sale.

(iii) The Boards became involved in the promotion of more efficient milk production through their Milk Recording and Artificial Insemination schemes and the provision by Board personnel of technical advice to farmers.

3. The position since de-control.

Because of continuing food shortages and a persistent balance of payments problem the rationing of food and Government control of procurement, distribution and pricing of most agricultural products

continued until 1954. In that year rationing was finally ended, distribution was returned to private hands and, in principle, marketing Boards had their powers restored.

However there are significant differences between the pre-war and post-1954 powers and functions of the milk Boards, differences which have their roots in the war and immediate post-war years, and which reflect the fundamental change in the economic environment which occured in 1939.

Once the agricultural depression of the 1930's was replaced by the food shortages of the war and immediate post-war years it was apparent that it was consumers and, to a lesser degree distributors, who needed protection from the formidable market power which had been conferred on producers. This was the origin of Government control during the war of retail milk prices and distributive margins, and, to the extent that the Government continues to be motivated by considerations of consumers' welfare and is afraid to give the Boards freedom to exercise their considerable monopoly powers in the naturally protected liquid milk market, is the reason why the Government has continued to fix maximum liquid milk prices and regulate margins up to the present day. Liquid milk is the only commodity for which these controls were not relaxed in 1954. Prices and margins for manufacturing milk are not prescribed by the Government, nor are they for other products regulated by marketing schemes, since in each case the availability of imported supplies strictly limits the market power of domestic producers.

Similar considerations motivated the introduction of the Agricultural Marketing Act of 1949, which strengthened the jurisdiction of the Government over the activities of the Boards, and the laying on the Boards, under Section 66 of the Milk Marketing Scheme (Amendment) Order, 1955, of a statutory obligation to consult with distributors and manufacturers on all matters pertaining to the sale of milk and, if necessary, to have disputes settled by an independent consultant.

4. Conclusion.

Since the Government now prescribes maximum retail prices for liquid milk, the Boards' selling prices and the allowances and margins of distributors, the Boards no longer perform the strategic and central role of price determination which they undertook before the war. The fact that the Boards are again free to negotiate manufacturing milk prices, have retained their responsibility for the first assembly of milk, have expanded their activities in the promotion of both demand and production efficiency, employ a large staff, own extensive facilities; and, above all, administer payments for a record quantity of milk, should not be permitted to obscure the real picture. In terms of their ability to further the interests of their members through active and unfettered exercise of market power the milk Boards to-day are but shadows of their pre-war counterparts.

Nevertheless, latent market power still exists as a consequence of the Boards being the sole buyers of milk off farms and sole sellers to distributors and manufacturers, and it is recognition of this situation which recently led an independent committee which enquired into milk pricing to recommend that Government control should be retained over the retail price of the basic milk supply, the Boards first-hand selling price and distributors margins.(2) Furthermore, it is through the Boards' control over total supplies and their allocation between the

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(2) The Remuneration of Milk Distributors in the United Kingdom; Cmnd. 1597; H.M.S.O.; Jan. 1962; report of a committee under the chairmanship of Sir Guy Thorold.

liquid and manufacturing markets that the Government exercises its control over prices and margins. That is, present marketing and pricing arrangements have evolved partly because of the Boards' existence and potential powers, and equally their administration in their present form is dependent upon the existence of the Boards. Any proposals for changes in milk pricing must take the above factors into account, both in the longer term and in formulating transitional arrangements should Britain join the E.E.C.

In addition, it must be appreciated that the Milk Marketing Boards occupy a very special position in the minds of producers. They are the longest established of all the producers' marketing Boards; a whole generation of milk producers has known no system of milk marketing other than one economically and politically dominated by producers' marketing organisations; these organisations are responsible for the purchase, assembly and first distribution of a commodity which is produced by two farmers out of every five, which accounts for 23 per cent of the gross output of United Kingdom agriculture (Table 1) and which dominates the economy of some farming regions (Fig. 1); they were successful in the depressed 1930's in stabilising and raising milk producers prices and incomes and producers fervently believe (and correctly) that their prices and incomes at the present time would be much worse than they are were it not for the market and political power wielded by their marketing organisations. In these circumstances any proposals for the unification of the European market for milk which involved a serious disruption of the powers and functions of the Milk Marketing Boards would meet with unified and bitter opposition from producers.

ESTIMATED GROSS OUTPUT OF MILK AND MILK PRODUCTS IN RELATION TO TOTAL AGRICULTURAL GROSS OUTPUT AND OUTPUT OF LIVESTOCK PRODUCTS, UNITED KINGDOM, 1937/8 and 1957/8 to 1961/2.

TABLE 1.

	1937/8		1957/8		1958/9		1959/60		1960/1(2)		1961/2(3)	
	£ million	D. M. million	£ million	D. M. million	£ million	D. M. million	£ million	D. M. million	£ million	D. M. million	£ million	D. M. million
Total agricultural gross output(1)	301	3371	1465	16408	1467	16430	1468	16442	1494	16733	1592	17830
Gross output livestock and livestock products	214	2397	1027	11502	1027	11502	1028	11514	1046	11715	1117	12510
Gross output milk and milk products	80	896	345	3864	336	3763	343	3842	353	3954	365	4088
	per cent											
Total output milk as proportion :												
- total agricultural gross output	27		24		23		23		24		23	
- gross output livestock and livestock products	37		34		33		33		34		33	

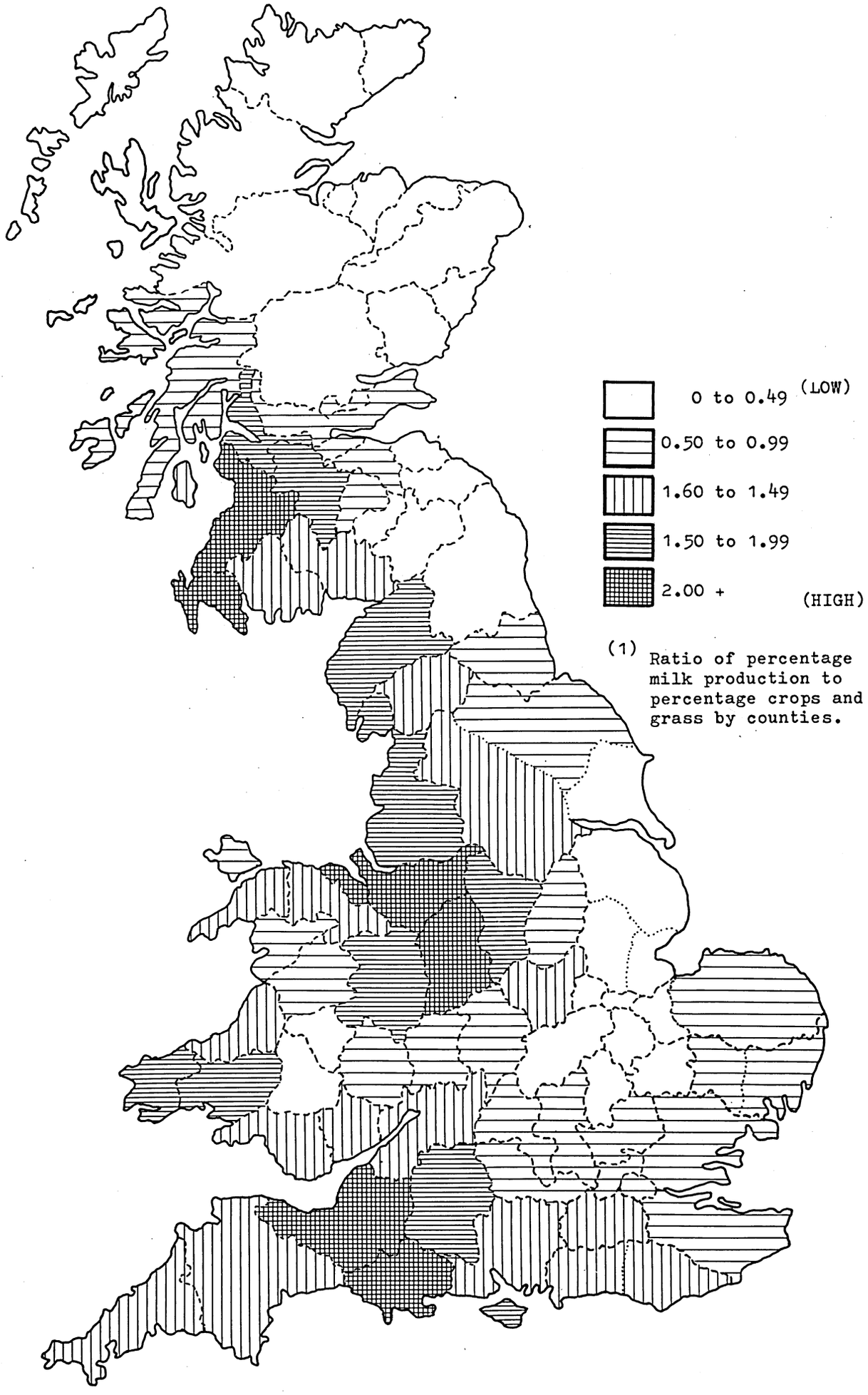
(1) Defined as sales off national farm plus household consumption: including subsidies and valued at current prices.

(2) Provisional.

(3) Forecast.

SOURCE : Ann. Abs. Stats., 1961; Table 213, p.173.
M.A.F.F.

FIGURE 1 : INDEX OF CONCENTRATION (1) OF MILK PRODUCTION IN GREAT BRITAIN



II. MILK PRICING AT THE PRESENT TIME.

A. The Price Guarantees.

1. Background.

Price guarantees for milk were introduced on the outbreak of war and have been continued ever since; but, there have been important changes in their rationale and the methods by which they are implemented.

During the war and early post-war years the objectives of milk policy were two-fold, on the one hand to expand milk production and on the other to avoid inflation. Prices to producers were, therefore, fixed at levels high enough to encourage an increase in output and were paid uniformly on all milk produced, whilst prices to consumers were held down. The difference between total payments to producers and total receipts from consumers was a charge on the Exchequer and was mainly a consumer subsidy.

However, by the early 1950's it was clear that the expansion of milk production had gone far enough.(3) Output was far in excess of liquid consumption, there was increasing difficulty in finding remunerative outlets for milk surplus to liquid requirements, and the cost of the general milk subsidy was heavy and threatening to rise still further.(4) Moreover, by this time the imperatives of maintaining low retail prices to consumers were less evident. Consequently, the objectives of milk policies changed, and with them the guarantee arrangements.

In the last decade emphasis in the determination of prices to producers has shifted completely from the stimulation of output to the support of dairy farmers' incomes. How to achieve the one without the other is a perennial problem which has never yet been satisfactorily resolved, but the devices which have been resorted to include the limitation of the guarantees to a prescribed quantity of milk, lowering the guaranteed price whenever the political climate and the operation of the 1957 Agriculture Act permitted, and constant (and vain) exhortation to producers to improve their incomes by lowering costs without increasing output.

At the same time, concern for consumers' welfare and the need to avoid inflationary increases in food prices have been less and less in evidence, and the retail price of milk has been progressively raised to the point where it is now amongst the highest in Europe. By this means, the direct cost to the Exchequer of supporting farmers' incomes has been held in check and has, indeed, been very substantially reduced in recent years, (see Table 7).

2. Milk pricing.

(a) Main features

The legislative framework within which the guaranteed price of milk is determined consists of the 1947 and 1957 Agriculture Acts. The former gave statutory recognition and continuity to the price review procedures evolved during the war, whilst the 1957 Act laid down that the total value of the guarantees to agriculture might not

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(3) The Government's concern at the rate of increase in the output of milk was first voiced at the 1951 price review. See Annual Review and Fixing of Farm Prices 1951; Cmnd. 8239, p.5.

(4) The general milk subsidy reached a peak of £73.2 million (D.M. 819.8 million) in 1950/51.

be reduced by more than 2.5 per cent in any one year and that the guaranteed price of individual products could not be reduced by more than four per cent from year to year. Milk prices fall under an additional provision whereby the maximum reduction permissible in the guaranteed prices of livestock products is nine per cent in any three year period.

Under this legislation an overall average milk price is guaranteed annually for the United Kingdom as a whole following a review by the Government and the National Farmers' Unions of all the circumstances judged relevant to the issue. The overall guarantee is broken down into separate basic guarantees for each of the five Board areas. The overall and area guaranteed prices which have ruled in recent years are shown in Table 2.

In line with their anxiety to stabilise production, increases in overall guaranteed prices in the first three years of decontrol were confined to amounts calculated to offset cost increases. Since output continued to rise, the increase in the guaranteed price for 1957/8 was deliberately held below the calculated increase in costs, and for the three years 1958/9 to 1960/1 the price was either held constant in the face of significant cost increase (1959/60) or cut in an overt attempt to reduce output. The 2.1 per cent increase in the basic guaranteed price for 1961/2 is not a reflection of a change in the resolve of the Government to curb milk production. It is rather to be interpretated as sugar on the bitter pill the Unions were induced to take at the 1961 review, namely, to examine the possibility of modifying the price pooling arrangements operated by the Boards in order to bring home to individual producers the need to reduce the uneconomic production of manufacturing milk, (see Section V. 1). Since producers refused to accept any form of quota scheme the overall guaranteed price was further reduced at the 1962 review.

The maximum difference between the basic guaranteed prices for the different Board areas is 3.08 p.p.g. (3.16 pf.p.l.), and inter-area differences remain constant from year to year. The magnitudes of the differentials bear no relationship to the actual realisation on milk in the various areas. They were introduced in 1954 and reflected differences in net returns to producers in the different areas at that time.

The feature which distinguishes the guarantee arrangements for milk from those for all other commodities is that since 1954 guaranteed prices have related only to a specified quantity of milk in each Board area. Furthermore, the average return per gallon is automatically reduced in proportion to any excess of output over the "standard quantity". In this way the Government's liability is limited, and producers are penalised for producing more than the standard quantity of milk.

The magnitude of the standard quantities was originally fixed at the level of output obtaining in 1953/4; minor increases were made in the following years, and at the 1960 price review it was decided that thereafter the standard quantity for each area would be automatically increased (or decreased) by an amount equal to the change in liquid consumption during the previous year.(5) Although, when judged in isolation, the manufacture of milk into virtually all types of dairy products is uneconomic for United Kingdom producers, the standard quantities for each area are well in excess of total liquid

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(5) The increase of 21.6 million gallons (98.2 million litres) in the standard quantity for the United Kingdom granted at the 1961 price review was equivalent to an increase in the basic guaranteed price of 0.20 p.p.g. (0.21 pf.p.l.).

BASIC GUARANTEED PRICES IN THE FIVE BOARD AREAS AND IN THE UNITED KINGDOM, 1954/5 to 1962/3.

TABLE 2.

Area	1954/5	1955/6	1956/7	1957/8	1958/9 and 1959/60	1960/1	1961/2	1962/3	1954/5	1955/6	1956/7	1957/8	1958/9 and 1959/60	1960/1	1961/2	1962/3
	pence per gallon								pfennigs per litre							
England and Wales	37.25	38.00	38.50	38.75	37.75	37.50	38.30	37.90	38.27	39.06	39.52	39.78	38.75	38.49	39.31	38.92
Main Scottish Area	37.26	38.01	38.51	38.76	37.76	37.51	38.31	n.a.	38.25	39.03	39.53	39.79	38.76	38.50	39.33	n.a.
Aberdeen & District	37.90	38.65	39.15	39.40	38.40	38.15	38.95	n.a.	38.90	39.67	40.18	40.44	39.42	39.16	39.98	n.a.
North of Scotland	38.99	39.74	40.24	40.49	39.49	39.24	40.04	n.a.	40.02	40.79	41.31	41.56	40.54	40.28	41.10	n.a.
Northern Ireland	35.91	36.66	37.16	37.41	36.41	36.16	36.96	n.a.	36.86	37.63	38.14	38.40	37.37	37.12	37.93	n.a.
United Kingdom	37.20	37.95	38.45	38.70	37.70	37.45	38.25	37.85	38.19	38.96	39.98	39.72	38.70	38.44	39.26	38.85
Change over previous period (U.K.)																
price	-	+ 0.75	+ 0.50	+ 0.25	- 1.00	- 0.25	+ 0.80	- 0.40	-	+ 0.77	+ 0.51	+ 0.26	- 1.03	- 0.26	+ 0.82	- 0.41
per cent	-	+ 2.0	+ 1.3	+ 0.7	- 2.6	- 0.7	+ 2.1	- 1.0	-	+ 2.0	+ 1.3	+ 0.6	- 2.6	- 0.7	+ 2.1	- 1.0

Source : C.E.C. reviews; various years.
Annual Reviews White Papers.

STANDARD QUANTITIES IN THE FIVE BOARD AREAS AND IN THE UNITED KINGDOM, 1954/5 to 1962/3.

TABLE 3.

Area	1954/5 to 1956/7	1957/8 and 1958/9	1959/60	1960/1	1961/2	1962/3	1961/2 Std. Quantity as proportion total sales	1954/5 to 1956/7	1957/8 and 1958/9	1959/60	1960/1	1961/2	1962/3
	million gallons						per cent	million litres					
England and Wales	1651.0	1654.5	1661.5	1678 8	1698.2	1721.1	82.8	7505.5	7521.4	7553.2	7631.8	7720.0	7824.1
Main Scottish Area	183.0	183.0	183.0	183.9	184.8	185.8	86.9	831.9	831.9	831.9	836.0	840.1	844.6
Aberdeen & District	19.5	19.5	19.5	19.6	19.7	19.8	85.8	88.6	88.6	88.6	89.1	89.6	90.0
North of Scotland	9.0	9.0	9.0	9.2	9.3	9.4	94.6	40.9	40.9	40.9	41.8	42.3	42.7
Northern Ireland	95.0	95.0	95.0	96.0	97.1	97.6	80.5	431.9	431.9	431.9	436.4	441.4	443.7
United Kingdom	1957.5	1961.0	1968.0	1987.5	2009.1	2033.7	84.1	8898.3	8914.7	8946.5	9035.1	9133.4	9245.2
Change over previous period (U.K.)													
quantity	..	+ 3.5	+ 7.0	+ 19.5	+ 21.6	+ 24.6	..	..	+ 15.9	+ 31.8	+ 88.6	+ 98.3	111.8
per cent	..	+ 0.2	+ 0.4	+ 1.0	+ 1.1	+ 1.2	..	..	+ 0.2	+ 0.4	+ 1.0	+ 1.1	+ 1.2

Source : Annual Review White Papers.

milk consumption. In part this is because inter- and intra-seasonal variations in milk supplies necessitate the maintenance of an excess capacity in the dairy herd in order that liquid requirements (at prevailing retail prices) can be met in adverse years and in the winter months. To this extent a proportion of the milk going to manufacture is legitimately regarded as part of the liquid supply.(6) But in the main the size of the standard quantities is a simple reflection of the decision taken in 1954 to guarantee the price of a quantity of milk equal to the total United Kingdom supply in 1953/4. That is, the standard quantities for each area do not necessarily bear any relationship to the demand for liquid milk (including the necessary margin) in each area. This is brought out in Table 4.

(b) Stages in the calculation

The calculation of the subsidy (if any) required to return each Board the basic guaranteed price is complex. Details of the five main stages are given below, and their results for the England and Wales Board area are shown in Tables 5 and 6.

(i) The annual guarantee of the basic price for the standard quantity is broken down into distinct high and low tier prices. The latter is an estimate of the average price which will be received in the forthcoming April-March year for milk sold for manufacturing, and applies to 19 per cent of the total standard quantity (which happened to be the proportion sold for manufacturing in 1953/4). The calculation starts with this forecast.

Once the forecast has been agreed between the Boards and the Government, the high tier price follows by formula, and is simply the price which, when paid on the remaining 81 per cent of the standard quantity, will bring the total value of the guarantee to the product of the standard quantity and the basic guaranteed price. The formula is therefore

$$TVG = SQ.P_L = \frac{81}{100}.SQ.P_H + \frac{19}{100}.SQ.P_M, \quad \text{where}$$

TVG	=	Total value of guarantee.
SQ	=	Standard quantity for the area.
P_B	=	Basic guaranteed price.
P_H	=	Calculated high tier price.
P_M		Forecast average price obtained for manufactured milk.

Of these variables, the standard quantity and basic guaranteed price are determined annually at each price review: the ratio 81 : 19 was laid down in 1954 and has been adhered to ever since;(7) P_M is an agreed forward estimate and P_H is derived by calculation.

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(6) The conventional figure placed on this required excess capacity is 20 per cent of total liquid consumption.

(7) The ratio is 80 : 20 for the Scottish and Northern Ireland Board areas.

TOTAL OUTPUT, LIQUID SALES AND STANDARD QUANTITIES IN THE FIVE BOARD AREAS, 1960/1.

TABLE 4.

	England and Wales		Main Scottish Area		Aberdeen and District		North of Scotland		Northern Ireland		United Kingdom	
	million gallons	million litres	million gallons	million litres	million gallons	million litres	million gallons	million litres	million gallons	million litres	million gallons	million litres
Total sales :	1951.3	8870.6	208.2	946.5	22.2	100.9	9.6	43.7	111.7	507.8	2303.0	10469.5
liquid	1388.0	6309.8	118.1	536.9	10.6	48.2	5.8	26.4	38.4	174.6	1560.9	7095.9
manufacturing	563.3	2560.8	90.1	409.6	11.6	52.7	3.8	17.3	73.3	333.2	742.1	3373.6
Standard quantity	1678.8	7631.8	183.9	836.0	19.6	89.1	9.2	41.8	96.0	436.4	1987.5	9035.1
Standard quantity as %	per cent		per cent		per cent		per cent		per cent		per cent	
total sales	86.0		88.3		88.3		95.7		85.9		86.3	
liquid sales	121.0		155.7		184.9		158.6		250.0		127.3	

Source : Annual reports Milk Marketing Boards.
Annual Review and Determination of Guarantees, 1960; Cmnd. 970; H.M.S.O.

(ii) If sales of milk exceed the standard quantity the basic guaranteed price is reduced in proportion so as to maintain the total value of the guarantee. Hence the Boards are able to pass on to producers an average price equal to the review price (less administrative and publicity costs) only so long as total supplies do not exceed the standard quantities. Any output in excess of the standard quantity is guaranteed only the lower tier price, and the average price to producers is depressed accordingly.

For instance in 1961/2 the standard quantity for England and Wales was 1698.2 million gallons (7720.0 million litres and the basic guaranteed price for this quantity was 38.30 p.p.g. (39.31 pf.p.l). Total sales exceeded the standard quantity by 352.8 million gallons (1603.8 million litres) and this automatically reduced the basic guarantee to 34.68 p.p.g. (35.60 pf.p.l.), thus maintaining the total value of the guarantee at approximately £273 million (D.M. 3058 millions).

(iii) If there is any difference between the forecast (and guaranteed) manufacturing milk price and that actually realised, one half of any excess receipts is paid by the Boards to the Treasury and one half of any deficiency is paid by the Treasury to the Boards.

This profit and loss sharing arrangement is designed to give the Boards an inducement to market surplus milk to the best advantage.

(iv) The Government prescribes maximum retail prices for liquid milk together with the distributive margin allowed for retailing and the allowances for handling, transporting, heat-treating and bottling milk. These allowances are maintained by the Government prescribing the Boards' selling prices for liquid milk.

In 1961/2 the average price paid by consumers in England and Wales for ordinary and pasteurised milk was 64.00 p.p.g. (65.70 pf.p.l.); the retail margin was 18.81 p.p.g. (19.31 pf. p.l.) and pre-retailing operations performed on milk took a further 3.00 p.p.g. (3.08 pf.p.l.). Hence, the average selling price prescribed by the Government to the Board for liquid milk was 42.19 p.p.g. (43.31 pf.p.l.).

(v) The Boards' receipts from the sale of liquid milk are averaged with those from the sale of milk for manufacturing, and if the weighted average realisation price from all sales is lower than the adjusted basic guaranteed price then an appropriate deficiency payment is made to the Boards.

Thus, in 1961/2, the weighted average realisation of the England and Wales Board on liquid and manufacturing sales was 34.47 p.p.g. (35.38 pf.p.l.). Since the effective guarantee to the Board was 34.68 p.p.g. (35.60 pf.p.l.) after making downward adjustments to the basic guarantee for output in excess of the standard quantity, the deficiency payment due to the Board was 0.21 p.p.g. (0.22 pf.p.l.) on its total sales. Hence the Board received the total of 34.68 p.p.g. (35.60 pf. p.l.) to which it was entitled under the guarantee arrangements.

THE GUARANTEED MILK PRICE IN ENGLAND AND WALES, 1954/5 to 1961/2.

TABLE 5.

Breakdown of the guarantee	Year ended 31st March								Year ended 31st March							
	1955	1956	1957	1958	1959	1960	1961	1962	1955	1956	1957	1958	1959	1960	1961	1962
	million gallons								million litres							
Total sales off farms	1653.4	1669.9	1812.8	1878.1	1765.2	1798.4	1951.3	2051.0	7516.4	7591.4	8241.0	8537.8	8024.6	8175.5	8870.6	9323.8
Standard quantity	1651.0	1651.0	1651.0	1654.5	1654.5	1661.5	1678.8	1698.2	7505.4	7505.4	7505.4	7521.4	7521.4	7553.2	7631.8	7720.0
Excess of sales over standard quantity	2.4	18.9	161.8	223.6	110.7	136.9	272.5	352.8	11.0	86.0	735.6	1016.4	503.2	622.3	1238.8	1603.8
	pence per gallon								pfennigs per litre							
Basic area guaranteed price	37.25	38.09 (1)	38.50	38.75	37.75	37.75	37.50	38.30	38.24	39.10 (1)	39.52	39.78	38.75	38.75	38.49	39.31
Higher tier	41.94	43.22	42.96	43.38	43.09	41.97	41.46	n.a.	43.05	44.37	44.10	44.53	44.23	43.08	42.56	n.a.
Lower tier	17.25	16.25	19.50	19.00	15.00	19.75	20.63	n.a.	17.71	16.68	20.02	19.50	15.40	20.27	21.18	n.a.
Deduction due to excess of supplies over the standard quantity	-0.02	-0.21	-1.74	-2.78	-1.22	-1.26	-2.71	-3.62	-0.02	-0.22	-1.79	-2.85	-1.25	-1.29	-2.78	-3.72
Board's share of difference between forecast and realised price for manufacturing milk	+0.09	+0.26	-0.02	-0.09	+0.18	+0.08	-0.03	-	+0.09	+0.27	-0.02	-0.09	+0.18	+0.08	-0.03	-
Adjusted guaranteed price to the Board	37.32	38.14	36.74	35.88	36.71	36.57	34.76	34.68	38.31	39.15	37.71	36.83	37.68	37.54	35.68	35.60

(1) Includes a special price review award of 0.09 p.p.f. (0.09 pf.p.l.)

Source : M.M.B., Dairy Facts and Figures 1962.

THE COST STRUCTURE OF A GALLON OF MILK SOLD RETAIL IN ENGLAND AND WALES, 1954/5 to 1961/2.

TABLE 6.

	Year ended 31st March								Year ended 31st March							
	1955	1956	1957	1958	1959	1960	1961	1962	1955	1956	1957	1958	1959	1960	1961	1962
	pence per gallon								pfennigs per litre							
Retail price paid by consumers for ordinary and pasteurised milk	53.67	56.00	60.00	63.00	62.33	62.38	61.99	64.00	55.09	57.48	61.59	64.67	63.98	64.03	63.63	65.70
Distributive costs																
Retailing margin	13.14	14.11	15.46	15.83	16.44	16.75	17.69	18.81	13.49	14.48	15.87	16.25	16.88	17.19	18.16	19.31
Functional allowances	3.49	3.61	3.63	3.82	4.13	4.02	3.62	3.00	3.58	3.71	3.73	3.92	4.24	4.13	3.72	3.08
Total distributive costs	16.63	17.72	19.09	19.65	20.57	20.77	21.31	21.81	17.07	18.19	19.60	20.17	21.11	21.32	21.87	22.39
Return to Board for liquid milk	37.04	38.28	40.91	43.35	41.76	41.61	40.68	42.19	38.02	39.29	41.99	44.50	42.87	42.71	41.76	43.31
Return to Board for manufactured milk	18.23	19.20	19.01	15.40	18.17	21.26	18.15	17.17	18.71	19.71	19.51	15.81	18.65	21.82	18.63	17.63
Average return to Board from all sales	33.50	34.59	35.22	35.34	36.23	36.82	34.15	34.47	34.39	35.51	36.15	36.28	37.19	37.80	35.05	35.38
Government subsidy	3.82	3.55	1.52	0.54	0.48	-	0.61	0.21	3.92	3.64	1.56	0.55	0.49	-	0.63	0.22
Excess return over Board's entitlement	-	-	-	-	-	0.25	-	-	-	-	-	-	-	0.26	-	-
Total return available to Board	37.32	38.14	36.74	35.88	36.71	36.57	34.76	34.68	38.31	39.15	37.71	36.83	37.68	37.54	35.68	35.60

Source : M.M.B.; Dairy Facts and Figures 1962.

The deficiency payment is made to the Boards, and the guarantees are guarantees to the Boards and not to individual producers. The Boards can distribute the total of the monies they receive from milk buyers and the Government in any way they choose, subject to an overriding power of the Government to intervene "in the public interest". How the Boards do in fact allocate their revenue amongst the producers is detailed in the next section.

Table 7 sets out the total cost in recent years of the general milk subsidy (as distinct from the subsidies paid under the welfare and milk-in-school schemes). In contrast to the cost of subsidies on other farm products, the milk subsidy has been falling. This has been achieved, primarily, by the Government raising the retail price of ordinary pasteurised milk from 52 p.p.g. in 1954 to 64 p.p.g. to-day (from 53.38 to 65.70 pf.p.l.).

The other important point to note is that, because of the higher proportions of milk going to manufacture in Scotland and Northern Ireland, the bulk of the total general milk subsidy goes to producers in these areas and their milk carries the higher unit rates of subsidy.

GENERAL MILK SUBSIDY BY BOARD AREAS, 1954/5 to 1961/2.

TABLE 7.

Year	U. K.	England and Wales	Main Scottish Area	Aberdeen and District	North of Scotland	Northern Ireland	U. K.	England and Wales	Main Scottish Area	Aberdeen and District	North of Scotland	Northern Ireland
	£ million						D. M. million					
1954/5	36.4	26.3	----------	5.9	----------	4.2	407.7	294.6	----------	66.1	----------	47.0
1955/6	34.7	24.7	----------	5.7	----------	4.3	388.6	276.6	----------	63.8	----------	48.2
1956/7	20.0	11.5	3.4	0.7	0.3	4.1	224.0	128.8	38.1	7.8	3.4	45.9
1957/8	13.5	4.3	3.8	0.8	0.3	4.3	151.2	48.2	42.6	9.0	3.4	48.2
1958/9	11.6	3.2	3.3	0.7	0.3	4.1	129.9	35.8	37.0	7.8	3.4	45.9
1959/60	4.4	- 1.8(1)	2.2	0.5	0.2	3.2	49.3	- 20.2 (1)	24.6	5.6	2.2	35.8
1960/1	13.0	4.9	3.2	0.6	0.3	4.1	145.6	54.9	35.8	6.7	3.4	45.9
1961/2	10.4(2)	1.7	----------	4.5	----------	4.2	116.5 (2)	19.0	----------	50.4	----------	47.0
	pence per gallon total sales						pfennigs per litre total sales					
Unit rate of Subsidy 1960/1	1.35	0.61	3.64	6.30	7.37	8.62	1.39	0.63	3.74	6.47	7.57	8.85

(1) Receipts from the sale of milk exceeded the Board's entitlement under the guarantee arrangements and a repayment was made to the Treasury.

(2) Forecast.

Source : Dairy Facts and Figures, 1962.
Annual reports of the Milk Marketing Boards.
Civil Estimates, Class VIII, Agriculture and Food; H.M.S.O., various years.

B. Pricing by the Boards.

Details are given in this section of how the Boards share amongst their members the total income they receive from :

(i) sales of milk to distributors and manufacturers;

(ii) the Government under the guarantee arrangements;

(iii) miscellaneous sources, mainly levies on producer-retailers.

1. Basic pool price.

The core of the Boards' pricing policies is that revenues from all sources are pooled. The Boards' administrative costs[8] and expenditures for sales promotion are direct charges on their general revenues; the remainder is available for distribution to producers and, essentially, each producer receives an average or pool-price irrespective of the actual utilisation of, and realisation on, the milk produced on his farm.

The basic pool prices which have ruled since 1954 are as shown in Table 8 for the England and Wales Board area.

2. Regional and seasonal pool prices.

Shortly after the price guarantees are decided at the annual price review, each Board announces a provisional schedule of the prices which producers will be paid for their milk in each month of the coming (April to March) year. In England and Wales there is a separate schedule of provisional, forward, monthly prices for each of the Boards eleven administrative regions. The provisional price schedules in operation for 1961/2 are given in Table 9.[9]

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(8) In general, administrative costs are low in relation to turnover and in their incidence on each gallon sold as the data below for the 1960/1 year show :-

	Administrative costs		
	As proportion of turnover	Per unit of sales	
	per cent	pence per gallon	pfennigs per litre
England and Wales	0.39	0.13	0.13
Main Scottish area	0.72	0.24	0.25
Aberdeen & District	5.58	1.71	1.76
North of Scotland	2.64	0.91	0.93
Northern Ireland	1.11	0.39	0.40

Source : Annual Reports of the Milk Marketing Boards, 1960/1

(9) The announced monthly prices are adhered to as far as possible, but differences between expected and actual milk supplies and utilisations and realisation prices for milk products influence the revenues of the Boards, and compel them to adjust the monthly price-scale from time to time.

PRODUCERS' PRICES, ENGLAND AND WALES, 1954/5 to 1961/2.

TABLE 8.

	Year ended 31st March															
	1955	1956	1957	1958	1959	1960	1961	1962	1955	1956	1957	1958	1959	1960	1961	1962
	pence per gallon								pfennigs per litre							
Adjusted guaranteed price	37.32	38.14	36.74	35.88	36.71	36.75	34.76	34.68	38.30	39.15	37.71	36.83	37.68	37.72	35.68	35.60
Plus miscellaneous income	0.22	0.09	0.06	0.03	0.03	0.09	0.05	0.01	0.23	0.09	0.06	0.03	0.03	0.09	0.05	0.01
Less administration and promotion costs	-0.16	-0.19	-0.19	-0.24	-0.29	-0.29	-0.35	-0.40	-0.16	-0.20	-0.20	-0.25	-0.30	-0.30	-0.36	-0.41
Available for distribution	36.38	38.04	36.61	35.67	36.45	36.37	34.46	34.29	37.34	39.05	37.58	36.62	37.42	37.33	35.37	35.20
Average producer price, T.T. milk	38.19	38.72	37.17	36.08	36.93	36.75	34.68	34.33	39.20	39.75	38.16	37.04	37.91	37.72	35.60	35.24

Source : Dairy Facts and Figures, 1962.

Note : For 1962/3 it is estimated that the combined effect of a 0.44p.p.g. reduction in the guaranteed price, an increase in the standard quantity by 22.9 million gallons, an increase in total milk output of 65 million gallons, and a reduction of 0.13 p.p.g. in the average realisation price for manufactured milk, will be to reduce England and Wales wholesale producers' pool price by 1.00 p.p.g. (1.03 pf.p.l.) compared with the 1961/2 year.

PROVISIONAL PRICES TO WHOLESALE PRODUCERS OF T.T. MILK, 1962/3.

TABLE 9.

	England and Wales : Regions											Main Scottish Area	Aberdeen and District	North of Scotland		Northern Ireland
	Northern	North Western	Eastern	East Midland	West Midland	North Wales	South Wales	Southern	Mid-Western	Far Western	South Eastern			Mainland	Orkney	
	pence per gallon															
April	33.25	33.25	33.50	33.25	33.00	33.00	33.25	33.50	33.50	33.00	33.50	33.75	32.75	33.75	33.25	33.00
May	24.50	24.50	24.50	24.75	24.50	24.50	24.50	24.50	24.75	24.50	25.00	25.25	27.00	28.00	27.50	26.00
June	24.50	24.50	24.75	24.50	24.50	24.50	24.50	24.50	24.75	24.25	24.75	25.50	27.25	27.50	27.00	26.00
July	28.75	28.75	28.75	28.75	28.50	28.75	28.75	28.75	29.00	28.50	29.00	28.50	27.50	29.00	28.50	26.00
Aug	33.50	33.50	33.75	33.50	33.25	33.50	33.50	33.50	33.50	33.25	33.75	32.75	31.00	33.50	33.00	26.00
Sept	36.25	36.25	36.25	36.25	36.25	36.25	36.25	36.25	36.50	36.00	36.50	37.00	37.00	40.00	38.50	31.00
Oct	37.00	37.00	37.00	37.25	36.75	36.75	36.75	36.75	36.75	36.75	37.25	38.75	37.75	43.50	42.00	36.75
Nov	37.50	37.50	37.50	37.50	37.25	37.25	37.25	37.25	36.50	37.00	37.50	41.50	37.75	45.75	44.00	42.75
Dec	37.50	37.75	37.75	37.75	37.75	37.75	37.50	37.50	38.00	37.50	38.00	41.50	38.25	45.50	43.50	42.75
Jan	37.75	37.75	38.00	38.00	37.75	37.75	38.00	38.00	38.00	37.75	38.25	41.25	39.00	44.75	42.75	42.75
Feb	37.25	37.25	37.50	37.50	37.25	37.25	37.50	37.50	37.25	37.25	37.75	39.50	37.50	42.75	41.00	42.75
March	36.50	36.50	36.75	36.50	36.50	36.50	36.75	36.75	36.50	36.50	37.00	36.50	35.75	39.75	39.25	38.75
	pfennigs per litre															
April	34.13	34.13	34.39	34.13	33.87	33.87	34.13	34.39	34.39	33.87	34.39	34.64	33.62	34.64	31.13	33.87
May	25.15	25.15	25.15	25.41	25.15	25.15	25.15	25.15	25.41	25.15	25.66	25.92	27.72	28.74	28.23	26.69
June	25.15	25.15	25.35	25.15	25.15	25.15	25.15	25.15	25.41	24.89	25.41	26.18	27.97	28.23	27.72	26.69
July	29.51	29.51	29.51	29.51	29.26	29.51	29.51	29.51	29.77	29.26	29.77	29.26	28.23	29.77	29.26	26.69
Aug	34.39	34.39	34.64	34.39	34.13	34.39	34.39	34.39	34.39	34.13	34.64	33.62	31.82	34.39	33.87	26.69
Sept	37.21	37.21	37.21	37.21	37.21	37.21	37.21	37.21	37.47	36.94	37.47	37.98	37.98	41.06	39.52	31.82
Oct	37.98	37.98	37.98	38.24	37.72	37.72	37.72	37.72	37.72	37.72	38.24	39.78	38.75	44.65	43.11	47.72
Nov	38.49	38.49	38.49	38.49	38.24	38.24	38.24	38.24	37.47	37.98	38.49	42.50	38.75	46.96	45.17	43.88
Dec	38.49	38.75	38.75	38.75	38.75	38.75	38.49	38.49	39.01	38.49	39.01	42.60	39.26	46.71	44.65	43.88
Jan	38.75	38.75	39.01	39.01	38.75	38.75	39.01	39.01	39.01	38.75	39.26	42.34	40.03	45.94	43.88	43.88
Feb	38.24	38.24	38.49	38.49	38.24	38.24	38.49	38.49	38.24	38.24	38.75	40.55	38.49	43.88	42.09	43.88
March	37.47	37.47	37.72	37.47	37.47	37.47	37.72	37.72	37.47	37.47	37.98	37.47	36.70	40.80	40.29	39.78

As emphasised in a previous section (Section II. 2. a.) the differences shown in the table between the general price levels in the various Board areas are more a reflection of the levels and mode of operation of the guarantees than of the value, at market prices, of the milk produced in each area.

Similarly, the differences in monthly pool prices between the eleven regions of the England and Wales Board are no measure at all of inter-regional differences in the supplies of milk which are absorbed into the liquid or manufacturing markets. For instance, since virtually all the milk which is produced in the South and South Eastern regions is consumed in liquid form, one would normally expect producers in these regions to receive substantially higher average milk prices than those in more remote areas like the Far and North Western regions, where a substantial (but undisclosed) proportion of the milk produced must be manufactured. Such is not the case. The maximum inter-regional differential is never more than 0.50 p.p.g. (0.51 pf.p.l.) and, moreover, it has not been changed in the last 20 years. In other words, the inter-regional differentials are largely nominal.

The price differentials between months of the year are much more substantial. In England and Wales there is currently a difference of around 13.50 p.p.g. (13.86 pf.p.l.) between the price in January when supplies are lowest, and prices in the May-June period of peak production (Table 11). In Scotland and Northern Ireland the seasonal differentials are even larger.

During the war and up until recently the monthly price-spread was even greater than at present. But over the years the range has been narrowed as winter supplies have become first adequate to meet liquid consumption, and finally excessive. Once winter liquid milk requirements were satisfied it was realised that there was no economic sense in the Boards paying high winter prices for milk which they had to divert to manufacturing outlets; the drain on the pool price would be less if any surplus production could be paid for at the lower summer prices. Accordingly, winter prices have generally been lowered, relative to summer prices, and recently a pilot scheme has been started under which producers who agree to concentrate on summer production are paid on a seasonal scale having only a narrow price range.

3. Price penalties.

Two categories of producers receive lower monthly prices than those set out in Table 9.

Firstly, milk of non-T.T. standard incurs the following penalties(10) :-

DEDUCTIONS FOR NON-T.T. MILK, 1962/3.

TABLE 10.

	pence per gallon	pfennigs per litre
England and Wales	4.0	4.11
Main Scottish Area	6.0	6.16
Aberdeen & District	6.0	6.16
North of Scotland	4.0	4.11
Northern Ireland	3.5	3.59

(10) Before such a large proportion of the total milk supply was of T.T. standard the pool prices related to ordinary milk, and T.T. milk attracted premiums equivalent to the penalties now imposed on non-T.T. milk.

SEASONALITY OF MILK PRODUCTION AND UTILISATION, UNITED KINGDOM, 1959 and 1960.

TABLE 11.

Month	Percentage		Total		Sales	
	1959	1960	1959	1960	1959	1960
	Liquid		Manufactured		Total Sales	
January	6.3	5.7	1.2	1.8	7.5	7.5
February	5.7	5.5	1.3	1.9	7.0	7.4
March	6.3	5.9	2.1	2.6	8.4	8.5
April	6.1	5.5	2.9	3.6	9.0	9.1
May	6.3	5.9	4.3	4.5	10.6	10.4
June	6.2	5.6	3.6	3.7	9.8	9.3
July	6.3	5.7	2.5	2.8	8.8	8.5
August	6.1	5.5	2.2	2.7	8.3	8.2
September	6.2	5.7	1.3	2.1	7.5	7.8
October	6.4	5.9	1.2	2.2	7.6	8.1
November	6.2	5.7	1.3	1.8	7.5	7.5
December	6.2	5.7	1.8	2.0	8.0	7.7

Source : Commonwealth Economic Committee Intelligence Bulletin, Feb. 1961.

Secondly, the Boards penalise producers of milk with a low butter-fat content. Thus, in England and Wales the milk of any producer which consistently fails to reach an average butter-fat content of 3.2 per cent in the September to March period and 3.1 per cent in the six summer months, incurs price penalties in months when these levels are not achieved. The reduction is at a rate of 2.0 p.p.g. (2.05 pf.p.l) September to March, and 1.0 p.p.g. (1.03 pf.p.l.) April to August, for each full 0.1 per cent by which the fat content falls below these standards. The scales of deductions are somewhat different in other Board areas and more penal.

Additionally, a producer whose milk consistently fails to reach an annual average compositional standard of 3.3 per cent butter-fat and 8.5 per cent solids-not-fat, can, after warnings and a period of weekly tests on his milk's composition, find his contract to sell milk cancelled by the Boards.

Apart from these provisions, and the special scheme relating to the payment of premiums on milk from cows of the Guernsey, Jersey and South Devon breeds (see Section IIC5), the Boards buy and sell milk at uniform prices regardless of its compositional quality.

In such circumstances, it is not surprising that producers have paid little attention in the past to the composition of their milk; high yield per cow has long been the dominant consideration in breed selection and herd management on most farms. Consequently, the national dairy herd has come to be dominated by the British Friesian breed(11) and there has been a progressive deterioration in the compositional standards of the milk supply over the last thirty years, particularly in the solids-not-fat content.(12)

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(11) Some 42 per cent of all dairy cows are Friesians, and 69 per cent of the dairy-type inseminations conducted by the Boards' A.I. Centres in 1959 was with semen of the Friesian breed.

(12) Milk Composition in the United Kingdom; Report of an Inter-departmental Committee (under the chairmanship of Dr. J.W. Cook); Cmnd. 1147; H.M.S.O.; Sept. 1960.

Of late the Boards have formulated proposals designed to reverse this trend. It is envisaged that, as from October 1963, milk will be classified into compositional quality grades and priced accordingly. The four grades proposed for England and Wales are :

Annual average total solids	Annual average S.N.F. above 8.4%	Annual average S.N.F. below 8.4%
	Class	
12.6% or more	A	C1
Less than 12.6% but at least 12%	B	C1
Less than 12.0% but at least 11.8%	C1	C1
Below 11.8%	C2	C2

Class B milk would be the standard grade and receive the normal pool-prices: Class A milk would receive a premium of 2 p.p.g. (2.05 pf.p.l.): Class C1 milk would incur a penalty of 2 p.p.g. (2.05 pf.p.l): Class C2 milk a penalty of 3 p.p.g. (3.08 pf.p.l.). The compositional quality grade schemes in other areas are broadly similar but with differences in detail.

Although the scheme would primarily involve a redistribution between producers of the pool of revenue available to the Boards, it is likely that the Boards will also attempt to persuade the Government to fix a premium retail price for Class A milk, charging consumers a price somewhere between those of the ordinary/pasteurised and Channel Island types (see Table 14), and divide the premium between producers and distributors.

The whole question of the compositional quality of milk is a vexed one. Although it is no doubt an important source of essential nutrients for young children etc., the fact is that it is not the cheapest source, and there is little evidence of any general consumer preference for milk of a high-nutrient content.(13) Moreover, manufacturers seem perfectly content to buy milk at a uniform price, rather than have the supply segregated into grades and priced accordingly.

4. Haulage charges.

Since 1942 the Boards have been responsible for the collection of milk from farms and its delivery to the first destination. Most of the milk is collected by buyers and independent hauliers who are paid by the Boards at negotiated rates. The Boards also operate transport fleets of their own, mainly to provide the service for producers in particular areas, but also to obtain information on haulage costs which can be used in the negotiation of rates. The proportions of milk transported by various agencies in England and Wales during 1959/60 were :-

	Proportion total sales (per cent)
Producers making own arrangements	4
Purchaser-hauliers	52
Independent hauliers	35
M.M.B.	9

(13) In the United Kingdom about 72 per cent of the liquid milk consumed is used as additions to other beverages and for cooking, only about 12 per cent is drunk as plain milk.
Source : EMPSON, J.; The Utilization of Milk in the Home; 1957; Table 3, p.17; Farm Econ., Vol. VIII, No. 11 and 12.

Payment for the haulage service is obtained from producers[15] by the Boards making deductions from producers' monthly milk receipts. The transport charges in England and Wales vary regionally, but have remained unchanged for many years. The rates for 1962/3 are shown below.

PRODUCER REGIONAL TRANSPORT CHARGES, ENGLAND AND WALES, 1961/2.

TABLE 12.

Region	pence per gallon	pfennigs per litre
Northern	1.31	1.34
North Western	0.96	0.99
Eastern	1.03	1.06
East Midland	0.93	0.95
West Midland	1.04	1.07
North Wales	1.33	1.37
South Wales	1.37	1.41
Southern	0.96	0.99
Mid-Western	1.12	1.15
Far Western	1.35	1.39
South Eastern	0.66	0.68

Source : Dairy Facts and Figures, 1962; M.M.B. England and Wales.

The transport charges are notional to the extent that the deductions imposed on producers do not entirely reflect the true inter-regional and inter-farm costs of milk collection. Hence the transport rate structure embodies concealed subsidies to milk producers in areas of low production density, to small-scale producers and to producers on remote farms. However, offsetting the consequential misallocations of resources are the undoubted economies resulting from central control by the Boards of milk collection, which obviates the overlapping of collection routes and the cross hauling of milk.

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(14) Other than those who haul their own milk to receiving plants.

C. Other Aspects of Price Formation.

Further details of the procedural and institutional aspects of milk pricing are given in this section.

1. Manufacturing milk.

While the Marketing Boards' selling prices of milk for liquid consumption are subject to complete official control, manufacturing milk prices are a matter for negotiation between each Board and manufacturers, and are influenced by the prices of competing imported dairy products.

Joint committees of representatives of the Boards and manufacturers agree on fixed prices, to operate for a year, for milk made into all products other than butter and cheese. The prices of milk for butter and cheese manufacture are determined monthly by formula. The butter formula is based on the weighted average price of New Zealand and Danish butter in the previous month; the price to be paid for milk made into cheese is based on actual realisations for English cheese in the previous month.

Administratively, the arrangements work well; manufacturers are adequately represented through the appointees of the Central Milk Distributive Committee, (which is a federation of all the main trade associations of liquid milk distributors and dairy product manufacturers), and the decision of an independent consultant is normally accepted in the rare event of failure to agree on the purchase price of milk.

The level of prices, however, is not subject to much influence by either the Boards or the manufacturers separately or in collusion, given that imports of competing products are freely admitted. The realisation on milk in manufacturing uses in the England and Wales area is given in Table 13. Highest prices are secured for cream, the lowest on milk made into butter. The butter price constitutes the marginal return to the Boards for their surplus output.

2. Retail prices.

The Government prescribes maximum retail prices for liquid milk. These vary with the designation of the milk but are charged uniformly to consumers throughout the United Kingdom, despite regional variations in the costs of distribution.(15) The retail price maxima are changed at infrequent intervals, and it is expected that those currently ruling will be in force for at least a year.

The basic price is fixed for pasteurised ordinary milk, with premiums over and above this for other grades. The maximum retail prices currently in force are shown in Table 14. Until recently retail prices were lower in the summer months than in winter, but in order to finance the increase in the guaranteed price awarded at the 1961 review it was decided that in 1961/2 a uniform price should operate throughout that year. It was further stated following the 1962 review that henceforth the general milk subsidy would be entirely eliminated by seasonal manipulation of consumer prices.

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(15) Distributive costs are above average in sparsely populated rural areas and in London. Before the war, when the Boards fixed minimum retail prices, there were regional and seasonal variations in consumer prices.

MAXIMUM RETAIL PRICES OF MILK, ENGLAND AND WALES, JANUARY, 1962.

TABLE 14.

Designation of grade	Maximum retail price	
	pence per gallon	pfennigs per litre
Channel Island, tuberculin tested, farm bottled	80.00	82.12
Channel Island, tuberculin tested	76.00	78.01
Channel Island	76.00	78.01
Tuberculin tested, farm bottled	76.00	78.01
Tuberculin tested (pasteurised)	70.00	71.86
Sterilised	70.00	71.86
Homogenised	70.00	71.86
Ordinary pasteurised	64.00	65.70
Kosher/Kedassia(1)	-	-

(1) A "reasonable" margin may be charged over and above the maximum price for each type of milk if it is Kosher and Kedassia.

The retail price of pasteurised milk is calculated on a United Kingdom basis according to a formula under which the consumer is charged the guaranteed price to the Boards, plus the distributive margins and allowances prescribed by the Government, plus "the cost of maintaining the reserve considered necessary to provide an adequate supply of milk for the liquid market throughout the year". The cost of maintaining this reserve is "assumed to be the difference between the guaranteed price and the average price realised on sales of milk for manufacture".(16)

The notional method of calculating the retail price is illustrated in the following example based on 1960/1 figures.

	pence per gallon		pfennigs per litre	
Overall guaranteed price		37.45		38.44
Estimated cost of reserve				
Guaranteed price	37.45		38.44	
Less average realisation for manufacturing milk	20.70		21.25	
	16.75		17.19	
20 per cent of 16.75		3.35		3.44
Distributive margins and allowances		21.08		21.64
Retail price		61.88(17)		63.52

(16) Thorold Committee report; op. cit.; para.126.

(17) Because milk can only be sold in prices round to the nearest ½d. per pint, and because the accounts between the Boards and the Government are settled annually, it was necessary to have two retail prices during that year, 60 p.p.g. (61.59 pf.p.l.) for six months and 64 p.p.g. (65.70 pf.p.l.) for the other six months.

The Thorold Committee[18] has recently recommend that while the Government should continue to control maximum retail prices on the main bulk of the supply, i.e. T.T. and non-T.T. pasteurised,[19] which represents about 87 per cent of total liquid consumption, maximum prices should no longer be prescribed for special grades of milk, (milk from Channel Islands and the South Devon breeds, sterilised, homogenised, and farm bottled milk), This would permit market forces to determine what the premiums on these special grades should be, and introduce an element of competition amongst milk distributors. At the same time, consumers would have the standard quality at a prescribed maximum price available as an alternative,

It may finally be noted that although only maximum prices are prescribed these are, in practice, also minima. Virtually no price competition at retail occurs. Even on contracts to supply milk in bulk to schools, institutions and catering establishments, it is normally found that the local dairymen's trade association agrees on the maximum discount which may be allowed.[20] Consumers co-operatives, which handled some 26[21] per cent of total liquid retail sales in 1960, have also chosen not to compete on price with private traders. Since the typical local situation in milk distribution is oligopolistic, with each firm recognising its "kinked" demand function, a reluctance to compete on price is only to be expected.

3. Retail margins and distributive allowances.

It is crucial to the understanding of this section to appreciate that not only does the Government guarantee prices to milk producers, but it also determines the remuneration (including average rates of profit) of liquid milk distributors. This latter responsibility was first taken on by the Government in the war years, and it has been retained ever since.

Retailers' remuneration is determined by the Government prescribing the basic retail margin; this it does by controlling the milk Boards' selling prices and maximum retail prices of liquid milk.

Wholesalers' and depot proprietors' remuneration is determined by the Government fixing the size of allowances these distributors can claim from the Boards and retailers for performing necessary operations on the milk as it passes from farms to consumers.

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(18) Op. cit.

(19) At the moment all milk in the Scottish Board area, and 91 per cent of sales in the England and Wales area is of T.T. standard, and most of this is sold at the basic pasteurised price despite the fact that a premium is officially prescribed.

When all the milk is of T.T. standard this will then be the standard grade and a higher price will no longer be charged for it at the retail level, other than for that which is farm bottled.

(20) CUTHBERT, N. and BLACK, W.; Restrictive Practices in the Food Trades II; Journal of Industrial Economics, Vol, X, No. 1, Nov. 1961, pp.64-66. Reports of the Committee of Public Accounts; 1954-1956.

(21) Co-operative society retail sales in 1960/1 were 402 million gallons (1827 million litres) of which 16 per cent were sales under the welfare and milk in schools scheme.

Annual Report 1960/1; Co-operative Milk Trade Association.

Thus, in England and Wales, depot proprietors sell milk to wholesalers at the same price as they buy it from the Boards, and claim allowances from the Boards at prescribed rates for performing such functions as the provision of churns, handling and cooling milk and transporting it to wholesalers' or processing retailers' premises. Wholesalers who handle, heat-treat and bottle milk claim allowances from the Board for so doing, and also take a prescribed share of their retailer customers' basic margin for performing these operations (by charging them more than the basic price). Similarly, retailers who themselves heat-treat and bottle the milk they sell to consumers claim allowances from the Board at appropriate rates. Details of the basic retail margin and the various functional allowances are given in Table 15.

The basic retail margin (overall margin in Scotland) applies to ordinary milk. Special grades, such as tuberculin tested or milk from Channel Islands breeds, carry an additional margin equivalent to the retail premium (see Table 14). This additional margin is divided in a prescribed manner between retailer and wholesaler.

It will be noted that in a number of respects the situation is somewhat different in Scotland (and to a minor extent in Northern Ireland). Firstly, producers provide their own churns and no ex-farm allowance is payable to distributors. Secondly, since most of the milk in Scotland passes direct from farms to processing retailers without going through intermediate wholesalers, the distributive margin is a composite one and no separate wholesaling allowance is paid. However, where milk does pass through the hands of a wholesaler the overall margin is divided between the retailer and wholesaler at an agreed rate.

The retailer's margin and the functional allowances are designed to cover both the average costs and profits of milk distributors. Since 1948, the Government has fixed the margins and allowances at levels which would, on average, give distributors a specific level of profit on each gallon handled. Currently the target rates of profit are as follows :-

	pence per gallon	pfennigs per litre
Retailers	2.0	2.05
Wholesalers	0.6	0.62
Depot proprietors	0.3	0.31

The margins and allowances are negotiated with the trade, and distributors rates of profit per gallon are based on the simple average of the financial results revealed by the accounts of samples of the three types of distributors. Returns are made monthly to the Ministry, and the Government adjusts the Boards' selling prices from time to time in the light of these returns in order to ensure that the average target rate of profit is achieved over a period. In recent years the approximate sizes of the samples, together with the estimated proportion of the total liquid milk passing through each stage handled by the sample plants, are as shown in Table 16.

4. Remuneration of Producer-Retailers.

Under present pricing arrangements the remuneration of producer-retailers for their function as producers is determined by the price guarantees, and their remuneration as distributors is determined by the retail margin fixed by the Government.

MARGINS AND ALLOWANCES OF MILK DISTRIBUTORS IN THE UNITED KINGDOM : 1st APRIL, 1961.

TABLE 15.

	England and Wales		Scotland[1]		Northern Ireland	
	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre
1. Ex-farm allowance	$\frac{3}{8}$	0.38	..	..	..	..
2. Basic retail margin						
Tuberculin tested milk	22	22.58	$24\frac{5}{8}$[2]	25.28[2]	$20\frac{1}{4}$	20.79
Pasteurised milk	18	18.48	$20\frac{5}{8}$	21.17	$21\frac{3}{8}$	21.94
3. Heat treatment allowance					Included in	
Bottled and bulk milk	$1\frac{3}{4}$	1.80	$\frac{5}{8}$	0.64	retail margin	
4. Charges payable by retailers out of the basic retail or overall margin for milk supplied to them						
Bottled milk						
pints and quarts	$3\frac{7}{8}$	3.98	$9\frac{1}{8}$ ($11\frac{7}{8}$)[3]	9.37 (12.19)	$5\frac{5}{8}$	5.77
half-pints	$5\frac{5}{8}$	5.77	$10\frac{5}{8}$ ($11\frac{7}{8}$)	10.91 (12.19)	$7\frac{7}{8}$	8.08
third-pints	$7\frac{1}{2}$	7.70	* *	* *	$9\frac{7}{8}$	10.14
Bulk pasteurised milk	$\frac{5}{8}$	0.64	$6\frac{3}{4}$ ($8\frac{3}{4}$)	6.93 (8.98)	$3\frac{3}{8}$	3.46
Tuberculin tested milk (in addition to above)	2	2.05	..	..	*	*
5. Wholesale allowances paid by Boards						
Bottled, heat-treated in consignments						
1-150 gallons	$2\frac{7}{8}$	2.95			$2\frac{3}{8}$	2.44
151-500 gallons	$2\frac{5}{8}$	2.69			$2\frac{3}{8}$	2.44
Over 500 gallons	2	2.05			$2\frac{3}{8}$	2.44
Bulk milk			not applicable			
Pasteurised	2	2.05			..	..
Handled in dairy	2	2.05			..	..
Other sales	$1\frac{1}{4}$	1.28			..	..

Continued on next page.

TABLE 15 (continued)

	England and Wales		Scotland[1]		Northern Ireland	
	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre
6. Exceptional transport allowance						
Consignments not over 150 gallons						
13-20 miles	$\frac{3}{8}$	0.38			$\frac{1}{4}$	0.26
21-30 miles	$\frac{3}{4}$	0.77				
Over 30 miles	1	1.03			for every 6 miles	
Consignments over 150 gallons			not applicable			
13-20 miles	$\frac{1}{4}$	0.26			over 12 miles	
21-30 miles	$\frac{1}{2}$	0.51				
31-50 miles	$\frac{3}{4}$	0.77				
Over 50 miles	1	1.03				
7. Surplus milk allowances						
Handling allowance	$\frac{1}{2}$	0.51				
Assembly station allowance	$\frac{3}{8}$	0.38	not applicable		not applicable	
Transport allowance	Rates vary with quantity and distance					
8. Station collection allowance						
Average daily volume						
less than 100 gallons	0.60	0.62	0.70	0.72		
100-500 gallons	0.45	0.46	to	to	not applicable	
Over 500 gallons	0.30	0.31	0.40	0.41		
9. Depot handling allowance						
Small consignments	1.77	1.82	$1\frac{3}{8}$	1.41	..	..
First $\frac{1}{2}$ million gallons throughput	1.57	1.61	(April to September)		$1\frac{3}{4}$	1.80
Next $\frac{3}{4}$ million gallons throughput	1.57	1.61			$1\frac{1}{2}$	1.54
Remainder of throughput	1.17	1.20	$1\frac{3}{4}$	1.80	$1\frac{1}{4}$	1.28
Feeder depots	0.50	0.51	(October to March)		..	..

Continued on next page.

TABLE 15 (continued)

	England and Wales		Scotland[1]		Northern Ireland	
	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre	pence per gallon	pfennigs per litre
10. Depot transport allowances						
Despatched by road	At rates varying with quantity, distance, and type					
Despatched by rail	Actual cost and 25s. per tank	Actual cost and D.M. 14.00 per tank	Actual cost		..	..

(1) An overall margin applies in Scotland; the current rate is given.

(2) Most T.T. milk is sold at the pasteurised price in Scotland and attracts the appropriate margin.

(3) These figures relate to the area of the Scottish Milk Marketing Board, and the figures in brackets apply where T.T. milk is actually sold at the full maximum price for that grade.

.. not applicable; * subject to negotiation.

Source : Thorold Committee report; op. cit.; Appendix 5, pp. 56.-57.

COSTINGS SAMPLE, MILK DISTRIBUTORS.

TABLE 16.

	England and Wales		Scotland		Northern Ireland	
	No. of establishments	Proportion of milk handled	No. of establishments	Proportion of milk handled	No. of establishments	Proportion of milk handled
		per cent		per cent		per cent
Retailers	100	27	37	28	9	25
Processing retailers					7	
Wholesalers	30	30	26	"very high"	7	50
Depots	40	"substantial"	*	*	-	-

* Depots are included in the Scottish sample only occasionally.

Source : Thorold Committee Report; op. cit.; Chap. VIII, para. 69.

In practice the total returns available to a producer selling his own milk are greater than the sum of the guaranteed producer price (as it applies to producer-retailers) and the retail margin, as the following example shows (April 1962 figures) :-

	pence per gallon	pfennigs per litre
Retail price ordinary pasteurised milk	64.000	65.70
Retail margin	19.000	19.50
Total returns to producer-retailer as producer	45.000	46.19
Guaranteed T.T. Milk price to producer-retailers as producers	35.875	36.83
Less T.T. premium	4.000	4.11
Difference between receipts and "entitlement"	5.125	5.26

Accordingly, producer-retailers repay their excess receipt (in this case $5\frac{1}{8}$ p.p.g.) in the form of a levy to the Boards in order to bring their total remuneration to the prescribed level. In practice, because producer-retailers are not affected by reductions in the basic guaranteed price resulting from supplies in excess of the standard quantity for the area, their actual return over and above that received by wholesale producers is much greater than the 1.75 p.p.g. (1.80 pf. p.l.) to which they are entitled. In 1961/2 producer-retailers actually received a total of 5.92 p.p.g. (6.08 pf.p.l.) more than wholesale producers.

Despite this additional return, the numbers of producer-retailers have rapidly declined in recent years, as Table 17 shows, and most of those remaining also have wholesale contracts with the Boards. The main reasons for this decline are the :-

(i) high costs of bottling relatively small quantities of milk,(22)

(ii) inadequacy of the retail margin where delivery costs are high (especially in the rural areas where producer-retailers are typically found).

PRODUCER-RETAILER NUMBERS, 1938/9 to 1960/1.

TABLE 17.

At 31st March	England and Wales		Main Scottish Area
	Total	With wholesale contract	
1939	61,880	23,900	2,883
1954	26,880	21,900	7,723
1955	23,867	18,800	1,615
1956	20,432	16,400	1,510
1957	17,674	14.700	1,433
1958	15,670	13,300	1,304
1959	14,085	12,100	1,264
1960	12,873	11,200	1,218
1961	11,955	10,700	1,227

Source : Dairy Facts and Figures, 1961; M.M.B. England and Wales.
Scottish Dairy Facts and Figures, 1961; S.M.M.B.

(22) Under the Government's safe milk policies all milk sold retail must be bottled.

5. Channel Islands Milk.

Milk produced from cows of the Jersey, Guernsey and South Devon breeds, and having not less than four per cent butter fat, is sold at a premium to consumers. The premium is shared between producers and distributors on an agreed basis. Special contracts are signed with distributors setting out the seasonal price premium which will be paid to producers. These premiums are collected by the Boards and passed on to the producers concerned. Very little milk of this type is produced in Scotland and Northern Ireland, and threequarters of that produced in England and Wales is located in the southern regions. Milk of this type now represents about seven per cent of the total liquid supply.

CHANNEL ISLANDS MILK, ENGLAND AND WALES, 1954/5 to 1960/1.

TABLE 18.

Year	No. of contracts	Volume		Value to producers of premiums	
		million gallons	million litres	£ million	D. M. million
1954/5	n. a.	67.75	307.99	1.15	12.88
1955/6	n. a.	79.75	362.54	1.63	18.26
1956/7	n. a.	88.25	401.18	1.81	20.87
1957/8	9,624	89.50	406.87	1.85	20.72
1958/9	9.393	87.00	395.50	1.76	19.71
1959/60	9,415	94,96	431.69	2.28	25.54
1960/1	9,273	98.00	445.51	2.46	27.55

Source : Dairy Facts and Figures 1961; M.M.B. England and Wales. Annual Report Quality Milk Producers Ltd., 1960.

6. School and Welfare Milk Schemes.

Under the Milk-in-Schools scheme pupils at all schools receive one third of a pint (0.19 l.) of milk per day free. Under the Welfare Milk Scheme one pint (0.57 l.) of milk is supplied daily to nursing and expectant mothers and to children under five years of age at approximately half the normal retail price.

The quantities of milk moving under these schemes and the total cost of the welfare milk subsidies in recent years are shown in Table 19.

These subsidies are primarily consumer subsidies in intent and content. Nevertheless, they are clearly of importance to producers, firstly because milk so consumed is counted as part of the standard quantity and attracts the full guarantee, and secondly because, to some extent, the habit of drinking liquid milk is inculcated in children from an early age.

7. Other Subsidies.

Milk producers receive one other specific subsidy in addition to the price subsidies. This is under the Tuberculosis (Attested Herds) scheme whereby producers are given special inducements and assistance to bring their herds and buildings up to T.T. standard.(23) Payments are spread over six years.

(23) Attested herds are those in which the animals are free from bovine tuberculosis. If the dairy buildings and methods are also of an approved standard, the farm can obtain a licence to sell T.T. milk.

SCHOOL AND WELFARE MILK, SALES AND SUBSIDIES, UNITED KINGDOM, 1955 to 1961.

TABLE 19.

	VOLUME					SUBSIDY					
	School milk		Welfare milk		School and welfare milk as proportion total liquid consumption	School milk		Welfare milk		Total	
	million gallons	million litres	million gallons	million litres	per cent	£ million	D. M. million	£ million	D. M. million	£ million	D. M. million
	Calendar years					Year ending March					
1955	56.4	256.4	169.2	769.2	14.9	12.2	136.6	29.6	331.5	41.8	468.2
1956	55.2	250.9	172.8	785.5	15.0	13.2	147.8	31.4	351.7	44.6	499.5
1957	54.0	245.5	177.6	807.4	15.4	13.2	147.8	34.2	383.0	47.4	530.9
1958	56.4	256.4	181.2	823.7	15.7	13.8	154.6	24.9	278.9	37.7	422.2
1959	57.6	261.8	184.8	840.1	15.8	13.6	152.3	24.5	274.4	38.1	426.7
1960	56.4	256.4	190.8	867.4	15.9	13.5	151.2	24.5	274.4	38.0	425.6
1961	56.4	256.4	195.6	889.2	15.9	13.4	150.1	25.1	281.1	38.5	431.2

Source : Dairy Facts and Figures, 1962; M.M.B. England and Wales.
Monthly Digest of Statistics.

Farmers can elect to receive the subsidy either directly, in which case they are paid £2 (D.M. 22.40) per head of cattle for four years and a further £1 per head for the next two years, or the subsidy can be paid as an addition to the milk price. In the latter event the payments are administered by the Boards and the payment is 2 p.p.g. (2.05 pf.p.l.) for four years and 1 p.p.g. for two further years. The total cost of this subsidy for 1960/1 was £8.9 million (D.M. 99.7 million) and the estimated cost in 1961/2 is put at £7.5 million (D.M. 84.0 million).(24)

Payments under the Scheme will end in 1966, by which time all milk will be of T.T. standard. All herds in the United Kingdom are attested, and all the milk in Scotland and 93 per cent of that in England and Wales is produced under T.T. licence.

Additionally milk producers also benefit from a host of other grants and subsidies, though not exclusively. Thus, some 60 per cent of the assistance given under the Small Farm Scheme has gone to dairy farms, and a great deal of investment on dairy farms in recent years has been financed by grants available under the Farm Improvement Scheme. It is not known to what extent milk producers per se also benefit from such subventions as the fertiliser subsidy, ploughing and drainage grants.

8. Publicity and Sales Promotion.

All five milk marketing Boards devote funds to the promotion of sales of liquid milk and milk products. Total expenditure by the Boards in 1960/1 was over £2 million, and expenditure in 1961/2 was even higher.

PRODUCERS' EXPENDITURES ON SALES PROMOTION, 1960/1.

TABLE 20.

	Expenditure		As proportion of turnover	Per unit of sales	
	£ million	D. M. million	per cent	pence per gallon	pfennigs per litre
England and Wales	1.72	19.26	0.63	0.21	0.22
Main Scottish area	0.13	1.46	0.43	0.14	0.14
Aberdeen and District	0.01	0.11	0.44	0.13	0.13
North of Scotland	0.01	0.11	0.69	0.23	0.24
Northern Ireland	0.22	2.46	1.38	0.48	0.49
United Kingdom	2.09	23.41	0.65	0.22	0.23

Source : Annual Reports and Accounts, year ended March 1961, Milk Marketing Boards.

Each Board has its own sales promotion division, and in addition, the England and Wales Board contributes funds jointly with distributors and manufacturers to the National Milk Publicity Council,(25) which is

(24) Civil Estimates, 1961/2; Class VIII.

(25) There is a comparable organisation in Northern Ireland, the Northern Ireland Milk Publicity Council.

a body representative of producers and the trade charged with the promotion of milk, cream and English and Welsh cheeses. The promotion of English and Welsh local cheeses is done by a subsidiary of the N.M.P.C. called the English County Cheese Council. Distributors contributions are raised by imposing a specific publicity levy of a fraction of a penny per gallon on milk sold by them in certain months of the year.

All the Boards join with Commonwealth countries in promoting the consumption of cheese, irrespective of origin or variety, through an organisation called the Cheese Bureau.

Similarly, all five Boards are members of the Butter Information Council, together with the dairying associations of New Zealand, Australia, Denmark, Holland, Eire, Sweden and Finland, and contribute funds(26) for the promotion of sales of butter - again irrespective of origin.

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(26) Contributions are levied at the rate of £1 for each ton of butter manufactured in, or exported to, the United Kingdom (D.M. 11.02 per metric ton).

III. MILK DISTRIBUTION.

1. Distributive Channels.

Milk may follow a variety of routes in moving from farms to consumers. The most direct is sales of farm-bottled by producer-retailers, but these now account for only a very small proportion of total sales. By far the major part of the milk destined for liquid market passes through the hands of intermediate distributors.

It may go direct from farms to processing retailers where it is heat-treated, bottled and delivered daily to households, or it may go first through the hands of wholesalers who heat-treat and bottle it and sell it to non-processing retailers. An additional stage may be passed through by milk from areas remote from centres of population, which is first assembled, tested, cooled and bulked at country depots before passing to wholesalers or processing retailers. The depots play an important part in balancing supplies, and most manufacturing of surplus milk is performed in depots.

However, the full distributive pattern is more complicated than this since some depots also process milk, most wholesalers also sell retail and some manufacturing is undertaken by processors.

Figures 2 to 4 give details of the quantities of milk moving along different routes in the year ending the 31st March, 1961, and Table 21 illustrates the trend towards functional specialisation which has occurred in recent years.

In at least two important respects the pattern of distribution is influenced by the system of remunerating distributors described in the previous section.

Under these arrangements a processer pays no more for milk which passes first through depots and arrives on his premises in bulk in tankers than he pays for milk arriving directly from farms in churns. Since bulk supplies are in every way more convenient and since the ex-farm allowance of 0.375 p.p.g. (0.385 pf.p.l.) is not adequate to cover the costs of providing churns and receiving milk, there is no encouragement for processers to take ex-farm supplies. This has led to a situation in some areas where milk is making unnecessary journeys; that is, an unduly large proportion of liquid milk moves through depots, thereby increasing the costs of distribution.

DISTRIBUTION OF LIQUID MILK BY SECTORS, ENGLAND AND WALES, 1950 to 1959.
(as in June)

TABLE 21.

	1950			1955			1959		
	As porportion of total liquid sales (%)								
	Heat-treated	Un-treated	Total	Heat-treated	Un-treated	Total	Heat-treated	Un-treated	Total
Producer-retailers	0.7	10.7	11.4	0.8	5.6	6.4	0.7	3.7	4.4
Depots	0.7	-	0.7	0.5	0.1	0.6	0.8	-	0.8
Processers	58.1	1.1	59.2	63.5	0.7	64.2	64.9	0.5	65.4
Non-processing retailers	20.7	8.0	28.7	26.1	2.7	28.8	28.0	1.4	29.4
TOTAL	80.2	19.8	100.0	90.9	9.1	100.0	94.4	5.6	100.0

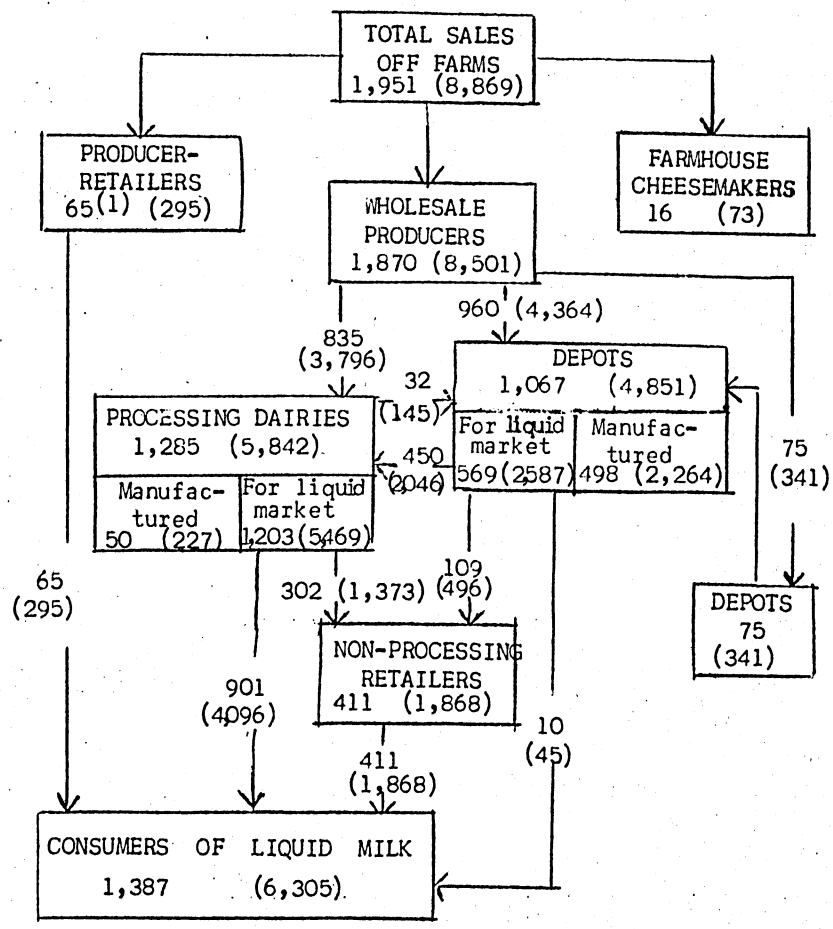
Source : STRAUSS, E.; The Structure of the English Milk Industry; Jour. Roy. Stats. Soc., Vol. 123, Pt. 2, 1960: pp. 140-173,

FIGURE 2.

MILK FLOW CHART - ENGLAND AND WALES

Twelve months April, 1960 - March, 1961.

Million Gallons and Million Litres



(1) Includes farm bottled milk sold to other distributors and not direct to consumers, but excludes milk purchased from the Board to supplement producer-retailers' own production.

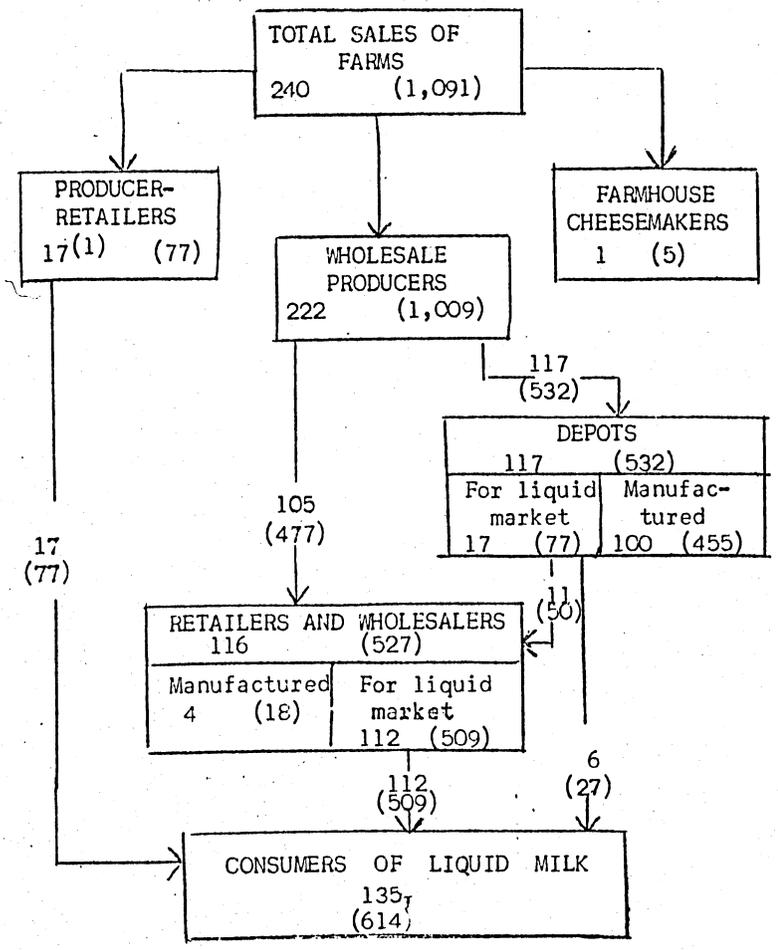
Source : Thorold Committee report; op. cit.; Appendix.

FIGURE 3.

MILK FLOW CHART - SCOTLAND

Twelve months April, 1960 - March, 1961.

Million Gallons and Million Litres.



(1) Includes certified milk sold to other distributors and not direct to consumers, but excludes milk purchased through the Boards to supplement producer-retailers' own production.

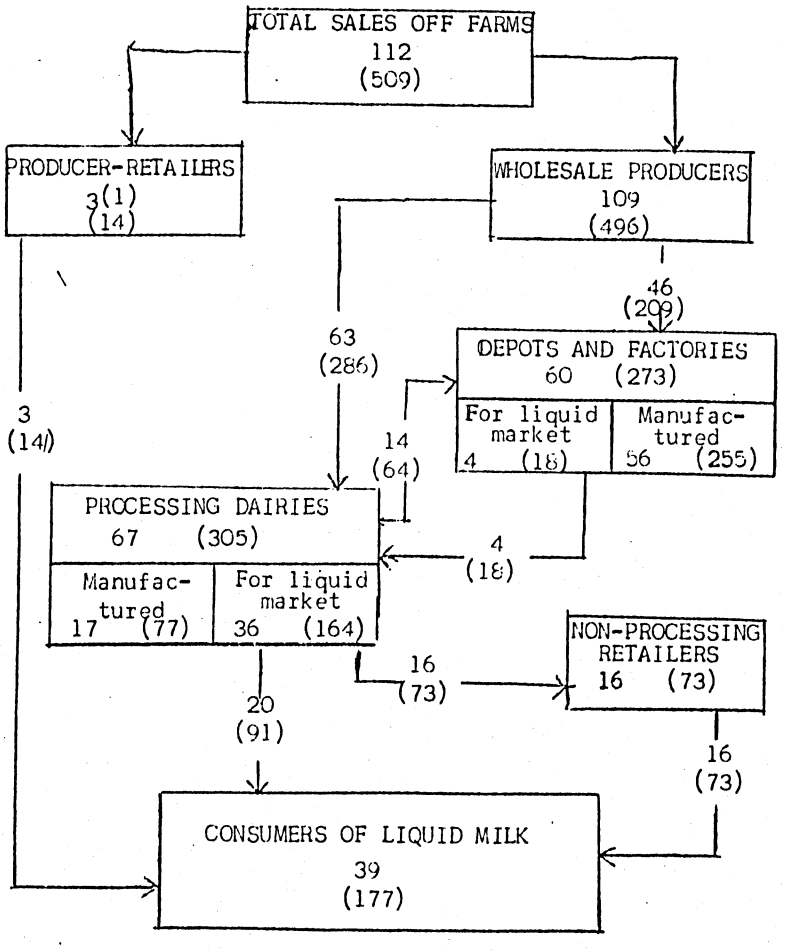
Source : Ibid.

FIGURE 4.

MILK FLOW CHART - NORTHERN IRELAND

Twelve months April, 1960 - March, 1961.

Million Gallons and Million Litres.



(1) Includes 2 million gallons supplied by producer-retailers to distributors.

Source : Ibid.

This distortion is much more acute in England and Wales than in Scotland and Northern Ireland, mainly because the Boards in the latter areas own most of the depots and have used them principally for the manufacture of products. The proportion of sales for liquid consumption passing through depots in 1960/1 was as follows :-

England and Wales	...	40 per cent
Scotland	...	8 per cent.
Northern Ireland	...	11 per cent.

The Thorold Committee has recommended that the flow of milk direct from farms to processers should be encouraged by making the ex-farm allowance more generous, and by making processers who prefer to receive bulk supplies from depots pay for the added convenience out of their margins.(27)

A second distortion in milk distribution has arisen from the anomalous situation existing in England and Wales whereby different allowances are paid for the heat-treatment and bottling of milk according to whether these functions are performed by wholesalers or by processing-retailers. Thus the allowance for heat-treatment and bottling is 1.75 p.p.g. (1.80 pf.p.l.) if done by a processing retailer, and from 2 to 2⅞ p.p.g. (2.05 to 2.95 pf.p.l.) if done by a wholesaler who then sells the milk to a non-processing retailer, (see Table 15).

To the extent that this has impeded the integration of the two functions, too many small retailers and an unnecessarily specialised distributive industry have been perpetuated, and the cost of liquid milk distribution to the Exchequer (and ultimately to consumers) has been higher than necessary.

The very sensible remedy proposed by the Thorold Committee is to combine the wholesale allowance and the retail margin into one overall distributive margin, and to let competitive forces determine the functional structure of the distributive industry and the allocation of the margin between processing and non-processing retailers.(28) This, broadly, is the situation which already exists in the Scottish Board areas.

2. Structure.

The information available on the structure of the milk distributive industry is fragmentary in so far as there is insufficient data to permit the enterprise structure of the industry to be related precisely to the flow charts shown in Figures 2 to 4. Also, there are virtually no data available for Scotland and Northern Ireland, or for the United Kingdom as a whole. Furthermore, nothing is known about the size distribution of non-processing retailing businesses, of which there are thought to be about 7,000 in Great Britain.

However, for England and Wales, the numbers of establishments and organisations engaged in the three broad functional activities of buying ex-farm supplies, processing milk for liquid consumption (heat-treating and bottling) and manufacturing surplus milk into products are known, and so is the size distribution of the firms within each division. This information is summarised in Table 22. It will be appreciated that there is considerable overlapping between these divisions; processers are involved in manufacturing, though mostly this is done at country depots, and depots also heat-treat and bottle some milk.

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(27) Thorold Committee Report; op. cit., para. 61, p. 16.

(28) Thorold Committee Report; op. cit., para. 100, p. 25.

STRUCTURAL CHARACTERISTICS OF THE MILK INDUSTRY.
(various intervals, 1959)

TABLE 22.

Size Group(1)	As proportion of total					
	Ex-farm purchases (April)		Processed milk sales (June)		Manufacture (year to September)	
	Numbers	Throughput	Numbers	Throughput	Numbers	Throughput
	%	%	%	%	%	%
	(i) Size distribution by establishments					
Small	60.7	3.6	41.9	4.1	64.0	3.8
Medium	29.6	34.5	48.1	42.4	25.7	30.1
Large	5.2	22.6	6.5	21.8	7.2	35.5
Very large	4.5	39.3	3.5	31.7	3.1	30.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Absolute totals	1506	m.g. 150.2 m.l. 682.8	890	m.g. 111.1 m.l. 505.1	404	m.g. 363.0 m.l. 1650.2
	%	%	%	%	%	%
	(ii) Size distribution by organisations					
Small	78.9	3.1	60.6	3.8	78.2	2.7
Medium	18.5	12.1	35.3	17.4	17.1	9.9
Large	1.8	9.3	3.2	10.3	1.9	9.2
Very large	0.8	75.5	0.9	68.5	2.8	78.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Absolute totals	1105	m.g. 150.2 m.l. 682.8	580	m.g. 111.1 m.l. 505.1	257	m.g. 363.0 m.l. 1650.2

(1) The size groups are defined as follows :-

	Ex-farm intake and processing (gallons per day)	Manufacturing (million gallons per year)
Small	less than 1,000	less than 0.25
Medium	1,000 - 9,999	0.25 - 2.99
Large	10,000 - 19,999	3.00 - 5.99
Very large	20,000 and over	6.00 and over

Source : STRAUSS, E.; op. cit.

Despite these inadequacies in the data the overall structural pattern of the distributive and manufacturing industry is clear. The outstanding characteristic is a high degree of concentration. At the enterprise level, the picture is of an industry with many small establishments accounting for a negligible share of the total volume of business: a large section of medium sized establishments whose numbers correspond to their share of total volume: and an "upper tenth" of large and very large establishments responsible for over one half of the strategic processing function, over 60 per cent of ex-farm purchases and two thirds of manufacturing. The economic power structure of the industry is even more concentrated, with large and very large organisations dominating 80 to 90 per cent of each activity.

This is the national picture. At the local level also there is typically a high degree of concentration. The normal situation in most towns and cities is for a major part of the milk supply to be heat-treated and bottled by not more than three processing firms.

An additional important structural attribute about which there are no precise quantitative data available is the degree of vertical integration within the industry. However, this is known to be extensive.

Although the industry has become progressively more concentrated with time, and especially in recent years, the situation facing milk producers in the 1920's was essentially similar to that outlined above. The distributive trade, especially at the strategically placed processing stage, has long been dominated by large organisations, and the need to countervail their considerable market power was a prime reason for milk producers combining together to influence the marketing of their product. To-day, with two private organisations and the consumers co-operative movement dominating milk distribution, the need for producers to form centralised bargaining organisations would be even more imperative, and would doubtless occur even if the Agricultural Marketing Acts had never been brought into existence or were now to be removed from the Statute book.

3. Restrictive Practices.

It is not proposed in this section to detail the restrictive practices which are operated in the milk industry, but merely to state the position of the milk Boards and the distributive trades in relation to anti-monopoly legislation.

The major legislative instrument in this field is the Restrictive Trade Practices Act, 1956. Under this Act all agreements between persons or parties accepting restrictions on :

(i) prices to be paid, quoted or charged,

(ii) the terms or conditions of transactions,

(iii) quantities to be offered or purchased,

(iv) persons with whom transactions may be conducted, and

(v) the areas or places in, or from which goods may be supplied,

must be registered with a Registrar of Restrictive Practices. Agreements are subject to examination by a Restrictive Practices Court, and the Court may declare agreements void if they find them to be "against the public interest".

The essence of the situation with regard to agricultural producers' marketing organisations formed under the aegis of the Agricultural Marketing Acts is that they are exempted from the provisions of the Restrictive Trade Practices Act, Section 8(1) of which states that the Act "does not apply to any agreement which is expressly authorised by an enactment, or by any scheme, order or other instrument made under any enactment". That is, since producers are expressly allowed under the Agricultural Marketing Acts to combine together to restrain competition amongst themselves, to fix prices, to dictate terms and conditions of sale, and to determine to whom and through whom sales may be made, they cannot be prevented from so doing under the Restrictive Trade Practices Act.

In the same way, since Section 66 of the Milk Marketing Scheme (Amendment) Order 1955 expressly stated that the Boards must consult with distributors and manufacturers in a Joint Committee on prices and other matters pertaining to the sale of milk, agreements reached between the parties are de jure exempted from registration and regulation by the Restrictive Practices Court.

In contrast, restrictive agreements which are not specifically sanctioned must be registered, and are liable to be declared void. For instance, agreements between local milk retailers on quantity discounts and the sharing of market territories have had to be registered.(29) So too have agreements between manufacturers of milk products on such matters as selling prices and quantity discounts.

An interesting feature of many of the agreements in the milk and milk products industry is the claim that they owe their origin to the emergence of the Milk Marketing Boards and the need to countervail the Boards' powers as monopolistic suppliers of milk. However, it is clear that most of the agreements go far beyond the need to present a united front to the Boards, and aim primarily at restricting horizontal competition in their own markets.

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(29) Many of the market area sharing agreements have grown out of the schemes for rationalising retail distribution which were carried out during the war.

IV. TRADE IN MILK PRODUCTS.

Details are given in Table 23 of the full tariffs levied by the United Kingdom on major categories of milk products. Imports from Commonwealth countries, South Africa and Eire enter duty free, and exports from E.F.T.A. countries of canned sterilised cream and blue veined cheese have had the right of duty free entry since July, 1960.

Tables 24 to 30 summarise the recent pattern and balance of trade in the main categories of milk products. The important features revealed by this data are :

(i) the (unique) dependence of the United Kingdom on imported supplies of the main milk products and particularly of butter and cheese,

(ii) that major shares of the United Kingdom butter and cheese markets are held by New Zealand, Australia and Denmark,

(iii) the relatively more rapid growth of butter and cheese supplies from countries other than the three mentioned above, and the wide year-to-year fluctuations in imports of butter (and to a lesser extent of milk powders) from these minor suppliers,

(iv) the growth in domestic production of butter and cheese, and in the share of the market for these commodities held by domestic producers.

Factors relevant to the interpretation of these trends include firstly, that New Zealand, Australia and Denmark owe their dominant position in the British market primarily to their genuine ability to produce low cost dairy products. Secondly, the two former countries have undoubtedly benefitted from the tariff preferences they enjoy. Thirdly, the tendency for their market shares to decline in recent years has been mainly due to the dumping of dairy products (especially butter) on the British market by a number of minor suppliers, and by the subsidised diversion of an increasing proportion of an enlarged supply of domestically produced milk to manufacturing utilisations, (Table 30). Fourthly, Eastern Area countries have had their market shares restricted by the imposition of quotas.(30)

The dumping of butter, and to a lesser extent milk powder, on the British market has been a recurring feature of trade in recent years, and counter-dumping measures have been periodically imposed on representation from the major traditional suppliers. These culminated in a decision by the Government to temporarily restrict imports during the six months October 1961 to March 1962, and to allocate the quotas shown below for the twelve month period ending March 1963. It will

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(30) Quotas on imports of dairy products for Eastern Area countries in effect for the 1962/3 year are :

		metric tons	£'000	D.M.'000
Bulgaria	- Butter	1016	..	..
	Cheese	..	50	560
Hungary	- Butter	2032	..	..
	Cheese	..	20	224
Poland	- Butter	20320	..	..
	Cheese	..	35	392
Roumania	- Butter	310	..	..
	Cheese	..	25	280
Peoples Republic of China	- Butter	..	100	1120
	Processed Milk	..	25	280

IMPORT DUTIES ON MAJOR TYPES OF DAIRY PRODUCTS, UNITED KINGDOM, 1962.

TABLE 23.

Section No.	Product Code No.	Description	Full Duty
04.01	11902	Milk	10%
	11001	Cream : Fresh, unsweetened	10%
		Preserved, sweetened	Not less than 10% including sugar duty
04.02	11101	Preserved, unsweetened	
	11101	Canned[1]	10%
	11101	Other	10%
		Butter	15s. per cwt. (D.M. 165 per metric ton)
		Cheese : Blue-veined[1]	10%
		Other	15%
	11121	Condensed Milk : Unsweetened whole	6s. per cwt. (D.M. 66 per metric ton)
	11141	Sweetened whole	5s. per cwt.[2] (D.M. 55 per metric ton)
		Sweetened, separated or skimmed	Not less than 10% including sugar duty
	11201, 11221, 11241, 11271	Milk powder : Sweetened :	
		Not more than 10% sweetening matter	5s. 4d. per cwt.[2] (D.M. 53 per metric ton)
		10-50% sweetening matter	3s. 4d. per cwt.[2] (D.M. 33 per metric ton)
		Other	6s. per cwt.[2] (D.M. 66 per metric ton)
		Milk powder and other preserved milk	6s. per cwt.[2] (D.M. 66 per metric ton)

(1) No duty on E.F.T.A. supplies.

(2) Plus sugar duty. Commonwealth products incur preferential sugar duties at only 50 per cent of the full rates.

Source : H.M. Customs and Excise Tariff.

be seen that the main weight of the quotas has fallen on minor supplies; quotas for New Zealand, Australia, Denmark and Sweden are either virtually the same as sendings in 1961, or are increased.

	1961 shipments	1962/3 quota
	'000 metric tons	
New Zealand	158.7	158.5
Australia	60.0	63.0
Kenya	0.6	1.7
South Africa	12.1	2.0
Denmark	95.4	93.0
Sweden	2.4	4.7
Norway	2.1	1.7
Austria	1.2	1.7
Eire	15.2	12.2
France	16.0	2.4
Netherlands	16.1	14.2
Finland	13.5	11.7
Argentina	11.4	9.7
Poland	20.4	16.3
Others	4.8	3.5
TOTAL	430.0	396.2

This movement towards market regulation by quota, although motivated primarily by the desire to raise Commonwealth and E.F.T.A. countries earnings, is, when coupled with the decision taken following the 1962 Review that henceforth the price of liquid milk will cover the full cost of the guarantee, symptomatic of a trend in agricultural policy towards shifting the cost of farm income support from the Exchequer to the consumer.

Most of the complaints concerning dumping made by Commonwealth and E.F.T.A. countries to the British Goverment have been directed primarily against third countries. However, there is no doubt that subsidised production of marginal supplies of dairy products from domestic sources has contributed to their difficulties, and the Government has on occasions specifically stressed the undesirable consequences within the Commonwealth of the continuing increase in domestic milk output, most of which must be manufactured.

Finally, Britain's uniquely low degree of self-sufficiency in milk and milk products is worth emphasising. Domestic milk supplies currently account for only 52 per cent of total consumption (expressed in terms of milk equivalent) and though the degree of autarchy is higher than it was before the war (Table 31), most of the increase occurred by 1950, since when the rate of growth of self-sufficiency has been only moderate. The United Kingdom remains the only large market for exports of dairy products in Europe. And, of course, this fact, together with the growing exportable milk surplus in the E.E.C. and the adverse effect on consumption which may result from the E.E.C. dairy products price policy, represents a danger to the trade of Commonwealth countries should Britain join the E.E.C.

UNITED KINGDOM IMPORTED AND DOMESTIC BUTTER SUPPLIES AND EXPORTS, 1954 to 1961.

TABLE 24. '000 metric tons

IMPORTS :	1954	1955	1956	1957	1958	1959	1960	1961
Major traditional suppliers								
New Zealand	123.5	123.7	158.3	148.5	172.7	165.1	149.3	158.7
Denmark	102.8	86.2	89.8	88.4	96.8	96.1	99.8	95.4
Australia	29.7	74.4	77.0	54.3	50.1	65.1	59.3	60.0
Total	256.0	284.3	325.1	291.2	319.6	326.3	308.4	314.1
Minor traditional suppliers								
Eire	3.9	1.0	0.3	14.7	16.5	0.9	7.3	15.2
Argentina	5.8	7.4	10.5	12.5	4.8	14.4	15.7	11.4
Finland	1.7	-	9.6	20.6	13.8	12.1	22.7	13.5
Netherlands	14.4	10.7	9.8	12.9	30.2	13.7	17.6	16.1
Poland	0.2	3.1	-	0.9	16.1	17.0	21.7	20.4
Sweden	1.0	-	1.4	14.3	12.0	-	4.2	2.4
Total	27.0	22.2	31.6	75.9	93.4	58.1	89.2	79.0
Occasional suppliers								
Canada	-	-	-	-	-	6.1	-	-
Austria	0.5	-	-	1.2	4.6	2.9	2.9	1.2
Hungary	-	0.7	1.4	0.2	2.3	1.0	2.1	1.7
France	-	4.0	0.6	0.8	2.7	1.2	3.8	15.9
Norway	0.5	0.1	-	0.4	2.1	3.1	4.9	2.2
U.S.A.	-	-	-	-	-	5.3	0.1	-
Other	1.7	1.1	1.0	1.4	4.8	3.1	3.4	15.9
Total	2.7	5.9	3.0	4.0	16.5	22.7	17.2	36.9
TOTAL IMPORTS	285.7	312.4	359.7	371.1	429.5	407.1	414.8	430.0
UNITED KINGDOM PRODUCTION	23.2	15.0	25.5	34.5	30.2	14.5	38.0	49.3
TOTAL SUPPLIES	308.9	327.4	385.2	405.6	459.7	421.6	452.8	479.3
EXPORTS AND RE-EXPORTS	1.2	4.3	3.6	4.4	4.6	2.4	2.7	3.3

Source : Commonwealth Economic Committee Annual Reports and Monthly Intelligence Bulletins; various.

PERCENTAGE SHARES OF UNITED KINGDOM BUTTER SUPPLIES, 1954 to 1961.

TABLE 25. Per cent

Suppliers	1954	1955	1956	1957	1958	1959	1960	1961
Major traditional	82.9	86.8	84.4	71.8	69.6	77.4	68.1	65.5
Minor traditional	8.7	6.8	8.2	18.7	20.3	13.8	19.7	16.5
Occasional	0.9	1.8	0.8	1.0	3.6	5.4	3.8	7.7
Total imports	92.5	95.4	93.4	91.5	93.5	96.6	91.6	89.7
United Kingdom production	7.5	4.6	6.6	8.5	6.5	3.4	8.4	10.3
TOTAL SUPPLIES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : Commonwealth Economic Committee Annual Reports and Monthly Intelligence Bulletins; various.

UNITED KINGDOM IMPORTED AND DOMESTIC CHEESE SUPPLIES AND EXPORTS, 1954 to 1961.

TABLE 26. '000 metric tons

	1954	1955	1956	1957	1958	1959	1960	1961
IMPORTS :								
Major traditional suppliers								
New Zealand	92.5	82.8	91.2	86.7	81.9	77.2	78.6	81.0
Australia	17.9	20.1	12.7	12.3	6.7	13.5	15.4	15.1
Denmark	9.5	10.7	11.4	10.9	10.2	10.3	10.6	10.2
Netherlands	7.6	7.1	7.2	6.1	9.1	14.6	9.2	7.7
Canada	1.9	6.1	4.6	3.1	6.8	8.8	8.5	7.8
Total	129.4	126.8	127.1	119.1	114.7	124.4	122.3	121.8
Minor traditional suppliers								
Italy	0.8	0.9	1.8	1.1	1.1	1.1	1.4	1.4
France	0.7	0.8	0.8	0.8	0.7	0.9	1.0	1.4
Switzerland	0.8	0.8	0.9	0.9	0.9	1.1	1.2	1.0
Norway	0.3	0.5	2.1	2.8	2.3	4.1	3.3	3.1
South Africa	1.0	0.4	-	-	-	1.4	2.0	3.4
Total	3.7	3.4	5.7	5.6	5.0	8.6	8.9	10.3
All others	1.0	0.8	3.9	0.6	0.8	5.5	3.6	4.6
TOTAL IMPORTS	134.1	131.0	136.7	125.3	120.5	138.5	134.8	136.7
UNITED KINGDOM PRODUCTION	82.8	64.1	101.5	116.0	96.7	88.9	110.5	114.3
TOTAL SUPPLIES	216.9	195.1	238.2	241.3	217.2	227.4	245.3	251.0
EXPORTS AND RE-EXPORTS	2.1	6.6	2.3	5.4	5.9	2.4	3.1	3.0

Source : C.E.C. op. cit.

PERCENTAGE SHARES OF UNITED KINGDOM CHEESE SUPPLIES, 1954 to 1961.

TABLE 27.

Per cent

Suppliers	1954	1955	1956	1957	1958	1959	1960	1961
Major traditional	59.7	65.0	53.4	49.3	52.8	54.7	49.9	48.5
Minor traditional	1.7	1.8	2.4	2.3	2.3	3.8	3.7	4.1
Others	0.4	0.4	1.6	0.3	0.4	2.4	1.4	1.8
Total imports	61.8	67.2	57.4	51.9	55.5	60.9	55.0	54.5
Domestic production	38.2	32.8	42.6	48.1	44.5	39.1	45.0	45.5
TOTAL SUPPLIES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : C.E.C. op. cit.

UNITED KINGDOM IMPORTED AND DOMESTIC CONDENSED MILK SUPPLIES AND EXPORTS, 1954 to 1961.

TABLE 28. '000 metric tons

	1954	1955	1956	1957	1958	1959	1960	1961
		(i) Unsweetened whole						
IMPORTS :								
Netherlands	+	0.1	0.1	0.1	2.3	7.4	7.1	6.7
Denmark	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.9
Others	0.4	+	-	+	+	+	+	+
TOTAL IMPORTS	0.5	0.2	0.2	0.2	2.5	7.7	7.3	7.6
UNITED KINGDOM PRODUCTION	60.9	102.4	113.6	105.4	114.6	107.3	113.7	108.8
TOTAL SUPPLIES	61.4	102.6	113.8	105.6	117.1	115.0	121.0	116.4
EXPORTS AND RE-EXPORTS	n.a	n.a.	10.3	17.9	17.1	13.7	15.2	12.3
		(ii) Sweetened whole						
IMPORTS :								
Netherlands	0.1	0.2	0.2	0.2	0.4	0.4	0.4	0.6
Denmark	0.1	+	+	0.6	1.0	1.7	0.9	0.9
Others	2.1	+	0.4	+	+	+	+	+
TOTAL IMPORTS	2.3	0.2	0.6	0.8	1.4	2.1	1.3	1.5
UNITED KINGDOM PRODUCTION	43.0	52.0	57.7	54.6	45.1	48.2	52.6	49.5
TOTAL SUPPLIES	45.3	52.2	58.3	55.4	46.5	50.3	53.9	51.0
EXPORTS AND RE-EXPORTS	n.a.	n.a.	25.3	26.8	21.2	19.9	25.7	26.7
		(iii) Sweetened skim						
IMPORTS :								
Netherlands	0.1	0.2	0.1	0.1	0.3	0.4	0.4	0.4
Denmark	+	+	-	+	+	0.2	0.4	0.1
Eire	0.8	0.5	0.4	0.1	0.2	0.1	0.2	0.3
Others	+	+	+	+	+	+	+	0.1
TOTAL IMPORTS	0.9	0.7	0.5	0.3	0.6	0.7	1.0	0.9
UNITED KINGDOM PRODUCTION	19.5	25.8	22.8	25.0	22.3	28.7	22.9	26.1
TOTAL SUPPLIES	20.4	26.5	23.3	25.3	22.9	29.4	23.9	27.0
EXPORTS AND RE-EXPORTS	2.1	5.3	2.6	2.7	0.6	1.2	1.0	0.8

Source : C.E.C.; op. cit.

UNITED KINGDOM IMPORTED AND DOMESTIC MILK POWDER SUPPLIES AND EXPORTS, 1954 to 1961.

TABLE 29 '000 metric tons

	1954	1955	1956	1957	1958	1959	1960	1961
			(i) Unsweetened whole					
IMPORTS :								
Australia	2.1	0.5	0.6	0.5	0.8	0.9	1.4	0.4
New Zealand	5.6	3.5	3.3	3.2	3.3	4.1	3.3	3.5
Eire	0.8	1.4	1.7	1.6	1.0	1.5	2.0	2.6
Denmark	+	0.3	0.5	0.7	1.6	2.1	1.8	2.5
Netherlands	+	0.8	1.9	1.6	2.4	5.3	3.0	2.1
Others	-	+	0.1	+	0.2	1.2	3.5	4.9
TOTAL IMPORTS	8.5	6.6	8.1	7.6	9.3	15.1	15.0	16.0
UNITED KINGDOM PRODUCTION	21.8	22.3	31.4	31.4	28.9	27.9	26.5	27.1
TOTAL SUPPLIES	30.3	28.9	39.5	39.0	38.2	43.0	41.5	43.1
EXPORTS AND RE-EXPORTS	1.6	4.3	1.3	1.6	1.5	1.5	1.0	1.6
			(ii) Sweetened and unsweetened skim					
IMPORTS :								
Australia	8.9	6.5	14.0	6.6	9.9	24.6	9.9	1.3
New Zealand	32.1	19.5	26.2	34.4	28.3	35.0	27.1	23.1
Eire	+	0.2	2.0	3.8	4.0	3.3	4.0	6.1
Denmark	+	0.2	1.4	0.5	0.4	-	-	+
Netherlands	-	1.1	0.4	-	0.6	5.3	-	0.1
Others	+	0.2	0.4	+	0.9	7.4	1.8	4.4
TOTAL IMPORTS	41.0	27.7	44.4	45.3	44.1	75.6	42.8	35.0
UNITED KINGDOM PRODUCTION	28.4	22.9	38.8	38.6	28.5	21.0	58.7	65.7
TOTAL SUPPLIES	69.4	50.6	83.2	83.9	72.6	96.6	101.5	100.7
EXPORTS AND RE-EXPORTS(1)	1.4	4.1	0.9	13.5	11.6	5.6	8.1	13.8
			(iii) Buttermilk and whey					
IMPORTS :								
Australia	1.2	0.6	1.1	0.4	0.1	0.6	0.2	+
New Zealand	2.7	5.1	8.4	7.9	7.1	8.8	5.2	4.7
Netherlands	0.1	5.9	3.1	2.1	2.2	5.4	1.5	3.2
Others	-	0.1	+	+	+	0.2	+	+
TOTAL IMPORTS	4.0	11.7	12.6	10.4	9.4	15.0	7.0	7.9
UNITED KINGDOM PRODUCTION	8.8	5.0	6.6	8.4	7.2	8.3	12.2	11.5
TOTAL SUPPLIES	12.8	16.7	19.2	18.8	16.6	23.3	19.2	19.4

(1) Includes buttermilk and whey powder.

Source : C.E.C.; op. cit.

PRODUCTION AND UTILISATION OF WHOLE MILK IN THE UNITED KINGDOM, 1954 to 1961.

TABLE 30.

Million gallons

Description	1954	1955	1956	1957	1958	1959	1960	1961
Liquid consumption	1516.0	1515.0	1520.0	1503.7	1517.8	1537.2	1558.8	1583.5
Manufactured :								
Butter	112.8	82.7	141.6	190.4	166.1	79.9	209.6	271.4
Cheese :								
Factory	180.8	136.5	220.4	254.0	208.5	190.9	237.3	243.0
Farmhouse	7.8	8.1	9.7	11.1	12.3	13.1	16.3	18.9
Milk powder	36.0	39.2	54.6	52.0	48.5	46.6	44.3	44.4
Unsweetened condensed milk	)	)	)	57.2	58.5	59.1	62.0	61.4
Sweetened condensed milk	) 99.3	)122.8	)141.0					
Canned	)	)	)	23.9	18.7	21.4	23.1	20.9
Bulk	)	)	)	9.1	7.6	8.3	9.7	10.3
Chocolate crumb	)	)	)	48.9	43.7	39.1	39.6	40.4
Fresh cream	13.5	19.8	23.9	28.8	37.1	46.2	55.7	66.3
Sterilised cream	10.4	14.2	13.5	13.7	15.2	16.1	16.0	14.5
Other manufactures	2.2	3.9	4.7	8.0	8.2	10.3	10.4	13.4
Total manufactured	462.8	427.2	609.3	697.0	624.4	531.0	724.1	804.8
TOTAL SALES	1978.8	1942.2	2129.3	2200.7	2142.2	2068.2	2283.0	2388.3
Manufactured as proportion of total sales	% 23.4	% 22.0	% 28.6	% 31.7	% 29.1	% 25.7	% 31.7	% 33.7

Million litres

Liquid consumption	6891.7	6887.2	6909.9	6835.9	6899.7	6988.3	7086.5	7198.6
Manufactured :								
Butter	512.7	376.1	643.5	865.5	755.2	363.0	953.0	1233.8
Cheese :								
Factory	821.7	620.6	1001.8	1154.6	947.6	867.7	1078.9	1104.7
Farmhouse	35.5	36.7	44.1	50.3	56.0	59.7	73.9	85.9
Milk powder	163.8	178.3	248.0	236.5	220.6	211.8	201.3	201.8
Unsweetened condensed milk	)	)	)	260.1	266.1	268.7	282.0	279.1
Sweetened condensed milk	)451.6	)558.1	)641.2					
Canned	)	)	)	108.7	85.0	97.3	105.1	95.0
Bulk	)	)	)	41.6	34.5	37.8	43.9	46.8
Chocolate crumb	)	)	)	222.1	198.8	177.6	180.1	183.6
Fresh cream	61.3	90.2	108.5	130.7	168.6	210.0	253.3	301.4
Sterilised cream	47.2	64.3	61.2	62.0	69.2	73.1	72.9	65.9
Other manufactures	10.1	17.9	21.4	36.4	37.1	47.0	47.4	60.9
Total manufactured	2103.9	1942.2	2769.7	3168.5	2838.7	2413.7	3291.8	3658.9
TOTAL SALES	8995.6	8829.4	9679.6	10004.4	9738.4	9402.0	10378.3	10857.5
Manufactured as proportion of total sales	% 23.4	% 22.0	% 28.6	% 31.7	% 29.1	% 25.7	% 31.7	% 33.7

Source : Commonwealth Economic Committee Annual Reports and Intelligence Bulletins; various.

SELF-SUFFICIENCY IN MILK, UNITED KINGDOM AND EUROPE.

TABLE 31.

Country/Area	Domestic output 1960		Trade balance 1960		Net availability 1960		Autarchy coefficient(1)		
	mill. galls.	mill. litres	mill. galls.	mill. litres	mill. galls.	mill. litres	Pre-war	1950	1960
United Kingdom	2707	12306	+ 2482	+11283	5189	23589	38	50	52
Eire	634	2882	- 42	- 191	592	2691	127	102	107
British Isles	3341	15188	+ 2440	+11092	5781	26280	45	55	58
Denmark	1153	5242	- 729	- 3314	424	1928	263	310	272
Finland	739	3359	- 195	- 886	544	2473	124	102	136
Norway	379	1723	- 59	- 268	320	1455	103	108	118
Sweden	838	3810	- 39	- 178	799	3632	118	109	105
Scandinavia	3109	14134	- 1022	- 4646	2087	9488	148	142	149
West Germany	4113	18698	+ 344	+ 1564	4457	20262	85	91	92
France	4839	21998	- 80	- 364	4759	21634	100	97	102
Italy	2274	10338	+ 178	+ 809	2452	11147	104	100	93
Netherlands	1463	6651	- 679	- 3087	784	3564	182	196	187
Belgium/Lux.	876	3982	+ 56	+ 255	932	4237	92	79	94
E.E.C.	13565	61667	- 181	- 823	13384	60844	99	100	101
Austria	609	2768	- 36	- 163	573	2605	101	99	106
Switzerland	665	3023	- 51	- 232	614	2791	110	97	108
Western Europe	14839	67458	- 268	- 1218	14571	66240	100	100	102
Total Northern and Western Europe excluding United Kingdom	18582	84474	- 1332	- 6055	17250	78419	108	106	108

(1) Ratio domestic output of milk and total availability (in milk equivalent) x 100.

Source : STRAUSS, E. and BATEMAN, D.I.; Economic Trends in British and Continental Dairying; Jour. Soc. Dairy Tech.; Vol. 15, No. 5, 1962; pp. 138-153.

DAIRY PRODUCTS IN THE ECONOMIES OF SOME MAJOR SUPPLIERS, AVERAGE 1959 and 1960.

TABLE 32. Per cent

	Exports of		Exports to United Kingdom of	
	Butter	Cheese	Butter	Cheese
	as proportion total exports		as proportion total exports these commodities	
New Zealand	17.5	6.9	92.0	93.3
Australia	2.7	0.5	77.0	77.8
Denmark	7.5	3.4	83.7	13.6
Sweden	0.3	n.a.	27.4	14.2
Eire	0.5	n.a.	92.0	100.0
Argentina	n.a.	n.a.	70.0	n.a.

Source : C.E.C. "Dairy Produce" 1961.

V. PROBLEMS AND PROSPECTS.

Broadly defined, the two major problems with which milk producers are having to contend are those associated with the overproduction of milk on the one hand, and the consequences of the United Kingdom joining the European Economic Community on the other. These are not entirely separable and, indeed, producers regard both issues as being highly inter-related.

1. Overproduction.

Throughout the last decade the total output of milk has grown faster than liquid consumption (plus the necessary reserve) so that an increasing quantity has had to be diverted to manufacturing uses (Table 30). This had a variety of consequences.

So far as producers are concerned, the arrangement whereby the price guarantees are related to a standard quantity of milk has resulted in the low realisation prices on manufactured milk (Table 13) being reflected in a dilution of their pool prices (Table 8). This, in conjunction in recent years with lower guaranteed prices and rising prices of inputs, has brought about significant reductions in the profitability of milk production (Table 33), despite continuing increases in yields and improvements in technological efficiency. As a consequence, the number of registered milk producers has been falling, though at different rates in the five Board areas, and rather slower than average in the regions of England and Wales where climate, topography and farm size keep the opportunity costs of milk production relatively low (Tables 34 and 35). However, herds going out of milk production have been offset by increased yields per cow and by an increase in the number of cows kept in the remaining herds, so that total output of milk has continued to rise. These trends are illustrated for England and Wales in Table 36.

The production of milk in excess of the liquid demand has been uneconomic for the industry as a whole in so far as the revenue obtained for the surplus milk has been less than the cost of the additional resources - cows, buildings, feed, etc. - which have been devoted to its production. This is a consequence of the Boards' price-pooling arrangements, under which the true marginal value of additional milk is obscured from the individual producer.

In addition to the effect of overproduction on producers' prices and incomes, the manufacture of surplus milk into products has exacerbated the balance of payments problems of countries which have traditionally supplied low-cost milk products to the United Kingdom. Furthermore, a large (but unknown) proportion of the additional investment in manufacturing plant and facilities in the United Kingdom which has had to be made in recent years in order to dispose of surplus milk (Table 37), would never have occurred if prices to producers had borne any but the most tenuous relationship to the marginal value of their milk.

Unless there is some radical change in costs, in the system or level of support, or in the Boards' pricing policies it would seem that total output will continue to increase faster than liquid consumption for a number of years, despite the depressing effect this will have on pool-prices. The reasons for anticipating this perverse response are numerous, but amongst the most important which may be cited are that a high proportion of total costs of milk production on existing farms is fixed, many producers are not operating at optimum levels of output and marginal costs are well below existing pool prices: the assistance given under the Farm Improvement and Small Farm schemes is inducing investment in a further expansion of milk production: milk

TRENDS IN THE PROFITABILITY OF MILK PRODUCTION, ENGLAND AND WALES, 1950/1 to 1960/1.

TABLE 33.

Itemised Costs	Per cow						Pence per gallon			Pfennigs per litre		
	1950/1		1956/7		1960/1							
	£	D.M.	£	D.M.	£	D.M.	1950/1	1956/7	1960/1	1950/1	1956/7	1960/1
Purchased foods	22	246	29	325	30	336	7.4	8.6	8.8	7.6	8.8	9.0
Homegrown foods	17	190	18	202	16	179	5.8	5.3	4.6	6.0	5.4	4.7
Grazing	6	67	9	101	10	112	1.9	2.7	2.8	2.0	2.8	2.9
Total foods	45	504	56	627	56	627	15.1	16.6	16.2	15.5	17.0	16.6
Labour(1)	17	190	21	235	22	246	5.6	6.1	6.2	5.7	6.3	6.4
Other costs	11	123	16	179	17	190	3.7	4.5	5.0	3.8	4.6	5.1
Net farm costs(2)(3)	73	818	93	1042	95	1064	24.4	27.2	27.4	25.0	27.9	28.1
Returns from milk(4)	106	1187	123	1378	120	1344	35.3	36.0	34.6	36.2	37.0	35.5
Management and investment income	33	369	30	336	25	280	10.9	8.8	7.2	11.2	9.1	7.4

(1) Includes family labour (£9.5 per cow, D.M. 106, in 1960/1).

(2) Value of calves deducted from gross costs.

(3) The range of costs in 1960/1 was as follows :

Net farm costs p.p.g.	Proportion of herds
Less than 20	3.8
20 and under 24	15.6
24 and under 28	23.7
28 and under 32	26.7
32 and under 36	17.3
36 and over	12.9
Total	100.0

(4) Average yield per cow was as follows :

	1950/1	1956/7	1960/1
Gallons	721	821	831
Litres	3278	3732	3778

NUMBERS OF REGISTERED MILK PRODUCERS IN THE UNITED KINGDOM, 1957 to 1961.

TABLE 34.

Year to 31st March	Milk Marketing Board Areas					United Kingdom
	England and Wales	Main Scottish	Aberdeen and District	North of Scotland	Northern Ireland	
1957	136459	7404	610	423	22280	167176
1958	132283	7270	609	407	22080	162599
1959	126780	7134	609	390	21526	156439
1960	123137	7040	602	380	20530	151689
1961	119891	6918	593	378	20139	147419
Average annual % decline 1957-1961 (1)	-3.4	-1.7	-0.7	-2.9	-2.5	-3.2

(1) Compound rate.

Source : Annual Reports and Accounts of the Boards, various years.

NUMBERS OF REGISTERED MILK PRODUCERS IN ENGLAND AND WALES, 1957 to 1960.(1)

TABLE 35.

Region	1957	1958	1959	1960	Average annual % decline 1957-1961 (2)
1. Northern	15110	14470	13900	13470	-3.9
2. N. Western	27460	26500	25310	24350	-4.1
3. Eastern	6510	5980	5660	5440	-6.2
4. East Midlands	7140	6690	6400	6180	-4.9
5. West Midlands	11830	11360	10590	10650	-3.6
6. North Wales	9640	9240	8980	8830	-3.0
7. South Wales	14350	14080	13750	13340	-2.6
8. Southern	6190	5940	5750	5590	-3.4
9. Mid-Wales	12300	11970	11670	11520	-2.2
10. Far-Western	17310	16890	16510	16060	-2.5
11. South Eastern	6880	6530	6310	6130	-3.9

(1) At September in each year.

(2) Compound rate.

Source : Dairy Facts and Figures; M.M.B. England and Wales, various years.

TRENDS IN MILK PRODUCTION, ENGLAND AND WALES, 1954 to 1962.

TABLE 36.

Year to 31st March	Dairy cow numbers	Yield per cow		Total milk sales	
	Thousands	gallons	litres	million gallons	million litres
1955	2531	675	3069	1653	7515
1956	2415	685	3114	1670	7592
1957	2451	720	3273	1813	8242
1958	2503	745	3387	1878	8537
1959	2524	720	3273	1765	8024
1960	2493	735	3341	1798	8174
1961	2595	765	3478	1951	8869
1962	2674	780	3546	2051	9319

Source : Annual Report and Accounts of the Milk Marketing Board, 1962.

GROWTH OF THE MILK PRODUCTS INDUSTRY, GREAT BRITAIN, 1954 to 1958.

TABLE 37.

	Industry : All firms		Sub-divisions of the Industry - Firms employing 25 or more persons											
			Butter		Cheese		Condensed Milk		Milk Powder		Other Products		Total (2)	
	1954	1958	1954	1958	1954	1958	1954	1958	1954	1958	1954	1958	1954	1958
Number of enterprises	n.a.	411	27	26	29	29	9	7	9	5	14	12	88	79
Number of establishments	n.a.	536	46	42	60	64	16	19	15	9	22	21	159	155
Sales : £ million	100.4	150.7	28.4	43.5	18.5	31.3	14.6	24.5	5.6	5.9	10.1	10.8	77.2	116.0
D.M. million	1124.5	1687.8	318.1	487.2	207.2	350.6	163.5	274.4	62.7	66.7	113.1	121.0	864.6	1299.2
Net Output : £ million	25.3	43.5	3.6	5.1	4.7	10.9	2.5	4.6	1.4	1.1	3.9	5.0	16.1	26.7
D.M. million	283.4	487.2	40.3	57.1	52.6	122.1	28.0	51.5	15.7	12.3	43.7	56.0	180.3	299.0
Average number employed - thousands	23.6	30.2	3.5	4.4	4.9	7.1	2.8	3.7	1.5	1.0	3.2	3.2	15.9	19.4
Capital expenditure														
Building work -														
£ million	0.4	1.7	0.1	0.1	0.1	0.4	+	0.1	0.1	+	+	0.1	0.3	0.6
D.M. million	4.5	19.0	1.1	1.1	1.1	4.5	0.3	0.6	0.8	0.1	0.4	0.6	3.4	6.7
Plant and Machinery (1) -														
£ million	1.8	4.6	0.3	0.6	0.6	0.8	0.2	0.4	0.1	+	0.1	0.3	1.3	2.1
D.M. million	20.2	51.5	3.4	6.7	6.7	9.0	2.2	4.5	0.8	0.4	1.1	3.4	14.6	23.5
Vehicles (1) -														
£ million	0.4	0.8	0.1	0.1	+	0.1	+	+	0.1	+	+	0.1	0.2	0.3
D.M. million	4.5	9.0	1.0	1.4	0.5	0.6	0.1	0.4	0.8	0.1	0.4	1.2	2.2	3.4

+, less than £50,000.

(1) New acquisitions less disposals.

(2) Discrepancies due to rounding.

Source : Census of Production, 1958; Part II, Milk Products; H.M.S.O. 1961.

prices are unlikely to fall relative to most other product prices and they could conceivably increase relative to cereals, eggs and pigmeat. (The profitability of beef production is currently so low that any conceivable increase in the beef/milk price ratio would be unlikely to divert any volume of resources from milk to beef production).

The England and Wales Board is working on the assumption that output in its area will continue to increase for some time at an average annual rate not less than that of the last 10 years - about 40 million gallons per annum (182 million litres),(31) and the increase for the United Kingdom may well approach 50 million gallons (227 million litres) per year. Present indications are that the Boards can expect to sell less than half this extra milk for liquid consumption, and the rest will have to go to manufacture, predominantly at the "world" butter realisation price, which is far below the marginal production costs of British producers.

Whether in fact the Government will be content to let this situation continue is not easy to forecast. An attempt to stem the output of milk by introducing individual farm quotas was made in 1961. At the 1961 price review the Government stressed that :

> "The principles implicit in the national standard quantity for milk must (sic) be applied to the payments to individual producers ..... The need is to devise some modification of the pooling arrangements ..... which have the effect of obscuring from producers the consequences of producing more than can be sold profitably".(32)

Various alternative pricing systems which would have fulfilled these requirements were considered by a Joint Committee of representatives from the Unions, the Boards and the Government in subsequent months.(33) The alternative schemes were all variations of base-and-surplus payments systems, under which individual producers would have been paid a higher price for a basic quantity of milk related to total liquid consumption, and a very much lower price for all milk in excess of the basic quantity. These alternatives were put to producers and were overwhelmingly rejected - not surprisingly in view of the opposition to any change expressed by the England and Wales Board. Since then the Government appears to have weakened in its resolve to halt the national and international misallocation of resources inherent in a payments system which induces investment in the production of manufacturing milk in the United Kingdom. Three factors have been influential in the decision not to press home the case; appreciation of the possibility that national solutions would be unnecessary, short-lived or more easily formulated in the event of Britain joining the E.E.C. and adopting the Communities milk policy: the decision to transfer the entire cost of supporting milk prices from the Exchequer to consumers by raising liquid milk prices; and the relief afforded by the introduction of butter quotas in late 1961 from the pressure previously brought to bear by Commonwealth and Scandinavian suppliers of dairy products.

Hence the immediate prospect pending the outcome of Britain's application to join the E.E.C., is for no change in the system of

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(31) DAVIES, J.L., (General Manager M.M.B.); Prospects in the market for milk and milk products; Jour. Farmers' Club, Part 7, 1961, p.93.

(32) Annual Review and Determination of Guarantees, 1961; Cmnd.1311, para. 10.

(33) Joint Committee on the Future System of Milk Payments - Report of a Technical Study Group : August 1961.

support price determination or the Boards' price-pooling policies. Token reductions in guaranteed prices, such as that made at the 1962 Review (a reduction of 0.4 p.p.g. or 0.4 pfennigs per lite) may not be repeated now that Exchequer liability has been eliminated. But since the output of milk is likely to continue to rise faster than liquid consumption, producers' pool prices will continue their gradual decline.

If these prognostications are correct then the problem of surplus milk production will continue for a while yet. And, by the time another major effort to effect a solution is mounted, the entry of the United Kingdom into the European Economic Community may either be an accomplished fact, in which event the problem of milk surpluses could take on a very different complexion, or failure to negotiate satisfactory terms of entry could be the signal for radical changes in the nature, methods and scope of the nation's commitment to agricultural income support. Certainly, the very real possibility of the United Kingdom's adopting the common agricultural policies of the E.E.C. is dominating the thinking of milk producers, and to a large extent, moulding their attitude to the overproduction problem and their tactics with regard to any two-tier system of milk pricing.

2. Milk producers and the E.E.C.

Despite all the uncertainties surrounding the formulation and operation of a common milk policy for the E.E.C., at present it appears to the Boards that milk producers might well be as well off under a policy such as that proposed for milk and milk products as they are likely to be under present domestic milk policies in a year or two's time, and better off than under any system of two-tier pricing which involved them in the acceptance of free "world" market prices for milk made into products.

This conclusion is based mainly on the belief that under the common milk policy the realisation price for liquid milk in the United Kingdom might be very little affected, whilst the average realisation price for milk made into products might be very much higher than the "world" prices which producers are now forced to accept. This belief, in turn, is based on a particular interpretation of the draft proposals for dairy products, and specifically of the proposals for separating and discriminating between the liquid and product milk markets, for "organising" the liquid milk market, for linking the prices of milk products to the target price for milk, and for protecting the internal target price by licensing imports and imposing levies on imported supplies crossing the common frontier. Naturally, the extent to which these optimistic expectations will be realised in practice will not be known until more details become available about such key missing variables as the common target price for milk, the arrangements which are made for the liquid milk market , the relationship between prices in the liquid and product markets, the intervention price for butter, and the concessions which are offered to Commonwealth and other third countries. A point which is particularly obscure is exactly how the proposals for the liquid market would fit into the existing policy framework for dairy produce and be applied in Britain where 66 per cent of the total output of milk is consumed in the high-priced liquid form.(34) In the E.E.C. as a whole some 70 per cent of total milk supplies is manufactured into products and the relative weighting of prices in the liquid and product markets in order that the overall target price for milk should be attained appears to present no particular problems; it would seem that in Britain the realisation price for liquid milk will have to be reduced if a uniform target price is to be established for the E.E.C. as a whole. But in any event, British producers are confident that the high proportion of their milk which goes into the product market is a factor which will work in their favour, and the continuation of their Boards seems secure since it would appear that comparable agencies will need to be created in the E.E.C. if the liquid and product markets are to be permanently separated.

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(34) 80 per cent if the convention of a 20 per cent reserve capacity is accepted.

If this overall interpretation is correct then the resistance of the industry to the introduction of two-tier pricing and production quotas is rationally based, for it would be foolish of producers to acquiesce to the curtailment of output at this stage when their surplus milk could be making very much higher prices within a relatively short period of time. (However, the debate on the question of two-tier prices was conducted mainly in terms of the economic inefficiencies, administrative difficulties and inter-group inequities which attend any scheme for limiting production by quotas).

Outside the predominantly euphoric view of the consequences for milk producers of the United Kingdom joining the Community, the industry has some peripheral reservations about the application of the common agricultural policy.

Chief amongst these is that special arrangements made for Commonwealth and other traditional suppliers of milk products, as part of a wider settlement, would nullify the potential gains to United Kingdom producers from higher realisation prices for the milk surplus to liquid requirements. As a sectional interest they would be opposed in principle to third countries being exempted from the full rigours of the protective measures to be taken at the common frontier.

Then too, whereas the livestock product producer can now buy feed-grain at "world" prices, under the common agricultural policy he would have to pay the equivalent of the target price. Just how large the increase in the costs of milk production might be would depend upon the prices ruling for feed-grains within the E.E.C., but a rise in the price of feed-grains of £5 per ton (D.M. 56 per metric ton) seems quite possible, and this would add between 1.25 and 1.75 p.p.g. (1.28 to 1.80 pf.p.l.) to costs. The effect on margins would be substantial, regardless of whether the increased costs are related to present pool prices, to pool prices further depressed by continuing surpluses, or to the target prices which may eventually rule within a wider community. On the other hand, an offsetting factor would be an acceleration of the present trend towards a lower level of feeding of purchased concentrates and an increased reliance being placed on roughages for which there is plenty of scope.

A third possible cloud on the horizon has not yet been generally perceived. This is the possibility that in its final form the common policy for milk and milk products would aim to establish target prices on a regional rather than a national basis, and that under such an arrangement producers in each area would find their receipts more nearly determined than at present by the actual utilisation of their milk. That is, producers in deficit areas like the south east of England, or those in the immediate milk shed of other large centres of population, would receive substantially higher prices than producers in the more remote areas whose milk was mainly manufactured. At the moment such differences as exist between producer prices in the different Board areas and in the regions of England and Wales bear only a remote relationship to the actual average utilisation values of the milk produced there. The economic and social consequence of such a fragmentation of the United Kingdom market would be considerable. Thus, one would expect the average level of producer prices to be reduced in the Scottish and Northern Ireland areas relative to those in England and Wales because of the differing proportions going to manufacture (Table 4). Producers in some of the more remote English and Welsh regions, e.g. the South Western and Welsh regions, would also be disadvantaged relative to those in the deficit areas around London and the heavily populated belt centred on a London-Manchester axis. However, precise identification of the location of such areas is impossible in the absence of information on the balance of milk

supplies and utilisations in each Board region. Any proposal to fragment the industry in this way would be bitterly resisted by producers in the more remote areas, by the Boards separately and collectively, and by the National Farmers' Unions, not least because it would spell ruination for many producers in the remote areas and introduce a disruptive influence into an industry which has striven for unity for years and which has profited greatly by that unity for more than a generation.

At the moment the characteristic feature of all sections of the milk industry is unity and acceptance of the status quo. True, there are murmurs of discontent about particular issues within the ranks of producers. For instance, the Scottish Boards are not so adamantly opposed to a two-tier payments system as is the England and Wales Board, and the same issue has revealed differences between smaller and larger scale producers. Additionally, there are differences between farmers who keep different breeds over the proposals for introducing a compositional quality payments scheme. But producers as a whole are content with the structure of the industry, the mechanisms for price formation, and the pricing policies and marketing functions of their Boards. Similarly, whilst distributors complain about the inadequacy of their margins and allowances, they are content to have their remuneration determined by the Government rather than face the unfettered market power of the Boards - they prefer regulation with representation to its alternatives. Consumers are, as always, inarticulate, though they have perhaps as much to complain about as any group concerning the United Kingdom's system of milk pricing and the organisation of milk marketing.

The most pointed criticism of the resource misallocation which stems from present price support policies and the price-pooling of the Boards comes from academic economists. However, since their usual prescription for righting the inefficiencies they perceive takes the form of variations on the theme of "letting market forces determine prices, resource allocations and producers' incomes", they are mainly regarded as ineffective scolds. And not without reason, if only because the essence of their nostrum is simply not practical politics at the present time given the general commitment of Governments to support the incomes of their farmers and the importance of milk production to the agricultural sector.

If Britain did not join the E.E.C. the most that could be hoped for would be that official policies would evolve in the right directions, amongst which a movement towards a gradual lowering of support prices, an extension to the individual farmer of the principle embodied in the standard quantity arrangement, and the introduction of schemes to give direct assistance, on social grounds, to producers who wish to leave the industry would be key elements. In regard to the latter development however, it must be recognised that the United Kingdom Government has, in the past, been no more willing than the authorities in other developed countries, to take direct action to effect an accelerated rate of out-migration from agriculture, and there is no evidence at present of any new resolve to swim with the tide of economic logic and necessity. Perhaps the exigencies and opportunities of union with Europe would bring about a change of heart, but on the whole it would appear that the application to the United Kingdom of the common policy of the E.E.C. for milk and milk products would be more likely to bring about an increase in the resources devoted to milk production than a decrease, and a substitution of high-cost European and domestically produced dairy products for low cost supplies from third countries in the diets of British consumers. Such an outcome may be acceptable as a political or social necessity, but in terms of economics it is not easily defended.

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F A T S T O C K M A R K E T I N G

I N T H E

U N I T E D K I N G D O M

CONTENTS

I. OPERATION OF THE MEAT MARKETING SYSTEM

The purpose of this introductory section is to present an overall picture of fatstock marketing in the United Kingdom. It is given as a back-cloth against which the detailed treatments of support policies, trade patterns and domestic marketing arrangements presented in subsequent sections can be more clearly perceived.

1. Meat in the Agricultural Economy

The sale of animals for meat production currently accounts for just under one third of total agricultural gross output and is an important sector within the agricultural economy. Details of the contribution to gross output made by individual products are given in Table 1.

Beef, pigmeat and mutton and lamb are produced in all regions of the United Kingdom by a wide variety of systems, and with all degrees of importance to the economies of the farms on which they are produced. Generalisations in these circumstances are hazardous, but it is broadly the case that store and fat cattle and sheep production are relatively most important in the wetter western and northern parts of the country - with the hill and upland areas of the South West, Wales, and northern counties of England and the Scottish Highlands being relatively highly specialised in the production of store animals which are subsequently fattened in the lowlands - while pig production is mainly associated with the cereal growing areas of the east and areas such as Lancashire and the south-west where small holdings are numerous (see Figs. 1 - 5).

Apart from the holdings in the livestock rearing areas mentioned above, meat production is generally not carried on on specialised holdings. For instance, an estimated four fifths of total beef output is a by-product of the national dairy herd, and 25 per cent of the holdings in England and Wales with pigs in June 1960 had less than 5 pigs, and only 9 per cent had more than 100.

2. Supplies.

Table 2 shows the pattern of total supplies over recent years, their distribution between domestic production and imports, and between types.

About two thirds of total consumption have recently been met by home produced supplies, although in 1961 almost 71 per cent of total supplies were domestically produced.

The United Kingdom is approaching self-sufficiency in pork but imports around four fifths of the canned meat, two thirds of the bacon and ham, three fifths of the mutton and lamb, one third of the offals, and rather less than one third of the beef and veal, consumed.

Total consumption of carcase meat has increased at an average annual rate of no more than 2.6 per cent compound between 1955-6 and 1961-2, and with domestic output expanding under price support programmes at a rate of 4.0 per cent per annum, overseas suppliers have been steadily losing their share of the United Kingdom market. By contrast, the domestic producers' share of the market for bacon and ham has tended to decline, although there was some sign of recovery during the early months of 1962.

ESTIMATED OUTPUT OF MEAT AND WOOL IN THE UNITED KINGDOM[1]

TABLE 1.

	1937/8			1959/60			1960/1[2]			1961/2[3]		
	£ million	D.M. million	%	£ million	D.M. million	%	£ million	D.M. million	%	£ million	D.M. million	%
Cattle - beef	41.3	462.5	13.7	191.0	2139.2	13.0	195.7	2191.8	13.1	227.1	2543.5	14.3
Calves - veal	1.8	20.2	0.6	4.6	51.5	0.3	5.3	59.4	0.3	5.6	62.7	0.4
Sheep and lambs - mutton and lamb	17.1	191.5	5.7	77.8	871.4	5.3	78.5	879.2	5.3	88.7	993.4	5.6
Pigs - graded for bacon	28.9	323.7	9.6	56.1	628.3	3.8	53.8	602.6	3.6	61.1	684.3	3.8
- other				102.1	1143.5	7.0	96.4	1079.7	6.5	101.9	1141.3	6.4
Total meat	89.1	997.9	29.6	431.7	4835.0	29.4	429.8	4813.8	28.8	484.3	5424.2	30.4
Wool	4.2	47.0	1.4	17.3	193.8	1.2	16.1	180.3	1.1	17.1	191.5	1.1
TOTAL OUTPUT	300.7	3367.8	100.0	1468.1[4]	16442.7	100.0	1494.1[4]	16733.9	100.0	1592.4[4]	17834.9	100.0

(1) June/May years and current prices.including Fatstock Guarantee payments.

(2) Provisional.

(3) Forecast.

(4) Including consumption in farm households and crops subsequently repurchased as animal feedingstuffs.

SOURCE : Annual Abstracts of Statistics, 1961,
M.A.F.F.

FIGURE 1 : FAT CATTLE DENSITIES BY COUNTIES

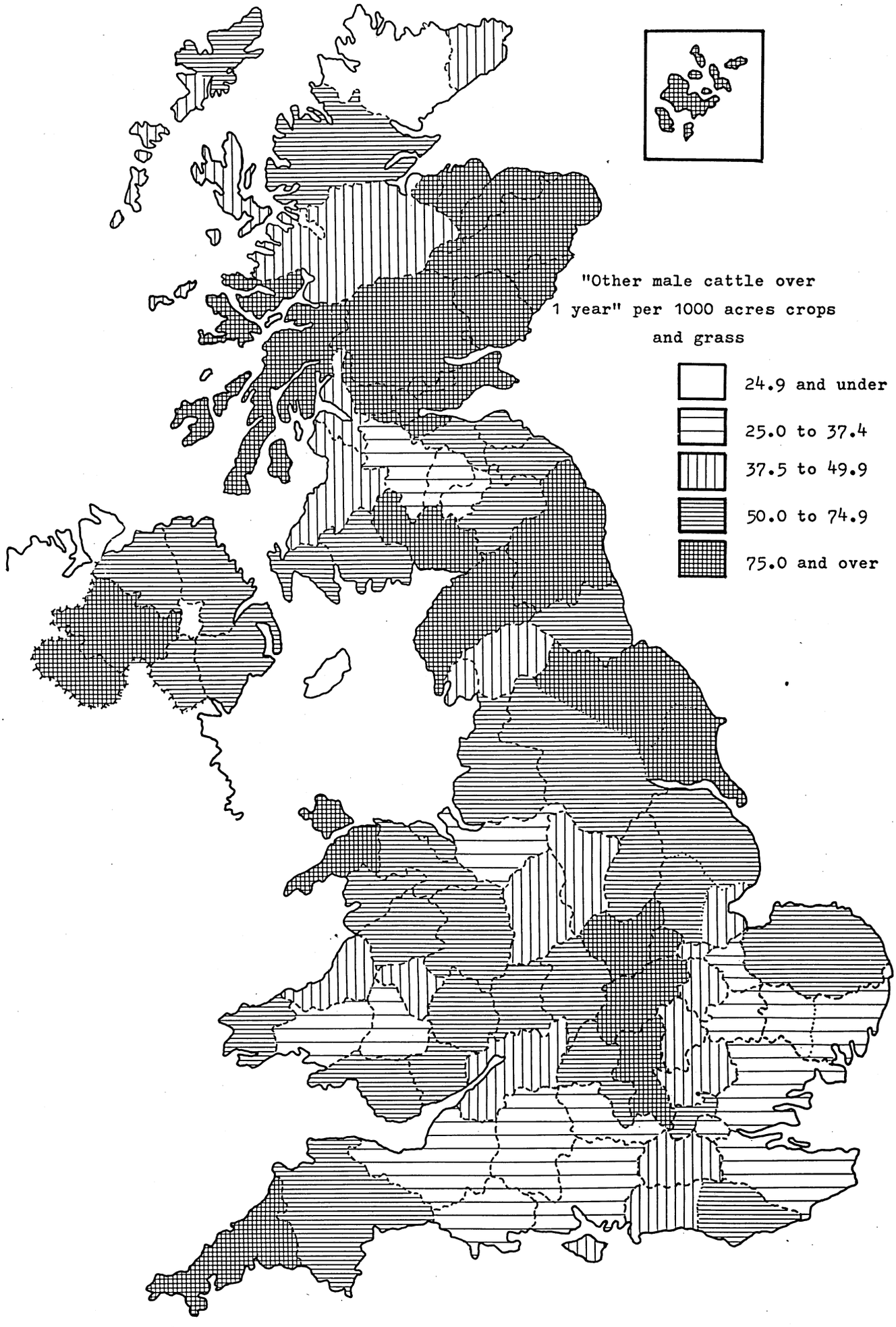


FIGURE 2 : BEEF STORE DENSITIES BY COUNTIES

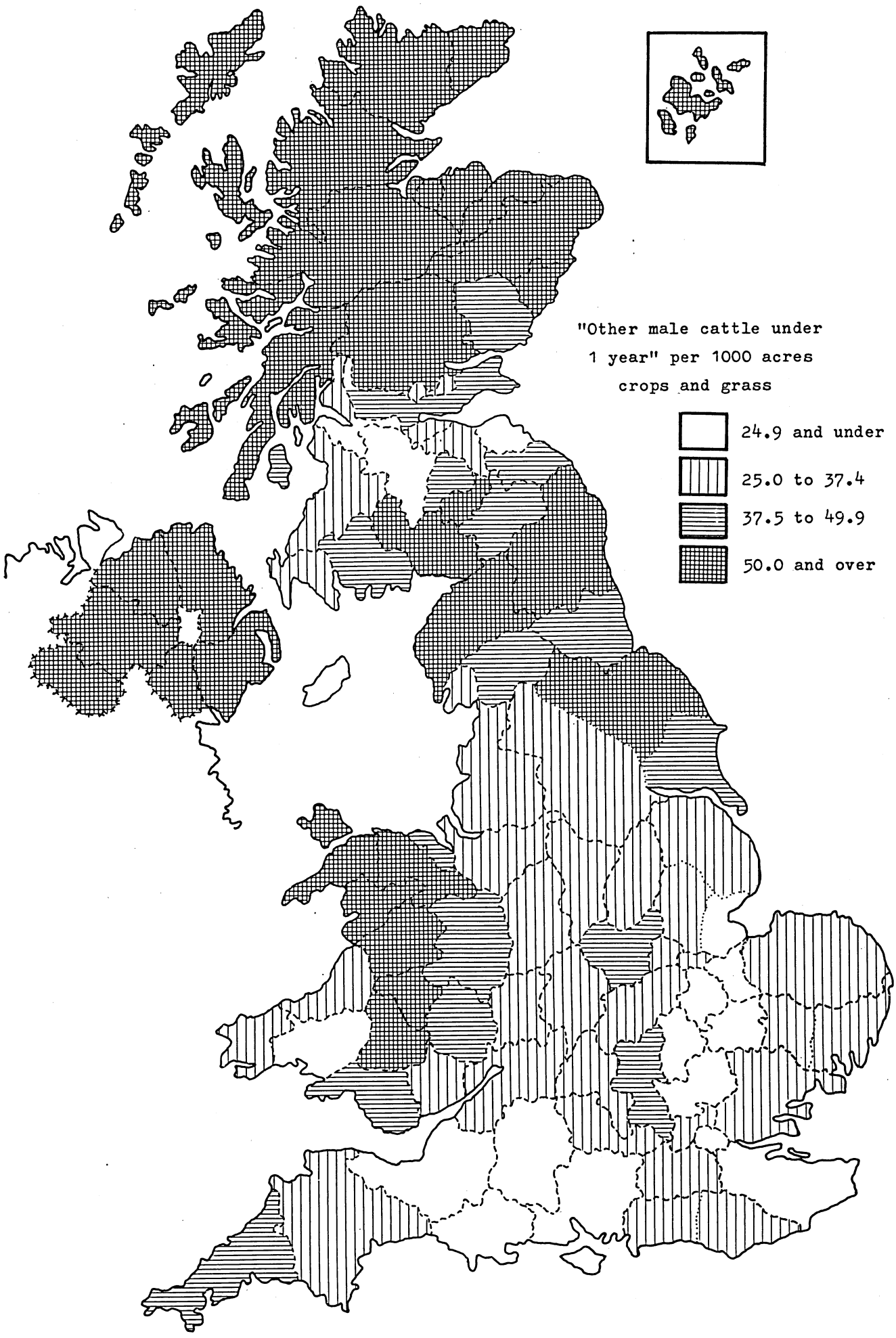


FIGURE 3 : SHEEP DENSITIES BY COUNTIES

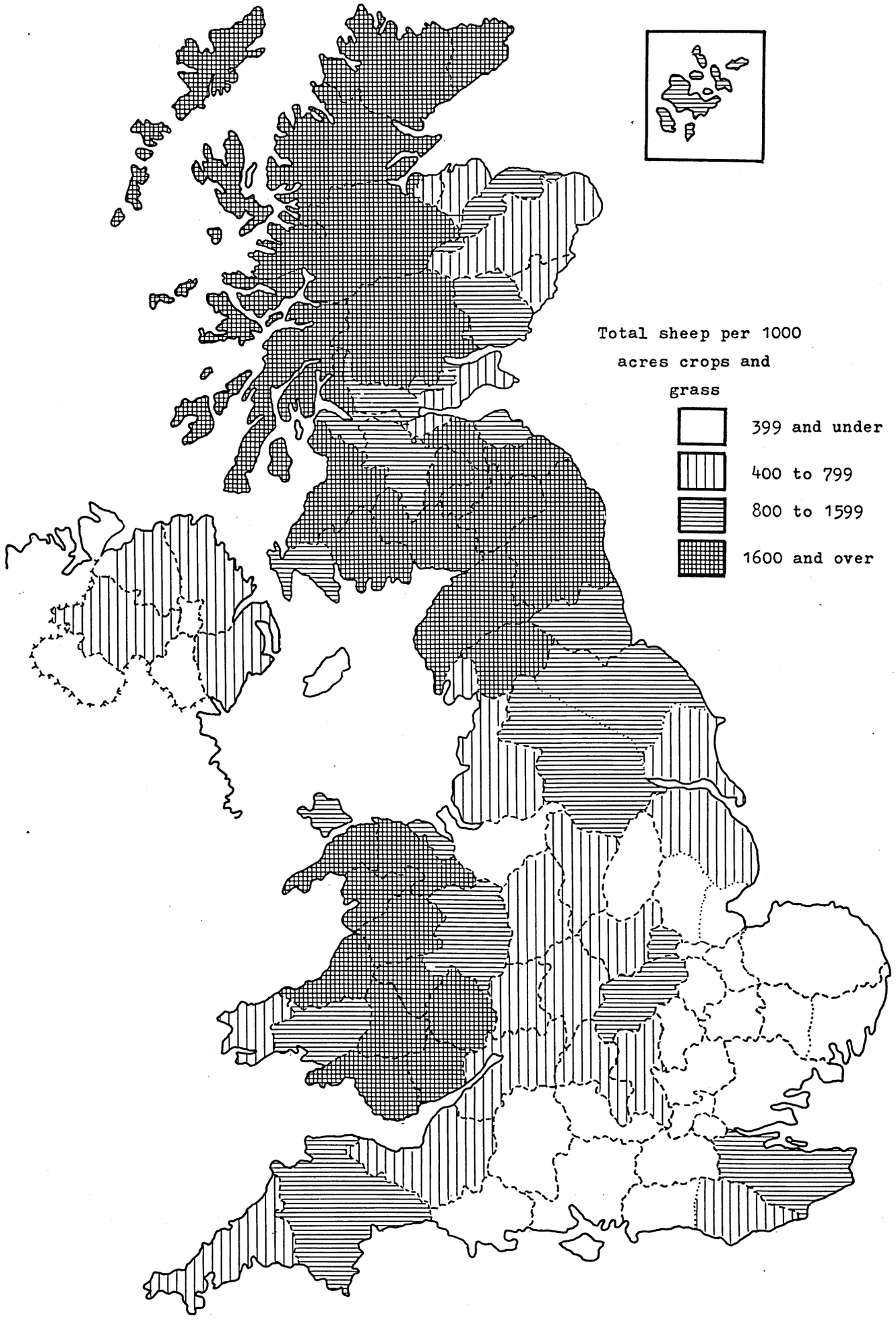


FIGURE 4 : PIG DENSITIES BY COUNTIES

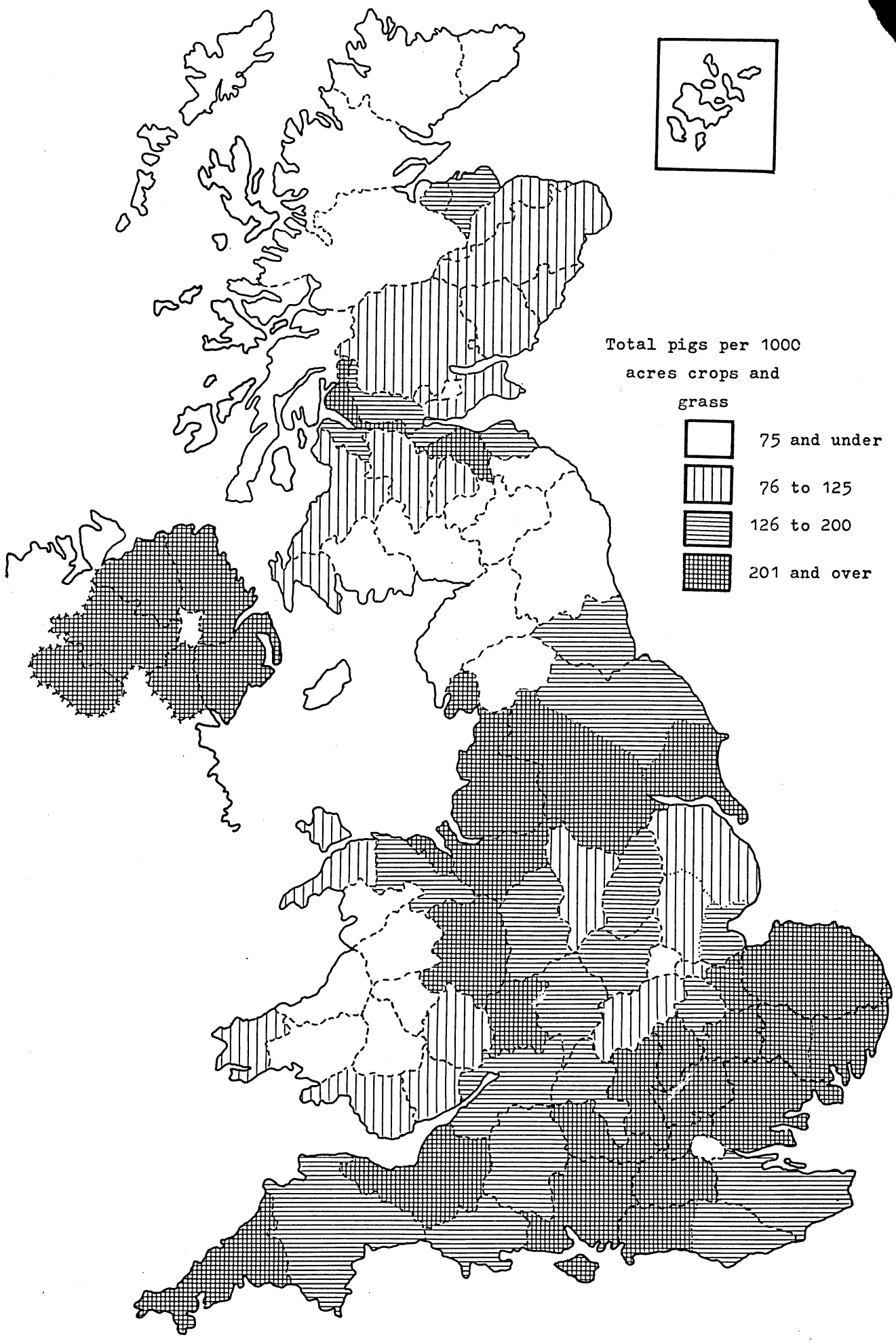
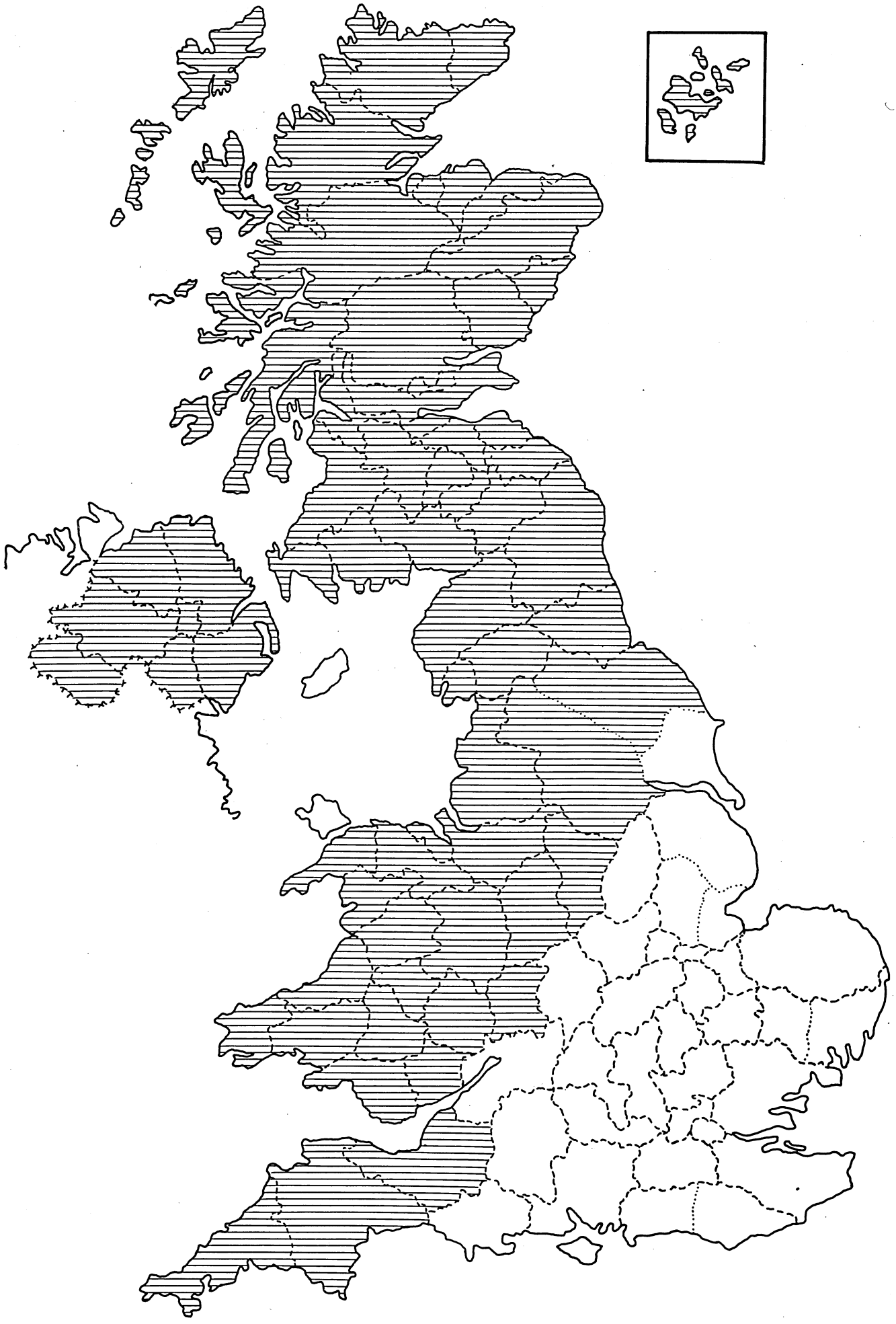


FIGURE 5 : COUNTIES CONTAINING "LIVESTOCK REARING AREAS"



The United Kingdom is the world's largest meat importer. She is the world's only large market for exports of mutton and lamb and bacon, and absorbs more than one third of total world imports of beef, offals and total carcase meat, (Table 3).

Beef and veal and mutton and lamb imports come mainly from the Southern Hemisphere, with Australia, New Zealand and the Argentine being the major suppliers. Beef imports arrive throughout the year, with Argentinian chilled beef arrivals usually being heaviest between January and May, Australian frozen beef imports being heaviest in the latter half of the year. However, of late there has not been any marked periodicity of imported beef supplies. By contrast, there is a marked complementarity between imported and home produced mutton and lamb supplies, with Australian and New Zealand lamb arriving mainly in the February to July period when home-killed supplies are at their lowest.

Before the war Australasia and Canada were major suppliers of pigmeat but now most pigmeat imports originate in Europe, with Denmark dominating the trade in bacon. Imports of both bacon and pork arrive in all months of the year, with no marked seasonality of supplies.

There is virtually no export trade in meat, the only exceptions worthy of note being the shipping from time to time of small quantities of cow beef and overweight steers to Continental Europe, and the "statistic re-export" to Eire of live animals which enter Ulster for the sake of claiming the guarantee payments.

IMPORTS INTO THE U.K. IN RELATION TO TOTAL WORLD IMPORTS, 1959.

TABLE 3.

Product	S.I.T.C.	Total world imports	U.K. imports	U.K. imports as percentage world total
		-'000 metric tons-		%
Total fresh meat	-	2337	861	37
Beef and veal	011 - 01	931	362	39
Mutton and lamb	011 - 02	441	371	84
Pork	011 - 03	216	14	6
Offal	011 - 09	268(1)	105	39
Processed meats				
Bacon and ham	012 - 01	399(2)	354	89
Canned meat	013 - 01	441	203	46

(1) Including "other fresh meat".

(2) Including "salted pork".

SOURCE : F.A.O. Trade Yearbook; Vol. 14; 1960.

3. Consumption and Expenditure

Although consumption of meat has undoubtedly been increasing in recent years, the rate of growth of per caput total meat consumption has been slow and trends in the consumption of the various categories of meat have been significantly different (Table 4).

MEAT SUPPLIES IN THE UNITED KINGDOM[1]

TABLE 2. '000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
BEEF :								
U.K. production	590.0	693.9	793.0	812.2	809.5	715.6	813.4	895.7
Net imports	581.6	342.1	430.7	443.5	386.2	348.4	349.6	283.3
Total supplies	1171.6	1036.0	1223.7	1255.7	1195.7	1064.0	1163.0	1179.0
Percentage domestically produced	50.4	67.0	64.8	64.7	67.7	67.3	69.9	76.0
VEAL :								
U.K. production	24.3	21.2	26.0	22.8	16.1	14.3	19.6	20.8
Net imports	13.2	7.9	5.7	5.6	4.5	6.2	5.7	5.4
Total supplies	37.5	29.1	31.7	28.4	20.6	20.5	25.3	26.2
Percentage domestically produced	64.8	72.9	82.0	80.3	78.2	69.8	77.5	79.4
MUTTON AND LAMB :								
U.K. production	214.4	177.2	196.9	202.3	192.9	250.1	227.5	268.1
Net imports	350.2	359.7	349.1	337.9	341.9	368.1	388.1	350.0
Total supplies	564.6	536.9	546.0	540.2	534.8	618.2	615.6	618.1
Percentage domestically produced	38.0	33.0	36.1	37.5	36.0	40.5	36.6	43.4
PORK :								
U.K. production	180.8	373.9	367.8	385.1	435.9	429.8	428.8	437.9
Net imports	38.6	32.5	17.3	22.3	18.3	14.2	20.3	18.3
Total supplies	219.4	406.4	385.1	407.4	454.2	444.0	449.1	456.2
Percentage domestically produced	82.4	92.0	95.5	94.5	96.0	96.8	95.5	96.0
OFFALS :								
U.K. production	110.9	126.0	136.4	137.5	139.1	138.5	142.3	158.7
Net imports	63.6[2]	61.3	63.6	71.3	72.7	77.0	84.0	81.8
Total supplies	174.5	187.3	200.0	208.8	211.8	215.5	226.3	240.5
Percentage domestically produced	63.6	67.3	68.2	65.9	65.7	64.3	62.9	66.0

(Table continued on next page)

TABLE 2 continued.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
TOTAL CARCASE MEAT :								
U.K. production	1120.4	1392.2	1520.1	1559.9	1593.5	1548.3	1631.6	1781.2
Net imports	1047.2	803.5	866.4	880.6	823.6	813.9	847.7	738.8
TOTAL SUPPLIES	2167.6	2195.7	2386.5	2440.5	2417.1	2362.2	2479.3	2520.0
Percentage domestically produced	51.7	63.4	63.7	63.9	65.9	65.5	65.8	70.7
BACON AND HAM :								
U.K. production	199.1	245.9	212.3	215.4	219.5	219.5	182.9	205.2
Net imports	376.9	311.9	322.1	336.3	342.4	352.5	411.5	400.3
Total supplies	576.0	557.8	534.4	551.7	561.9	572.0	594.4	605.5
Percentage domestically produced	34.6	44.1	39.7	39.0	39.1	38.4	30.8	33.9
CANNED MEAT(3)								
U.K. production	30.5	31.9	37.0	38.1	46.5	51.1	51.7	63.1
Net imports	74.6	190.7	173.3	203.9	195.2	200.2	190.9	201.1
Total supplies	104.7	222.6	210.3	242.0	241.7	251.3	242.6	264.2
Percentage domestically produced	29.1	14.3	17.6	15.7	19.2	20.3	21.3	23.9

(1) Excluding stock changes.

(2) Excluding fresh beef and veal offals.

(3) Including canned poultry meat, accounting for around 2-3 per cent of total canned meat supplies.

SOURCES : C.E.C. "Meat" reviews and February and March Intelligence Bulletins - various years.
Monthly Digest of Statistics, February, 1962.

ESTIMATED PER CAPUT MEAT CONSUMPTION IN THE UNITED KINGDOM

TABLE 4.

lbs. per head per year

	1900	1913	1928	1932	1934-38 average	1955	1956	1957	1958	1959	1960	1961
Beef and veal	50.9	53.9	58.5	51.6	54.9	46.2	52.8	54.4	51.6	45.5	47.9	49.5
Mutton and lamb	22.9	24.2	23.9	27.8	25.2	24.5	23.3	22.2	22.6	25.6	25.0	26.0
Pork	15.9	12.6	11.0	10.6	10.6	18.4	17.5	17.3	19.0	18.7	18.6	19.0
Sub-total	89.7	90.7	93.4	90.0	90.7	89.1	93.6	93.9	93.2	89.8	91.5	94.5
Poultry	)	not available			5.1	6.4	7.2	7.9	9.4	11.6	13.4	14.0
Offal	)				7.4	7.8	8.3	9.1	9.0	9.0	9.4	10.0
Total fresh meat	)				103.2	103.3	109.1	110.9	111.6	110.4	114.3	118.5
Bacon and ham	26.6	19.1	29.5	35.7	28.1	25.1	24.0	24.7	25.2	25.3	26.1	26.9
Canned meat	)	not available			4.7	9.6	9.1	10.4	10.4	10.7	10.2	11.1
TOTAL MEAT (crude weight)	)				136.0	138.0	142.2	146.0	147.2	146.4	150.6	156.5

kilograms per head per year

Beef and veal	23.1	24.4	26.5	23.4	24.9	21.0	23.9	24.7	23.4	20.6	21.7	22.5
Mutton and lamb	10.4	11.0	10.8	12.6	11.4	11.1	10.6	10.1	10.3	11.6	11.4	11.8
Pork	7.2	5.7	5.0	4.8	4.8	8.3	7.9	7.8	8.6	8.5	8.4	8.6
Sub-total	40.7	41.1	42.3	40.8	41.1	40.4	42.4	42.6	42.3	40.7	41.5	42.9
Poultry	)	not available			2.3	2.9	3.3	3.6	4.2	5.3	6.1	6.4
Offal	)				3.4	3.5	3.8	4.1	4.1	4.1	4.3	4.5
Total fresh meat	)				46.8	46.8	49.5	50.3	50.6	50.1	51.9	53.8
Bacon and ham	12.1	8.7	13.4	16.2	12.8	11.4	10.9	11.2	11.4	11.5	11.8	12.2
Canned meat	)	not available			2.1	4.4	4.1	4.7	4.7	4.8	4.6	5.0
TOTAL MEAT (crude weight)	)				61.7	62.6	64.5	66.2	66.7	66.4	68.3	71.0

SOURCES : KINSMAN, K.L. and ANDERSON, J.M.; The future of the United Kingdom as a market for meat, Qu. Rev. Ag. Econs.; Vol. XIII, No. 1; Jan., 1960.
C.E.C. Reviews, "Meat", various years.
C.E.C. Intelligence Bulletin, Feb. and March, 1962.
Monthly Digest of Statistics, March 1962.

So far as red carcase meat and bacon and ham are concerned the overall picture is one of remarkable stability over more than half a century in total weight consumed. Furthermore, recent year-to-year changes in the consumption of red meats and bacon and ham seem to be mainly a function of their relative availabilities and prices, (Table 5).

Over the seven year period since the meat trade was decontrolled and rationing ended consistent growth in physical consumption per caput has been confined to offals and canned meats and, pre-eminently, to poultry meat. Consumption of the latter type of meat now accounts for 12 per cent of fresh meat consumption compared with only 5 per cent pre-war and 6 per cent as late as 1955.

These trends - which are of course of prime importance to the future development of meat production, trade and marketing - are in line with known consumer expenditure patterns and income and price elasticities, (Table 6). Increasingly, additional consumer expenditure on meat is directed towards white rather than red meats, to the better quality cuts rather than greater physical quantities (and especially to lean rather than fat meat), and to a variety of processing, preparatory and packaging services rather than to the raw product per se.

Currently, expenditure on meat and meat products absorbs about 28 per cent of consumers' weekly expenditure on food (Table 7), and meat and bacon together have a weight of 8.9 per cent in the Index of Retail Prices.(1)

ANNUAL AVERAGE WHOLESALE PRICES OF MEAT IN THE UNITED KINGDOM.

TABLE 5.

	1955	1956	1957	1958	1959	1960	1961
Beef(1)							
- d. per lb.	27.75	22.00	23.25	26.50	28.25	27.00	23.00
- D.M. per kg.	2.85	2.26	2.39	2.73	2.91	2.78	2.37
Mutton and lamb(2)							
- d per lb.	33.25	31.75	32.75	32.00	28.25	33.00	27.50
- D.M. per kg.	3.42	3.27	3.37	3.29	2.91	3.40	2.83
Pork(3)							
- d. per lb.	26.50	29.25	28.75	27.25	28.25	30.50	27.50
- D.M. per kg.	2.73	3.01	2.96	2.80	2.91	3.14	2.83
Bacon(4)							
- d. per lb.	29.47	33.20	30.45	31.49	30.70	30.35	28.11
- D.M. per kg.	3.03	3.42	3.13	3.24	3.16	3.12	2.89

(1) English longsides, Smithfield.

(2) English lamb, Smithfield.

(3) English pork, under 100 lbs. (45.4 kg.), Smithfield.

(4) Danish 'A' selection, London Provision Exchange.

SOURCE : C.E.C. Intelligence Bulletins, various.

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(1) Monthly Digest of Statistics, February, 1962, Table 159.

ELASTICITIES OF DEMAND FOR MEAT AND MEAT PRODUCTS IN THE UNITED KINGDOM.

TABLE 6.

	Income Elasticity					Price elasticity(1)	
	1937-9	1955		1958		1958	1959
	Expenditure	Quantity purchased	Expenditure	Quantity purchased	Expenditure		
Beef and veal	0.34	0.08	0.18	-0.02	0.06	-1.42 (0.25)	-1.54 (0.22)
Mutton and lamb	0.70	0.35	0.48	0.34	0.47	-1.22 (0.27)	-0.92 (0.25)
Pork	0.58	0.30	0.38	0.53	0.62	-1.25 (0.48)	-2.13 (0.32)
Total carcase meat	..	0.21	0.31	0.17	0.25	..	..
Bacon and ham :							
uncooked	0.55	0.24	0.32	0.28	0.35	-0.65 (0.09)	-0.72 (0.08)
cooked (incl. canned)	n.a.	0.58	0.63	0.36	0.37	-0.99 (0.26)	-0.99 (0.32)
Other cooked meat, not canned	n.a.	0.38	0.58	0.15	0.25	n.a.	n.a.
Corned meat	n.a.	0.16	0.13	0.19	0.16	-1.83 (0.45)	-1.45 (0.42)
Other canned meat	n.a.	0.10	0.22	0.03	0.11	-1.01 (0.55)	-1.62 (0.27)
Offals :							
liver	n.a.	0.38	0.46	0.32	0.39	-0.98 (0.38)	n.a.
other	n.a.	0.41	0.71	0.24	0.52	-0.68 (0.27)	n.a.
Poultry	1.17	1.61	1.70	1.40	1.51	-0.68 (0.33)	-1.15 (0.35)
Sausages :							
pork	) 0.46 (	0.34	0.40	0.46	0.49	-0.65 (0.55)	-1.03 (0.30)
beef	)	-0.55	-0.53	-0.72	-0.72	-1.48 (0.30)	-1.69 (0.45)
Total other meat	..	0.20	0.36	0.19	0.33	..	..

(1) The figures in parenthesis are estimates of the standard errors.

SOURCE : Domestic Food Consumption and Expenditure; 1958 and 1959; H.M.S.O.

AVERAGE DOMESTIC FOOD EXPENDITURE IN THE UNITED KINGDOM 1959.
(all households)

TABLE 7.

	Pence per head per week	D.M. per head per week	Percentage
Beef and veal	25.94	1.21	7.4
Mutton and lamb	16.85	0.79	4.8
Pork	5.93	0.28	1.7
All carcase meat	48.72	2.28	13.9
Bacon and ham uncooked	15.41	0.72	4.4
Other meat(1)	32.81	1.53	9.3
Total meat	96.94	4.53	27.6
TOTAL FOOD	351.49	16.40	100.0

(1) Includes cooked and canned meats and meat products.

SOURCE : Domestic Food Consumption and Expenditure 1959; H.M.S.O., Table 19, pp. 33-34.

4. Meat Distribution

Only fragmentary information is available about the structure of the distributive trades. There are thought to be about 550 livestock auctions in Great Britain.(2) There are some 3000 slaughterhouses(3) and 200(4) bacon factories, most of the former being near centres of consumption while bacon factories are mainly in the producing areas. There are 30 major wholesale meat markets in the United Kingdom(5) and 500 firms engaged in meat wholesaling.(6) Final distribution is effected through some 36000 retail butchers shops(7) and an unknown but growing number of general grocery stores which also handle meat.

Meat may follow a variety of channels in a complexly structured and increasingly specialised distributive system on its route from farm to consumer. Figures 6 and 7 depict the main alternative channels in diagrammatic form, but no precise information is available about the volumes of home produced meat flowing along each route.

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(2) Report of the Reorganisation Commission for Pigs and Bacon; (Bosanquet Report); Cmd. 9795; H.M.S.O. 1956; p. 35.

(3) Farmers Weekly, 9 March, 1962, p. 56.

(5) Organisation of the Wholesale Meat Markets in Europe; E.P.A./ O.E.E.C., Project No. 5/31-1A, July, 1961, p. 35.

(4) Bosanquet Report; op. cit., p. 29.

(6) Inquiry into the Distributive and Service Trades for 1959; Board of Trade Journal, 7 April, 1961, Table 2, p. 801.

(7) Census of Distribution, 1960; H.M.S.O. 1954, Vol. II, Table 1.

FIGURE 6. MAJOR FRESH MEAT MARKETING CHANNELS.

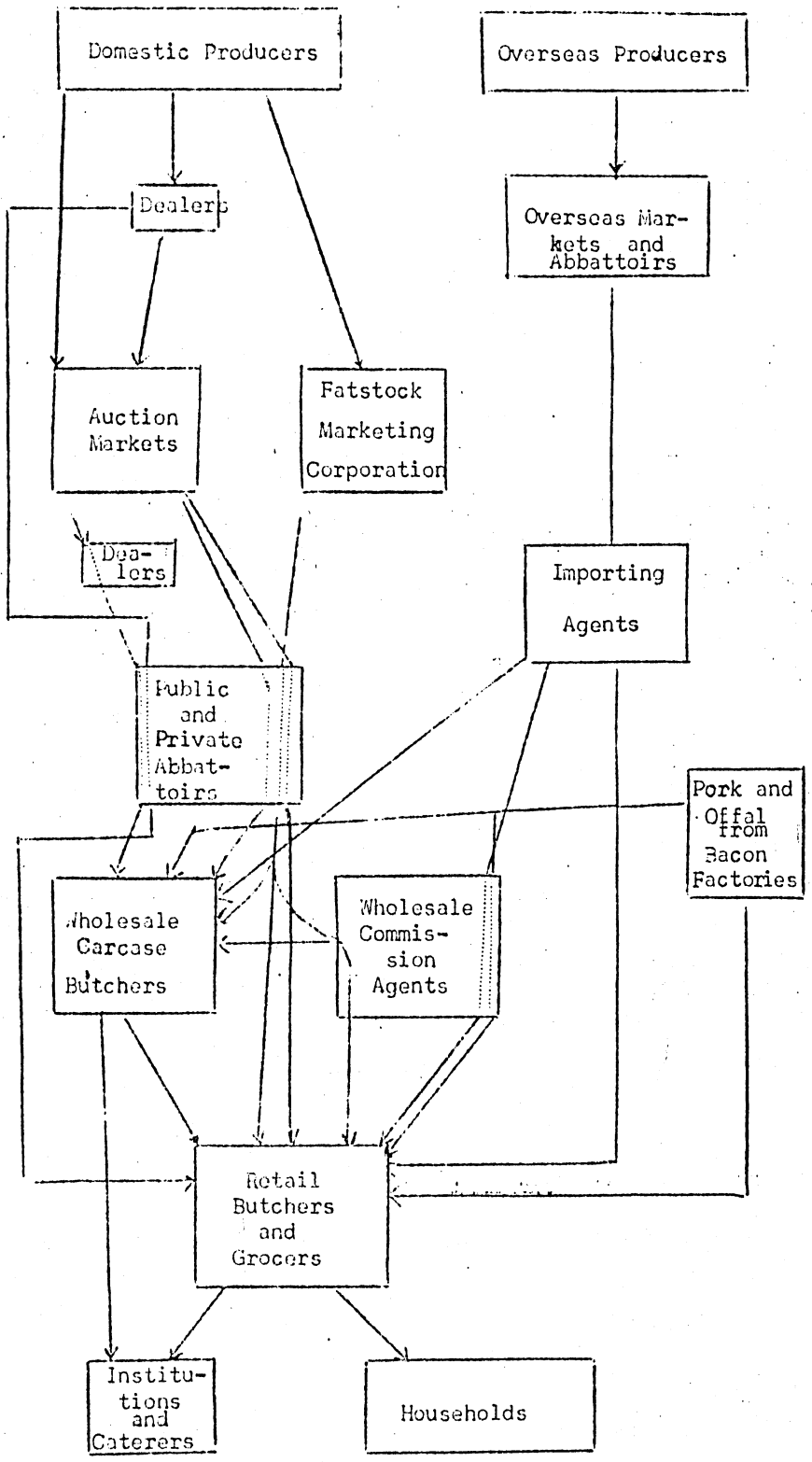
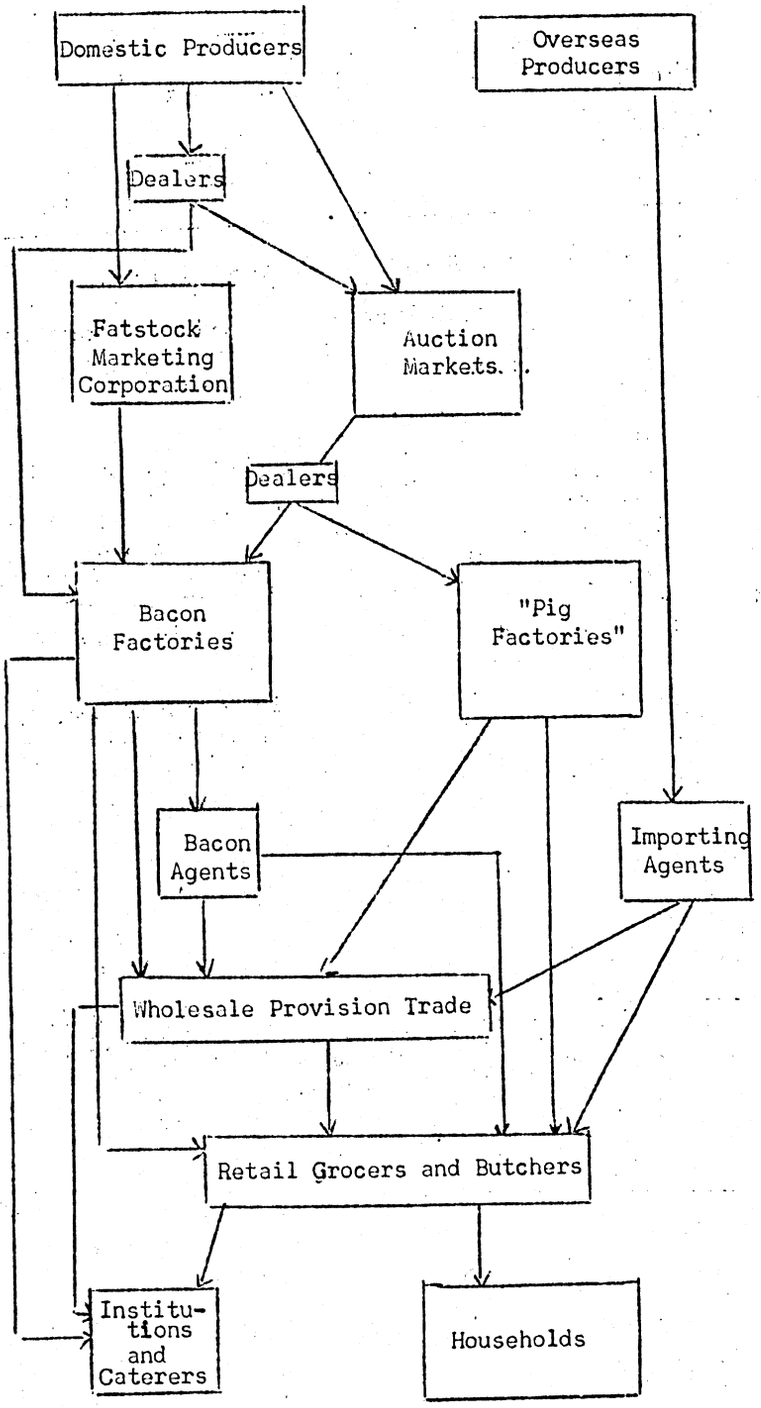


FIGURE 7. MAJOR BACON MARKETING CHANNELS.



A partial exception concerns the method of first sale. Farmers can choose freely between selling their fatstock on a liveweight basis through public auctions or by private treaty, or by deadweight to wholesale or retail butchers, bacon factories and manufacturers. Some deadweight buyers - of which the most important is the Fatstock Marketing Corporation (F.M.C.) - pay on a grade basis, others buy ungraded carcases. Table 8 indicates the method of first sale chosen by farmers in 1961/2. Auction sales predominate for cattle, sheep and pork pigs, whilst most bacon pigs are sold on a deadweight and grade basis, either through the F.M.C. or direct to the curers.

METHODS OF FIRST SALE, FATSTOCK 1961/2(1)

TABLE 8. Percentage animals certified(2)

	Liveweight		Deadweight	
	Auction	Private treaty	Ordinary	Graded
Cattle	72.2	6.3	13.9	7.6
Sheep	65.3	5.8	18.1	10.8
Pigs				
- bacon factories	-	-	15.9	39.3
- other	23.1	0.9	24.8	-

(1) 52 weeks 27 March 1961 to 26 March 1962.

(2) Animals certified under the Fatstock Guarantee Scheme.

SOURCE : M.A.F.F. weekly press notices.

The distribution of meat in the United Kingdom, both home produced and imported, is entirely in the hands of private traders. Home produced meat competes freely with available imported supplies, and all types of meat compete with each other and with other goods and services for a share of consumers' expenditure. Costs and margins at all stages of distribution beyond the farm gate are predominantly determined by competition between traders. The only restrictions on competition of note are :

(i) the marginal protection given to domestic producers by tariffs, quotas and health restrictions imposed on imported supplies,

(ii) the control exercised by local authorities over slaughterhouses and wholesale meat markets, and particularly their licensing of slaughterhouses and meat traders, and prescription of hygienic standards and hours and conditions of operation,

(iii) the unwillingness or inability of wholesalers in some areas to deal directly with institutional and catering-establishment buyers as a result of pressure exerted by their retailer customers,

(iv) the collective negotiation of bacon wholesale selling-prices by the importers, curers and distributors on the London Provision Exchange.

5. Producers' Organisations in the Meat Industry

The Fatstock Marketing Corporation and the Pigs Marketing Board in Northern Ireland are the major producer-controlled organisations directly involved in meat distribution. The activities of the Pig Industry Development Authority, the Bacon Consultative Council and the Bacon Information Council impinge indirectly on the marketing of pigmeat.

Fatstock Marketing Corporation Limited :

The Fatstock Marketing Corporation Limited was originally founded in 1954 by the three Farmers' Unions of the United Kingdom as a company limited by guarantee and controlled by the executives of these unions. In July 1962 there was a reorganisation of the capital structure of the company upon its offer of shares to the public and its acquisition of control of a major bacon curing and meat processing group, but financial control is still vested in farmers, with the Farmers' Unions holding 35 per cent of the issued share capital through a holding company. F.M.C. Limited, as it is now known, is neither a statutory marketing organisation nor a producers' co-operative, it is a farmer-controlled trading company operating in direct competition with other wholesalers in all types of livestock.

The F.M.C. buys from producers on the basis of prices published a week in advance, with all payments being made according to deadweight and grade. Bacon pigs are sold live to the curers under contractual terms, other fat animals are slaughtered in its own abbattoirs or on commission in public and private slaughterhouses, and meat is sold on wholesale markets and to retailers. The F.M.C. also operates plants for the processing of inedible by-products, hides and skins, skinwool and pelts, bones, etc.

As stated above the F.M.C. has recently integrated vertically into bacon curing and meat processing and retailing, and is now the largest bacon curing firm in the country as well as the largest fresh meat wholesaler. Prior to the merger, with an estimated turnover of £94 million (D.M. 1053 million) in 1961/2, the Corporation had about 17 per cent of the wholesale trade in home killed red meat; additionally it handled an estimated third of the poultry meat produced in the country and 12 per cent of all imports of New Zealand lamb. Table 9 gives details of the numbers of each class of fatstock marketed between 1955/6 and 1959/60 together with its share of each market. Details of its market shares in the last two years have been kept a closely guarded secret, but it has probably marginally improved its share in all classes of stock, and particularly of bacon pigs following the

FATSTOCK MARKETING CORPORATION, MARKET SHARES 1955/6 to 1959/60.

TABLE 9.

	Cattle(1)		Sheep(1)		Pork pigs(2)		Bacon pigs(2)	
	Number handled	Market share	Number handled	Market share	Number handled	Market share	Number handled	Market share
	'000	%	'000	%	'000	%	'000	%
1955/6	288.6	12.3	1281.8	14.8	649.6	12.6	3220.6	88.1
1956/7	376.2	13.3	1338.2	14.6	595.2	11.7	2443.7	79.8
1957/8	361.1	12.7	1374.2	14.1	594.3	10.3	2361.8	72.9
1958/9	309.2	11.2	1287.1	13.6	606.9	10.7	2066.9	56.1
1959/60	298.2	11.7	1613.0	13.8	654.1	12.3	1656.1	47.3

(1) Shares calculated from total slaughterings in Great Britain.

(2) Shares calculated from total number of pigs certified in Great Britain.

SOURCE : Farmer and Stockbreeder, 5 July, 1960.

introduction of contractual arrangements with producers in 1959. Producers have no special inducements to trade with the F.M.C. other than those which the Corporation can offer by effectively competing with other distributors. By the same token the F.M.C. has no special advantages in its dealings with farmers; its share of the market is purely a consequence of its competitive efficiency in offering a service to farmers and other distributors.

The role and importance of the F.M.C. in the marketing of meat is treated more fully in subsequent sections of this report.

Pigs Marketing Board (Northern Ireland) :

This Board was originally set up in 1933 under the Agricultural Marketing Acts, and is a statutory marketing Board with full trading powers. The Board receives no direct assistance from the Government, but it is the channel through which subsidies due to its members under the Fatstock Guarantee Scheme are paid. It is the sole legal purchaser of bacon pigs(8) in Northern Ireland.

The Board buys pigs from registered producers on a deadweight and grade basis. It sells the pigs to the curers at prices negotiated with the Ulster Curers' Association and related to the realisation prices of Northern Ireland bacon on the London Provision Exchange and to local offal values. The Board itself has a majority share holding in four curing companies, which together cure about one third of the pigs processed in Northern Ireland.

Virtually all the bacon produced is sold in Great Britain, and Northern Ireland accounts for rather more than one third of United Kingdom bacon production.(9) Pigs which are surplus to bacon curing capacity, or pigs purchased in periods of low bacon prices, are shipped to England in carcase form and usually sold through the agency of the F.M.C.

The Board finances its general operations from levies on producers (4s. 6d. - D.M. 2.50 - per pig marketed in 1960). Amongst its most interesting functions is the successful operation of a price equalisation fund through which it is able to maintain stable prices to producers over long periods. Like all marketing Boards the Northern Ireland Pigs Marketing Board provides its members with market information, advertises its products, and sponsors research and product improvement and development.

The Northern Ireland Pigs Marketing Board owes its success in large part to the peculiar situation in Northern Ireland whereby the vast majority of the pigs produced are destined for bacon. Bacon is a standardised product produced on a factory basis, from one type of pig, not particularly perishable and with a stable demand. Its marketing is relatively straightforward in consequence. If the Board had to face the same problems as had the pre-war Pigs Marketing Board - where pigs of all types had to be allocated to the bacon,

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(8) Actually of all pigs except boars and sows of 140 lbs. (63.5 kg.) deadweight and over. However, there is virtually no production of pork from light weight pigs in Northern Ireland.

(9) 38 per cent in 12 months to 31 December, 1960.

fresh pork and manufacturing trades, where the regional and temporal demand for pork was subject to daily fluctuations, and where the distributive system was correspondingly complex - there is no reason to believe that the Irish Board would prove any more successful than did its un-lamented British counterpart.

Pig Industry Development Authority :

This organisation was set up under the Agriculture Act, 1957, on the recommendation of the Bosanquet Committee.(10) Its members are nominated by the Minister of Agriculture and the Secretary of State for Scotland and represent all interests connected with the breeding, rearing, processing and distribution of pigs.

The Authority has no marketing functions as such, its purpose being to plan and supervise long-term programmes for improving the efficiency and competitive position of the pig industry in Britain. To this end it engages in a variety of activities. It operates pig recording, performance testing and feed recording schemes, supervises progeny testing, maintains a register of accredited herds and publishes technical literature, all designed to improve productive efficiency in the industry. Additionally, the P.I.D.A. conducts and sponsors research into such matters as grade assessment and processing techniques, and puts out quarterly Intelligence Bulletins reviewing the national and international pigmeat supply position in the immediate past and in prospect.

Functions of the P.I.D.A. more directly associated with marketing are product improvement and advertising. The Authority attempts to improve the uniformity and quality of bacon curing techniques, and has established a "Meritmark" brand which may be applied to all bacon which is produced by approved curing methods from good quality pigs. Finally, it spends some £100,000 (D.M. 1.1 million) a year in promoting British bacon, pork and pork products.

It is financed equally by producers and buyers, the producers' share being obtained from a levy of 0.05d. per lb. deadweight deducted from the deficiency payment on each pig marketed in weeks when a deficiency payment is due to producers.(11) Its income is £400,000 - £500,000 a year (D.M. 4.5 - 5.6 million) which represents about 0.3 per cent of the total value of pigmeat production in the United Kingdom.

Most of the work of the P.I.D.A. is designed to produce gradual improvements over the long-term, and is obviously of a kind which any progressive industry would conduct. However, the Authority is subject to much ill-informed criticism, a great deal of which stems from its inability to demonstrate tangible benefits to producers in the short-term. It is also unjustly criticised for not engaging in activities which it was never designed to perform and for which it has no powers, such as influencing the volume of imported supplies and the general pigmeat price level.

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(10) Op. cit., Chap. VI.

(11) This rate is fixed by Parliament (under the Pig Industry Development Authority Levy Scheme (Approval) Order, 1958, No. 871) and not by the Authority. The Authority is seeking approval to double the levy in order to expand its activities.

Bacon Consultative Council :

This organisation was formed in 1957 and consists of representatives of producers, curers and exporters from Great Britain, Northern Ireland, Denmark, Holland, Sweden and the Irish Republic. Of the major suppliers of bacon to the British market only Poland is unrepresented at the monthly meetings.

The Council has no powers to compel, or even to recommend to member countries, any particular course of action. It is merely a forum in which representatives from the countries concerned can confront each other with their proposals with regard to supplies in ensuing weeks. This helps to create a better picture of the future prospects for the trade, and permits modification of any proposals likely to change it.

Bacon Information Council Limited :

This organisation embraces the same countries and interests as the Consultative Council and, in addition, Poland and the Ministry of Agriculture and Fisheries are represented. Its objective is to promote the consumption of bacon. It is financed by member countries through a contribution related to market shares, and it spends about £200,000 (D.M. 2.2 m.) a year on advertising bacon, without reference to origin, and with particular emphasis on cuts other than rashers. The Ministry of Agriculture has not contributed to the Council's funds since it ceased to trade in bacon towards the end of 1956.

Other Organisations :

Two developments which could have an important beneficial influence on the marketing of home produced meat are at an advance planning stage.

First, the National Sheep Breeders Association has proposed the establishment of a development body for securing long-term improvements over the whole field of sheep production, processing and distribution, by engaging in the same types of activities as the P.I.D.A. undertakes for the pig industry - research, market intelligence, advertising, etc. Parliamentary approval would be required for such a body.

Second, the Government and producers have agreed to establish a Meat Research Institute to consolidate and expand basic research into problems associated with the production and processing of meat. Capital costs of £0.5 m. (D.M. 5.6 m.) and running costs of £100,000 per annum (D.M. 1.1 m.) are to be shared equally between the Government and the industry, the latter's share being collected through a levy on all animals slaughtered.

British Wool Marketing Board :

Although only indirectly connected with the marketing of meat, mention may be made of this producer marketing Board, which was set up by the British Wool Marketing Scheme of 1960. under the aegis of the Agricultural Marketing Acts.

The B.W.M.B. is the sole buyer and seller of home produced fleece wool in the United Kingdom. All merchants buying wool from farms do so as agents of the Board, and the Board sells its members' wool at public actions in direct competition with imported wools. Each year the

Board is guaranteed an average price for wool at the annual price review. If its average market realisation price is below the guaranteed price then a deficiency payment is made to the Board. However, if the market price exceeds the guaranteed price (which has not occurred since 1957/8) then the Board is bound to place the surplus to reserve, and the reserve must be used to bolster prices to producers in years when the converse results. The Board pays producers a price which varies with the type and quality of the clip, but which on average equals the guaranteed price less marketing costs.

The Board has been outstandingly successful in improving the quality and presentation of home produced wool, in rationalising distribution, in 'squeezing' distributive margins, and in promoting wool consumption.

6. Price Subsidies, Grants and Other Forms of Assistance

This subject is treated in detail in the immediately following sections, but a brief catalogue of the various forms of assistance given by the Government to meat production is included at this point for the sake of added perspective.

By far the most important assistance to meat producers is given through the payment of deficiency payments on certain classes of fatstock in the event of market realisation prices falling below guaranteed levels. Secondly, subsidies at the rearing stage are paid on beef type calves, and on female breeding stock in hill and upland areas under the Calf, Hill Sheep and Hill Cow subsidy schemes respectively.

Then there are a variety of schemes for giving assistance to the structural improvement of farms in areas in which the rearing of livestock is an important enterprise; grants under the Hill Farming and Livestock Rearing Acts for such purposes as the erection, construction or improvement of houses, farm buildings, fences and roads, reclamation of waste land, pasture improvements, etc., are the most important of these.

Fourthly, fatstock producers derive benefit from the regulatory powers exercised by the Government over the importation of competing products - tariffs; quota restrictions and health regulations governing the importation of meat and live animals.

Finally, fatstock producers are also eligible for grant aid under a miscellany of schemes which are equally available to all types of producers. These will not be discussed in this report, but grants under the Farm Improvement, Small Farm and Silo schemes, subsidies on fertilisers and lime and for ploughing grassland are the most important forms of subvention under this head.

II. GOVERNMENT ASSISTANCE TO MEAT PRODUCTION.

(A) Policy Objectives and Guaranteed Prices

There are no specific targets for the level of meat production in the United Kingdom, and the primary objective of current policies in respect of meat production is to support producer incomes at socially and politically acceptable levels.

However, the Government does attempt to :

(i) influence the level and trends of production of particular commodities in the light of changing conditions of supplies and demand, the costs of support, the level of producers' incomes and other relevant circumstances.

(ii) encourage the production of animals of the type best suited to consumer requirements.

(iii) lower costs of production through stimulating improved productive efficiency so as to minimise the costs of price and income support in the short-run, and gradually remove the necessity for special support measures for fatstock production in the longer term.

Objectives (i) and (ii) are attained chiefly through periodic changes in the levels at which fatstock prices are guaranteed and the types of animals which qualify for support; attainment of objective (iii) is attempted mainly through the grant-aid available for the improvement of farm land and fixed equipment.

The evolution of policies with respect to desired trends in production are outlined in this section.

Looking back over the policy statements made over the last decade with regard to the trends in the production of particular products that the Government wished to bring about, the following pattern emerges.

It has been consistent Government policy to encourage increased production of beef in the United Kingdom, and to this end the guaranteed price has been repeatedly raised (Table 10). This policy has been followed for a variety of reasons amongst which a desire to solve the surplus milk production problem by encouraging a switch to beef would rank high. So would the fact that beef has carried a relatively low unit rate of subsidy over the period (Table 19). The situation whereby the Government virtually has to increase some product support prices if it wishes to cut those of others in serious surplus under the rigid formulae of the Agriculture Act, 1957 has also played a part. These influences have carried more weight than the strict economic case for encouraging beef production in the United Kingdom, for beef has carried a subsidy in every year since decontrol. (12)

Of late, it is noticeable that a note of caution has entered into official pronouncements concerning beef production. There has been

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(12) The Ministry of Food ceased to trade in meat in 1954; prior to decontrol Exchequer payments on meat were partly consumer subsidies.

increasing emphasis on the need to produce "beef of the quality required by the market" relative to the desirability of increasing beef output per se, and this has recently been reinforced by a tightening of grade standards for animals eligible for guarantee.

In the first few years after decontrol, policy with regard to the production of mutton and lamb was initially to encourage production. After 1956 the emphasis was laid mainly on the need to reduce costs in view of a rising rate of subsidy and the availability of increasing supplies of low cost mutton and lamb from Australia and New Zealand. This phase lasted until 1960 when it was flatly stated that "the need was to check expansion".(13) These policy shifts have been reflected in the prices guaranteed to producers and in a progressive reduction in the weights of animals on which deficiency payments were made. So far, however, these changes have not interrupted a continuous expansion in sheep numbers and the production of mutton and lamb (Table 11).

Official policy in respect of pigmeat production in the United Kingdom has gone through phases of severe discouragement, cautious encouragement and stabilisation, in that order. A rapid expansion of pigmeat production was encouraged in the immediate post-war years as being the quickest way to improve a meat deficient diet. But by 1954 it was manifest that expansion had gone far enough; the unit rate of support was very high and, far from alleviating our balance of payments problem, expansion of the pig herd was necessitating a heavy bill for the importation of feedingstuffs from dollar areas. Prices were accordingly heavily cut (Table 12). However, by 1959 it was judged that the reduction in the national pig herd had gone too far, and guaranteed prices were raised following the 1960 and 1961 reviews. But also at the 1961 review was introduced the current "flexible guarantee" arrangement, which is designed to stabilise the output of pigs at between 10.3 and 10.8 million pigs slaughtered per year. This is the nearest the Government has ever come to fixing a specific production target for home produced meat.

In summary, current policy with regard to the trends in the output of meat it is desired to see produced in the United Kingdom appears to entail a reduction in the output of mutton and lamb and a stabilisation of the level of pigmeat production at about 750,000 metric tons a year. Official policy still foresees room for a continued expansion in the domestic production of beef and veal, but in recent years this view has been advanced with increasing hesitation and subject to much qualification.

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(13) Annual Review and Determination of Guarantees, 1960. Cmnd. 970.

FAT CATTLE GUARANTEED PRICES, BEEF CATTLE NUMBERS AND PRODUCTION OF BEEF AND VEAL IN THE UNITED KINGDOM, 1954/5-1962/3.

TABLE 10.

	1954/5	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2	1962/3
Guaranteed price[1] - shillings per live cwt.	133.17	138.67	151.00	156.00	157.00[4]	157.00	157.00	167.00	167.00
- D.M. per kg. liveweight	1.47	1.53	1.66	1.72	1.73	1.73	1.73	1.84	1.84
Percentage change		+ 4.1	+ 8.9	+ 3.3	+ 0.6	-	-	+ 6.4	-
Beef cattle population (Great Britain[2]) ('000s)	6876	6986	7174	7044	7093	7482	7819	7826	
Beef and veal production[3] ('000 metric tons)	810	698	863	901	785	747	784	879[5]	

(1) April - March years.

(2) At 4th June each year. The Agricultural Census in Northern Ireland is not in a form which permits beef cattle to be distinguished from dairy cattle.

(3) Excluding imported fat cattle. June - May years.

(4) This increase was confined to Grade I cattle.

(5) Forecast.

SOURCES : Agricultural Statistics; June Census.
Annual Review White Papers.

FAT SHEEP GUARANTEED PRICES, SHEEP NUMBERS AND PRODUCTION OF MUTTON AND LAMB IN THE UNITED KINGDOM, 1954/5-1962/3.

TABLE 11.

	1954/5	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2	1962/3
Guaranteed price[1]									
- pence per lb. dressed carcase weight	34.50	36.00	38.00	39.50	39.50	39.50	39.00	39.00	38.00
- D.M. per kg. dressed carcase weight	3.55	3.70	3.91	4.06	4.06	4.06	4.01	4.01	3.91
Percentage change		+4.3	+5.6	+3.9	-	-	-1.3	-	-2.6
Population[2]									
- breeding ewes, ('000s)	8908	9202	9596	9840	10322	10735	11232	11585	
- total sheep, ('000s)	22873	22949	23596	24796	26105	27612	27871	29194	
Mutton and lamb production[3] ('000 metric tons)	185	194	200	211	206	240	249	271[4]	

(1) April - March years.

(2) At 4th June.

(3) Excluding imported fat sheep. June - May years.

(4) Forecast.

SOURCES : Agricultural Statistics, June Census.
Annual Review White Papers.

FAT PIG GUARANTEED PRICES, PIG NUMBERS AND PRODUCTION OF PIGMEAT IN THE UNITED KINGDOM, 1953/4-1962/3.

TABLE 12.

	1953/4	1954/5	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1[6]	1961/2[6]	1962/3[6]
Guaranteed price[1]										
- shillings per score deadweight	54.25	51.25	51.33	49.58	51.91	44.75	46.75	45.83	43.58[4]	46.75[4]
- D.M. per kg. deadweight	3.35	3.16	3.17	3.06	3.20	2.76	2.89	2.83	2.69	2.89
Corresponding standard feed price										
- shillings per cwt.	29.83	27.75[5]	30.33[5]	29.08[5]	31.41	26.25	28.25	27.08	24.58	27.75
- D.M. per metric ton	328.85	305.92	334.36	320.58	346.26	289.38	311.43	298.53	270.97	305.92
Equivalent guaranteed price with feed at 27s. 9d. per cwt. (D.M. 305.92 per metric ton)										
- shillings per score deadweight	54.25	51.25	48.75	48.25	48.25	46.25	46.25	46.50	46.75	46.75
- D.M. per kg. deadweight	3.35	3.16	3.01	2.98	2.98	2.86	2.86	2.87	2.89	2.89
Percentage change		- 5.5	- 4.9	- 1.0	-	- 4.2	-	+ 0.5	+ 0.5	-
Pig population[2]										
- breeding sows ('000s)	699	814	683	685	743	802	705	725	776	
- total pigs ('000s)	5165	6251	5843	5474	5974	6485	5984	5724	6093	
Pigmeat production[3] ('000 metric tons)	616	769	670	651	701	765	704	698	757[7]	

(1) April - March years.

(2) At 4th June each year.

(3) Including estimated production from holdings of less than one acre. June - May years.

(4) Subject to the operation of the flexible guarantee formula.

(5) Adjusted to current feed formula.

(6) The separation of the quality premiums from the overall guarantee from April 1960 onwards is equivalent to a further sixpence per score deadweight on all pigs (D.M. 0.37 per kg.)

(7) Forecast.

SOURCES :
Agricultural Statistics. June Census.
Annual Review White Papers.

(B) The Operation of the Price Guarantee System

1. Introduction

Fatstock prices are supported within the general framework of the Agriculture Acts 1947 and 1957, and fall within the provisions of the latter Act whereby the total value of the guarantees to the agricultural industry may not be reduced by more than 2.5 per cent between years, nor may the guaranteed prices of individual types of fatstock be reduced by more than 4 per cent in any year or by more than 9 per cent over a period of three consecutive years.

Guaranteed prices of fatstock for the following April-May year are announced immediately after each annual price review, together with any revisions in the classes of stock which are eligible for guarantee payments and the conditions under which guarantee payments will be made.

The system of price support used is a collective deficiency payment, whereby a deficiency payment is made on all eligible stock marketed each week if the average market realisation price in each week falls below prescribed minimum levels. There is no price guarantee to individual producers. Each seller of fatstock is left to obtain the highest price he can for his animals and will only receive a deficiency payment if the average realisation prices on all sales in the weeks he markets his animals fall below certain limits. Similarly, any subsidy is paid at flat rates per unit of weight on all eligible stock marketed regardless of the actual realisations on individual animals or the receipts of individual sellers. In this way each farmer has the incentive to get the best he can out of the market, while the industry as a whole has an assurance of a "price floor" near to the guaranteed standard prices fixed each year at the price reviews. Under such a system there is, of course, no price "ceiling", though in practice market prices are but infrequently above the prices guaranteed.

Not all classes of fatstock are eligible for price guarantees. In general, the price guarantees apply only to animals fattened specifically for meat or bacon; cast breeding animals and other animals of types which would not produce meat of acceptable quality (particularly immature animals) are excluded. Thus beef and dairy cows, bulls, sows, boars, ewes and rams, calves, grossly immature and emaciated animals, and animals in an advanced state of pregnancy are sold without benefit of guaranteed prices. Imported pigs are not eligible for guarantee, but imported cattle and sheep are eligible at a reduced rate provided they have been in the United Kingdom for not less than 13 weeks.(14) Guarantee payments are also only made on animals within specified weight ranges, any weight in excess of the maximum being ignored for price support purposes.

2. Methods and Mechanisms

Farmers are free to sell their fatstock where, when and how they choose , but to get any deficiency payment which may be due the animals must be certified at an approved certification centre and permanently marked to prevent re-presentation. Most auction markets, bacon factories and slaughterhouses are approved certification centres. Details of the realisation prices, weights and grades of all animals certified as being eligible for guarantee payments by Government grading officers are sent to a national centre, and this information is the basis for calculating :

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(14) The guarantee (if any) payable on non-attested imported cattle is 3s. 6d. per hundredweight liveweight (D.M. 0.04 per kg.) lower than on home bred cattle; attested imported cattle attract the full guarantee. Any guarantees paid on imported sheep is 0.75d. per pound dressed carcase weight (D.M. 0.08 per kg.) lower than on home bred animals.

(i) weekly national average prices for all classes of stock and the rates of deficiency payments due,

(ii) the deficiency payments due to individual producers.

Standard prices for fat cattle and fat sheep are laid down for each week of the year. There is no seasonal price scale for pigs, but the standard price is adjusted when necessary to take account of variations in the cost of a standard feeding ration. The deficiency payment operates to bring the average weekly price received by farmers to near these standard prices, though in a most roundabout manner.

Each week average unit prices are calculated for each class of stock (cattle, sheep and pigs) from the actual market realisation prices and weights of animals certified in the preceding four weeks and estimated market realisation prices and weights of animals likely to be certified in the succeeding four weeks. If these estimated average unit prices for the whole eight week period are less than the average of the seasonal standard prices for the same eight weeks then the differences are announced as "provisional unit rates of guarantee" for each class of stock for the forthcoming week. This complicated process is illustrated by the hypothetical examples shown in Table 13.

At the end of each week actual average market prices are examined. If market prices followed the expected trends then the provisional rates of deficiency payments previously announced are paid on all stock marketed in the week.

If, however, market prices were so different from those forecast that the "average returns" on any classes of stock - i.e. market prices plus provisional guarantee rates - would have been outside prescribed "stabilising limits", then "stabilising adjustments" are made to the provisional guarantee so that the "final rates" of subsidy together with the average market prices will bring the average return on all stock sold within the range of the stabilising limits.

That is, if the average return in any week falls short of the lower stabilising limit for that week for any class of stock, the final rate of deficiency payment is higher than that provisionally announced by an amount sufficient to bring the average return for the week up to the lower limit. If, on the other hand, the actual average market price plus provisional guarantee were to exceed the upper limit, then the final rate of deficiency payment made would be lower than that provisionally announced by an amount sufficient to bring the average for the week down to the upper stabilising limits.

Figures 8, 9 & 10 illustrate how these arrangements have worked over the last three years and how average returns to farmers have been held close to the standard prices and above the lower stabilising limits, despite wide fluctuations in market prices.

It has been questioned whether there is any particular virtue in the whole system of announcing provisional and final rates of guarantee.(15) The essence of the present system was introduced when meat was decontrolled in 1954, when farmers were uncertain as to how free markets would work, and when it was desired to give them virtually complete assurance of firm prices before they sent stock to market. The original system was even

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(15) ATTWOOD, E.A. and HALLET, G.; The Marketing of Farm Products in the U.K.; Jour. Roy. Agric. Soc. Eng.; Vol. 119, 1958, pp. 19-34.

HYPOTHETICAL EXAMPLE ILLUSTRATING THE CALCULATION OF THE PROVISIONAL RATES OF GUARANTEE; FAT CATTLE : WEEK COMMENCING 30 APRIL.

TABLE 13.

	Week commencing March 26	Week commencing April 2	Week commencing April 9	Week commencing April 16	Four weeks April 23 to May 21
Average price of Grade I light cattle	152s. 9d.	152s. 10d.	154s. 1d.	158s. 1d.	
Average price of Grade I heavy cattle	148s. 6d.	149s. 2d.	150s. 5d.	155s. 6d.	
Average price of Grade II light cattle	143s. 9d.	144s. 1d.	145s. 0d.	150s. 5d.	
Average price of Grade II heavy cattle	144s. 3d.	144s. 2d.	144s. 9d.	150s. 5d.	
Weighted average market price of all cattle (1) (A)	149s. 4d.	149s. 10d.	150s. 10d.	154s. 10d.	Estimate 155s. 1d.
Average weight of all cattle (B)	9¾ cwt.	9¾ cwt.	9¾ cwt.	9¾ cwt.	Estimate 9½ cwt.
Total cattle certified (C)	38,597	39,452	36,217	36,277	Estimate 170,000
Total value of all cattle certified; (A) x (B) x (C)	£2,809,861	£2,881,722	£2,663,081	£2,738,233	Estimate £12,518,471

Average price for the eight-week period (total value divided by total weight $\frac{£23,611,368}{(150,543 \times 9\frac{3}{4}) + (170,000 \times 9\frac{1}{2})}$ = 152s. 8d.cwt.

Average seasonal standard price for the same eight-week period. ... ... 182s. 3d.cwt.

Difference, being average provisional guarantee rate for week commencing 30 April ... ... 29s. 7d.cwt.

Therefore the provisional guarantee rates to be announced are : Grade I - 29s. 7d. + 2s. 1d. ... ... 31s. 8d.cwt.

Grade II - 29s. 7d. - 2s. 11d. ... ... 26s. 6d.cwt.

(1) Weighted average of all grades.

FIGURE 8. AVERAGE MARKET PRICES AND AVERAGE RETURNS STEERS AND HEIFERS 1959-1962.

Shillings per live hundredweight

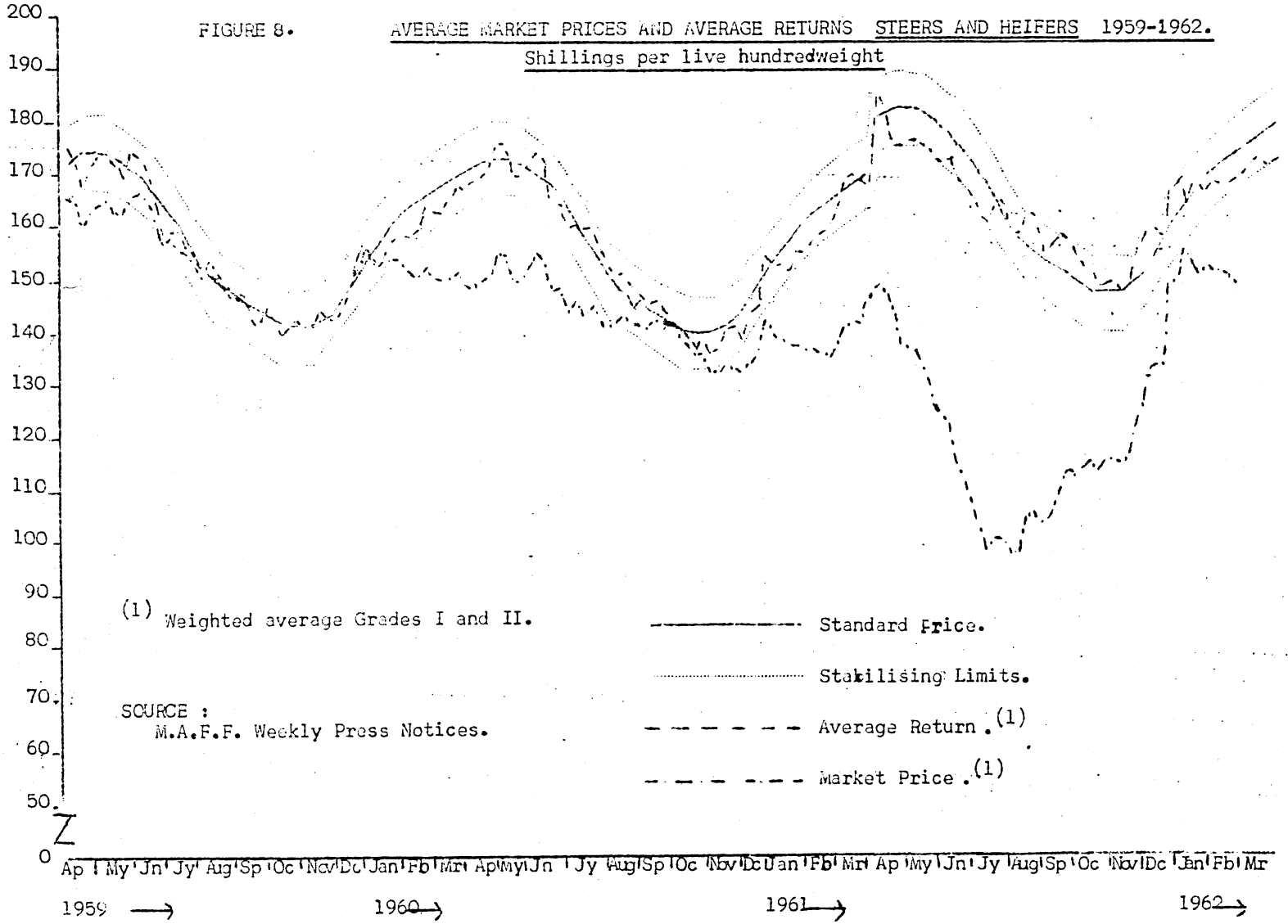
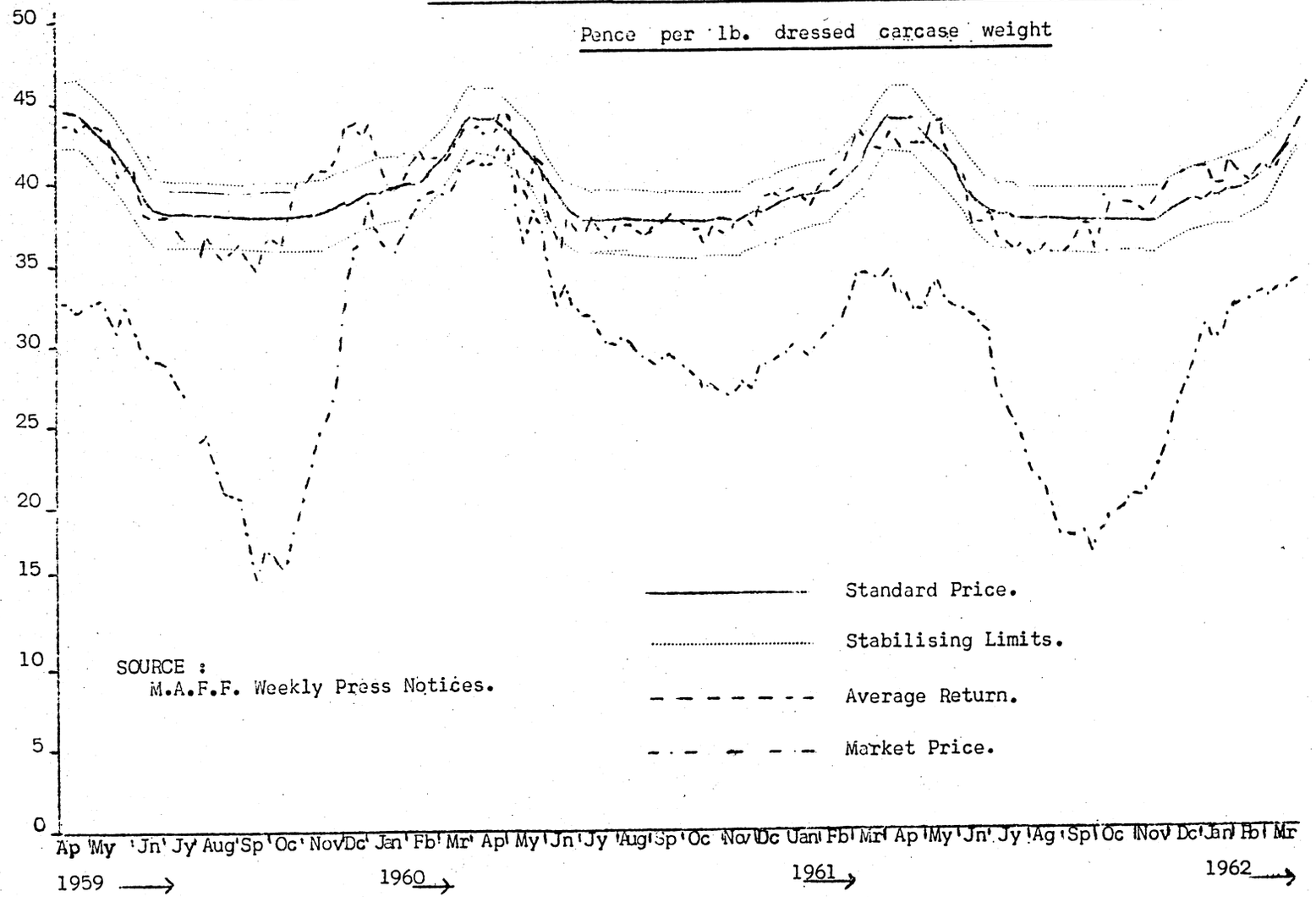


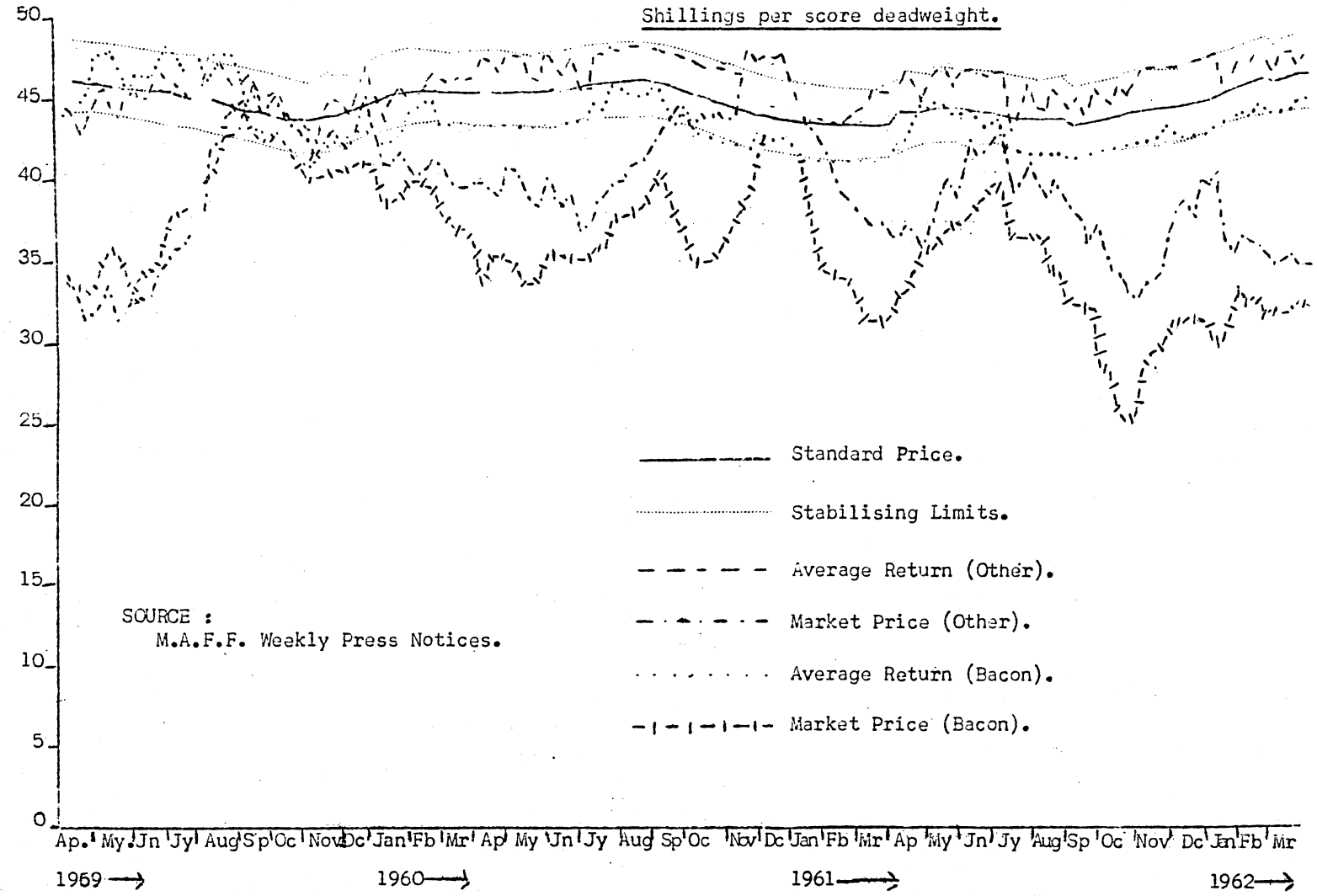
FIGURE 9. AVERAGE WEEKLY MARKET PRICES AND AVERAGE RETURNS SHEEP 1959-1962.

Pence per lb. dressed carcase weight



SOURCE :
M.A.F.F. Weekly Press Notices.

FIGURE 10. AVERAGE WEEKLY MARKET PRICES AND AVERAGE RETURNS PIGS 1959-1962.



more complicated than the present one - and understood by even fewer people - and it almost collapsed under its own complexity.(16) The present arrangements were evolved from the wreckage, and it can be said in their favour that they are simpler and more easily understood. But it has been suggested that a still simpler system of deficiency payments of the type operated for wheat - whereby a straightforward deficiency payment at a uniform rate is made to bridge any gap between seasonal standard prices and actual market prices - would serve the purpose of giving producers a measure of price support and stability equally well. It would still be possible to influence the seasonality of marketings by having weekly standard prices, and the individual farmer would still be left to feel the "bite of the market", and so be induced to produce animals of the type best suited to consumers' requirements and to seek the most remunerative outlet for them.

A similar conclusion would apply if the present deficiency payment system of price support was eventually to be replaced by methods which relied on control of the total volume of supplies on the market, such as those it is envisaged will be operated within the E.E.C.

However, the substance of the criticisms which have been made of the present arrangements is of their complexity - not of their effectiveness in giving price support and stability to the industry as a whole, which is not in dispute. There are criticisms to be made of the deficiency payments system as a whole and in detail (see later sections), but these do not stem primarily from the method of calculating and operating the guarantees. Furthermore it is undoubtedly the case that deadweight buyers, such as the M.M.C., would be hampered in their practice of buying on the basis of firm prices announced in advance under a system of simple retrospective deficiency payments,(17) and the present system has at least the merit of not discriminating between methods of marketing.

3. Seasonal Standard Prices

The overall guaranteed prices for fat cattle and fat sheep are brokendown into seasonal scales of weekly standard prices. Those which will operate in the 1962/3 fatstock marketing year are as shown in Table 14.

It will be seen that the fat cattle price schedule has a maximum spread of about 10 per cent on either side of the price guaranteed over the year as a whole, being highest in April and lowest in October. The spread for sheep is narrower, ranging from 4 per cent below the basic guaranteed price in the period when lambs are being fattened off grass, and rising to 11 per cent above the basic price for over-wintered animals.

These ranges have varied only marginally from year to year, indicating that the major purpose of the seasonal scales is to maintain approximately the same margin on cheaply produced cattle and sheep killed off grass in the summer and autumn and the more costly over-wintered animals, rather than to bring about any particular temporal pattern of supplies. In fact, the weekly standard prices are calculated by formula; they are placed at levels which, when weighted by the arithmetic average of certifications in the corresponding weeks of the three previous years, are equivalent to the price guaranteed over the year as a whole.

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(16) Agricultural Register 1956-7, New Series; Agric. Econ. Res. Inst., Oxf Chap II, pp. 31-33.

(17) Most deadweight sales are made under special arrangements made by the Ministry whereby any deficiency payments due are made to the buyer rather than the seller of fatstock, and the buyer includes the provisional guarantee payments in the prices quoted to farmers.

WEEKLY STANDARD PRICES AND STABILISING LIMITS, FAT CATTLE AND SHEEP 1962/3.

TABLE 14.

Week No.	Commencing	Cattle		Sheep	
		Shillings per cwt. liveweight	D.M. per kg. liveweight	Pence per lb. dressed carcase weight	D.M. per kg. dressed carcase weight
		Stabilising Limits			
		± 10.0	± 0.11	± 3.0	± 0.31
		Weekly Standard Price			
	1962				
1	March 26	182.0	2.01	43.00	4.42
2	April 2	182.5	2.01	43.00	4.42
3	9	183.0	2.02	43.00	4.42
4	16	183.0	2.02	42.75	4.40
5	23	183.0	2.02	42.25	4.35
6	30	183.0	2.02	41.75	4.30
7	May 7	182.5	2.01	41.25	4.24
8	14	181.5	2.00	40.50	4.17
9	21	180.5	1.99	39.75	4.09
10	28	179.0	1.97	39.00	4.01
11	June 4	177.5	1.96	38.25	3.94
12	11	175.5	1.93	37.75	3.88
13	18	173.0	1.91	37.50	3.86
14	25	170.5	1.88	37.25	3.83
15	July 2	168.0	1.85	37.00	3.81
16	9	165.5	1.82	36.75	3.78
17	16	163.0	1.80	36.75	3.78
18	23	160.5	1.77	36.75	3.78
19	30	158.5	1.75	36.75	3.78
20	August 6	157.0	1.73	36.75	3.78
21	13	155.5	1.71	36.75	3.78
22	20	154.5	1.70	36.75	3.78
23	27	153.5	1.69	36.75	3.78
24	Sept. 3	152.5	1.68	36.75	3.78
25	10	151.5	1.67	36.75	3.78
26	17	150.5	1.66	36.75	3.78
27	24	149.5	1.65	36.75	3.78
28	October 1	148.5	1.64	36.75	3.78
29	8	148.5	1.64	36.75	3.78
30	15	148.5	1.64	36.75	3.78
31	22	148.5	1.64	36.75	3.78
32	29	148.5	1.64	36.75	3.78
33	Nov. 5	149.5	1.65	36.75	3.78
34	12	151.5	1.67	37.00	3.81
35	19	153.5	1.69	37.25	3.83
36	26	156.5	1.72	37.50	3.86
37	Dec. 3	159.5	1.76	37.75	3.88
38	10	161.5	1.78	38.00	3.91
39	17	163.5	1.80	38.00	3.91
40	24	163.5	1.80	38.00	3.91
41	31	166.0	1.83	38.50	3.96
	1963				
42	January 7	167.5	1.85	38.50	3.96
43	14	169.5	1.87	38.75	3.99
44	21	171.5	1.89	38.75	3.99
45	28	173.0	1.91	39.00	4.01
46	Feb. 4	174.0	1.92	39.25	4.04
47	11	175.0	1.93	39.50	4.06
48	18	176.0	1.94	40.00	4.12
49	25	177.0	1.95	40.50	4.17
50	March 4	178.0	1.96	41.50	4.27
51	11	179.5	1.98	42.50	4.37
52	18	180.5	1.99	43.00	4.42
53	25	182.0	2.01	43.00	4.42

4. The Pig Feed and Flexible Guarantee Formulae

The guaranteed price for pigs does not vary seasonally but is instead linked by formulae to feed costs and the likely level of future production.

The basic guaranteed price for 1962/3 on which any deficiency payments are based is 46s. 9d. per score deadweight (D.M. 2.89 per kg.) when the price of a "standard ration" is 27s. 9d. per cwt. (D.M. 306.92 per metric ton). The composition of the standard ration is :

	%
Feeding wheat	20
Barley meal	40
Feeding oats	10
Maize meal	10
Wheat offals	10
White fish meal	5
Extracted soya bean meal	5

The prices used in calculating the cost of the ration are measured at the dealer, processor or compounder stage of distribution at seven major ports, and are for lots of not less than five tons. The cost of the ration is calculated each week and the average cost over any period of 12 consecutive weeks determines the adjustment to the guaranteed price in the third week following the twelve weeks' period - i.e. the average of the weekly costs of the standard ration in the 12 weeks 26th March to 19th June, 1962 will be reflected in the guaranteed price for the week commencing 2nd July, 1962. For every change, up or down of one penny per cwt. (D.M. 0.92 per metric ton) in the cost of the ration the guaranteed price of pigs is similarly changed by one penny per score (0.5 pfennigs per kg.). In this way pig producers' margins are insulated from variations in their largest cost item, and one of the classic causes of instability of the pig industry - fluctuations in the pig/feed price ratio - is combatted.

The flexible guaranteed price arrangements also have the purpose of stabilising pig production. They operate by reducing or increasing the basic guaranteed price at three-monthly intervals according to whether the estimated total number of pigs coming forward for certification in the ensuing twelve months is greater or smaller than the 10.3 to 10.8 million to which the basic guarantee relates. The schedule of price adjustments is shown in Table 15.

FLEXIBLE GUARANTEE FORMULA FOR PIGS, 1962/3.

TABLE 15.

Forecast level of certifications	Adjustment to basic guaranteed price	
	s. d. per score deadweight	pfennigs per kg. deadweight
Less than 9.75 million pigs	+ 1s. 6d.	+ 9.3
9.75 million or more but less than 10 million	+ 1s. 0d.	+ 6.2
10 million or more but less than 10.3 million	+ 6d.	+ 3.1
10.3 million or more but less than 10.8 million	nil	nil
10.8 million or more but less than 11 million	- 6d.	- 3.1
11 million or more but less than 11.25 million	- 1s. 0d.	- 6.2
11.25 million or over	- 1s. 6d.	- 9.3

Since the arrangement was introduced following the 1961 review, adjustments have been both upwards and downwards. It is too early to say whether the flexible guarantee will bring increased stability to the pig industry by narrowing the amplitude of fluctuations in pig numbers. But there will certainly be a problem of price interpretation by producers, for it is already clear that feed formula adjustments can overlay flexible adjustments to the basic guaranteed price and obscure the position to all but the best informed producers. This is evident from Table 16, which shows how actual guaranteed prices changed in some representative weeks of the 1961/2 year, and the way in which recent additions attributable to rising feed costs have overshadowed reductions in the basic guarantee under the flexible price formula.

5. Stabilising Arrangements

The purpose of the stabilising arrangement is, on the one hand, to protect the industry from a sudden collapse in the market whilst still permitting the downward trend in the market to be brought home to producers by the fall in their average receipts, and, on the other hand, the upper limit protects the Treasury from having to pay out large sums in deficiency payments on a rising market, whilst still permitting the rise in average returns to encourage producers to bring stock forward.

Clearly, so long as a system is used which involves the announcement of provisional rates of deficiency payments and the latter is calculated on the difference between market and standard prices over an eight week period, then without some such arrangement as the stabilising limits and adjustments, sudden changes in market prices could involve producers who marketed stock in a particular week receiving either very low average returns or excessive Exchequer payments. To the extent that this is prevented this feature of the system has merit.

Table 17 shows the magnitude of the stabilising limits for the three classes of fatstock and their relationship to the overall and weekly standard prices.

The wider are the stabilising limits, the more producers' average returns can vary from the overall guarantees, and therefore the greater is the incentive for each producer to produce animals of the type most in demand and market them to best advantage. It is significant that the stabilising limits for cattle and sheep were raised at the 1962 review from 7s. Od. to 10s. Od. per live cwt. and from 2d. to 3d. per lb. dressed carcase weight respectively.

Special stabilising arrangements are operated in respect of pigs. The provisional guarantee is calculated and announced in respect of all pigs, but the average returns to producers are calculated separately for

(a) bacon pigs and

(b) other certified pigs,

and separate stabilising adjustments may be made to the provisional guarantee so as to keep the average return to producers from each market above the lower stabilising limit. This arrangement was introduced in 1959, and was designed primarily to give stability of returns to bacon pig producers. Prior to the separation of the guarantees, it sometimes happened that bacon pig prices were depressed for long periods while pork pig prices were so high that no deficiency

COMPOSITION OF GUARANTEED PRICE FOR PIGS, SOME REPRESENTATIVE WEEKS, 1961/2.

TABLE 16.

Per score

	Week Commencing										
	27/3	1/5	12/6	14/8	21/8	25/9	20/11	8/1	12/2	19/2	12/3
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Basic guaranteed price	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.	43. 7.
Flexible guarantee adjustment	+6.	+6.	+6.	+6.	—	—	—	—	—	-6.	-6.
Feed formula adjustment	-	+1.	-2.	-8.	-7.	—	+7.	+1. 7.	+2. 5.	+2. 7.	+3. 0.
Actual standard price	44. 1.	44. 2.	43. 11.	43. 5.	43. 0.	43. 7.	44. 2.	45. 2.	46. 0.	45. 8.	46. 1.

SOURCE : M.A.F.F. Weekly Press Notices.

FATSTOCK STABILISING LIMITS, 1962/3.

TABLE 17.

	Stabilising Limits				
	Actual		In relation to :		
			Years standard price	Seasonal low	Seasonal high
	s. d.	Pfennigs per kg.	%	%	%
Fat cattle	± 10s. per live hundredweight	11.0	± 6.0	± 6.7	± 5.5
Fat sheep	± 3d. per lb. dressed carcase weight	30.9	± 7.9	± 8.2	± 7.0
Fat pigs	2s. 6d. above) per	15.4	+ 5.7	—	—
	to) score				
	2s. 0d. below) dw.	12.3	- 4.4		

payment was due to the pig industry as a whole. Under present arrangements this situation can no longer arise and with an assurance of overall stability of returns producers need not be deterred from investing in this relatively specialised enterprise. Moreover, the separate stabilising arrangements have facilitated the placing of long-term contracts for bacon pigs.

6. Guarantees and Quality

Three features of the guaranteed price arrangements are designed to encourage the production of animals suited to modern consumer preferences for lean meat and small joints.

(i) Animals must be of minimum weights and produce carcases of minimum standards of quality in order to qualify for deficiency payments.

(ii) The deficiency payment is limited to maximum weights on each animal.

(iii) Quality premiums are paid on certain classes of fatstock.

Qualifying standards :

In order to discourage the marketing of grossly immature or unfinished animals, fatstock presented for certification must be of minimum weights and satisfy minimum standards of conformation and "finish" in order to attract the guarantee payment.

The minimum weight standards which will operated in 1962/3 are as follows :

	Liveweight		Dressed carcase weight	
	lbs.	kg.	lbs.	kg.
Ordinary cattle :				
Steers	840	381	450	204
Heifers	728	330	390	177
Special young animals :				
Steers	784	356	430	195
Heifers	672	305	365	166
Sheep :	-	-	17	8
Pigs :	90	41	60	27

Minimum quality standards are not assessed by objective measurements other than that live cattle must have an estimated killing out percentage of not less than 54 per cent for ordinary cattle and 55 per cent for special young animals. The specifications are general indications only and contain such phrases as "reasonably well fleshed", "finish should be fair", "fat covering not excessive", "fat should be firm", etc. Nevertheless, there has been only isolated criticism of the application of the minimum quality standards by the Ministry's grading officers; partly no doubt because they are not rigorous.

The general minimum standard for fat cattle was revised at the 1962 review in such a manner as to lay down much more stringent requirements in respect of conformation. This has caused a great deal of uncertainty as to what the consequences of the new minimum standards will be, and particularly as to whether many beef animals derived from the dairy herd will

qualify for price guarantees in the future. It is also suspected that, whereas the previous minimum quality standards excluded from the guarantees only those animals which were manifestly unsuited to present day consumer requirements, the revised standards may preclude from guarantees animals of a type which the trade has previously found to produce beef readily acceptable to consumers.

On the other hand, the lowering of the general minimum weight standards following the 1962 review so as to include special young cattle - provided they meet exceptionally rigorous standards of finish and conformation - has been generally welcomed as admitting to eligibility for guarantees the type of intensively-reared animal which produces the lean meat and small joints in greatest consumer demand.

Maximum weights :

In order to discourage the production of overweight animals the deficiency payments on any animal is limited to maximum weights, although there is no upper limit to the weight at which fatstock may be marketed and qualify for price support. The following are the maximum weights to which guaranteed prices will apply in 1962/3.(18)

	Liveweight		Dressed carcase weight	
	lbs.	kg.	lbs.	kg.
Cattle :				
Steers	1568	711	890	404
Heifers	1232	559	700	318
Sheep :				
Lambs	-	-	50	23
Hoggets(19) and other clean sheep	-	-	60	27
Pigs :	280	127	210	95

Quality Premiums :

No quality premiums are paid on sheep and lambs but fat cattle deficiency payments are paid at two different rates according to quality, and two classes of fat pigs which best suit the traditional Wiltshire curing industry's requirements also receive quality premiums.

Cattle which do not exceed prescribed maximum weights and which meet certain standards of finish and conformation are classified as Grade I and receive a premium of 5s. Od. per live hundredweight (5.5 pfennigs per kg.) compared with all other animals reaching the general minimum standards; the latter are placed in Grade II.

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(18) As from 2nd July, 1962 for cattle and sheep; from 26th March, 1962 in the case of pigs.

(19) A lamb becomes a hogget on the 1st January following the year in which it was born, provided it is more than three months old at the 1st October. Lambs born between 1st October and the 31st December (inclusive) are classified as hoggets on the second 1st January following their birth.

The Grade I maximum weight standards, which were substantially lowered following the 1962 review, will be as shown below for the 1962/3 year.

	Liveweight		Dressed carcase weight	
	lbs.	kg.	lbs.	kg.
Steers	1288	584	1064	483
Heifers	750	340	620	281

The quality standards for animals graded I are, of course, higher in respect of both finish and conformation than the general minimum standard, but again they are purely qualitative, and the application by the Ministry's grading officers of specifications containing phrases like "moderately compact", "moderately thickly fleshed" and "finish must be reasonable according to the age of the animal" is bound to be contended on occasions, even though there is general agreement with and understanding of the type of animal which is intended to be covered by the premium grade specification.

The premium is implemented by paying a higher deficiency payment than the average due on all cattle on those graded I, and a lower rate for Grade II animals. In 1962/3 Grade I cattle will get 2s. 1d. per live cwt. (2.2 pfennigs per kg.) more than the average rate of deficiency payment due each week, while Grade II will get 2s. 11d. per live cwt. (3.3 pfennigs per kg.) less than the average rate.

Quality premiums on pigs are limited to carcases of pigs which are :

(a) destined for bacon,
(b) sold on the basis of grade and deadweight and graded by a Ministry grader,
(c) certified at approved bacon factories,
(d) within the weight range 140 to 165 lbs. (64 to 75 kg.) dressed carcase weight.

There are two rates of premium on bacon pigs. To qualify either for Grade AA+ and a quality premium of 3s. 0d. per score deadweight (18.5 pfennigs per kg.), or for Grade AA and a premium of 2s. 0d. per score deadweight (12.3 pfennigs per kg.), a pig must meet the standards of length and back fat thickness shown in Table 18. In addition to these objective measures, the carcase must also meet such subjectively assessed requirements as "freedom from taint" and "fat ... firm and white".

No quality premiums are paid on manufacturing or pork pigs, or on pigs used in part for bacon which are not bought on a grade and deadweight basis. The main reason for this is that no uniform grading system has ever been devised which has proved generally acceptable for such pigs.

At one time the quality premiums on bacon pigs were paid from within the general guarantee on all pigs, but since this meant that bacon pig producers were to some extent being subsidised by producers of other types of pig, the quality premiums have been paid in addition to any general deficiency payments since the end of March 1960.

CARCASE GRADING STANDARDS OF BACON PIGS FOR QUALITY PREMIA.

TABLE 18. millimetres

Grade	Back fat measurements			Minimum length measurements
	Midback	Loin	Shoulder	
	Minimum	Maximum	Maximum	
AA+	15	30	50	800
AA	15	30	50	775

SOURCE : Fatstock Guarantee Scheme, 1961/2.

Deadweight buyers and quality grading :

Deadweight buyers of fat cattle and bacon pigs-such as the F.M.C.- include quality premia in the prices quoted to farmers. It may also be noted at this point that the F.M.C. and some other deadweight buyers base payments on a greater number of carcase grades than those used within the deficiency payment system for the payment of quality premiums. Thus for fat cattle two deadweight grades are recognised within Grade I and three within Grade II; sheep and lambs each have three carcases grades, and bacon pig carcases are classified into no less than eight different grades. Again bacon pig grades are based mainly on objective measurements of fat thickness and length, while the grade standards for cattle and sheep are entirely qualitative.

Assessment of carcase grade standards is undertaken by the Ministry's grading officers at approved deadweight certification centres which include most slaughterhouses and bacon factories.

(C) Other Grants and Subsidies.

1. Calf Subsidy Scheme

Under the Agriculture (Calf Subsidies) Act, 1962 approved home bred calves of beef type can qualify for subsidy payments at the following current rates.

Steers	.....	£ 9. 5s.	or	D.M. 104
Heifers	.....	£ 7. 10s.	or	D.M. 84

The calves must be suitable for further rearing for beef production or, if heifer calves, for use for breeding for beef production. Heifer calves of the Jersey, Guernsey, Friesian and Ayrshire breeds are not eligible, but dual-purpose breed heifer calves may qualify provided they individually meet the required standard on inspection. Calves must normally be eight months old on inspection, but in approved hill areas where winter keep is inadequate for the retention of spring-born calves the minimum qualifying age is reduced to six months. This scheme is due to end in October 1964 unless extended by Parliament.

It has been suggested that the calf subsidy scheme could be dispensed with by making an equivalent addition to the guaranteed price of fatstock, thereby effecting a substantial saving in the administrative costs of its operation and removing the anomalies which occur in the granting or withholding of the subsidy on dual-purpose and cross-bred calves.(20) It is certainly the case that the scheme was originally introduced in 1947 as part of a whole array of measures designed to bring about the rapid increase of beef production appropriate in the circumstances of those times. However, the official attitude to this proposal is that there can be no assurance about the proportion of any equivalent increase in fat cattle prices made in lieu of the calf subsidy which would be reflected in returns to rearers, indicating that the subsidy has a social as well as an economic element in it, and particularly that the scheme gives special aid to store cattle rearers in hill areas. If concern for farmers in livestock rearing areas is part of the rationale of the calf subsidy scheme then it may be considered that the following schemes are a more direct means of achieving this end.

2. Special Aid for Livestock Rearing Areas

Hill cow and hill sheep subsidies :

These subsidies are paid under the Hill Farming Acts 1946 and 1956 and the Livestock Rearing Act 1951, on female animals in regular breeding herds throughout the year in regions designated as "livestock rearing areas".

Payment of the hill cow subsidy is made in respect of breeding cows and in-calf heifers (maintained in an approved manner in a permanent breeding herd used for the breeding of store cattle for sale) at the current rate of £12 (D.M. 134) per head each year. Cows kept mainly for milk production are not eligible, and the subsidy is

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(20) HALLETT, G.; Subsidies to Meat Production in the United Kingdom; Farm Economist, Vol. IX, No. 4, 1959, pp. 147-159.

reduced in proportion to milk sales on herds where occasional sales of milk are made. Recipients of this subsidy can be required to use up to 40 per cent of the total for improving the farm land and buildings, but if a Livestock Rearing Land improvement scheme is undertaken it may be possible for 40 per cent of the hill cow subsidy receipts to be applied towards the applicant's share of the improvement scheme.

The hill sheep subsidy is not paid every year, but only in such years as it is considered that the economic situation of sheep producers in livestock rearing areas warrants some special assistance. The current year, 1962/3, is such a year, and the subsidy will be paid at the rate of 6s. Od. (D.M. 3.36) per ewe and shearling ewe in self-maintained flocks and at 3s. Od. (D.M. 1.68) per head for flocks maintained wholly or in part by the purchase of ewes or for the production of cross-bred lambs for sale. To be eligible flocks must be regular breeding flocks of recognised mountain breeds kept on hill land for the greater part of the year and managed in accordance with recognised hill sheep farming practices.

Grants for improving livestock rearing land :

Hill and upland farms depending mainly on the rearing of cattle and sheep may qualify for grants amounting to 50 per cent of the cost of carrying out approved schemes designed to improve farm land and fixed equipment so as to provide a reasonable income for the occupier. Farms judged to be non-viable even after improvement and farms capable of producing milk, fatstock or crops (to the extent of 40 per cent of the gross farm income) are not eligible. Grant-aid can cover such improvements as work on buildings, farmhouses, cottages, roads, fences, water courses, drainage, silos, the reclamation of waste land and improvement of pasture, planting shelter belts, connecting an electricity supply, etc. The individual improvements must be part of a comprehensive scheme to improve the farm and its income potential, and a scheme which is not completed may be revoked and the grant recalled.

Roads improvements :

The Government will give grant aid towards expenditure incurred by local highway authorities in carrying out approved proposals for improving rural roads in, or affording access to, upland livestock rearing areas, at rates of up to 85 per cent. Individual farmers benefitting from such improvements may be asked to contribute towards the proportion not covered by grant. Estimated expenditure in 1961/2 on this scheme was approximately £0.55 million (D.M. 6 million).

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All of the above schemes have the virtues of giving special assistance to predominantly economically needy producers in difficult economic areas - as opposed to the broadcasting of aid indiscriminately over farmers as a whole, as happens under price supports on final fatstock products and the calf subsidy scheme.

The grants for the improvement of livestock rearing land have the additional merits of their receipt being denied to fundamentally non-viable holdings, and, in the case of recipients, being dependent on the completion of improvements which place the farms in a better competitive position in the long term. Furthermore, by extending to

houses, roads, water and electricity supplies, as well as to the improvement of farm buildings and land, they strike at the social aspects of life in these remote areas as well as at the economic problems of hill farming. This being the case it is to be regretted that so little use of the livestock rearing area grants has been made. Only some 10,000 schemes have been completed, covering less than half the area which could benefit, and expenditure over the last few years has averaged only £1.5 million (D.M. 16.8 million) per year.

The hill cow and hill sheep subsidies and grants for the improvement of farms in livestock rearing areas are due to end in November 1963 unless extended by Parliament. The Government has already indicated its intention to seek powers to continue these subsidy schemes for a further four years from that date.

3. Other Grant Aid to Meat Production

As pointed out earlier, store and fatstock producers benefit from a wide range of grants which are equally available to producers of all types. Just how far meat producers specifically benefit from such grants is not known, but in total the grant aid to cattle, sheep and pig producers under such schemes as the Farm Improvement, Small Farm and Silo schemes, and from fertiliser and ploughing subsidies, etc., must be at least as important as receipts from calf, hill sheep and cow subsidies and the livestock rearing area grants.

A new scheme which is under discussion will provide grants to encourage the production of winter-keep in livestock rearing areas and the renovation of permanent grassland. No details are yet available, but such a scheme would tackle a major problem faced by hill farmers.

4. A note on the Hill Wool Premium

Sheep farmers in upland areas have previously benefited by being paid a differentially high price for wool produced from recognised hill breeds. The premium was 3d. per lb. (30.9 pfennigs per kg.) or some 6 per cent above the average return to all producers. This arrangement was operated entirely by the British Wool Marketing Board from within its overall revenues, but the Board has now decided that the 1961 clip year would be the last in which a premium on hill wools would be paid.

(D) Subsidies to Meat Production.

The purpose of this section is to record the extent of direct Government assistance to meat production since 1955/6 - the first full year after decontrol of retail prices and trade in meat. No account can be taken of the value to domestic producers of tariffs, quotas, health regulations and other restrictions on trade, of grant-aid under schemes which are non-specific to livestock products, and of such indirect aid as that resulting from the lowering of feed-grain prices as a consequence of policies in the cereal sector.

Table 19 shows the annual average rates of deficiency payments under the Fatstock Guarantee Scheme, expressed as a percentage of average returns and market prices of fatstock presented for certification. Details of variations around these annual averages during the last three years are shown in Figures 8, 9 and 10 where it will be noted that deficiency payments have on occasion been as large as market realisation prices.

Table 20 sets out the annual levels of expenditure on fatstock deficiency payments and grants and subsidies readily allocated to particular products, and these are related to the total value of gross output of the products concerned, that is, including those classes of livestock not covered by the price guarantees.

AVERAGE MARKET PRICES, DEFICIENCY PAYMENTS AND TOTAL RETURNS FATSTOCK CERTIFIED IN THE UNITED KINGDOM, 1955/6-1960/1.

TABLE 19.

	Cattle			Sheep			Pigs(2)		
	Per live cwt.	Per kg. liveweight	Subsidy as proportion	Per lb. d.c.w.(1)	Per kg. d.c.w.	Subsidy as proportion	Per score dead-weight	Per kg. dead-weight	Subsidy as proportion
1955/6(3)	s. d.	D.M.	%	Pence	D.M.	%	s. d.	D.M.	%
Average market price	146. 1.	1.61	0.6	32.00	3.29	10.9	38. 3.	2.36	34.6
Average deficiency payment	10.	0.01.	-	3.50	0.36	-	13. 3.	0.82	-
Average total return	146. 11.	1.62	0.6	35.50	3.65	9.9	51. 6.	3.18	25.7
1956/7									
Average market price	115. 0.	1.27	30.1	33.00	3.40	16.7	42. 11.	2.65	23.1
Average deficiency payment	34. 8.	0.38	-	5.50	0.56	-	9. 11.	0.61	-
Average total return	149. 8.	1.65	23.2	38.50	3.96	14.3	52. 10.	3.26	18.7
1957/8									
Average market price	125. 10.	1.39	23.8	32.50	3.34	21.5	37. 1.	2.29	29.0
Average deficiency payment	30. 0.	0.33	-	7.00	0.72	-	10. 9.	0.66	-
Average total return	155. 10.	1.72	19.3	39.50	4.06	17.7	47. 10.	2.95	22.5
1958/9									
Average market price	147. 2.	1.62	8.9	32.25	3.32	23.3	39. 10.	2.46	15.1
Average deficiency payment	13. 1.	0.14	-	7.50	0.77	-	6. 0.	0.37	-
Average total return	160. 3.	1.76	8.2	39.75	4.09	18.9	45. 10.	2.83	13.1
1959/60									
Average market price	153. 5.	1.69	3.2	26.25	2.70	48.6	39. 0.	2.41	16.2
Average deficiency payment	4. 11.	0.05	-	12.75	1.31	-	6. 4.	0.39	-
Average total return	158. 4.	1.74	3.1	39.00	4.01	32.7	45. 4.	2.80	14.0
1960/61									
Average market price	142. 9.	1.57	9.7	31.00	3.19	29.6	39. 5.	2.43	15.9
Average deficiency payment	13. 11.	0.15	-	7.75	0.80	-	6. 3.	0.39	-
Average total return	156. 8.	1.72	8.6	38.75	3.99	20.0	45. 8.	2.82	13.7

(1) Dressed carcase weight.
(2) Including quality premiums and feed adjustments.
(3) The fatstock guarantee years generally run for 52 weeks from the end of March.

SOURCE : M.A.F.F. private communication.

THE COST OF MAJOR SUBSIDIES TO MEAT PRODUCTION IN THE UNITED KINGDOM, 1955/6-1961/2[1]

TABLE 20.

	Cattle and Calves						Sheep and Wool								Pigs[2]		
	Subsidies				Gross Output	Subsidy as proportion gross output	Subsidies					Gross output	Subsidy as proportion		Fat pigs subsidy	Gross output	Subsidy as proportion gross output
	Fat-stock	Calves	Hill cow	Total subsidy			Fat sheep	Hill sheep	Wool	Total subsidy Incl. wool	Total subsidy Excl. wool	Incl. wool	Excl. wool	Incl. wool	Excl. wool			
	£'s million					%	£'s million							%	%	£'s million		%
1955/6	0.4	7.7	2.6	10.7	160.7	6.7	5.2	1.2	-	6.4	6.4	72.0	56.7	8.9	11.3	46.7	168.5	27.7
1956/7	36.1	11.3	3.3	51.2	206.6	24.8	8.4	1.1	0.2	9.7	9.5	78.1	62.9	12.4	15.1	30.2	166.6	18.1
1957/8	34.1	12.9	2.8	49.8	221.7	22.5	11.7	-	1.5	13.2	11.7	87.4	70.9	15.1	16.5	36.8	162.0	22.7
1958/9	12.5	14.4	3.1	30.0	207.7	14.4	11.7	-	6.3	18.0	11.7	84.8	68.2	21.2	17.2	20.9	172.0	12.2
1959/60	3.4	16.5	4.1	24.0	195.6	12.3	25.3	-	2.8	28.1	25.3	95.1	77.8	29.5	32.5	22.2	158.2	14.0
1960/1	12.3	17.6	4.6	34.5	201.0	17.2	13.9	0.7	2.6	17.2	14.6	94.6	78.5	18.2	18.6	20.0	150.2	13.3
1961/2[3]	50.8	18.2	4.9	73.9	232.7	31.8	32.7	0.8	2.6	36.1	33.5	105.8	88.7	34.1	37.8	40.2	162.9	24.7
	D.M. million					%	D.M. million							%	%	D.M. million		%
1955/6	4.5	86.2	29.1	119.8	1799.8	6.7	58.2	13.4	-	71.7	71.7	806.4	635.0	8.9	11.3	523.0	1887.2	27.7
1956/7	404.3	126.6	42.6	573.4	2313.9	24.8	94.1	12.3	2.2	108.6	106.4	874.7	704.5	12.4	15.1	338.2	1865.9	18.1
1957/8	381.9	144.5	31.4	557.8	2483.0	22.5	131.0	-	16.8	147.8	131.0	978.9	794.1	15.1	16.5	412.2	1814.4	22.7
1958/9	140.0	161.3	34.7	336.0	2326.2	14.4	131.0	-	70.6	201.6	131.0	949.8	763.8	21.2	17.2	234.1	1926.4	12.2
1959/60	38.1	184.8	45.9	268.8	2190.7	12.3	283.4	-	31.4	314.7	283.4	1065.1	871.4	29.5	32.5	248.6	1771.8	14.0
1960/1	137.8	197.1	51.5	386.4	2251.2	17.2	155.7	7.8	29.1	192.6	163.5	1059.5	879.2	18.2	18.6	224.0	1682.2	13.3
1961/2[3]	569.0	203.8	54.9	827.7	2606.2	31.8	366.2	9.0	29.1	404.3	375.2	1185.0	993.4	34.1	37.8	450.2	1824.5	24.7

(1) Subsidy costs are for financial years beginning 1st April : the data on commodity gross outputs are for June-May years.

(2) Including quality premiums.

(3) Estimates.

SOURCES : Annual Abstract of Statistics, 1961, Table 213.
Annual Review White Papers, various years.
Civil Estimates, Class VIII.

III. TRADE IN MEAT AND MEAT PRODUCTS

Trade in meat and meat products between the United Kingdom and Commonwealth and foreign countries is entirely on a trader-to-trader basis.

1. Impediments to Trade

Tariffs :

The tariffs levied on the major categories of imports of meat and meat products are as shown below. All imports from Commonwealth countries (and South Africa and the Irish Republic) enter duty free, and imports of bacon and canned pork luncheon meat enter duty free from E.F.T.A. countries. The major meat tariff is the 20 per cent duty on non-Commonwealth (mainly Danish) supplies of boneless beef; such supplies only represented some 2.5 per cent of total beef and veal imports in 1961. The 0.75d. per lb. duty on chilled beef was equivalent to an ad valorem rate of about 3.5 per cent in 1960/1, and the 0.67d. per lb. duty on fresh and frozen beef had a similar value. Mutton enters duty free from all sources, and the major supplier of bacon, Denmark, also faces no tariff barrier. Other suppliers of bacon and all non-Commonwealth suppliers of pork face a 10 per cent duty. It is apparent that the United Kingdom generally follows a liberal tariff policy in respect of imports of meat and meat products. Such duties as exist are mainly low and are primarily preferential duties favouring Commonwealth suppliers.

UNITED KINGDOM TARIFF ON MAJOR MEAT AND MEAT PRODUCTS IMPORTS, 1962.

TABLE 21.

Code number	Description	Full duty
01.02-01.04	Live animals	Free
02.01	Beef and veal	
	- Boned or boneless	20%
	- Other	
	Chilled	0.75d. per lb. (7.7 pfennigs per kg.)
	Fresh or frozen	0.67d. per lb. (6.9 pfennigs per kg.)
	Mutton and lamb	Free
02.06	Pork	10%
	Bacon	10%
02.01	Fresh edible offals	
	- Beef and veal	
	Sweetbreads and tongues	Free
	Other	20%
	- Other	Free
16.02	Canned corned beef and veal	20%
	Canned beef tongues	10%
	Canned corned mutton	10%
	Canned pork luncheon meat, bacon and ham	10%
	Whole hams and canned pigs tongues	Free

SOURCE : H.M. Customs and Excise Tariff, 1961.

Quotas :

Except in respect of trade with the Dollar area and with eastern European countries, all meat and meat products can be imported into the United Kingdom without restriction of quantity.

The exceptions are that imports of fresh, chilled and frozen pork from dollar sources are limited by quota to 25,000 tons, whole hams may only be imported on individual licences and trade with Eastern Area countries is strictly controlled (in the case of Hungary and Poland by bilaterial trade agreements). Details of the current annual quotas imposed on Eastern Area suppliers of meat and meat products are set out below. Yugoslavia is treated as a west European country and given quota free access to the United Kingdom market.

		Quota	
		£'000	D. M. million
Bulgaria	Canned ready-made dishes containing both meat and vegetables	50	0.56
	Meat fully cooked (including canned meat) other than ham, pork loin and poultry	350(1)	3.92
	Poultry fully cooked, (including canned boneless poultry)	180	2.02
Czechoslovakia	Canned ham	130	1.46
	Canned meat products, fully cooked, including poultry and game, excluding canned ham	240	2.69
	Prague smoked meat products, not canned (e.g. ham salami, Moravian and Tyrolean salami, Debreciner roast, Pork rollade, Prague sausages and frankfurters, Debreciner sausages, Prague ham and Prague ham on the bone) subject to the Importation of Carcases and Animal Products Order, 1954.	45	0.50
Hungary	Bacon (not including ham)	2,000 tons	
	Canned ham	100	1.12
	Winter salami and sausages	100	1.12
	Canned poultry	50	0.56
	Canned meat (other than pigmeat and poultry)	30	0.36
	Canned pigmeat (other than canned ham)	100	1.12
	Chilled beef, including offals	50	0.56
Poland	Bacon (not including ham)	48,500 tons	
	Canned ham and canned pork loin	1700	19.04
	Canned meat (other than pigmeat and poultry)	1200	13.44
	Canned meat, including canned pigmeat (other than ham, pork loin and poultry)	1200	13.44
	Dried, salted, smoked, pickled or cooked open pack meat	400	4.48
	Poultry, canned or fully cooked (as defined by the Poultry Carcases Landing Order, 1955)	110	1.23
	Prepared Lunches and salad dishes (including stuffed cabbage, tripe, hashed meat with cabbage, meat pates) in airtight containers	100	1.12
Roumania	Horsemeat (not for human consumption)	160	1.79
	Fully cooked poultry (including canned boneless poultry)	25	0.28
	Rabbit meat	10	0.11
Peoples Republic of China	Meat and meat products, frozen or in airtight containers :		
	Rabbit frozen	200	2.24
	Poultry	150	1.68
	Other	250	2.80

(1) Not more than £50,000 for pigmeat.

Health regulations :

Although veterinary control over imports of meat and meat products is extremely strict, it is true to state that health regulations are not deliberately used by the United Kingdom to impede trade flows. Provided the statutory veterinary requirements are met by the exporting country, supplies may flow freely into the United Kingdom market.

Nevertheless, failure to meet the statutory veterinary requirements does have incidental effects on trade in certain instances, and of these, two are of importance. Firstly, the prohibition of imports of poultry carcases(21) gives a measure of support to producers of red meats (and even more to the broiler industry!). Second, the ban, since February 1961, on imports of pork and edible pork offal from Argentina, Brazil, Chile and Uruguay(22) influences the market shares of domestic and European suppliers. But these embargos were imposed solely in order to control fowl pest and foot and mouth disease respectively.

2. Anglo-Australian and Anglo-New Zealand Trade Agreements

The United Kingdom has an "understanding" with New Zealand and a formal agreement with Australia concerning access to the United Kingdom market for exports of meat from those countries.

The understanding with New Zealand runs to October 1967, and is to the effect that there shall be no quantitative restriction placed on New Zealand's exports of meat to the United Kingdom. The formal agreement with Australia contains a similar provision, and also makes provision for the United Kingdom Government to make deficiency payments to the Australian Government in the event that Australian beef, veal, mutton(23) and lamb sold in the United Kingdom fails to average annually prescribed minimum prices. In return the Australian Government originally undertook to expand exports and accepted quotas on the exportable supplies sold to third countries. The Anglo-Australian agreement extends to July 1967.

Some examples of current minimum prices guaranteed to Australia are shown in Table 22. Deficiency payments to Australia have totalled £7.5 million (D.M. 84 million) to date, the largest payment being £4.75 million (D.M. 53 million) in 1956/7.

It may be suspected that the original agreements with Australia and New Zealand were very much "children of the times". In 1952 it was by no means apparent that international meat supplies would soon become plentiful, and after the high prices which ruled during the period of the Korean war it was prudent to assure a proportion of the United Kingdom's requirements. Circumstances have changed to the extent that supplies are now readily available, often at prices lower than the agreed minima, even though the

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(21) Under Poultry and Hatching Eggs (Importation) Order, 1947; S.R.O. No. 1426.

(22) Under Importation of Carcases and Animal Products (Amendment) Order, 1960; S.I. No. 2094.

(23) Minimum prices for mutton ceased to be guaranteed from October 1961.

SOME MINIMUM PRICES(1) UNDER ANGLO-AUSTRALIAN MEAT AGREEMENT.

TABLE 22.

		October 1961 - September 1967	
		d. per lb.	D.M. per kg.
Frozen beef			
1st quality :	Ox hinds	13.02	1.34
	Ox crops	10.15	1.04
	Cow hinds	10.73	1.10
	Cow crops	9.45	0.97
		October 1961 - September 1962	
Lamb(2)			
1st quality :	36 lbs. and under	13.64	1.40
	37 to 42 lbs.	12.13	1.25
	43 to 50 lbs.	11.08	1.14

(1) F.o.b. Australian ports.

(2) Lamb prices will be reduced by 2.5 per cent for 1962/3 and 1963/4.

SOURCE : M.A.F.F.; private communication.

latter have been progressively reduced over the years, and Australia at least is not now so dependent upon the United Kingdom market as she once was (she has sent less than half her total beef and veal and mutton and lamb exports to the United Kingdom in the last three years). Nevertheless, with cattle and sheep numbers increasing in both countries, with some signs of slackening demand from their other major market, the United States, and with no immediate prospect of any rapid increase in demand in Asian or continental European countries, it is likely that both Australia and New Zealand would come to value the agreements more in the immediate future - even were they not so closely involved in the determination of new trading arrangements consequent upon the United Kingdom's proposed entry into the E.E.C. So far as the United Kingdom is concerned it is probably fair to say that the agreements are presently more an embarrassment than an asset.

3. Trade Patterns

The statistical picture of the United Kingdom's imports of meat and meat products is presented in Tables 24 to 34. The data are taken from Commonwealth Economic Committee sources - annual Reviews and monthly Intelligence Bulletins - and relate to calendar years.(24) So far as possible the contribution of imports to total supplies is shown by the inclusion of data on domestic production derived from the same source, but no information is available concerning the product composition of United Kingdom output of offals and canned meats.

In the main the tables speak for themselves, and will be left to do so, but a number of expository remarks will be made on points of special interest.

Trade in beef and veal, and to some extent in mutton and lamb, may in recent years have departed from longer-term "natural" patterns, in so far as exports from Australia and New Zealand to the United Kingdom have been affected by an increased demand from the United

(24) The official statistics contain amended totals, with no details being available by countries. Such data are indicated by an asterisk.

States which may prove only temporary, and exports from Argentina have been influenced by a combination of droughts and the internal political situation.

With the exception of trade in bacon and mutton and lamb, trade is generally broadly based with several countries competing freely for shares in the United Kingdom market. The causal factors in New Zealand's dominance of the import trade for mutton and lamb and of Denmark's dominance of the bacon market are rooted in their superior competitiveness rather than in preferential trading arrangements. New Zealand dominates the mutton and lamb markets on the one hand because she can economically produce prime lamb at prices to her farmers about half those received by British producers, and, on the other hand, because she has enforced strict grade standards and established a unique reputation for providing a high quality product of the type demanded by retailers and consumers, regularly available and consistently and uniformly graded. Her position does not depend on preferential treatment since importation from all sources is tariff and quota free. Similarly, Denmark's dominant position in the bacon market is due primarily to the same sorts of factors. For seventy years she has specialised in the low cost production of Wiltshire cured bacon for the British market, and has built up a marketing system which can provide the trade with a standardised product of high quality. A study(25) made some years ago demonstrated that, compared with British bacon pig producers, Danish farmers secured 0.9 more pigs weaned and reared to slaughter per litter, 0.2 more litters per sow per year, and used 0.75 lb. less concentrates per lb. liveweight gain from birth to slaughter. Additionally, the Danish farmer used a cheaper ration, relying less on purchased concentrates and more on home-mixed cereals balanced with skim milk. All these factors together meant that, at the time (1953), Danish producers' costs were only two thirds those of farmers in Britain. . . There is no evidence that relative efficiencies have changed substantially in the interval. Denmark has obviously benefited by the removal of the 10 per cent tariff under the E.F.T.A. agreement, but her dominant position in the British market is due primarily to her efficiency in bacon pig production.

The position of some other countries in the British market may be due in part to other factors. For instance, the true competitive position of Poland in the supply of bacon is always a subject for speculation. Yugoslavia is strongly suspected of having secured a significant share of the United Kingdom market for chilled beef, pork, bacon and pig products only by heavy subsidisation of her exports.(26) Eire is known to pay subsidies on exports of bacon and to have subsidised the export of beef cattle in 1961 as part of her tuberculosis eradication programme.

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(25) Costs and Efficiency of Pig Production; H.M.S.O.; 1954; (Prepared by K. RASMUSSEN, University of Nottingham).

(26) Yugoslavian exports to the United Kingdom have increased as follows in the past 4 years :

	'000 tons	
	1957	1961
Beef	-	16216
Bacon	27	8920
Pork	-	4765

As the United Kingdom is uniquely dependent on imports for a large proportion of its total supplies of meat, so are the economies of many countries highly dependent on exports of meat and, more especially, on the United Kingdom market. A measure of this dependence is brought out for some major suppliers in Table 23 . Comparable recent data is not available for some of the smaller Commonwealth countries on which particular interest centres. For instance, the exports of carcase and canned beef from such Commonwealth countries as the Rhodesias and Nyasaland, Tanganyika, Kenya and Bechuanaland make an insignificant contribution to total United Kingdom supplies, yet their contribution to the export proceeds of these countries has recently become significant, and their dependence on access to the British market is high. These considerations will probably be of particular concern in the negotiations for Britain's entry into the E.E.C., not least because of the currently delicate political situation attending the movement of these countries towards self-government and independence.

MEAT EXPORTS IN THE ECONOMY OF SOME MAJOR SUPPLIERS, 1959-1960 AVERAGE.

TABLE 23. Percentages

	Exports of			Exports to U.K. of		
	Beef & veal	Mutton & lamb	Bacon & ham	Beef & veal	Mutton & lamb	Bacon & ham
	as proportion total exports			as proportion total exports these commodities		
Australia	5.2	1.3	n.a.	36.8	45.3	n.a.
New Zealand	7.5	15.6	n.a.	14.4	91.1	n.a.
Argentina	14.2	1.1	n.a.	64.1	73.8	n.a.
Eire	9.1	n.a.	4.5	25.7	n.a.	99.8
Denmark	3.5	n.a.	12.7	0.9	n.a.	98.8
Uruguay	13.9	n.a.	n.a.	45.3	n.a.	n.a.
Holland	n.a.	n.a.	0.4	11.8	n.a.	99(1)

(1) This figure is suspect.

SOURCE : C.E.C. Review "Meat", 1961.

IMPORTS AND TOTAL SUPPLIES OF BEEF AND VEAL, UNITED KINGDOM 1938 AND 1955-1961.

TABLE 24.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960(1)	1961
IMPORTS :								
BEEF :								
Fresh and salted :								
Eire	0.3	11.7	7.3	2.4	2.6	6.6	14.0	30.5
Other	-	-	-	+	+	+	+	+
Total fresh	0.3	11.7	7.3	2.4	2.6	6.6	14.0	30.5
As percentage total supplies	+	1	1	+	+	1	1	2
Chilled :								
Major traditional supplier :								
Argentina	349.9	100.5	231.1	239.6	232.7	198.5	184.7	141.1
Minor traditional suppliers :								
Australia	26.8	5.0	5.0	9.9	7.5	4.8	1.7	1.5
New Zealand	18.3	16.1	24.1	22.3	2.9	+	1.5	0.7
Uruguay	28.4	+	2.2	6.0	1.1	6.2	21.0	13.0
Other suppliers :								
Rhodesia and Nyasaland	-	-	-	-	-	1.4	1.4	3.6
Others	31.9	+	0.2	0.3	0.2	0.3	1.3	18.1
Total chilled	455.3	121.7	262.4*	278.1	244.3	211.3	211.6*	178.0
As percentage total supplies	37	11	21	21	20	19	18	15
Frozen :								
Major traditional suppliers								
Australia	84.0	112.2	96.5	123.6	118.0	104.5	62.8	30.0
New Zealand	27.6	38.6	50.9	30.7	9.8	5.6	17.6	10.0
Argentina	10.0	59.9	20.8	24.1	27.3	16.7	22.6	13.9
Other suppliers :								
Rhodesia and Nyasaland	-	-	-	-	-	4.5	3.8	3.2
Bechuanaland	-	-	-	-	0.6	2.2	6.3	6.9
Uruguay	4.4	0.6	0.5	1.4	0.3	0.5	12.2	7.5
Others	3.2	4.8	1.0	0.9	1.0	3.3	3.3	6.9
Total frozen	129.2	216.1	169.7*	180.7	157.0	137.3	128.5*	78.5
As percentage total supplies	11.	20	13	14	13	12	11	6

Continued on next page ...

TABLE 24 continued

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
IMPORTS :								
VEAL :								
Australia	5.9	0.7	0.4	0.7	1.8	1.7	1.2	1.2
New Zealand	6.5	5.8	5.2	4.2	1.4	1.7	1.8	1.6
Holland	) 0.9	1.5	1.0	1.2	1.9	3.0	2.6	2.6
Others	)	+	+	0.1	+	0.1	+	0.2
Total veal	13.3	8.0*	6.6*	6.2	5.1	6.5	5.6*	5.6
As percentage total supplies	1	1	1	1	+	1	+	1
TOTAL IMPORTS BEEF AND VEAL	598.1	357.5	446.1	467.4	409.0	361.6	358.4	292.6
As percentage total supplies	49	33	35	36	33	33	30	24
DOMESTIC PRODUCTION BEEF AND VEAL	614.3	715.2	819.0	834.9	825.7	730.0	833.0	916.5
As percentage total supplies	51	67	65	64	67	67	70	76
TOTAL SUPPLIES BEEF AND VEAL	1212.4	1072.7	1265.1	1302.3	1234.7	1091.5	1191.5	1209.1
As percentage total supplies	100	100	100	100	100	100	100	100

MARKET SHARES OF MAJOR BEEF AND VEAL SUPPLIERS, 1938 AND 1955-1961.

TABLE 25.

Percentages

	1938	1955	1956	1957	1958	1959	1960	1961
	As proportion total supplies							
Argentina	29.7	14.9	20.0	20.2	21.1	19.7	17.4	12.8
Australia	9.6	11.0	8.1	10.3	10.3	10.2	5.5	2.7
New Zealand	4.3	5.6	6.3	4.4	1.1	0.7	1.8	1.0
Other overseas	5.7	1.8	0.9	1.0	0.6	2.5	5.4	7.7
Domestic production	50.7	66.7	64.7	64.1	66.9	66.9	69.9	75.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	As proportion total imports							
Argentina	60.2	44.8	56.5	56.4	63.6	59.5	57.8	53.0
Australia	19.5	33.0	22.8	28.7	31.1	30.7	18.3	11.2
New Zealand	8.7	16.9	18.0	12.2	3.5	2.1	5.9	4.2
Other overseas suppliers	11.6	5.3	2.7	2.7	1.8	7.7	18.0	31.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

IMPORTS OF BEEF AND VEAL OFFALS, UNITED KINGDOM, 1938 AND 1955-1956.

TABLE 26.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
Major traditional suppliers :								
Argentina	24.1	19.1	21.0	23.6	21.1	16.6	12.1	12.1
Australia	5.6	7.3	7.5	9.2	8.8	13.7	8.3	7.0
New Zealand	2.0	3.8	5.2	6.4	6.0	2.9	3.5	3.2
Total	31.7	30.2	33.7	39.2	35.9	33.2	23.9	22.3
As percentage total imports	74	82	83	84	80	73	54	51
Other suppliers :								
Canada	-	-	-	0.2	0.1	0.2	1.3	1.6
Rhodesia and Nyasaland	-	-	-	-	-	0.4	0.6	0.5
Bechuanaland	-	-	-	-	+	0.3	0.2	0.4
Other Commonwealth	-	+	0.1	-	-	-	-	-
United States	1.6	2.5	2.8	2.0	2.3	4.2	11.6	12.4
Eire	1.0	1.6	1.6	1.9	2.6	1.7	2.3	3.1
Others	8.3	2.6	2.4	3.3	4.0	5.7	4.3	3.7
Total	10.9	6.8	6.9	7.4	9.0	12.4	20.3	21.8
As percentage total imports	26	18	17	16	20	27	46	49
TOTAL IMPORTS	42.7	37.0	40.6*	46.6	44.9	45.6	44.2*	44.1
As percentage	100	100	100	100	100	100	100	100

IMPORTS OF CANNED BEEF AND VEAL, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 27.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
Corned beef :								
Argentina	not available	36.0	27.2	47.9	45.1	24.8	18.8	21.8
Australia		22.6	15.1	13.5	8.9	9.4	4.9	5.6
Kenya		-	-	-	0.8	2.5	2.5	3.6
Tanganyika		0.5	0.1	0.8	1.3	1.7	1.8	2.7
Rhodesia and Nyasaland		-	-	-	-	0.6	0.4	2.7
New Zealand		3.4	2.0	1.2	0.2	-	0.3	0.3
Others		7.2	9.2	12.0	4.7	20.3	12.3	14.2
Total		69.7	53.6*	75.3	61.0	59.3	40.9*	50.8
Beef tongues :								
Holland	n.a.	5.6	5.9	4.7	4.2	3.3	3.0	2.0
Argentina	1.9	1.1	1.6	1.6	1.5	1.2	1.1	1.4
Australia	0.1	0.5	0.5	0.5	0.5	0.5	0.3	0.3
New Zealand	0.1	0.2	0.3	0.2	0.2	0.1	0.2	0.1
Others	2.2	0.8	0.9	1.3	0.8	1.0	0.9	0.8
Total	4.2	8.2	9.1*	8.2	7.0	6.2	5.6*	4.6
Other canned beef :								
Argentina	33.9	0.1	0.8	0.7	0.5	0.2	0.2	0.3
Eire	+	12.5	10.2	8.2	8.0	7.6	9.0	8.3
Australia	3.5	17.0	19.4	21.4	24.7	20.3	14.2	9.7
New Zealand	0.5	0.5	0.1	0.1	0.1	-	-	-
Rhodesia and Nyasaland	-	-	-	-	-	0.8	0.8	0.2
Tanganyika	-	0.8	0.8	0.5	1.0	2.5	3.4	2.9
Others	12.9	0.5	0.7	0.8	0.4	1.1	1.1	3.3
Total	50.8	31.5	32.1	31.7	34.8	32.5	28.8*	24.8
Canned veal :								
Poland	2.5	2.7	2.8	2.0	2.5	2.6	2.8	3.3
New Zealand	0.5	1.4	0.3	0.7	0.6	0.7	0.3	0.5
Others	1.4	0.5	0.5	0.3	0.2	0.1	0.1	+
Total	4.4	4.5	3.5	3.0	3.3	3.4	3.2	3.8
TOTAL IMPORTS : All types	59.4	113.9	98.3	118.2	106.2	101.3	78.5	84.0

IMPORTS AND TOTAL SUPPLIES OF MUTTON AND LAMB, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 28.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
IMPORTS :								
MUTTON :								
Major traditional suppliers :								
New Zealand	51.5	47.3	50.6	50.3	45.2	59.1	49.1	39.1
Australia	18.6	9.9	9.2	7.3	15.6	10.5	7.7	6.9
Other suppliers	11.3	0.3	3.1	3.5	0.1	0.6	+	0.7
Total mutton	81.5	57.5	62.9	61.1	60.9	70.2	55.6*	45.7
As percentage total supplies	14	11	11	12	11	11	9	7
LAMB :								
Major traditional suppliers :								
New Zealand	135.2	202.9	210.1	198.2	215.2	240.5	264.3	256.1
Australia	77.8	43.2	21.5	25.1	30.1	25.7	23.7	19.2
Argentina	40.4	52.4	49.0	45.1	26.7	24.2	31.0	20.0
Other suppliers :								
Eire	1.2	2.8	3.6	3.9	5.6	6.3	9.3	6.4
Others	15.1	1.3	4.2	6.8	6.7	3.4	+	5.1
Total lamb	269.6	302.6	288.5	279.1	284.3	300.1	325.7*	306.7
As percentage total supplies	48	56	53	51	53	49	54	50
TOTAL IMPORTS MUTTON AND LAMB	351.2	360.1	351.4*	340.3	345.2	370.3	381.3	352.4
As percentage total supplies	62	67	64	63	64	60	63	57
DOMESTIC PRODUCTION MUTTON AND LAMB	214.4	177.2	196.9	202.3	192.9	250.1	227.5	268.1
As percentage total supplies	38	33	36	37	36	40	37	43
TOTAL SUPPLIES	565.6	537.3	548.3	542.6	538.2	620.4	608.7	620.5
As percentage	100	100	100	100	100	100	100	100

MARKET SHARES OF MAJOR MUTTON AND LAMB SUPPLIERS, 1938 AND 1955-1961.

TABLE 29. Percentages

	1938	1955	1956	1957	1958	1959	1960	1961
	As proportion total supplies							
New Zealand	33	46	48	46	48	48	52	48
Australia	17	10	5	6	9	6	5	4
Argentina	7	10	9	8	5	4	5	3
Other overseas	5	1	2	3	2	2	1	2
Domestic production	38	33	36	37	36	40	37	43
TOTAL	100	100	100	100	100	100	100	100
	As proportion total imports							
New Zealand	53	69	74	73	75	81	82	84
Australia	27	15	9	10	13	10	8	7
Argentina	12	15	14	13	8	6	8	6
Other overseas suppliers	8	1	3	4	4	3	2	3
TOTAL	100	100	100	100	100	100	100	100

IMPORTS OF SHEEP OFFALS AND CANNED SHEEP PRODUCTS, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 30. '000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
MUTTON AND LAMB OFFALS :								
New Zealand	4.5	9.4	9.4	11.1	11.4	11.4	13.0	13.5
Australia	2.1	2.5	1.7	1.8	3.5	3.7	4.4	3.9
Argentina	2.7	2.4	2.1	1.8	1.4	1.3	1.3	1.1
Other	2.2	0.8	1.0	1.2	1.2	1.5	4.1	4.4
TOTAL	11.5	15.1	14.2*	15.9	17.5	17.9	22.8*	22.8
CANNED SHEEP PRODUCTS :								
New Zealand	0.7	1.3	1.4	0.9	0.8	0.8	1.8	1.1
Australia	0.8	4.5	3.4	5.0	4.9	5.7	7.7	5.6
Argentina	3.7	0.7	1.7	1.0	0.5	0.4	0.6	2.1
Other	0.7	+	0.1	0.2	+	0.3	0.1	0.1
TOTAL	6.0	6.6	6.6	7.1	6.2	7.2	10.2*	8.9

IMPORTS AND TOTAL SUPPLIES OF BACON AND HAM, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 31. '000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
IMPORTS :								
Major traditional suppliers :								
Denmark	172.2	232.0	225.4	226.6	225.6	252.5	287.2	284.8
(Denmark as percentage total supplies)	30	41	42	41	40	44	48	47
Holland	26.1	36.3	41.3	37.5	25.5	16.5	35.2	16.6
Poland	23.2	41.0	48.0	49.7	48.6	49.3	47.9	48.4
Eire	27.3	2.7	3.8	15.0	29.3	19.2	23.2	28.6
Total	248.7	312.0	318.5	328.8	329.0	337.5	393.6	378.4
As percentage total supplies	43	56	60	60	58	59	66	62
Minor traditional suppliers :								
Sweden	12.8	0.5	0.6	4.9	9.1	8.1	11.2	9.9
Hungary	11.7	0.7	2.0	2.1	1.8	2.0	2.2	2.1
South Africa	-	-	0.8	1.1	1.3	0.2	0.1	0.9
Total	24.4	1.2	3.4	8.1	12.1	10.3	13.5	12.9
As percentage total supplies	4	+	1	1	2	2	2	2
Occasional suppliers :								
Yugoslavia	-	-	-	+	0.7	3.3	4.4	9.1
Kenya	-	+	-	0.3	1.4	1.9	0.9	0.2
Belgium	-	-	-	0.1	0.2	0.1	0.2	0.1
Others	109.8	+	0.2	+	+	+	+	0.1
Total	109.8	0.1	0.2	0.5	2.4	5.3	5.5	9.4
As percentage total supplies	19	+	+	+	+	1	1	2
TOTAL IMPORTS BACON AND HAM	382.6	313.4	322.7	337.5	343.6	353.1	411.9*	400.7
As percentage total supplies	66	56	60	61	61	62	69	66
DOMESTIC PRODUCTION BACON AND HAM	199.1	246.3	212.0	215.1	219.4	219.2	183.1	205.3
As percentage total supplies	34	44	40	39	39	38	31	34
TOTAL SUPPLIES BACON AND HAM	581.8	559.7	534.7	552.6	563.0	572.2	595.0	606.0
As percentage	100	100	100	100	100	100	100	100

IMPORTS AND TOTAL SUPPLIES PORK, UNITED KINGDOM, 1938 AND 1955-1961

TABLE 32.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
IMPORTS :								
New Zealand	29.3	5.8	8.0	3.8	2.6	4.4	1.4	0.6
Australia	14.4	1.2	0.2	0.3	0.3	0.1	+	0.2
Other Commonwealth	0.4	0.2	1.0	+	-	0.1	+	+
Eire	1.9	11.4	2.1	0.7	0.7	0.6	1.8	2.9
Denmark	-	10.7	1.0	0.3	0.6	0.9	3.0	2.1
Holland	-	5.2	0.7	1.5	1.1	1.6	3.8	3.1
Sweden	-	1.4	0.2	1.7	2.2	1.9	5.3	3.2
Yugoslavia	-	-	-	-	-	0.2	2.9	4.8
Argentina	12.1	1.3	7.3	13.3	5.7	4.4	4.0	0.5
Others	4.2	1.0	0.2	3.8	5.5	0.3	0.1	0.8
TOTAL IMPORTS	62.4	38.0	20.6	25.3	18.8	14.3	22.3	18.2
As percentage total supplies	23	9	5	6	4	3	5	4
DOMESTIC PRODUCTION	206.2	374.1	367.8	385.3	436.1	429.9	429.2	437.7
As percentage total supplies	77	91	95	94	96	97	95	96
TOTAL SUPPLIES	268.6	412.1	388.4	410.6	454.9	444.2	451.5	455.9
As percentage	100	100	100	100	100	100	100	100

IMPORTS OF PIG OFFALS, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 33. '000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
Major traditional suppliers :								
Denmark	1.5	4.8	4.6	4.7	5.0	7.6	7.3	7.7
Eire	2.0	1.4	1.3	1.5	2.4	1.9	2.3	2.9
Holland	-	0.7	1.2	1.0	1.1	2.0	2.2	1.3
Total	3.5	7.0	7.1	7.3	8.4	11.4	11.8	11.8
As percentage total imports	37	81	80	80	80	82	70	77
Minor traditional suppliers :								
Australia	0.2	0.4	0.3	0.3	0.4	0.4	0.4	0.4
New Zealand	0.6	0.7	0.8	0.9	0.9	0.5	0.5	0.4
Argentina	0.4	0.2	0.3	0.3	0.2	0.4	0.5	0.1
Sweden	-	0.3	0.3	0.2	0.4	0.6	0.5	0.4
Total	1.1	1.5	1.7	1.7	1.9	1.9	1.9	1.3
As percentage total imports	12	17	19	18	18	14	11	9
Occasional suppliers :								
Canada	1.5	-	-	-	-	0.2	2.7	1.3
Other Commonwealth	-	+	0.1	0.1	-	+	+	+
Others	3.3	0.1	0.2	0.1	0.3	0.3	0.6	0.9
Total	4.8	0.2	0.3	0.2	0.3	0.5	3.3	2.2
As percentage total imports	51	2	3	2	2	4	19	14
TOTAL IMPORTS	9.4	8.6	8.9*	9.2	10.5	13.9	16.9	15.2
As percentage	100	100	100	100	100	100	100	100

IMPORTS OF CANNED PIGMEAT, UNITED KINGDOM, 1938 AND 1955-1961.

TABLE 34.

'000 metric tons

	1938	1955	1956	1957	1958	1959	1960	1961
Bacon and ham :								
Australia	0.1	1.2	1.1	1.1	1.4	0.2	+	0.4
Rhodesia and Nyasaland	-	0.3	0.1	0.1	0.3	0.3	0.2	0.2
Denmark	0.7	1.2	1.7	2.8	3.3	4.4	6.0	7.4
Holland	0.2	3.2	4.8	9.3	9.2	13.0	16.5	17.0
Poland	1.8	1.4	1.0	2.4	2.8	3.5	3.2	2.4
Yugoslavia	0.1	0.3	0.4	1.5	2.9	4.9	6.1	5.5
Other	1.0	4.8	6.0	5.8	6.0	5.8	4.2	4.1
Total	3.9	12.4	15.0*	23.0	25.9	32.2	36.3*	36.9
Tongues :								
Denmark	0.7	1.1	0.7	1.1	1.1	1.0	1.4	1.2
Holland	)	0.3	0.6	0.3	0.2	0.1	0.2	0.1
Poland	)	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Yugoslavia	) 3.2	) 0.1	) 0.1	0.1	0.1	0.1	0.1	0.1
Other	)	)	)	0.1	0.2	0.2	0.2	0.1
Total	3.9	1.6	1.6*	1.8	1.6	1.6	2.0	1.6
Other canned products :								
Denmark	0.1	15.8	15.0	16.2	17.2	18.4	19.1	22.8
Holland	-	10.9	9.4	10.2	11.4	12.0	11.8	13.9
Poland	+	1.4	1.8	1.5	1.6	2.1	3.8	5.6
Yugoslavia	-	1.1	3.5	5.3	5.6	8.6	10.6	11.6
Other	0.4	1.2	1.8	1.9	2.2	2.4	3.7	3.3
Total	0.6	30.4	31.5	35.2	38.0	43.5	49.0*	57.2
TOTAL IMPORTS	8.4	44.4	48.1	60.0	65.5	77,3	87.3	95.7

IV. PROBLEMS AND PROSPECTS.

(A) Efficiency of Meat Marketing in the United Kingdom.

1. Introduction

The objective in this section will be to examine particular aspects of price and income support policies and some features of the distributive system itself, in order to assess their impact on the efficiency of meat marketing in the United Kingdom.

The general analytical framework to be applied is built around the conception that price support policies and the organisation and operation of the distributive system should be such that:

(i) consumers' preferences with regard to form, time and location are brought home to producers,

(ii) price fluctuations which serve no useful economic purpose are avoided,

(iii) the costs (including profits) of processing and distribution are as low as possible,

(iv) there ought to be no major disparities of bargaining power between producers and buyers, and no artificial impediments to innovation in the marketing system.

No great space will be devoted to the more general aspects of the fatstock price support system. But in its favour with respect to marketing efficiency it may be noted that the collective deficiency payment system generally operates in such manner that, while raising producers' incomes to higher levels than would otherwise be the case, the individual producer is made aware of consumer preferences and has the incentive to minimise marketing costs up to the point of first sale. At the same time it is broadly true that the deficiency payment system does not impede the competitive functioning of the meat processing and distributive industries, nor itself add to marketing costs, nor place any impediment to innovation and the adding of utility by the processing and distributive trades. It is with the exceptions to these broadly valid generalisations that subsequent paragraphs will be mainly concerned.

2. Satisfying Consumer Preferences

In principle consumer preferences in respect of meat are reflected to the individual producer primarily through market prices, but, additionally, such price signals are supposed to be reinforced by the price support system through:

(i) restrictions as to the classes, minimum standards of weight, conformation and finish, and maximum weights of stock eligible for price guarantees,

(ii) differential support to cattle and pigs according to grade,

(iii) seasonal scales of prices for cattle and sheep.

In practice, consumers' preferences with respect to form and time utility tend to some degree to be obscured by the guarantees.

This is most obviously manifest in the case of sheep, where there is a preference for lean meat from light weight carcases of around 32-36 lbs., of the type marketed by New Zealand. Since the subsidy is paid at a flat rate and has commonly been so much greater than the premium placed by the market on light weight carcases, producers have felt no incentive to meet the market's requirement and have, indeed, found it more profitable to produce the heavier weight fat lambs. That is, the subsidy has obliterated the market price premium.

In theory, one way in which this situation could be resolved would be to pay the deficiency payment on a sliding scale based on a series of weight ranges. In practice, the Government has attempted to combat this situation by progressively over the years reducing the maximum weights on which guarantee payments are made, as shown below, and this has effected some reduction in average slaughter weights. Even so the average sheep carcase is still around 43 lbs., and lambs average over 40 lbs. deadweight. Moreover, the reduction in maximum weight eligibilities may have intensified the autumn glut in marketings.

MAXIMUM WEIGHTS ON WHICH GUARANTEE PAYMENTS ARE MADE :
(lbs. dressed carcase weight).

	Before 30th June, 1959.	From 2nd July, 1962.
Lambs	70	50
Hoggets	76	60
Other clean sheep	86	60

The obverse of this situation is that the payment of quality premiums on bacon pigs has resulted in a marked improvement in the proportion of such pigs having the quality characteristics required by the traditional Wiltshire curer - the proportion of pigs grading AA+, AA and A rose from about 49 per cent in 1955/6 to 58 per cent in 1961/2. On the other hand, the payment of quality premiums on fat cattle has not prevented a recent decline in the average quality of beef animals marketed, which, however, may be attributable in part to the increase in the production of beef from the dairy herd rather than to the ineffectiveness of the quality premium system per se.

PROPORTION CERTIFIED FAT CATTLE IN GRADE I.

	%
1957/8	63.0
1958/9	62.1
1959/60	64.4
1960/1	60.3
1961/2 (weeks 1-51)	54.1

With regard to the influence of the guarantees on the seasonality of marketing there are two aspects of significance. In the first place, it is arguable that the seasonal prices scales for cattle and sheep have not been used to bring about a more desirable temporal pattern of slaughterings, and particularly to counter the autumn glut in slaughterings of grass-fattened lambs and cattle and accompanying price falls. Secondly, once a situation arises in which market prices are well below guaranteed prices and show no immediate prospect of rising, farmers become indifferent as to the timing of the marketing of their stock. That is, a continuing decline in market prices will not persuade them to reduce their supplies of fatstock to the market since the deficiency payment will

maintain their average total return. Such a situation occurred with lambs in the autumn of 1959, and with both lambs and fat cattle in the summer and early autumn of 1961.

3. Stability

The adverse consequences of instability in prices and the incomes they generate are combatted at a number of levels.

The annual price review procedure is suited to the identification of long term trends in the demand for meat - in total and in composition - and equally of long period shifts in supply arising from such factors as trends in animal populations and the productivity of stock, and the availability and relative prices of imported supplies. There is no case for shielding producers from such influences and, by and large, the Government has attempted to react in the right directions - albeit too slowly and insufficiently far - by changing the ratios of fatstock prices to each other and to other commodities, and by "tailoring" the guarantees in line with changing consumer tastes.

However, with regard to medium term swings in supply and demand conditions, it is arguable that while producers have been protected from the worst consequences of such traditional destabilising factors as changes in the fatstock/feed price ratio by the guarantee system (particularly by the feed and flexible guarantee formula arrangements operated for pigs) shifts in official policy have themselves become major destabilising influences in their own right. This is well illustrated by the changes in policy which have taken place with regard to pig production in recent years - from the firm policy of reducing output followed between 1954 and 1958, via a desire to bring about an increase in output in 1960, to a policy of stabilising output in 1961. Similarly, after years of consistently advocating the expansion of beef production from the dairy herd, the introduction by the Government at a week's notice of revised grading standards for fatstock which may penalise dairy beef, has introduced a serious element of uncertainty on the part of producers as to what their production objectives ought to be. The destabilising influence of policy decisions could, of course, have been much worse had the Agriculture Act, 1957, not been operative.

As will be evident from Figures 8 to 10 , producers as a whole have been effectively insulated from short term price instability by the fatstock price support arrangements.

Price instability has historically plagued the pig industry especially - major causal factors being variations in the demand for pork and the availability of imports of pigmeat. However, it would seem that the pig producers have now been provided with about as much short term price stability as they can reasonably expect since there has been a separation of the bacon and "other" pig guarantees, and a separation of the quantity premiums from the general guarantees. These measures are important stabilisers in themselves insofar as returns from the bacon and pork markets can no longer seriously diverge, and they have an indirect stabilising influence in that they permit the successful operation of contractual arrangements for bacon pigs between curers and the F.M.C., and between the F.M.C. and producers.

To the extent that it is desirable to produce bacon primarily from a specialised bacon pig, and to the extent that increased confidence concerning the returns from bacon pig production reduces costs by encouraging specialisation and investment, the above measures are beneficial.

Whether separation of the guarantees for bacon and pork pigs will eventually result in inflexibility in the volume of pigs routed to each market, with consequent wide disparities in market prices from each, remains to be seen. To date market prices in both markets have been consistently below support levels, but the re-emergence of a coincidence of (say) depressed market prices for bacon and shortages of pork pigs - the consequence the Bosanquet committee foresaw from a separation of the guarantees(27) - cannot be ruled out. If such a situation were to materialise, price stability for producers would have been obtained by destabilising consumer prices and, possibly, the costs of supporting pig prices.

4. Processing and Distributive Costs

There is remarkably little detailed data available about meat processing and distributive costs in the United Kingdom, so little that the United Kingdom had to be omitted from a recent comparative study of meat marketing costs in Europe.(28)

As always, where facts are lacking rhetoric reigns unchallenged, and the agricultural community is loud in its claims that meat marketing costs are "too high", though usually without specifying just where the inefficiencies lie and their magnitude, or demonstrating that the alternative marketing arrangements from time-to-time proposed would bring about a reduction in the costs of marketing. Additionally, there is a too-facile tendency to ascribe the farmers' falling share in consumers' expenditure on meat to market imperfections, rather than to admit that it is a natural result of a type of economic growth in which proliferating consumer preferences (especially for services) are satisfied by an increasingly specialised and complexly-structured marketing system.

Such evidence as exists - whether it be drawn from accounting records of marketing firms, from comparisons of prices at the farm with those at various stages between farm and retail, or from national expenditure data - suggest that the total margin on all meat and meat products has in recent years averaged about 38 per cent, made up of 5 per cent for processing, 9 per cent for wholesale distribution and 24 per cent for retailing. The comparable overall figure for the years immediately before the war was around 27-28 per cent, so that the farmer's share of consumer expenditure has undoubtedly declined over time - as one would expect. On the other hand, there is no evidence of any consistent or substantial increase in marketing costs in the last few years (Table 35), though overall and profit margins have certainly increased from the inadequate levels which prevailed under price control and rationing in the years prior to 1954, and also tend to be higher in years of heavy supplies.

Looking at the evidence as a whole one is forced to the conclusion that overall meat marketing costs are not higher than those of the other countries at a similar stage of economic development.(29)

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(27) Bosanquet Committee Report; op. cit.; pp. 60-62.

(28) Marketing and Distribution Margins for Livestock and Meat in O.E.E.C. Countries; O.E.E.C./E.P.A.; Documentation, 1959 Series.

(29) E.P.A./O.E.E.C.; op.cit.; Figs. 3 and 4.

COMPOSITION OF CONSUMERS' EXPENDITURE ON MEAT AND BACON; UNITED KINGDOM 1953-1960.

TABLE 35.

	1953	1954	1955	1956	1957	1958	1959	1960
1. Domestic producers' receipts(1)								
- £. million	387	438	442	450	481	503	510	520
- D.M. million	4334	4906	4950	5040	5387	5634	5712	5824
2. Imports c.i.f.								
- £. million	269	263	304	300	312	317	321	359
- D.M. million	3013	2946	3405	3360	3494	3550	3595	4021
3. Processing and distribution								
- £. million	255	327	380	487	498	490	512	541
- D.M. million	2856	3662	4256	5454	5578	5488	5734	6059
4. National expenditure meat and bacon								
- £. million	911	1028	1126	1237	1291	1310	1343	1420
- D.M. million	10203	11514	12611	13854	14459	14672	15041	15904
5. Percentage margin 3. as percentage of 4.	28.0	31.8	33.7	39.4	38.9	37.5	38.1	38.1

(1) Including subsidies and value of by-products.

SOURCE : HOUSTON, G.; Meat Marketing Margins in Britain; paper to Agric. Econs. Soc., Dec. 1961; to be published summer 1962.

The marketing system appears to be adequately competitive and, with one major exception which will be dealt with later, there are no serious impediments to cost reduction through competitive enterprise and innovation. At the wholesale stage the F.M.C. is in a position to, and does, provide effective competition, and at retail there is ample empirical evidence of vigorous competition between the large numbers of multiple, independent and co-operative retailers, and between individual outlets. Furthermore, it would appear that most of the margins incurred are composed of costs - overall marketing margins would not be substantially reduced even if profits were to be completely eliminated. It has never been demonstrated that rates of return on capital invested in meat processing and distribution are excessive; and in the absence of such a demonstration and having regard to the competitive nature of the meat marketing system as a whole, it would be reasonable to assume that profit margins are generally at competitive levels, and commensurate with the functions performed and the risks taken. Such a conclusion is supported by the apparent reluctance of multiple retailers to enter into meat wholesaling, and also by an examination of the accounts of the F.M.C., which is the largest meat wholesaling firm in the country. Between 1958/9 and 1960/1 the gross return on

capital[29] earned by the F.M.C. did not rise above 13 per cent, and profits in relation to turnover have averaged only about 0.5 per cent. In the bacon curing industry, where the numbers of firms is not so large as in meat wholesaling and retailing and where competition is not so manifestly vigorous, it is known that profit margins are low, and in the case of the one firm having over 50 per cent of the national curing capacity, falling.[30]

If there is no firm evidence that the overall costs of meat marketing are excessive, the evidence is even less convincing in respect of three specific aspects of marketing which are frequently singled out for critical comment as being causes of excessive margins. On the other hand, criticisms of the bacon curing industry and of the absence of grade standards may have more substance.

(i) Disparate bargaining power.

Two situations in which the smaller numbers, social and economic cohesion and better market intelligence of fatstock buyers have been alleged to place them in a superior bargaining position relative to farmer-sellers, and hence to depress farm returns, concern livestock auctions and the sale of bacon pigs.

It would be foolish to ignore the fact that in some of the smaller auction markets buyers "rings" may operate on occasions, but there is absolutely no evidence of systematic malpractice in any market over a period of time. Nor would one expect to find it otherwise, having regard to the number of outlets available to most individual sellers. Farmers are not bound to patronise any market where collusion between buyers is suspected; typically a farmer has the choice of sending his fatstock to one of several local auction markets within reasonable distance - most of which contain dealers with an eye open for opportunities of profitable arbitrage - of selling to local wholesale butchers by live or dead weight, or of selling to the F.M.C. by deadweight and grade.

The bacon curing industry by contrast is highly concentrated in ownership, accustomed to consultation (if not collusion), and the bacon factories typically have some degree of locational monopoly. However, the F.M.C. has established a dominant position as intermediary between producers and curers - handling something like threequarters of all pigs going for curing, and a majority of these on a contractual basis. In these circumstances there is no reason to suppose that the curers can exert significant market power to depress farmers' receipts. And additionally, the ready availability of the pork and manufacturing trades as alternative outlets for pigs helps to ensure that curers must pay competitive prices for their supplies.

(ii) Live versus deadweight sales.

It has long been a tenet of the N.F.U's policy with regard to meat marketing that animals should be bought on a deadweight and grade basis rather than by liveweight. Such a development it is claimed, would

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(29) Profit after all charges except taxation and minority interests in relation to total assets.

(30) Farmers Weekly; 16th February, 1962.

result in animals moving more directly to the place of slaughter thereby reducing wastage due to loss of weight and condition, eliminate "un-necessary" handling, and reduce valuation risks at all stages and hence the costs of effecting ownership transfers.

There is some merit in each of these points, but with the F.M.C. able to offer deadweight valuation facilities to producers in all parts of the land, it would seem that deadweight valuation can be left to be adopted to the extent producers and traders find it economically advantageous compared with liveweight transactions. In fact, although deadweight sales are increasing, a majority of producers (other than bacon pig producers) still appear to find liveweight auction outlets preferable, (Table 36).

PROPORTIONS OF CERTIFIED FATSTOCK SOLD BY AUCTION.

TABLE 36. Percentages

	Cattle	Sheep	Pigs
1958/9	77	68	30
1959/60	77	66	28
1960/1	72	65	25
1961/2	72	65	23

(iii) Slaughterhouses.

It is frequently claimed by farmers and by others that there are too many slaughterhouses in the United Kingdom, and that slaughtering facilities ought to be concentrated into fewer and bigger plants, each large enough to support associated by-product processing facilities and organised to cut and pack meat in ways suited to the needs of modern retailing.

The evidence on the economies to be gained from concentrating slaughtering into a much smaller number of "factory abattoirs" is scanty and in several respects unsatisfactory. Economies of scale in actual slaughtering have been crudely estimated, and mistakenly represented as net economies in so far as diseconomies in administration and managerial control and the increased costs of fatstock assembly and meat distribution resulting from concentration have been largely ignored. (31)

Furthermore there has been a widespread tendency to confuse technical and economic efficiency and matters of public health with matters of economics. Thus, the fact that some minor by-products are not utilised

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(31) Report of the Interdepartmental Committee on Slaughterhouses (England and Wales); H.M.S.O.; Cmd. 9542, 1955.

Slaughterhouse Facilities and Meat Distribution in O.E.E.C. Countries; E.P.A./O.E.E.C.; Documentation, 1959 Series.

A partial exception to these strictures is to be found in ALLEN, G.R., Agricultural Marketing Policies, (Blackwell), Chap. 9, pp. 252-264, where an analysis is based on some U.S. data for 1939. For a variety of reasons it is not considered that any firm conclusions can be drawn from this work.

in some existing slaughterhouses is not, a priori, sufficient reason for creating facilities for their recovery. Similarly, although it is undeniable that in many slaughterhouses conditions with respect to the humane treatment of animals and the hygienic handling of meat are nothing less than appalling, it does not follow that the slaughtering industry ought to be concentrated merely in order to facilitate the work of public health inspectors. A priori, one would postulate that it would be better to make the inspection of facilities and meat compulsory, and require local taxpayers to meet the costs of such services.

The most significant fact of the situation is that since strict control of slaughtering was relaxed after the war, private traders (and to a lesser extent municipal authorities) have found it commercially advantageous to increase the number of active slaughterhouses from the war-time 600 to the present 3,400, indicating that economies of slaughtering on a large scale may frequently be offset by diseconomies in other directions. This expansion in numbers has occurred despite restrictions imposed by local authorities on those wishing to operate private slaughterhouses, and despite the fact that the charges made by some municipal slaughterhouses are at less than economic rates.

What private traders have found it worthwhile to do might be considered a better indication of the true nature of economies of scale in slaughtering than the theoretical calculations so far available. If there are economies to be gained in slaughtering in fewer, larger, factory abattoirs then competition can safely be left to bring such economies about, especially since the F.M.C. is presently expanding its own slaughtering and processing facilities and can be relied upon to exercise its initiative in this as in other fields.

(iv) Curing industry

The criticisms which are made of the traditional Wiltshire curers seem to be equally ill-documented, but it has been alleged that only one in 10 of the 200-odd concerns engaged in bacon curing are fully efficient, and operating on a scale sufficiently large to employ modern technologies.(32) Certainly, many factories are very small and the industry as a whole is currently operating at not much more than half its capacity, but the effect of these factors on bacon prices may easily be exaggerated, given that part of the idle capacity is designed as a necessary reserve rather than being strictly surplus, and that curing costs represent only some 7.5 per cent of retail prices.(33)

Much more serious is the generally poor standard of curing, grading and presentation in the industry, and the proliferation of variants on standard curing practices which are found. Part of the reason for the declining share of the market held by British bacon is attributable to these latter factors, and, conversely, the popularity of Danish bacon amongst retailers and consumers is due in no small measure to the uniformity and reliability of the Danish article.

One way in which the problem of excess capacity would be to some extent resolved would be for bacon production to become a less specialised industry, both in respect of the type of pig from which bacon is produced and the range of products handled by the firms engaged in curing. One

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(32) Financial Times; 21st February, 1962.

(33) Bosanquet Committee Report; op. cit., p. 82.

of the most significant developments in recent years in the pig industry has been the emergence of so called "pig factories" - establishments which are equipped to produce bacon, pork and a variety of manufactured products from the pig, and which vary their output of each according to the state of demand in the respective markets. Such product diversity gives flexibility to the processor, and would, if extended sufficiently far, give a measure of price stability to the pig market as a whole.

There are signs that some of the traditional curers are equipping themselves to produce a range of products, but there is reason to think that progress in this direction has been impeded by the Government's "tailoring" of the guarantees in a manner which has assisted the Wiltshire curer to secure supplies and resist the pressures towards change. Thus, the separation of the bacon pig guarantees and the payment of quality premiums only on pigs of the type required by the Wiltshire curers has materially assisted the traditional specialised curers to survive, and has, moreover, given them a competitive advantage relative to the "pig factory" type of outlet, since the pigs best suited to the requirements of the latter establishments do not qualify for quality premiums. This is one instance where the price support system is not neutral between marketing outlets and methods, and where progress in marketing efficiency is impeded by the guarantee arrangements.

A further factor ameliorating competitive pressures amongst curers and adding to marketing costs is the practice of the F.M.C. in allocating a proportion of the bacon pigs it procures amongst all contracting factories; this tends to keep surplus capacity in the industry and adds to transport costs.

(v) Grade standards.

One of the several functions of a uniform grading system is to reduce marketing costs by facilitating sales by description.

Little progress along these lines has been made by the meat industry to date. Virtually the only fresh meat which is sold by description in the trade is New Zealand lamb, all other categories are typically sold by inspection. In the main this is attributable to the difficulty which attaches to devising a workable grading system in a situation where requirements vary enormously amongst buyers according to region, product and their class of trade.

However, some slight advance towards grade standards for bacon is being made by the P.I.D.A. in sponsoring the use of its "Meritmark" brand on all bacon cured by approved practices from carcases of recognised standards. But the "Meritmark" is really only an assurance of a minimum standard and does not give the buyer sufficient information to permit purchase by description - indeed, it is applied to over half the bacon produced.

On the other hand, some of the "quality groups" which have been formed in recent years - associations of producers of bacon pigs, fat cattle and lambs who co-operate with processors and distributors in improving the quality of their products and promoting their sale - are operating quite rigid systems of grade specifications which offer the possibility of lower cost distribution. Lack of standardised grade descriptions is recognised as a major problem, and research into grading is being conducted by the P.I.D.A., is planned for the proposed Sheep Development Council and the Meat Research Institute, and is one of the items of marketing research which will qualify for support from public funds under the scheme for promoting research into marketing problems announced after the 1962 review.

Certainly it would be unfair to attach any blame to the Government for (except in the case of bacon pigs) not having tied deficiency payments to grade standards which could have been used throughout the marketing system. If processers and distributors cannot evolve acceptable grading systems public servants can hardly be expected to do better.

5. Organised Producer Marketing

The formation of a producer marketing Board for all meat was proposed by the N.F.U. as long ago as 1952(34) and the proposition that there should be a statutory scheme to regulate the marketing of pigs was put to the Bosanquet Committee in 1955. The Government rejected the former proposal and did not accept the latter following adverse comment upon it from the Re-organisation Commission.

Renewed demands from the N.F.U's rank and file for a meat marketing Scheme reached a crescendo in 1961, when the enormous increase in the cost of the fatstock guarantees led producers to fear that some alternative to the existing support of prices through deficiency payments might soon have to be found, and when it was believed that the collapse of market prices was somehow due to inefficiencies in the marketing system (rather than to over supply) which a producer Board could rectify.

Interestingly enough, the N.F.U. leadership initially side-stepped the unanimous demand from its members at the 1962 annual general meeting that it proceed immediately with a meat marketing Scheme and, despite protests, merely agreed to examine the possibility of such a Scheme as part of a general review of meat marketing problems. Eventually, however, the N.F.U. agreed to recommend the formation of a marketing Board for all meat in its evidence to a committee set up by the Minister "to investigate the organisation of the marketing and distribution of fatstock and carcase meat in the United Kingdom" (the Smith Committee). But it is widely believed that the N.F.U. leadership has, for a number of reasons, ceased to place much hope in a producer-controlled meat marketing Scheme being enacted. On the one hand, it does not believe that Parliament would give a producers' Board the control of imports and of distribution it would require to be effective in pursuing the price-raising objectives its members demand. Second, it is apparent that the leaders are coming to realise the validity of what many independent observers have been stating all along, namely, that there are no large distributive margins to be "captured" by farmers, and that the problems of marketing so heterogeneous a product as meat in the face of the complexly structured and variable demands of distributors and consumers are too large to be entrusted to centralised decision making in a monopolistic producers' marketing organisation. Third, it is an open secret that a market research organisation commissioned by the N.F.U. to prepare a report on meat marketing advised that the N.F.U. had best press on with commercial (as opposed to regulatory) market development. And, it would appear that the development of meat marketing by producer-controlled commercial ventures is the field on which the N.F.U. has chosen to place its primary emphasis. The recent raising of equity capital by the F.M.C. and its forward integration by merger into bacon curing and meat processing are clearly significant steps in this direction.

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(34) Regulating the Marketing of Fatstock; Jointly published by the three Farmers' Unions, 1952.

On the whole informed opinion tends to the view that farmers are too prone to make "inefficiencies in the marketing system" the "whipping boy" for the unsatisfactory (market) price situation which exists for fatstock: that farmers have ill-formulated ideas about what a producers' meat marketing Board should aim to do, what powers it would require, how it would operate, and whether a centralised marketing organisation could make as effective a job of marketing as the present decentralised system: that such inefficiencies as exist in processing and distribution are best cured by promoting competition rather than monopoly; and that the F.M.C. is sufficiently large to secure all the economies of scale there are to be gained and sufficiently competitive to keep costs within the whole system to a minimum, and to promote such structural and operational changes within the processing and distributive trades as are economically desirable. In any event, it is unlikely that a producers' Board could be operational much before 1965, even if the committee of inquiry were to report favourably on, and Parliament would permit, the formation of an effective trading board, both of which are improbable.

The effect of the formation of "quality groups" are wholly beneficial and commendable. These groups are sparked by local initiative : set rigorous quality standards for the fatstock they market: are not afraid to exclude farmers who fail to meet such standards: liaise closely with processors and distributors about production practices and product promotion: and conduct effective educational programmes amongst their members about buyers' requirements and related matters. So far, those concerned with bacon pigs are most numerous - there are quality bacon groups in almost every county and these are organised in a national federation, the County Quality Bacon Federation - but voluntary groupings of farmers to co-operate in producing and marketing better quality pork pigs, fat cattle and lambs are rapidly being formed. Closer contractual links between such groups and the F.M.C. (and other meat buyers) is a likely and desirable pattern of development for the future.

(B) Outlook for Meat

1. If Britain does not join the E.E.C.

For the purposes of this essay it is not necessary to speculate about the longer terms shifts in domestic agricultural and trade policies which might occur if Britain decides not to become a member of the E.E.C. The relevant horizon for present purposes is probably no longer than the lifetime of the current Parliament, during which time price and income support policies can be expected to be continued much as they are at the present time. The overall objectives of policy with regard to fatstock production will continue to be, in the immediate future, as in the past, to minimise the cost of fatstock price guarantees to the extent consistent with supporting and stabilising producers' incomes, to shift emphasis between products in directions indicated by prospective demand and domestic and overseas supply conditions, and to continue to place emphasis on price and non-price subventions which promote the competitive position of producers.

Prices :

Although it is unlikely that the combination of circumstances which brought about the dramatic increase in the costs of fatstock deficiency payments in 1961 will recur in the immediate future, there is no prospect for any substantial rise in market prices for either cattle, sheep or pigs, such that any significant reduction on support costs can be expected. This being the case, the likely direction of the levels at which prices are supported is downwards, if not absolutely then at least relative to costs.

For beef, the immediate prospects are for an increase in Latin American and Australasian supplies as herds recover from the reduced levels attributable to drought and the recent market opportunities presented by the U.S.A. diminish. Furthermore, with demand in Asia growing but slowly and with Europe unlikely to offer an expanding market, both Latin American and Australasian suppliers seem likely to maintain their dependence on the British market. Domestic supplies are expected to increase through 1962/3 and to level off (at record levels) thereafter. Quantitative demand in the United Kingdom, on past evidence, and contrary to apparent official expectations, cannot be expected to grow very rapidly, unless it be by price reductions. Consequently, there are no grounds for expecting any significant rise in market realisation prices, nor any diminution in support costs.

Whether, and how far, fat cattle prices might be reduced will depend in part on how far it is desired to solve the milk surplus problem by encouraging a switch to beef. Indications are that with no direct subsidy payable on milk in the future and with New Zealand's problems eased to some extent by the quota arrangements for butter, the pressure to widen the beef/milk price ratio will not now be so intense as in the past. However, the most probable outcome is that the Government will be content to hold the fatstock price at its present level whilst making even more rigorous the specifications on cattle which qualify for deficiency payments, particularly as to the maximum weights on which guarantees are payable.

Similarly, with little growth in the demand for mutton and lamb to be expected, other than through price reductions, and with sheep numbers at record levels in the United Kingdom, New Zealand and Australia, domestic support costs are much more likely to rise than to fall, despite the reduction in guaranteed price made at the 1962 review, and especially if the reduction in weight eligibility on hoggets intensifies the autumn glut of lamb slaughterings. The support price for sheep is amongst the most likely candidate for continuing reduction of almost all guaranteed commodities, and further reductions in maximum weight eligibility for lambs and hoggets are a distinct possibility. The cost of supporting wool prices is not high, but there is certainly no likelihood of any increase in the guaranteed price of wool.

Having committed itself under the flexible support price arrangements to the production of between 10.3 and 10.8 million pigs per annum in the United Kingdom the Government will probably rely on the workings of these arrangements to stabilise the cost of supporting pig prices. Whether it will be successful will depend upon the course of pork and bacon prices and feed costs, and with total meat supplies and Danish pig numbers (and possibly grain prices) increasing, there is room for doubt whether this will be achieved. With little room to manoeuvre on standards of eligibility, eventual reductions in support prices are likely.

Methods :

These forecasts as to the directions of support prices are made within the framework of the Agriculture Acts 1947 and 1957 with their attendant deficiency payments, review procedures and long-term assurances. As such they can, at most, relate only to the next two to three years, for it has been made abundantly clear that present price support arrangements are likely to be of limited duration, and that whether Britain does or does not join the E.E.C., future support arrangements will rely more on raising consumer prices than on direct payments from the Exchequer.

We have already seen a move in this direction in the case of several commodities - for milk through the maintenance of high liquid prices to consumers and the regulation by quotas of butter imports, and for barley through the imposition of minimum import prices in 1961. It is therefore of interest to note that a first tentative step in this direction has been taken for meat, by the Government stating that it had "drawn the attention of every major meat exporting country to the situation in our market and .... asked them .... to take .... account of the situation when they plan their exports to us".(34) In addition, it has been reported that the Government is actively considering the methods and consequences of a system of support buying for meat.(35) However, too much should not be read into these matters; one cannot foresee any immediate likelihood of any limitation being placed on imports of (say) Danish bacon or New Zealand lamb, and a support buying programme for meat is most unlikely in the near future.

Thus the likely picture for the short term is for a continuation of the present Fatstock Guarantee Scheme with the cost of support being held in check by reductions in the guaranteed price for sheep and possibly also of pigs, by the flexible guarantee scheme for pigs, by further tightening up the qualifying standards and maximum weight

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(34) Hansard; 12th February, 1962; Col. 934.

(35) Farmer and Stockbreeder; 20th March, 1962.

eligibilities for fat cattle and sheep, and by exhortations to overseas suppliers to exercise voluntary restraint in their shipments to the United Kingdom market. The only innovation which seems a remote possibility is the extension of the flexible support price arrangements to sheep and, conceivably, to fat cattle.

Production grants and subsidies :

At the same time there seems no reason to expect any dramatic changes in the immediate future in respect of the production grants and subsidies which aid fatstock producers specifically. In total, the calf, hill cattle, hill sheep and livestock rearing area grants represented only a quarter of all production grants and subsidies and only 7.5 per cent of the total cost of Exchequer support for agriculture in 1961/2, and there is no pressure for their reduction.

Indeed, if additional useful ways could be devised for channelling aid to fatstock producers through schemes which improved the competitiveness of the industry, the Government would no doubt be glad to switch more of its support from commodity prices. And the new grants for research into meat marketing and for improving permanent pastures and increasing the output of winter-keep in livestock rearing areas are indicative of its intent in this direction.

Marketing :

The emergent role of local groups of producers and of the F.M.C. in regard to marketing have been mentioned elsewhere. The role of the Government in the immediate future will be to encourage the initiative of producers in improving the quality of their products - the "stick" being continued upward revision of the types and characteristics of fatstock eligible for guarantees, and the "carrot" the payment of quality premiums on fat cattle and bacon pigs and grant aid for market research. In addition, the stabilising limits could be still further widened.

2. If Britain joins the E.E.C.

There is no point in elaborating here the major difficulties for Commonwealth and other suppliers of meat to the British market which would attend the United Kingdom's adherence to the E.E.C. if the import regulatory provisions of the proposed common agricultural policy were to be applied by the United Kingdom. Instead mention will be made of the more important issues which are currently occupying the attention of livestock producers in the United Kingdom, faced as they are with the possibility of Britain's membership.

The predominant reaction of farmers to the prospective adoption of an agricultural support system of the type proposed for the E.E.C. countries is of uncertainty - uncertainty as to whether the mechanisms so far proposed will prove effective when deployed on a European scale, uncertainty as to the nature of the detailed proposals which will be made for beef and sheep, uncertainty as to the concessions which will be afforded Commonwealth suppliers of beef, mutton and lamb and, above all, uncertainty as to the levels of fatstock prices which will rule in the member countries during and after harmonisation.

A PROJECTION OF MEAT DEMAND IN THE UNITED KINGDOM, 1965 AND 1975.(1)

TABLE 37

	Average consumption 1955-1959	Forecasts for 1965			Forecasts for 1975		
		(a)	(b)	(c)	(a)	(b)	(c)
Quantity		Thousand metric tons					
Beef and veal	1181	1242	1249	1256	1291	1318	1345
Mutton and lamb	553	610	616	622	663	684	707
Pork	421	449	455	459	469	488	507
Bacon and ham	558	587	593	593	607	626	647
Imported canned meat	195	207	208	209	220	223	227
Poultry meat	197	263	273	282	322	356	393
Offal	203	218	220	223	232	239	249
ALL MEAT (crude weight)	3308	3576	3614	3649	3804	3934	4075
Indices		1955-59 = 100					
Beef and veal	100	105	106	106	109	112	114
Mutton and lamb	100	110	111	112	120	124	128
Pork	100	108	110	111	113	118	122
Bacon and ham	100	105	106	107	109	112	116
Imported canned meat	100	106	107	107	113	114	116
Poultry meat	100	134	139	143	163	181	199
Offal	100	107	108	110	114	118	123
ALL MEAT (crude weight)	100	108	109	110	115	119	123

(1) The forecasts here presented are based on the Registrar General's population projections and three rates of growth of per capita incomes, (a), (b) and (c), representing rates of 1.3, 2.0 and 2.8 per cent per caput per annum respectively. A semi-logarithmic relationship between income and consumption was used. The projections assume constant prices.

SOURCE : United Kingdom : Project Level of Demand, Supply and Imports of Farm Productions in 1965 and 1975; E.R.S. - Foreign 19; U.S.D.A.; January 1962.

With regard to Commonwealth trade links with an enlarged E.E.C., farmers are on the horns of a dilemma. Their own sectional interests would be best served if Commonwealth meat supplies to the British market were to be curtailed by the strict application of the full provisions of the common policy in respect of trade in beef, mutton and lamb. Such a development would give them the scope for expansion which they cannot now perceive - not only by their having a larger share of the present market, but also of the future growth in demand for these products. (Some indication of the expected magnitude of the growth in the United Kingdom meat market is given in Table 37). But since they cannot advocate this course they fear that they will secure the worst of both worlds, that is, continuing competition from the low cost meat producers of Australasia and South America and a price support system which is very much less attractive than that they now enjoy.

Prices and costs :

Insofar as prices in the immediate past can be a guide to the prices which might rule during and after price harmonisation in an enlarged community, some superficial reassurance is being derived from crude price comparisons which indicate that the weighted average price of fat cattle in the six countries and Denmark has been higher than in the United Kingdom, while pigmeat prices have been much the same.(36)

But farmers are well aware that harmonised prices are not likely to be determined by simple arithmetic, that such comparisons conceal very wide ranges in prices between countries and, compared with the United Kingdom, very much greater price variability within individual countries. Furthermore, the value of the calf and hill cattle subsidies have been generally ignored in comparisons of beef prices, while pig producers are less interested in pigmeat prices as such than in the relationship between fat pig and feed prices.

Pig producers are particularly apprehensive about the increase in costs which would result from the implementation of the E.E.C. grain policy. An increase in grain prices of £5 a ton, which is quite conceivable, would cut average profit margins on a bacon pig by more than a half. Beef producers will, of course, be less affected by a rise in concentrate prices, but the present trend towards intensive systems of beef production could be impeded.

In the absence of any specific proposals for mutton and lamb in the Commission's draft agricultural policy, sheep producers appear to be assuming that the United Kingdom will be able to pursue an independent policy for these products so long as mutton and lamb do not impinge on the income prospects of continental pigmeat and beef producers and domestic wool output plays such a small part in the European textile industry as a whole - perhaps even to the extent of the deficiency payments system of price support being retained for both fat sheep and wool.

Grants and subsidies :

With regard to production grants and subsidies, the position varies between the different measures presently provided for fatstock producers. On the whole there seems no reason why United Kingdom membership of the E.E.C. should involve grants for the improvement of

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(36) See for instance, HEALEY, D.T.; The Implications of the E.E.C. for British Agriculture; a study to be published by Britain in Europe Ltd.; Pigs and the Common Market; P.I.D.A.; November, 1961. Comparisons are based on prices inclusive of deficiency payments.

livestock rearing area land and fixed equipment (and also such non-specific measures as the Farm Improvement, Small Farm and Silo schemes) being discontinued. Indeed, they appear to be exactly the type of measure which will fall naturally into a vigorous scheme for the structural improvement of agriculture. Similarly, the newly proposed grants to encourage the production of winter-keep and the renovation of permanent pastures in hill areas will probably recommend themselves for continuation, as also will the provision of grant aid for market research.

The hill cow and sheep subsidies have the virtue of being directed to particular groups of farmers, and hence of being more specific, assured, and cheaper than giving an equivalent degree of income support through the prices of the final products, but the economic case for their retention (as providing a stimulus to the production of store cattle and sheep) is now less evident than in the war-time and early post-war years of meat shortage. Indeed, it is clear that the hill sheep subsidy has now lost this production rationale, since it is only paid in years when hill sheep farmers' incomes need supplementing.

The calf subsidy too has lost much of its original rationale - i.e. of giving added impetus to the post-war expansion of beef production - and there is no reason for thinking that it provides special benefits to any particularly needy groups of producers. However, this subsidy represents such large proportions of fat cattle receipts and rearers' profit margins that its abandonment would certainly need to be matched by an equivalent increase in fat cattle prices if producers' incomes were to be maintained.

Market development and quality improvement :

Nothing so far known about the policies for meat in the E.E.C. would impede the commercial development of the F.M.C. or other producers' marketing groups.

Cattle and sheep producers are anticipating the creation of opportunities for exporting meat to Europe, though their hopes are probably greatly exaggerated and partially dependent upon an improvement of hygienic standards in slaughterhouses and meat handling facilities.

It would seem that in the future quality improvement under the common meat policy will be stimulated solely by price premiums received from the market. The lost of the quality premiums paid on cattle and pigs will not be widely lamented, and in as much as the quality payments on bacon pigs have impeded desirable changes in the processing industry, will be welcomed by everyone but the curers.

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EGG MARKETING

IN THE

UNITED KINGDOM

CONTENTS.

I. THE GENERAL SETTING.

This report deals primarily with the marketing of hen eggs in the United Kingdom. Duck eggs comprise only some 0.9 per cent of total domestic egg production: the marketing and price support arrangements are broadly similar to those operated for hen eggs and the detailed differences are of no great economic significance.

No attempt has been made to set current marketing arrangements, price support and trade policies in a broad historical perspective. The report deals with egg marketing arrangements mainly during the period since mid-1957 when the Government finally ceased to trade in eggs and the British Egg Marketing Board (B.E.M.B.) commenced its marketing operations.

1. Eggs in the Agricultural Economy.

Egg production in the United Kingdom is orientated to the domestic market for shell eggs; exports are of negligible importance, and the market for egg products is both small and, of itself, unremunerative though a proportion of total domestic egg production is diverted to the product market in order to maintain prices for shell eggs.

Taking one year with another egg production accounts for about one tenth of total agricultural gross output, about the same proportion as before the war (Table 1). But the data in Table 1 understate the total value of egg production in the United Kingdom since a considerable volume of eggs are produced on non-agricultural holdings, i.e. holdings of less than one acre in extent. Table 4 shows that some 21 per cent of the total domestic production of hen eggs is on such holdings. About half of these flocks are kept by domestic poultry keepers to provide eggs solely for their own households; at the other extreme are perhaps 2,000-3,000 full-time, specialised commercial egg producers whose premises happen to be less than one acre in extent; in between is a large number of part-time poultry keepers whose eggs enter commercial channels. Just how many businesses there are producing eggs commercially or pseudo-commercially is not known. Some 450,000 producers are registered with the B.E.M.B., but many of those still on the register have ceased to sell eggs. Evenso, the total number of producers regularly selling eggs cannot be much less than 500,000.

However, poultry are certainly kept on a large proportion of the holdings which are defined as agricultural holdings for census purposes; in 1960 this proportion was estimated to be 63 per cent. Amongst these holdings, eggs are produced on all farm size groups, in a wide range of scales, and with all manner of degrees of importance to the economies of the holdings on which they are kept, ranging from the small flock of 20-100 birds providing a small cash income to the farmer's wife, through the semi-specialised enterprises of (say) 500-2,500 birds on mixed farms, to vast specialised businesses with upwards of 50,000-1000,000 laying birds. Certain distinct trends in the organisation of production are however apparent. In particular, while the total national laying flock has been expanding in recent years the number of producers has been declining. As Table 2 shows, there has been a tendency for egg production to gravitate towards the larger scale producers until now some

ESTIMATED GROSS OUTPUT[1] OF EGGS IN RELATION TO TOTAL AGRICULTURAL GROSS OUTPUT AND OUTPUT OF LIVESTOCK PRODUCTS, UNITED KINGDOM, 1937/8 and 1957/8 to 1961/2.

TABLE 1.

	1937/8	1957/8	1958/9	1959/60	1960/1[2]	1961/2[3]
Total agricultural gross output						
£. million	301	1465	1467	1468	1494	1592
D.M. million	3371	16408	16430	16442	16733	17830
Gross output livestock and livestock products						
£. million	214	1027	1027	1028	1046	1117
D.M. million	2397	11502	11502	11514	11715	12510
Gross output eggs						
£. million	32	157	159	157	162	159
D.M. million	358	1758	1781	1758	1814	1781
Gross output eggs as proportion	per cent					
Total agricultural gross output	11	11	11	11	11	10
Gross output livestock and livestock products	15	15	15	15	15	14

(1) Defined as sales off the national farm of hen and duck eggs for food and for hatching plus household consumption from holdings over one acre, including subsidies, and valued at current prices.

(2) Provisional.

(3) Estimate.

SOURCE : Annual Abstract of Statistics, 1961.
M.A.F.F.

43 per cent of the birds on agricultural holdings (representing 34 per cent of the national laying flock and possibly as much as 50 per cent of total national egg production) are in (or from) less than 5 per cent of the flocks, each of which has more than 500 laying birds. Nonetheless, the vast majority of egg producers still have only a relatively small stake in the business; almost 80 per cent of the flocks on agricultural holdings each have less than 200 birds and 60 per cent have less than 100.

Associated with the gravitation of fowl numbers towards larger scale producers has been a tendency for egg production to become a more capital intensive enterprise to the point where some two thirds of the laying flock on agricultural holdings is now housed under intensive

SIZE DISTRIBUTION OF FLOCKS OF ADULT BIRDS ON AGRICULTURAL HOLDINGS WITH FOWLS, ENGLAND AND WALES 1955, 1957, 1958 and 1960.

TABLE 2.

Per cent.

Size of flock (adult birds)	1955(a)	1957(b)		1958(b)		1960(b)	
	Proportion of						
	flocks	flocks	birds	flocks	birds	flocks	birds
1- 10	5.34	5.50	0.32	5.81	0.33	6.1	0.3
11- 25	19.52	18.63	2.83	18.71	2.63	19.0	2.2
26- 99	43.06	39.25	17.13	37.17	14.81	34.3	11.4
100- 199	18.33	19.01	19.97	19.08	18.35	18.4	15.0
200- 375	9.47	11.71	24.11	12.19	23.02	12.9	20.6
376- 499	1.47	2.07	7.05	2.44	7.63	2.7	7.1
500- 999	2.09	2.66	14.96	3.30	15.86	4.4	18.1
1000-4999	0.68	0.95	12.16	1.26	14.85	2.1	21.0
5000 and over	0.62	0.02	1.47	0.04	2.53	0.1	4.3
All sizes	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Number of holdings(c)	260060	255022	..	247706	..	216501	..
Number of fowls ('000)	..	..	31923	..	32507	..	34140

(a) Raised results from 20 per cent sample of agricultural holdings. Number of birds not given.

(b) Raised results from 33-1/3rd per cent sample.

(c) In 1955, 1957, 1958 and 1960, 116258; 112835; 114276 and 134425 holdings were returned as having no poultry 6 months old and over.

SOURCE : M.A.F.F.

(battery and deep-litter) systems. This has had three important effects; firstly the protection of sunken capital is now more important to more producers than it has ever been before; secondly, the intensive housing of birds has contributed to the increased total output of eggs through higher egg yields per bird (Table 4); thirdly, the adoption of intensive rearing and housing systems has resulted in the seasonality of egg production and prices being now less marked than formerly, though the characteristic seasonal pattern of high volume and low prices in the spring followed by lower volume and higher prices in the autumn (especially of the larger egg grades) still remains.

Egg production is carried out in all parts of the United Kingdom and there are no regional patterns of particular significance other than the preponderance of small scale producers in the south-west of England, in Wales and in Northern Ireland, and for a tendency for the locus of egg production to shift eastwards and southwards in recent years.

2. Consumption.

Household food surveys indicate that expenditure on eggs in the United Kingdom accounts for just under 5 per cent of total household food expenditure (excluding confectionery, alcoholic drinks and meals out). The second interesting aspect of egg consumption revealed by such surveys is that, on average, some 8 per cent of total eggs consumed are "free" supplies, i.e. produced domestically or obtained as gifts, and that in rural areas the percentage of such supplies rises to 44 per cent.

Per caput egg consumption has been rising rapidly of late and now stands at approximately 260 eggs per year. Much of this increase can be attributed to the decline in wholesale and retail prices which has accompanied the recent expansion in total supplies.

United Kingdom Per Caput Egg Consumption.

1934/8	201
1955	208
1956	211
1957	222
1958	231
1959	240
1960	260

SOURCE: C.E.C.

The demand for eggs is inelastic with respect to both income and price. The most reliable available estimate has given an income elasticity coefficient of +0.37, and an average price elasticity of -0.27 (S.E. 0.03).(1) Whilst aggregate demand appears to vary very little over the months of the year, price elasticity is relatively high (-0.5), though still less than unity, in the high priced autumn months and extremely low (-0.1) in the spring period of peak supplies. This factor is of obvious relevance to the B.E.M.B's egg diversion programmes described in a later section.

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(1) BROWN, J.A.C.; Seasonality and Elasticity of the Demand for Food in Great Britain since Derationing; Jour. Ag. Econ., Vol. XIII, No. 3, pp. 228-249.

3. Supplies and Disposals.

An attempt is made in Table 3 to present a summary picture of total United Kingdom egg supplies and disposals. Some of the data are based on very crude estimates and no great accuracy is claimed. On the other hand, the data certainly show some major characteristics of the United Kingdom market for eggs and particularly :

(i) the extent to which imported supplies have been displaced from the United Kingdom market as a result of the expansion of domestic supplies under the post-war price support programme. Before the war imports provided more than a third of total supplies, to-day the proportion is usually around one twentieth.

(ii) that the egg product market is small, accounting for considerably less than one tenth of total consumption, and virtually static.

(iii) that as a result of the diversion programmes conducted by the B.E.M.B., domestically produced supplies of egg products now account for a significant share of the egg product market.

Table 4 shows in greater detail the extent and constituents of the growth in domestic egg supplies: and the proportions of fowls and supplies associated with agricultural and non-agricultural holdings.

Under the stimulus of price supports egg production in the United Kingdom is now twice the pre-war level. Yield per bird has risen by 28 per cent and appears to be rising by about 4 eggs per bird per annum, but most of the increase in supplies has come about by increased stock numbers on both agricultural and non-agricultural holdings. Expansion in bird numbers and total output was checked in 1960/1, but was resumed in 1961/2, and appears to have continued in 1962/3.

4. Egg Distribution.

Figure 1 shows in schematic form the major distributive channels for domestic and imported hen eggs and egg products. Little is known about the volumes of supplies moving along alternative routes, except that some 60 per cent of total domestic supplies are handled by the packing stations acting in their capacity as licensed agents of the B.E.M.B. The remainder are sold either "at the farm gate" direct to consumers (including hospitals, catering establishments, etc.) or to retailers, or are consumed at home or used for hatching. Compared with other countries therefore (and with the pre-war situation in the United Kingdom) the main distinguishing structural characteristics of the United Kingdom egg distributive system include the existence of the B.E.M.B. (a producers marketing organisation with wide monopolistic powers trading in 60 per cent of domestically produced eggs): the fact that all the packing stations act as agents of the B.E.M.B. in the collecting, candling, grading and packing of these same eggs: and the absence of auctions and of sales by producers direct to wholesalers (including packers) or their agents.

SUPPLIES AND UTILISATION HEN SHELL EGGS AND EGG PRODUCTS, UNITED KINGDOM, 1934/8 and 1958/9 to 1961/2.

TABLE 3

	Domestic Supplies				Imports				Total Supplies			
	Total production	Utilisation :			Total retained imports	Of which :			Shell	Products	Hatching	Total
		Shell	Products	Hatching		Shell	Dried(3)	Liquid(3)				
	million shell egg equivalents											
1934/8	6675	6545		130	3884	2773	134	977	9318	1111	130	10559
1958/9	12578	11894	347	337	947	195	192	560	12089	1099	337	13525
1959/60	13199	12356	469	374	729	175	216	338	12531	1023	374	13928
1960/1	12960(1)	12257	242	461	1078	501	168	409	12758	819	461	14038
1961/2	13611(2)	12850	231	530	1125	413	225	487	13263	943	530	14736
	as percentages of total supplies											
1934/8	63.2	62.0		1.2	36.8	26.3	1.3	9.2	88.3	10.5	1.2	100.0
1958/9	93.0	87.9	2.6	2.5	7.0	1.4	1.4	4.2	89.4	8.1	2.5	100.0
1959/60	94.8	88.7	3.4	2.7	5.2	1.3	1.5	2.4	90.0	7.3	2.7	100.0
1960/1	92.3	87.3	1.7	3.3	7.7	3.6	1.2	2.9	90.9	5.8	3.3	100.0
1961/2	92.4	87.2	1.6	3.6	7.6	2.8	1.5	3.3	90.0	6.4	3.6	100.0

(1) Provisional.

(2) Forecast.

(3) Estimated on basis that 86,000 shell eggs are equivalent to one ton of dried egg and 22,850 shell eggs are equivalent to one ton of frozen or liquid egg.

SOURCE : M.A.F.F. statistics.
C.E.C. Intelligence Bulletins and reports - "Dairy Products".
B.E.M.B. Annual Reports and Accounts and private communication.
HUNT, K.E. and CLARK, K.R.; Some Statistics of Poultry and Eggs in Britain 1960-1; Univ. of Oxford, Agric. Econs. Res. Inst., p.14.

ESTIMATED PRODUCTION OF HEN EGGS ON ALL HOLDINGS IN UNITED KINGDOM, 1934/8 and 1954/5 to 1961/2.

TABLE 4.

	Pre-war average	1954/5	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1(1)	1961/2(2)
Total average population of adult fowls (000's)	44788	58947	60628	65404	67089	71293	71933	68922	71235
On agricultural holdings	35674	45821	46548	50331	52052	55356	57096	54285	56598
All other producers	9114	13126	14080	15073	15037	14937	14837	14637	14637
Average yield of all adult fowls on all holdings (eggs per bird)	149	166	168	171	174	179	184	188	191
Production in millions of eggs :									
Total production of hen eggs	6675	9713	10183	11156	11671	12578	13199	12960	13611
On agricultural holdings	5284	7582	7829	8582	9029	9881	10462	10191	10799
All other producers	1391	2131	2354	2574	2642	2697	2737	2769	2812
Total hen eggs used for hatching	130	197	241	254	281	337	374	461	530
Total output of hen eggs available for human consumption	6545	9516	9942	10902	11390	12241	12825	12499	13081
Total output of duck eggs	154	198	177	164	152	142	138	130	126
Packing station throughput of hen eggs - total	-	5721	6030	7323	7914	8283	8502	7512	7930
- as proportion of hen eggs for human consumption (%)	-	60	61	67	70	68	66	60	60

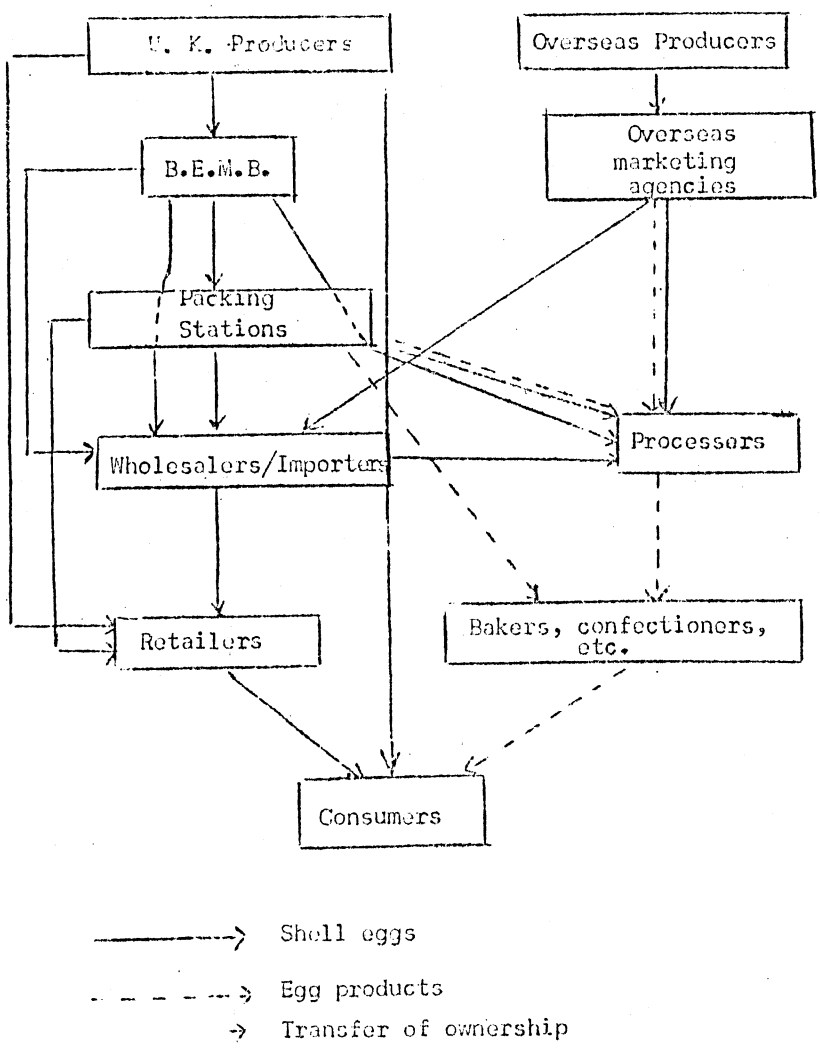
(1) Provisional.

(2) Forecast.

SOURCE : M.A.F.F. statistics.

FIGURE 1.

MAJOR DISTRIBUTIVE CHANNELS, SHELL EGGS AND EGG PRODUCTS.



The egg distributive system appears to be fully competitive at the retail and wholesale stage. Retail distribution is effected through large numbers of grocers, butchers and dairies competing freely with each other and with direct sales from producers to consumers. Wholesalers also compete freely with each other, and eggs passing along wholesale channels compete with imported supplies and with eggs sold directly by producers to retailers and consumers. There are about 450 firms engaged (as agents of the B.E.M.B.) in the collection, candling, grading and packing of eggs. Most of these packers are also wholesalers buying eggs from the B.E.M.B. and selling to secondary wholesalers and to retailers. Competition also flourishes at this stage. Nominally the packers pay all producers a uniform minimum price for all first quality eggs they handle, this price being determined by the B.E.M.B. Similarly, all packers buy eggs from the B.E.M.B. at a uniform price and receive a uniform allowance per unit of throughput towards the costs they incur as packers. Moreover, the costs of first hand wholesale distribution from packing stations to retailers' and secondary wholesalers' premises are borne by the Board, packers being paid a uniform allowance per unit of eggs they handle in their capacity as wholesalers. In practice, however, packer/wholesalers compete for business by offering prices higher than the minima prescribed by the B.E.M.B. Furthermore, within the system of uniform packing and first-hand transport allowances there are incentives for individual packer/wholesalers to reduce the costs of collection, grading packaging etc. by innovation and enterprise, and the costs of distribution by finding the most economic means of transport and routing of supplies. Competition between packer/wholesalers is further assured by their social heterogeneity since about 40 per cent of the eggs sold to the Board are handled by farmers' co-operative packing stations.

In the main, then, costs and margins at the retail and wholesale stages of distribution (including the packing stations) are determined by free competition between firms. In marked contrast, producers have been cartelised under a marketing scheme conferring wide monopolistic powers on a producers' marketing organisation and prices to producers are determined primarily by the trading operations of the B.E.M.B. and by subventions from the Exchequer.

The functions and operations of the B.E.M.B. and the nature and extent of the price support policies for eggs operated in the United Kingdom are subjects of the following sections.

II. THE BRITISH EGG MARKETING SCHEME.

The British Egg Marketing Scheme was promoted by the three Farmers Unions and came into force on 31st December, 1956. The British Egg Marketing Board (B.E.M.B.) which administers the scheme assumed full responsibility for the regulation of hen and duck egg marketing on 30th June, 1957, and has exercised its trading powers from that date.

1. Major Marketing Provisions of the Scheme.

Under the Scheme all egg producers in the United Kingdom (other than those in certain remote areas specifically exempted by the B.E.M.B.) who have more than 50 head of poultry over six months old and who wish to sell eggs are required to register with the Board. (2)

The B.E.M.B. has full trading powers and it has exercised its power under the Scheme to require all registered producers to sell their eggs solely to the Board, with the exception only of certain categories of sales which are specifically exempted. In effect the types of sales which are permitted to producers other than to the B.E.M.B. are :

(i) Sales direct to retailers,
(ii) Sales by retail,
(iii) Sales of hatching eggs,
(iv) Sales of eggs for export,
(v) Certain minor classes of sales such as sales to an employee.

Furthermore, under the terms of the Scheme producers who wish to sell direct to retailers or by retail must first obtain a licence from the Board. In practice, however, the Board has not so far required producers selling direct to consumers to be licensed, and the Board has only very limited powers to refuse a licence to producers who wish to sell to retailers.

None of the eggs sold in the above ways attract price subsidies since the price guarantees are confined to eggs sold to the Board and passing through the packing stations. And moreover, because there is a prejudice against marked eggs, the fact that the Board has required eggs sold under licence direct to retailers to carry a mark has meant that such eggs have not attracted the price premiums normally available on eggs which by-pass the packing stations and take a more direct route to the consumer.

Hence the B.E.M.B. trades in all eggs other than sales to retailers and direct sales to consumers - which means in practice the 60 per cent of all domestically produced hen egg supplies passing through the packing stations. Additionally, the Board, by its insistence on the marking of eggs sold to retailers, has had an indirect influence on the volume of eggs being distributed in this manner.

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(2) Producers with less than 50 head of poultry may also register if they wish to sell eggs to the Board and so become entitled to the benefits of the price supports paid on eggs handled by the Board.

2. Major Features of the B.E.M.B's Marketing Operations.

The Board buys all eggs offered to packing stations by registered producers through the agency of the packing station operators. Acting as agents of the B.E.M.B. the packers are required to pay producers at least the minimum prices announced weekly by the Board for all first quality eggs eligible for the price guarantees,(3) these prices varying according to four weight grades.(4)

The Board's buying prices reflect broad trends in wholesale selling prices (Fig. 2) but some attempt is made to level out short-term price fluctuations. The prices paid to producers are uniform over the whole country, there are no regional variations.

Licensed egg packers collect eggs from farms, and test, grade, mark and pack them as agents of the Board. For these services they are paid uniform allowances per unit of throughput by the Board, and the Board also pays for the cartons into which the eggs are packed for distribution.

Packers, acting in their capacity as wholesalers, may buy all or part of the eggs packed by them, on the Board's behalf, at the Board's daily selling price.

A flat rate allowance is paid by the Board to packers on all eggs so bought to cover the costs of transporting such eggs to wholesalers' or retailers' premises within a 30 mile radius, and additional transport allowances are paid towards the costs of eggs shipped greater distances. These arrangements are necessitated by the packers having to buy eggs at the uniform national prices fixed daily by the Board.

Details of the various allowances currently in force are given in the accompanying schedule. The features of the system of payments which are of major economic importance include :

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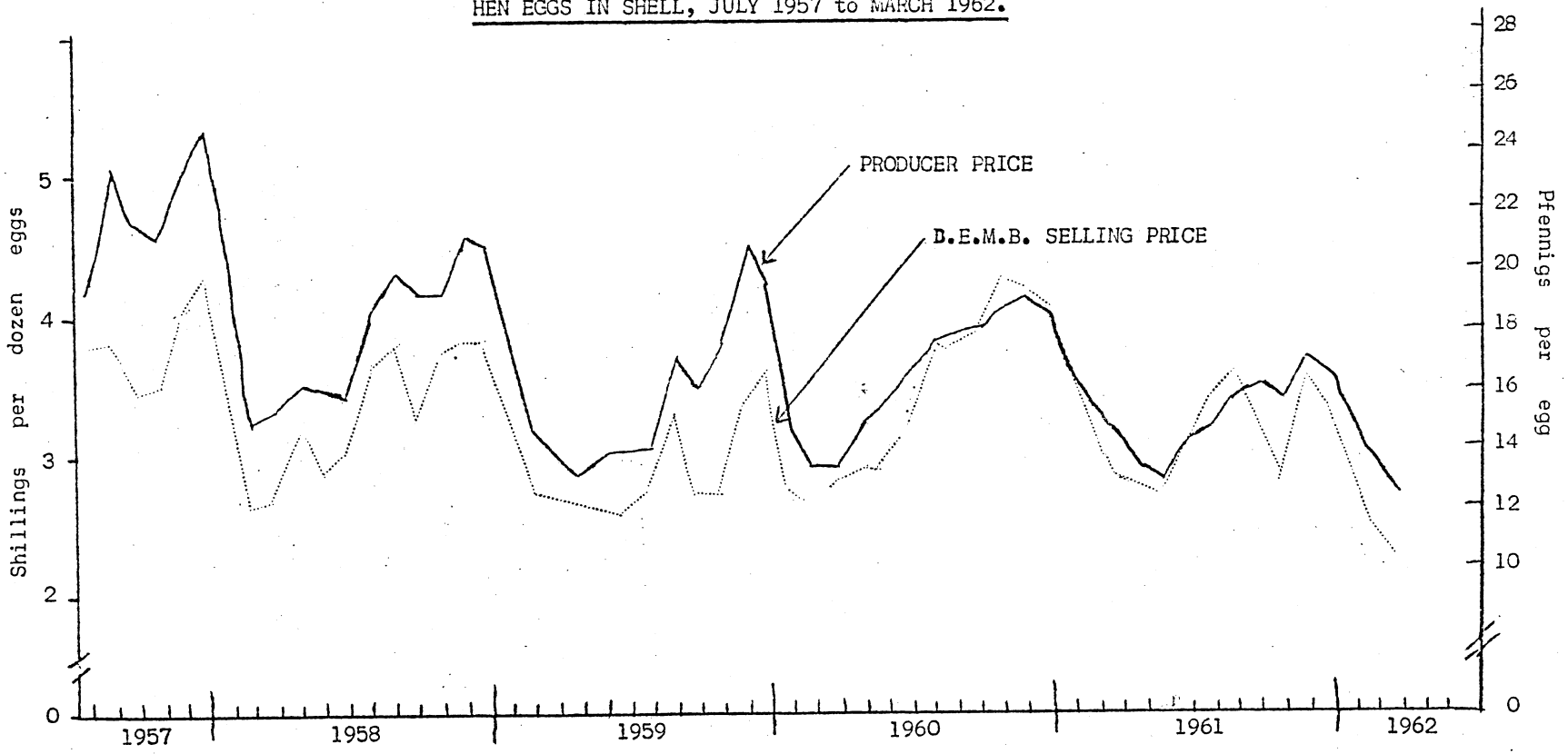
(3) First quality eggs are defined as "Fresh eggs free from taint; shell clean and unstained, sound and of good texture and shape; contents free from visible blemish and discolouration; yoke central translucent, faintly but not clearly defined; white translucent; air space not exceeding $\frac{1}{4}$ inch in depth". Only first quality eggs over $1\frac{1}{2}$ oz., (43 gms.), in weight are eligible for subsidies.

(4) The four weight grades upon which payments are based are :

Large	not less than 2-3/16th oz. (62 gms.)
Standard... ...	less than 2-3/16th oz. (62 gms.) but not less than $1\frac{7}{8}$ oz. (53 gms.)
Medium	less than $1\frac{7}{8}$ oz. (53 gms.) but not less than $1\frac{5}{8}$ oz. (46 gms.)
Smalls	less than $1\frac{5}{8}$ oz. (46 gms.) but not less than $1\frac{1}{2}$ oz. (43 gms.)

FIGURE 2.

B.E.M.B. WEIGHTED AVERAGE MONTHLY WHOLESALE SELLING PRICES AND PRODUCER PRICES FIRST QUALITY(1)
HEN EGGS IN SHELL, JULY 1957 to MARCH 1962.



(1) Excluding "extra smalls".

SOURCE : B.E.M.B. Annual Reports and Accounts and private communication.

B.E.M.B. MARGINS AND ALLOWANCES TO PACKERS AT APRIL 1962.

Per 360 eggs.

	s.	d.	D.M.
Great Britain :			
Basic margin[1], (costs of collection, workroom and administrative expenses, depreciation, interest on capital and profit).	7.	5.	4.15
Packaging allowance (cost of fittings).	1.	5.	0.79
Allowances on eggs bought back :			
Additional basic margin.		3.	0.14
Contribution towards distribution costs and carriage under 30 miles.		5.	0.23
Additionally the B.E.M.B. pays :			
The costs of fibreboard containers.			
Allowance towards carriage costs beyond 30 miles on eggs bought back.			
Northern Ireland :			
Basic margin	7.	3.	4.06
Packaging allowance :			
Home trade.	1.	3.	0.70
Shipments to Great Britain.	1.	11.	1.07
Shipping allowance on shipments to Great Britain.		6.5	0.30
Additional allowance on eggs bought back :			
Home trade.		3.	0.14
Shipments to Great Britain.		6.	0.28
Additionally the B.E.M.B. pays :			
The costs of fibreboard containers.			
Carriage in Northern Ireland and freight charges to Great Britain.			
Allowances towards carriage costs in Great Britain.			

(1) Paid at rate of 2s. 0d. per separate collection and the balance on declared throughput.

SOURCE : Packers Agency Agreement and Trading Contract, 1962.

(i) the payment of uniform unit allowances to all packers regardless of their actual unit costs.

(ii) the payment of the basic margin in two parts, a flat rate allowance of 2s. 0d. per consignment from each producer on any one day and a balancing margin per unit (case of 360 eggs) so that the two allowances together are equivalent to the full basic margin per case of eggs. This arrangement was introduced in 1960 in order to offset the higher costs of packers serving small producers.

(iii) the pooling by the Board of first hand distribution costs and the payment of transport allowances to packers at uniform rates regardless of the actual costs incurred in shipping different consignments of eggs. The costs of shipping eggs from packing stations in Northern Ireland to internal markets in Great Britain are also a charge on the Board's funds, and do not fall on Northern Ireland packers or producers exclusively.

The Board's selling prices to wholesalers are determined daily in the light of current and prospective supply and demand conditions, and after consultation with trade representatives and its own regional marketing officers. Any eggs which are not taken up by packers for their own trade are disposed of by the Board. The Board may arrange for the eggs to be :

(i) shipped to deficit areas and sold to distributors,

(ii) placed in temporary cool storage for subsequent disposal,

(iii) broken and made into egg products.

In these ways the B.E.M.B. is able to regulate the flow of shell eggs to the market and, more especially, it can attempt to increase the total revenue obtained for a given level of supplies by diverting surplus eggs from the shell to the product market. This is a key function of the B.E.M.B. which will be referred to again in subsequent sections. The extent of the Board's diversion programmes is shown in Figure 3 and Table 5. It will be seen that the Board has taken an average of 3.7 per cent of packing station throughput of first quality eggs off the market in the period July 1957 to March 1962. The diversion programme is particularly important as a means of maintaining prices in the period of peak production in the early months of the year when as much as 10 per cent of available eggs may be broken out, but eggs are diverted from the shell market in virtually every month of the year including the autumn period of reduced supplies and relatively high prices.

3. Some Special Features of the Board's Marketing Operations.

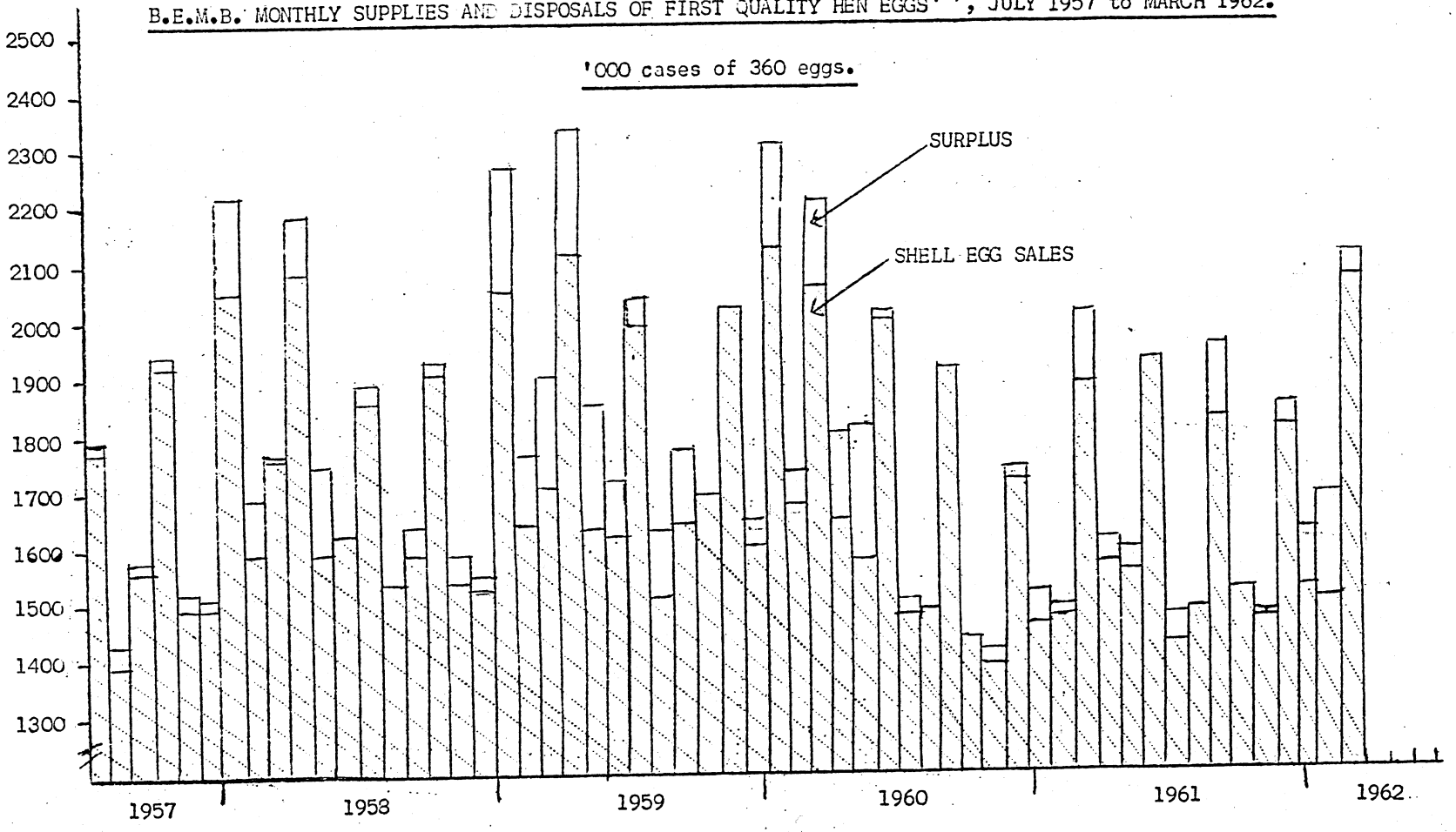
(a) Arrangements in Northern Ireland.

There are minor differences in the operation of the marketing arrangements in Northern Ireland. There eligible hen eggs are normally bought from producers at a minimum average price and not on the grade/weight basis used in Great Britain. Marketing arrangements are

FIGURE 3.

B.E.M.B. MONTHLY SUPPLIES AND DISPOSALS OF FIRST QUALITY HEN EGGS(1), JULY 1957 to MARCH 1962.

'000 cases of 360 eggs.



(1) Excluding "extra smalls".

SOURCE : B.E.M.B. Annual Reports and Accounts and private communication.

PACKING STATION THROUGHPUT OF FIRST QUALITY[1] SHELL EGGS AND QUANTITIES TAKEN OFF THE MARKET BY THE B.E.M.B. 1957/8 to 1961/2.

TABLE 5.

April/March Years	1957/8[2]	1958/9	1959/60	1960/1	1961/2
1. Packing station throughput first quality eggs - '000 boxes of 360 eggs	15838	22559	22973	20111	20315
2. First quality eggs taken off shell market - '000 boxes of 360 eggs	396	964	1304	642	682
3. Diverted eggs as proportion total packing station throughput - per cent	2.5	4.3	5.7	3.2	3.3

(1) Excluding "extra smalls".

(2) 39 week period July/March.

SOURCE : Report of the Consumers' Committee on the British Egg Marketing Scheme; January 1960; Appendix II.
Private communication from B.E.M.B.

different in that the only eggs which packers buy from the B.E.M.B. on a daily basis are the relatively small quantities required for the Northern Ireland market. The bulk of Northern Ireland eggs are shipped to Great Britain on the B.E.M.B's account, but the packer who packs them in Northern Ireland has the right to buy them back, if he wishes, at the point of discharge in Great Britain and sell them in competition with wholesalers there. The Board bears the costs of shipping to Great Britain and transport costs to wholesalers or retailers premises within Great Britain.

(b) Eggs not eligible for Price Subsidies.

Approximately 4 per cent of the eggs tendered to packers by producers are not eligible for price guarantees, either because they are less than 1½ oz. in weight (i.e. "extra small") or because they exhibit faults in shell or contents. Packers purchase such eggs from producers as agents of the Board at prices settled between the packers and the producers concerned, but packers must purchase them for their own account at the same price as was paid to the producer.

(c) Duck Eggs.

It is part of the packer's agency agreement with the B.E.M.B. that all first quality duck eggs offered by producers must be bought by the packers at not less than the minimum price fixed weekly by the Board. The difference is that duck eggs are bought by packers for their own account. The packers may then resell to the Board, at the same prices plus a margin for packing, any eggs which they do not require, and it is then the Board's responsibility to dispose of such eggs. In fact only about 5 million duck eggs (4 per cent of total duck egg production) pass through the packing stations annually, and the B.E.M.B. handles very few eggs under these arrangements.

4. Administration of the Price Guarantees.

Details of the price support policies and mechanisms operated in the United Kingdom for hen and duck eggs are the subject of the next section of this report, but it may be mentioned at this point that in addition to its trading and other marketing functions the B.E.M.B. has the responsibility for administering the Government's price guarantee to egg producers under the Agriculture Acts of 1947 and 1957.

The detailed financial arrangements are embodied in an agreement entered into annually between the Government and the B.E.M.B. The main points to be made here are that the price guarantees are made to the Board, and any deficiency payments due are paid to the Board, and not to individual producers. The Board passes the subsidy on to producers through the prices at which it buys their eggs. Hence, only eggs sold to the Board - which means the 60 per cent of total egg supplies passing through licensed packing stations - receive price subsidies. This function of the Board is more than just an administrative arrangement; the need to execute the injection of the subsidy was a primary reason for the egg marketing scheme being enacted, and the fact that the price subventions are only paid on eggs bought by the B.E.M.B. has a profound effect on distributive channels and the organisation of egg marketing.

5. The Board's Finances.

The B.E.M.B. has three main sources of income and three main categories of expenditures.

Its income is derived from sales of shell eggs and egg products: subsidies received from the Exchequer in implementation of the Government's price guarantees (these include an allowance towards the Board's administrative and marketing costs): and income from a levy which it imposes on registered producers to finance its administrative costs, promotional and other activities. (The levy is deducted from payments made to producers for eggs sold to the Board, at a rate of 0.5d. (2.3 pfennigs) per 12 eggs. In addition, registered producers holding a licence to make direct sales to retailers pay a levy of 0.25d. (1.15 pfennigs) per 12 eggs on their sales).

Major items of expenditure incurred by the Board include payments to producers for eggs sold to the Board: payments to packers for collecting, testing, grading, marking and packing eggs on the Board's behalf, transport allowances to cover their costs of first hand distribution, and payments to processers for processing eggs surplus to shell market requirements: and finally, the Board has to cover its administrative costs and its expenditure on research and product promotion.

The relationship between these major items is illustrated in Table 6, where the Board's categorised income and expenditure are expressed in terms of each egg purchased from producers. It will be noted how dependent upon subsidies from public monies are those egg producers selling to the Board; the unit rate of subsidy on eggs has long been amongst the highest of all the products eligible for price guarantees under the 1947 and 1957 Agriculture Acts.

B.E.M.B. UNIT REALISATION PRICES, PRODUCER PRICES, SUBSIDIES, MARKETING AND DISTRIBUTION EXPENSES TO WHOLESALE POINT, 1957/8 to 1960/1.

TABLE 6.

Per egg.

	1957/8		1958/9		1959/60		1960/1	
	d.	pfennigs	d.	pfennigs	d.	pfennigs	d.	pfennigs
Board received :								
1. Average realisation price all first quality eggs sold by Board	3.43	16.02	3.24	15.13	2.86	13.34	3.50	16.36
2. From Ministers under guarantee arrangements	1.31	6.11	1.02	4.75	0.98	4.57	0.74	3.43
3. Total above	4.74	22.13	4.26	19.86	3.84	17.91	4.24	19.79
Board paid out :								
4. Minimum average price to producers all first quality eggs bought by Board	4.35	20.32	3.81	17.78	3.38	15.77	3.62	16.87
5. Leaving notional margin towards Board's expenditure on marketing and administration	0.39	1.81	0.45	2.10	0.46	2.14	0.62	2.92
6. Packers margins	0.25	1.17	0.25	1.15	0.24	1.10	0.26	1.19
7. Transport and delivery costs	0.05	0.21	0.04	0.21	0.05	0.23	0.05	0.23
8. Box and packaging costs	0.07	0.32	0.08	0.38	0.10	0.47	0.10	0.45
9. Deficit on eggs not saleable as fresh in shell	0.02	0.13	0.06	0.25	0.06	0.30	0.02	0.12
10. Total above	0.39	1.83	0.43	1.99	0.45	2.10	0.43	1.99
11. Administration, research, publicity	0.04	0.17	0.04	0.20	0.05	0.22	0.05	0.26
12. Total marketing and administration	0.43	2.00	0.47	2.19	0.50	2.32	0.48	2.25
13. Deficit (-) to be covered by levy or surplus (+) placed to reserve (5-12)	(-) 0.04	(-) 0.19	(-) 0.02	(-) 0.09	(-) 0.04	(-) 0.18	(+) 0.14	(+) 0.67
Subsidy as proportion of producer price (per cent)	30		27		29		20	

SOURCE : B.E.M.B. Annual Reports and Accounts.

III. THE PRICE SUPPORT SYSTEM.

As stated previously egg producers benefit from price guarantees under the 1947 and 1957 Agriculture Acts. Guaranteed prices for hen (and duck) eggs are determined each year at the annual price reviews, and eggs fall within the provisions of the Agriculture Act 1957 whereby the guaranteed price may not be reduced by more than 4 per cent between two consecutive years, nor by more than 9% over any three year period. The guarantee is to the B.E.M.B., and not to individual producers, and applies only to eligible eggs(5) bought by the Board. Hence only the eggs which are routed through the packing stations qualify for price subsidies; eggs sold retail or to retailers by producers, and, of course, eggs for hatching, do not attract direct Exchequer support.

1. Guarantee Arrangements.

In essence the Exchequer subvention takes the form of a deficiency payment paid to the B.E.M.B. if the Board's average selling price in the year for eligible eggs tendered to packing stations by producers is less than the guaranteed price determined after each annual price review. The Board injects the subsidy in the prices it pays to registered producers.

In practice, the detailed arrangements are made rather complex by the deficiency payment being made on the basis of a forward estimate of the Board's average selling price (rather on than on a retrospective assessment of actual realisation prices as, for instance, for potatoes): by the operation of the "profit and loss sharing" arrangement necessitated by this procedure: and by the guaranteed price being linked by formula to the price of feedingstuffs.

(a) Flat rate of subsidy.

After each annual price review the Ministers determine :

(i) guaranteed prices to the B.E.M.B. for eligible hen and duck eggs.

(ii) an estimate of the Board's average selling price for eligible shell hen eggs delivered to wholesalers in the guarantee year and for fresh duck eggs sold in shell by the Board in the year.

The difference between (i) and (ii) is the flat rate of subsidy due to the Board from the Exchequer on all eligible eggs passing through packing stations.

In the first year of the B.E.M.B's operation an attempt was made to estimate the Board's average selling price objectively, but this proved impossible and since then the forward estimate has been made on a conventional basis. The estimate is made by averaging the Board's actual average realisation prices for eligible hen eggs in the two previous years, allowing double weighting to the price received in the immediately preceding year.

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(5) Eligible hen eggs are first quality eggs (including eggs which are dirty but otherwise of first quality) weighing not less than 1½ ozs. (43 grams) sold to the Board through packing stations.

(b) Profit and Loss Sharing Arrangement.

Clearly with subsidy payments being based on the difference between the guaranteed price for the year and what is, in practice, a notional estimate of actual realisation prices in the year, there is a danger either that the Government will be called upon to provide unwarrantably large sums (in years when the Board's actual average realisation price is above the estimate) or that producers would not receive their full entitlement under the guarantees (i.e. in years when the actual realisation is less than the estimate). This is the rationale of the profit and loss sharing arrangement embodied in the financial agreement between Ministers and the Board. Under the arrangement as it now stands, if the Board's actual realisation price exceeds the estimated price the excess (or "profit") is shared between the Board and the Government in the proportion of 3:1 respectively. However, the Board is compelled to put 40 per cent of its share (30 per cent of the total excess) into a reserve fund, leaving 60 per cent (45 per cent of the total excess) for distribution to producers. If, on the other hand, the Board's actual average selling price is less than that estimated, 40 per cent of the loss is borne by the Board and 60 per cent by the Government, except that the Government bears 90 per cent of any loss in excess of 6d. per dozen eggs (2.33 pfennigs per egg). The reserve fund accumulated in "profit years" is used by the Board to pay producers more than they otherwise could in "loss years" and, indeed, the monies in the reserve fund are a first charge on any shortfall between actual and estimated realisation prices, thereby reducing the Government's additional commitment to provide further public funds in years when the Board's average selling prices are lower than the estimate used in calculating the subsidy due to the Board.

(c) Feed Formula Adjustment.

In order to provide producers with a stable margin of profit over the cost of the largest single item of cost in egg production, guaranteed prices to the Board are linked, by formula, to the prices of feedingstuffs. The formula is used to adjust guaranteed prices between the annual price reviews, the overall costs of feedingstuffs being taken into account, together with other relevant matters, in the determination of the level at which prices are guaranteed to the Board at the annual reviews.

Adjustments to the guaranteed price for eggs are made according to changes in the average price of a standard poultry feedingstuffs ration. The prices of the constituents in the standard ration are wholesale prices at port mills for bulk lots of the unprocessed products. The average price of the ration is calculated every 4 weeks in respect of the preceding period of 12 weeks, and for each change of 7d. per hundredweight (D.M. 6.53 per metric ton) in the price of the ration a corresponding change of 0.5d per dozen (0.2 pfennigs per egg) is made to the guarantee. The composition of the ration is as follows :

	% by weight.
Feeding wheat	20
Feeding barley	10
Feeding oats	20
Maize	15
Wheat offals	20
Extracted soya bean meal	10
White fish meal	5

2. Features of the Guarantee Arrangements.

There are three particular features of the price guarantee arrangements to which it is worth drawing attention.

First it should be noted that the prices guaranteed to the Board include an allowance towards the Board's costs of "administering the guarantees"(6) and its marketing expenses. The latter include the Board's payments to packers for collecting, testing, grading, marking and packing eggs, the costs of transporting eggs to wholesalers or retailers premises, and the "loss" on diverting hen eggs to the product market. Hence public funds are used not only to support the incomes of producers qua producers, but also to underwrite the costs of marketing their product through a particular form of producers' marketing organisation and to underwrite costs throughout the whole packing station system. This is a curious extension of the general principle of agricultural price and income support which probably reaches far beyond the intentions of Parliament.

Secondly, the guarantee extends to all eligible eggs purchased from producers by the Board - the flat rate of subsidy and the profit and loss sharing arrangements are calculated only by reference to the Board's declared prices on sales of eggs to wholesalers. That is the Board receives the subsidy on all hen eggs taken off the shell market and broken out for sale as products as well as on those sold in shell. Hence although the Board incurs a "loss" on all marginal supplies of eggs which it has to divert, its loss is not so great as it would be if there was no subsidy on eggs entering secondary utilisations, and its incentive to check the expansion in national output is not so great as it would be if the guarantees applied only to a standard quantity of eggs and marginal supplies attracted only the actual utilisation price(7) as, for example, occurs under the milk price guarantees.

Thirdly, although the price support system operated in the United Kingdom is nominally of the deficiency payment type, in practice, the system is "mixed" since direct Exchequer subventions are supplemented to an important degree by the supply diversion programmes operated by the Board. For by diverting eggs from the shell to the product market the total revenue and average price received by the Board for a given volume of supplies are greater than would otherwise be the case, and though consumers pay higher prices for shell eggs the Exchequer liability is correspondingly reduced.

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(6) Just how it is possible to define "administrative" costs and to distinguish between the costs the Board incurs in its trading and general activities and those directly related to the costs of injecting the subsidy is by no means clear.

(7) Eggs sold as products realise about 2s. 0d. per dozen (9.3 pfennigs per egg) compared with the 3s. 0d. per dozen obtained for sales of shell eggs in 1961/2.

3. Operation of the Price Guarantees.

The current policy objective of the Government in respect of eggs is quite firmly to bring about a reduction in the cost to the Exchequer of supporting the incomes of egg producers. During the post-war period of the agricultural expansion programme, egg production was deliberately increased under the stimulus of minimum prices guaranteed at highly profitable levels. Yet by the mid-1950's, when the improvement in the national balance of payments position had made the need for a high and increasing level of egg production less evident, and when the cost of the egg price guarantee was already reaching the proportions of a national scandal and showing every prospect of further increase, the freedom of action of the Government with respect to prices was restricted by its desire to support egg producers' (and especially small farmers) incomes at socially and politically desirable levels, by the operation of the feedingstuffs formula, and, since 1957, by the provisions of the Agriculture Act of that year. However, since 1955, the Government has consistently attempted to achieve a better balance between market realisation and guaranteed prices and to bring about a reduction in the total cost, and unit rate, of the egg price subsidies.

To this end the guaranteed price of eggs has been repeatedly cut in recent years or held constant in the face of rising costs. Indeed, eggs have suffered more severe reductions in the level of the guaranteed price than any other commodity covered by the Agriculture Acts of 1947 and 1957, and there have been broadly comparable reductions in the actual and real (after allowing for changes in feedingstuff prices) prices received by producers. This is brought out in Table 7; while Table 8 shows that, despite a continuous increase (interrupted only in 1961/2) in total egg output and in the supplies eligible for guarantees, the successive cuts in the egg price guarantee has resulted in a reduction in the cost to the Exchequer of supporting egg producers' incomes.

Nevertheless, the unit rate of subsidy on eggs is still very high, and the prospects are for an increase in the total subsidy bill in 1962/3 as a result of the 5 to 10 per cent higher volume of production expected in the year (with accompanying lower realisation prices) and a likely increase in Exchequer liability under the feedingstuffs price formula.

By any standards the guarantee arrangements for eggs are remarkably complex, and the very complexity of their operation has a number of repercussions of economic importance.

Firstly, the operation of the profit and loss sharing arrangement (necessitated by the practice of estimating the Board's future average realisation price by formula) has in itself, on occasions, masked the Government's intentions as to the direction of change it wished to bring about in prices and production. Thus, in 1960/1, when the Government wished to reduce output and cut the guaranteed price by 1.38 d. per dozen accordingly, the profit and loss sharing arrangement operated in such a way that producers actually received prices 7 per cent higher in that year than they had in 1959/60.(8) To a lesser

(8) The profit and loss sharing was at that time, on a somewhat different basis to the arrangements currently in force. Changes made in the arrangements in 1960 - whereby the Board was required to establish a reserve fund with 40 per cent of its share of any profit and use this reserve to cover part of its share of any losses - were intended to reduce such fluctuations in prices to producers. So far, however, there is little sign than this has been accomplished.

GUARANTEED, ACTUAL AND EFFECTIVE PRODUCER PRICES, FIRST QUALITY HEN EGGS, UNITED KINGDOM, 1955/6 to 1962/3.

TABLE 7.

Guaranteed prices :	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2	1962/3
Actual guaranteed price(1)								
- d. per dozen	49.50	49.50	54.20	48.95	48.95	47.15	44.63	45.79
- pfennigs per egg	19.25	19.25	21.08	19.04	19.04	18.34	17.36	17.81
Related to feed price(2) of:								
- £. per long ton	29.67	29.67	29.83	25.75	26.92	26.42	28.42	26.58
- D.M. per metric ton	327.08	327.08	328.25	283.87	296.77	291.25	258.18	293.02
Equivalent price at 1962/3 feed price and under current marketing arrangements :								
- d. per dozen	53.17	53.17	51.42	49.67	48.67	47.29	47.29	45.79
- pfennigs per egg	20.68	20.68	20.00	19.32	18.93	18.39	18.39	17.81
Change on previous year :								
- d. per dozen	..	-	(-)1.75	(-)1.75	(-)1.00	(-)1.38	-	(-)1.50
- pfennigs per egg	..	-	(-)0.68	(-)0.68	(-)0.39	(-)0.54	-	(-)0.58
- as percentage (%)	..	-	(-)3.29	(-)3.40	(-)2.01	(-)2.84	-	(-)3.17
Average producer prices :								
Actual average producer price(3)								
- d. per dozen	52.40	49.70	49.20	45.73	40.56	43.38	39.30	n.a. (4)
- pfennigs per egg	20.38	19.33	19.13	17.78	15.77	16.87	15.28	n.a.
Equivalent producer price at 1961/2 feed price :								
- d. per dozen	53.54(6)	50.84(5)	45.70	46.66	40.13	40.81	39.30	n.a.
- pfennigs per egg	20.82	19.77	17.77	18.15	15.61	15.87	15.28	m.a.
Real change on previous year(6)								
- d. per dozen	..	(-)2.70	(-)5.14	(+)0.96	(-)6.53	(+)0.68	(-)1.51	..
- pfennigs per egg	..	(-)1.05	(-)2.00	(+)0.38	(-)2.54	(+)0.26	(-)0.59	..
- as percentage (%)	..	(-)5.04	(-)10.11	(+)2.10	(-)13.99	(+)1.69	(-)3.70	..

(1) Including allowance towards B.E.M.B's administrative and marketing costs from 1957/8 onwards.

(2) Feedingstuffs formula revised in March 1957/8.

(3) M.A.F.F. M.I. Index Price, calendar years 1955 and 1956; thereafter B.E.M.B's weighted average producer price April/March financial years.

(4) Not available but seems likely to work out at not less than 2d. per dozen (0.78 pfennigs per egg) less than the 1961/2 price.

(5) Adjusted for change in formula of standard feedingstuffs ration so as to be comparable with later years.

(6) Actual prices adjusted in line with changes in the price of feedingstuffs as indicated by changes in the price of the standard ration.

SOURCE : Annual Review and Determination of Guarantees. M.A.F.F. price statistics. B.E.M.B. Annual Reports and Accounts.

TOTAL SUBSIDY AND UNIT RATES OF SUBSIDY HEN AND DUCK EGGS, UNITED KINGDOM, 1955/6 to 1962/3.

TABLE 8.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2	1962/3
Gross value egg output[1]								
- £ million	143.7	148.4	156.5	159.2	157.0	162.2	158.8	
- D.M. million	1609.4	1662.1	1752.8	1783.0	1758.4	1816.6	1778.6	
Exchequer subsidies under price guarantees[2]								
- £ million	20.7	39.8	45.8	33.7	33.1	22.5	15.5[4]	
- D.M. million	231.8	445.8	513.0	377.4	370.7	252.0	173.6	
Subsidies as a proportion of gross output of all eggs (per cent)	14	27	29	21	21	14	10	
Subsidy as a proportion of B.E.M.B. producer price[3] for hen eggs (per cent)	..	..	30	27	29	20	21	

(1) June/May years.

(2) April/March years.

(3) That is, the unit rate of subsidy on the eligible hen eggs sold to the B.E.M.B. through packing stations from July 1957 to March 1962, including feed formula adjustments.

(4) Estimate.

SOURCE : Annual Abstract of Statistics 1961.
Civil Appropriation Accounts.
B.E.M.B. Annual Reports and Accounts.

degree the feed formula adjustments also overlie changes in guaranteed prices and in the prices paid to producers by the Board.

Secondly, so complex are the workings of the forward price estimating procedure, the profit and loss sharing arrangements and the feed formula adjustments that changes in the level of price guarantees may have only an attenuated influence on producers production plans. In practice, few producers understand how the guarantees work, what the relationship is between guaranteed prices and the prices paid them by the Board, the relationship between these prices and feed prices, and between guaranteed and Board prices and the present and prospective profitability of their poultry enterprises. Add to this the fact that the Board's pricing policy between seasons, from week to week and between grades are highly variable in practice, and, to place it at a minimum, shrouded in complete mystery as to their rationale, and it is clear that the apparent perverse response of egg production to price in the United Kingdom may be due, in part, to the fog of incomprehension which surrounds the factors involved in producer price formation and the guarantee arrangements evolved over the years.(9)

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(9) A full list of factors affecting any individual producers' average realisation price for eggs would include :

(i) the annual guaranteed price,
(ii) the Board's actual average realisation price,
(iii) the operation of the profit and loss sharing arrangement,
(iv) the operation of the feed price formula,
(v) the size of the Board's reserves,
(vi) the extent of the Board's marketing costs, including its supply diversion programme,
(vii) the Board's inter-seasonal and inter-grade pricing policy,
(viii) the extent of bonuses offered by packers,
(ix) the proportions of eggs sold to the Board, to retailers or by retail.
(x) the individual producers' seasonal and grade production pattern.

IV. TRADE IN EGGS AND EGG PRODUCTS.

As for most commodities the United Kingdom operates a liberal policy in respect of imports of shell eggs and egg products for human consumption. Imports from China, Russia and Eastern Europe are permitted on Open Individual Licences without restriction of quantity; imports from all other areas are permitted free access to the United Kingdom market under Open General Licences. Imports of hatching eggs, however, are subject to veterinary control.

Imports from all areas except the Commonwealth, South Africa and Eire (which enter duty free) are subject to the tariffs shown below. These duties were originally imposed in 1932 under the Ottawa Agreements with the sole objective of giving a margin of preference to Commonwealth countries. Their level has not been revised since and the present ad valorem equivalent (at wholesale prices) of the duty on shell eggs is now some 3 to 7 per cent, depending upon season, with an average of about 5 per cent. At this level they are clearly not very important either as preferences for Commonwealth suppliers or as a means of protecting domestic producers.

UNITED KINGDOM TARIFFS ON SHELL EGGS AND EGG PRODUCTS.

TABLE 9.

Section No.	Code No.	Product	Full Duty (per 120 eggs)
04.05			
(A)		Eggs in shell :	
	11502	Not exceeding 14 lbs. (6.35 kg.) per 120	1s. 0d. (D.M. 0.56)
	11522	Over 14 lbs. but not exceeding 17 lbs. (7.70 kg.) per 120	1s. 6d. (D.M. 0.84)
	11562	Over 17 lbs. per 120	1s. 9d. (D.M. 0.98)
(B)	11632, 11682 11732, 11741	Eggs not in shell and egg yolks	10%

SOURCE : H.M. Customs and Excise Tariff.

The statistical picture of United Kingdom imports of egg and egg products is given in Tables 10 and 11. The main features are :

(i) The great decline in the volume of imports of both eggs and egg products compared with the pre-war situation. This has resulted from the unattractiveness of the British market consequent upon the expansion in domestic output of shell eggs and egg products and the low market prices which have prevailed. This decline has affected almost all suppliers; only South Africa amongst major suppliers has increased its trade over pre-war levels, but recently Poland has rapidly built up its exports from the low levels reached in the early post-war years.

(ii) Commonwealth countries have increased their share of a declining market (from 13 per cent pre-war to 20 per cent in 1961) but their absolute volume of shell exports has also declined. No Commonwealth country now regards its outlets for eggs and egg products in the United Kingdom market as being of any great importance to its total trade.

(iii) Amongst major traditional suppliers Denmark and Holland have been most adversely affected by the declining export outlets in the United Kingdom.

The relatively small quantities of imports which still do reach the United Kingdom market are, however, of considerable importance to United Kingdom producers to the extent that the marginal quantities of imports on the market influence the price obtainable for the domestic supply and are vociferously protested against by producers in consequence. In particular, the availability of imports is a factor limiting the extent to which the B.E.M.B. can raise the general wholesale price level by diverting shell eggs to the product market, more especially since it is known that some countries (notably Poland, Roumania and China) have, at times, been selling shell eggs and egg products to Britain at prices which contain an element of "dumping".(10) So far as consumers are concerned imports are, of course, beneficial since the seasonality of their arrival generally complements the seasonal pattern of home supplies and their availability limits the extent to which consumers can be held to ransom by the B.E.M.B's diversion operations.

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(10) Applications for anti-dumping duties to be imposed on imports from Poland and China were refused in 1961 and again in 1962 although on both occasions it was admitted that dumping had occurred. The reason for the refusals was mainly the general unwillingness of the Government to invoke the anti-dumping legislature for fear of attracting retaliatory measures against British exports.

IMPORTS OF SHELL EGGS INTO THE UNITED KINGDOM, 1938 and 1954 to 1961.

TABLE 10.

Million eggs.

	1938	1954	1955	1956	1957	1958	1959	1960	1961
Major traditional suppliers :									
Australia	121.2	129.1	161.6	49.9	23.8	16.8	-	30.8	22.9
South Africa	32.5	44.1	51.8	90.9	25.2	20.2	30.3	61.7	61.5
Eire	266.2	73.6	66.1	51.4	13.3	13.3	5.6	6.9	13.2
Denmark	1141.5	1080.9	571.7	173.9	65.8	99.6	39.5	129.7	105.6
Netherlands	711.9	56.2	33.5	19.4	5.7	9.0	2.6	38.2	17.0
Poland	314.5	34.7	61.2	20.6	-	1.5	52.6	105.2	199.9
Other suppliers :									
Other Commonwealth	21.1	0.2	0.1	+	-	0.4	+	+	+
Belgium	(a)	(a)	(a)	(a)	+	-	-	7.7	0.3
Sweden	(a)	(a)	(a)	(a)	-	1.1	4.1	22.7	23.5
Norway	19.5	7.7	14.4	9.3	5.7	9.0	2.6	38.2	17.4
Finland	(a)	(a)	(a)	(a)	-	-	-	0.2	3.5
Rumania	(a)	(a)	(a)	(a)	-	-	-	0.1	6.5
Hungary	58.6	-	28.8	26.7	1.0	0.7	-	-	-
Other Foreign	636.8	10.4	17.7	17.2	0.8	7.5	0.5	1.5	0.3
Total imports	3324.0	1436.8	1007.0	459.2	141.3	178.2	153.2	421.2(b)	471.6

(a) Included in "Other Foreign" if any.

(b) Amended total; details of amendment not available.

SOURCE : C.E.C. Intelligence Bulletins.

IMPORTS OF EGG PRODUCTS INTO THE UNITED KINGDOM, 1938 and 1954 to 1961.

TABLE 11. metric tons.

	1938	1954	1955	1956	1957	1958	1959	1960	1961
DRIED WHOLE									
Australia	-	-	-	-	-	-	-	-	34
Argentina	-	100	47	105	20	35	162	126	241
China	312	1058	2486	1336	1768	1189	561	398	665
Czechoslovakia	-	-	-	-	-	-	110	98	78
Denmark	(d)	7	16	41	31	-	25	35	25
Western Germany	-	19	252	5	140	112	64	175	153
Eastern Germany	-	-	-	-	-	-	-60	-	-
Japan	-	-	-	-	-	-	3	-	35
Mexico	-	-	-	-	-	-	-	-	30
Netherlands	(d)	5	139	212	223	92	269	116	203
Poland	-	51	100	17	63	72	376	394	422
Yugoslavia	-	-	-	-	-	-	110	-	-
Other countries	11	21	209	17	34	35	13	3	30
Total	323	1259 (c)	3249	1733	2279	1535	1753	1345	1916
DRIED ALBUMEN (a)									
Canada	-	-	-	-	-	-	36	18	1
Austria	-	-	-	-	2	4	6	16	27
China	890	370	505	437	496	257	42	24	5
Denmark	-	15	79	192	76	103	81	54	76
Sweden	-	19	94	63	40	52	41	41	31
Netherlands	-	-	-	-	31	55	55	10	5
Western Germany	4	25	24	27	15	7	21	13	29
United States	-	-	-	-	-	48	557	440	572
Other countries	99	33	90	19	9	1	-	5	23
Total	993	462	792	738	669	527	827(c)	621	769
FROZEN WHOLE (b)									
Australia	325	17703	11014	7244	10100	5226	4474	8270	12770
Canada	-	-	-	-	-	-	763	9	-
New Zealand	-	843	685	629	297	-	175	623	128
Irish Republic	(d)	25	17	7	171	74	50	84	215
Argentina	-	-	-	-	-	-	-	130	-
China	39995	9395	1518	2874	5682	16516	1940	2275	653
Czechoslovakia	-	-	-	-	-	-	300	-	-
Western Germany	-	-	-	-	10	260	889	197	14
Israel	-	-	-	-	-	-	-	136	2543
Netherlands	-	-	-	-	12	33	70	201	16
Poland	616	-	1	-	101	121	721	149	1214
South Africa	-	1065	438	660	1008	-	1209	1728	1366
Other countries	6671	148	21	17	71	-	10	14	21
Total	47607	29179	13694	11428 (c)	18452	22230	10601	13452 (c)	18840

TABLE 11 (continued)

	1938	1954	1955	1956	1957	1958	1959	1960	1961
FROZEN ALBUMEN (a)									
Australia	(b)	114	385	6	-	-	36	792	1271
Canada	-	-	-	-	-	-	303	-	-
Irish Republic	(b)	199	80	108	135	77	84	78	17
Argentina	(b)	72	41	100	78	108	188	285	278
China	(b)	51	1887	2986	1747	2328	848	501	41
Czechoslovakia	-	-	-	-	-	-	-	97	-
Denmark	(b)	97	199	23	48	2	136	20	5
France	(b)	113	110	20	50	-	20	245	163
Western Germany	(b)	-	80	98	62	58	86	16	55
Israel	-	-	-	-	-	-	-	137	236
Netherlands	(b)	107	240	188	266	516	595	911	421
United States	-	-	-	-	-	-	61	220	65
Yugoslavia	-	-	-	-	-	-	48	41	92
Italy	(b)	95	22	-	-	-	-	-	-
Other countries	(b)	-	46	2	12	8	-	3	-
Total	(b)	848	3090	3531	2398	3097	2405	3346	2644
YOLK									
Australia	(b)	44	99	25	-	-	-	40	20
Canada	-	-	-	-	4	3	-	10	19
Irish Republic	(b)	15	14	43	182	14	242	147	131
China	(b)	36	61	315	162	173	64	17	41
Denmark	(b)	47	28	57	51	56	44	39	25
Western Germany	-	-	-	-	2	1	13	22	42
United States	-	-	-	-	12	2	19	58	17
Other countries	(b)	24	33	96	19	4	8	23	31
Total	(b)	166	235	536	432	253	390	356	326
LIQUID									
China	(b)	162	95	296	-	-	-	-	-
Irish Republic	-	-	-	-	16	8	17	4	4
Norway	-	-	-	-	10	2	2	8	-
Other countries	(b)	neg.	3	13	-	-	-	-	-
Total	(b)	163	98	309	26	10	19	11	4

(a) Egg albumen only in 1938. All albumen in 1954-61.
(b) In 1938 "frozen yolk", "frozen albumen" and "liquid" egg are included with "frozen whole".
(c) Amended total; details of amendments by countries not available.
(i) Included, if any, in "Other countries".

SOURCE : C.E.C. Intelligence Bulletins.

V. PROBLEMS AND PROSPECTS.

The three major issues at present facing egg producers in the United Kingdom are the imbalance between supply and demand, the impact on the profitability of egg production of Britain's adherence to the common agricultural policy of the Six, and the future position and functions of the B.E.M.B. following Britain's possible entry into the E.E.C.

1. Over Production.

It has been shown that despite very large cuts in the guaranteed price of eggs in recent years egg production in the United Kingdom has continued to increase and the volume of supplies forthcoming at current guaranteed prices is such that eggs require a large subsidy to bridge the gap between the Board's selling prices and the prices guaranteed to producers, albeit that the subsidy has been much reduced from its peak of £45 million (D.M. 504 million) in 1957/8.

The immediate prospects are for a continuing increase in supplies in 1962/3 and for the Government to be required to meet a larger subsidy bill in that year than in 1961/2 by reason of the resultant lower selling prices, the exhaustion of the B.E.M.B's reserves, and a possible increase in the price of feedingstuffs, all offsetting the further cut in the guaranteed price enforced after the 1962 review. Faced with this situation it is extremely likely that guaranteed prices will again be cut by the Government in 1963 in order to prevent a resurgence in the cost of egg price supports.

Just how far one can project into the future a situation of expanding total supplies occurring in spite of falling prices is by no means clear since it is not possible to predict the future impact of all those factors which have, in the past, contributed to this apparent perverse supply response.

The nature of one of these factors, the inability of producers to comprehend the relationship between guaranteed prices and their actual receipts has already been mentioned. Other causal factors can be added :

(i) Only a minority of producers has any idea of the economy of their poultry enterprises and the contributions to overall farm profits that they make. In such circumstances prices may fall a long way before producers become aware of the need to adjust their production plans and the size of their flocks.

(ii) Technological advances, and particularly the switch to intensive housing systems and to stock of high egg production and feed conversion potential, have been profitable to the individual and have, therefore, been adopted, even though the aggregate return to the industry as a whole has been depressed by the resultant increase in supplies.

(iii) Some producers have expanded their flocks because scale economies in the utilisation of capital and labour, price reductions on larger volumes of feed, and price premiums on larger volumes of egg sales have resulted in the marginal cost of additional output being low, and profits on marginal output correspondingly high.

(iv) Some egg producers find expansion profitable even at current prices either because of their overall technological efficiency or because in the circumstances of their farms many of the costs of egg production are fixed.

(v) Not all producers have suffered price reductions to the same degree. Packers who have enlarged the capacity of their plants or who find themselves in an area of contracting supplies (in total or in supplies offered to packing stations) have found that additional throughout could be handled at low marginal cost and at high marginal rates of profit. Competition for additional throughput amongst packers with excess capacity has resulted in some producers being offered substantial bonuses over and above the minimum prices prescribed by the B.E.M.B.

(vi) It must not be forgotten that some 40 per cent of total domestic egg supplies are sold by retail and direct to retailers, that such supplies do not attract price subsidies and are, in consequence, not directly affected by changes in the egg price guarantee. Furthermore, many of these eggs have commanded substantial price premiums relative to the actual prices (including subsidy) paid by the Board on eggs routed through packing stations, and expansion at these prices has been profitable for producers with opportunities for direct sales.

Most of these factors are on-going, and there seems no particular reason to expect any early slackening in the rate of expansion of egg output. Therefore, and assuming that the present system of egg price supports would be retained, it seems likely that the future holds only further cuts in egg price guarantees, these reductions being made in an attempt to contain, and if possible reduce, the cost of the egg subsidy.

In the longer term the most likely development within the framework of the present system of price supports would seem to be a retention of the deficiency payments system but with a widening of the percentage reductions in price permitted and applied from year to year under the terms of the Agriculture Act 1957. Whether such a development might in the future be buttressed by limiting the price guarantees to a national standard quantity of shell eggs is an open question. Certainly it would be a means of containing the Exchequer's liability, but the eventual need under such an arrangement to extend the national standard quantity system to individual businesses by imposing production quotas would, in the case of eggs, be exceedingly difficult to administer because of the large numbers and economic heterogeneity of producers. And such an arrangement would, of course, be subject to all the usual problems of resource allocation and inter-producer equity inevitable in any quota system.

2. Consequences of United Kingdom entry into the E.E.C.

Whilst egg producers face the prospect of declining profitability even if Britain does not join the E.E.C., it would appear that this decline would be even more precipitous if Britain was to operate a common market in eggs with the countries of the Community (possibility augmented by such major egg exporters as Denmark, Sweden and Eire).

The result of Britain's adopting the common policy envisaged for eggs within the Community would be :

(i) the eventual disappearance of direct price subsidies on eggs,

(ii) an uncompensated rise in the price of feedingstuffs, consequent upon the disappearance of the feed-formula arrangements and upon producers having to purchase cereals at the Community's internal support prices rather than, as at present, at "world market" prices.

Just how serious an impact these changes would have on profitability can be gauged from the following observations :

(i) The current price subsidies are probably about equivalent to the aggregate of all the profits now made from egg production.

(ii) If the results of recent enterprise cost enquiries are any guide a rise of only £5 per ton in the purchase price of cereals (greater rises seem quite probable) would mean that something like six producers in every ten would find that their management and investment income was zero or a negative sum even at the high egg prices which ruled in 1960/1.

Furthermore, British producers can derive little comfort from the provisions in the common egg policy of the E.E.C. for regulating trade in eggs and egg products within the Community in the transitional period by levies equivalent to the incidence on production costs of higher feed grain prices and to the tariffs imposed on imported supplies at the moment. This is because feed grain prices to livestock product producers are generally lower here than in exporting countries of the E.E.C., and because the present tariff (ad valorem equivalent about 5 per cent) offers only a low barrier to imports. In any event, these transitional-period levies will give only temporary relief from the full rigours of competition with Dutch and possibly Danish, Irish and Swedish suppliers, who all appear to produce eggs at prices substantially lower than those most British producers would find profitable (Table 12).

COMPARATIVE PRODUCER PRICES(1) FOR HEN EGGS, 1957/8 to 1960/1.

United Kingdom = 100

TABLE 12.

Country	1957/8	1958/9	1959/60	1960/1
Denmark	66	60	62	65
Sweden	73	74	79	80
Holland	72	66	65	69
Belgium	86	92	93	84
France	95	81	85	n.a.
W. Germany	96	99	101	97
Italy	96	102	105	99

(1) Weighted average prices received by farmers, including subsidies, at current prices.

SOURCE : Prices of Agricultural Products and Fertilisers in Europe, 1960/61; F.A.O. Geneva, 1962.

Similarly, although some marginal relief from competition with supplies from third countries (notably Australia, Poland and a number of smaller suppliers who occasionally send small quantities at very low prices) would result from the intention to protect internal prices in an enlarged Community by fixed duties, feed cost equalisation levies and minimum import prices, in practice the British producer's main competitors will be inside the Community, and, in any event, the minimum import price (currently about 2s. 6d. per dozen) plus the Community preferential levy of 7 per cent seems likely to result in third country supplies being available at prices which a majority of British producers would find unprofitable under a high feed price regime in the absence of direct price subsidies.

Of course, tracing the full consequences of a loss of price subsidies and increase in feed prices on the volume of domestic supplies, on retail, wholesale and producer prices, and on the attractiveness of the United Kingdom market to exports in an enlarged Community, is an impossible task. However, it is difficult to see how Britain's entry into the E.E.C. can have anything but the most seriously adverse consequences for the profitability of egg production in the United Kingdom. Prices to producers under free internal competition and in the absence of deficiency payments seem bound to go down and profits will also be squeezed from an increase in feedingstuff prices.

Declining profitability will be no new thing: it has been the common experience of egg producers for at least eight years. Nor can anything else be expected if Britain remained outside the Community since the Government is clearly bent on reducing the burden on the taxpayer of the costs of supporting egg producers' incomes. The result of the squeeze on profits which has occurred since the mid-1950's has been a contraction in the number of producers, but a continuing increase in the size of the total national laying flock and in the average size of flock per farm. There have also been substantial increases in the efficiency of egg production, to the point where some of the larger and more efficient producers can now produce eggs at costs which will permit an adequate reward to labour and capital even at the lower prices which are bound to rule in coming years. Entry into the E.E.C. may accelerate the disappearance of the high-cost producer and the concentration of the industry into fewer and more efficient hands, but this result is inevitable anyway. Most producers recognise that in the long term the size of the egg industry in the United Kingdom must be determined by its competitive efficiency vis-a-vis European suppliers, and many observers believe that the final size of the industry in a common egg market will not be so very different than that we have now, albeit that many high-cost producers will have suffered hardship in the adjustment to competition, and even low-cost producers will find egg production less rewarding than they do now.

3. The Future of the B.E.M.B.

At present, one of the principal functions of the B.E.M.B. is the injection of deficiency payments into the receipts of producers sending eggs to packing stations. If price subsidies disappear with the adoption by Britain of the E.E.C's common agricultural policy for eggs - as they assuredly would - the B.E.M.B. will lose this role and with it one of the prime reasons for its existence. The issue will then arise as to whether the B.E.M.B. can play any further useful role in the marketing of eggs in Great Britain, or whether with the disappearance of the central function of administering subsidies fatal weaknesses in the market power or commercial competence of the Board will stand revealed.

Since no part of the price support policy for eggs so far enunciated by the E.E.C. requires any form of producers' marketing organisation for its implementation, it is unlikely that the Board will find grounds for its continuation in its ability to act as an instrumentality of the Commission. Furthermore, should it ever become part of the E.E.C. policy to exercise on a Community-wide basis the market intervention and surplus diversion function at present performed by the B.E.M.B. on a national scale (either for purposes of short-term price stabilisation or for permanently raising prices above free internal market levels) then this function could equally well be performed by, and would be more properly entrusted to, an agency other than one solely representative of producers' interests.(11)

However, the fact that the Board had no part to play in implementing in the United Kingdom the Community policy for eggs as such, would not necessarily mean that it could not continue to function at the national level as a central marketing agency. It would appear that so long as no impediments were placed in the way of intra-community trade flows and no action was taken which would give domestic producers any unfair competitive advantage vis-a-vis other member country suppliers, nothing in the E.E.C. egg policy would prevent a national producers' marketing organisation from exercising many of its present functions.

That is, within a common market for eggs the B.E.M.B. could continue to buy and sell that part of the total domestic egg supply which was routed through packing stations and it could collect levies and finance research and market promotion and development much as at present.

More especially, in theory, the Board could continue to regulate the volume of eggs reaching the shell market through its breaking programme, and by so doing combat conditions of internal seasonal or endemic surplus, raise prices (to the landed price of supplies of European origin plus any premium the home-produced egg is able to command) and increase the total revenue obtainable from a given volume of home-produced egg supplies.

At first glance this would appear to be the key function the Board will be called upon to fulfil in future years, especially when it is realised that once subsidies cease and the transitional period ends this will be the only specific instrument of market price support available to British producers other than the (largely irrelevant) protection against supplies from third countries afforded by the levy and minimum import price arrangements operated at the common frontier. On these grounds, if for no other, it would appear that the B.E.M.B. should and would be able to continue to retain the allegiance and financial support of its members.

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(11) Market interventoon and the implementation of the price guarantees were carried out in the United Kingdom by Government agencies up to the advent of the B.E.M.B. in 1957. There is some support for the view that it was the doctrinaire objection of the Government of the day to being so closely involved in egg trading and distribution and its desire "to get out of the egg business" which led it to recommend to Parliament the N.F.U's proposals for a producer-controlled marketing scheme under which the B.E.M.B. would be responsible for implementing the price guarantees.

But what will the situation be in practice?

(i) As profit margins are squeezed by the loss of deficiency payments and the increase in feed prices, it seems likely that producers will be driven to attempt to sell even more of their eggs direct to consumers than they do now. On this score alone the Board's share of the market will tend to diminish.

(ii) In effect the Board will be able to pay its producer-suppliers only a pool price - its realisation price for shell eggs "diluted" by the very much lower prices obtained for eggs broken out and sold as products, and further reduced by the Board's marketing, administration and promotional costs.

(iii) In the absence of subsidies the pool price obtained by producers who sell to the Board would be lower than the ruling wholesale delivered price for the shell eggs marketed by the Board, and there would be an obvious price incentive for producers to make direct sales to retailers. By so doing they would reap the benefits of the Board's breaking programme (i.e. higher shell prices than otherwise) without bearing any of its loss on eggs made into products. Even if they were forced to stamp their eggs as at present (thus losing the price premium obtainable for "fresh" eggs), producers who incurred lower marketing costs than the difference between the ruling delivered wholesale price for shell eggs sold by the Board and its pool price to producers would find that it paid them to sell directly to retailers. But one could also expect even more widespread evasion of the regulations which compel the stamping of eggs sold to retailers than at present. Hence, on these grounds too one would expect the Board to find itself handling a diminished share of total domestic egg supplies.

(iv) But as the Board's share of the market fell it would be caught in a vicious circle. The incidence of its loss on eggs made into products would bear progressively more heavily on its realisations on shell eggs so that the pool price it could pay to producers who sold their eggs through the packing stations would be pushed progressively further and further below the price obtainable by producers for shell eggs sold to consumers and to retailers. This in turn would still further increase the incentive for producers to by-pass the Board.

In short, there is a grave danger that the Board would find itself in the intolerable, and eventually untenable, position of attempting to support the market whilst handling a progressively smaller and smaller proportion of total supplies for which it could pay only a pool price being "diluted" at an accelerating rate. In these circumstances the Board would finally be compelled to abandon its attempt to regulate through its breaking programme the market volume and price of home-produced eggs.

This is not an unfamiliar story. The history of agricultural marketing is littered with defunct international commodity agreements and the unsuccessful efforts of national and regional producer-groups which attempted to regulate prices without having control of total supplies. And this is the key to the situation. No agency which does not have control of a sufficient proportion of supplies can permanently raise prices by limiting the volume of products marketed, since those who are outside the agency's control reap all the benefits without incurring any of the costs and there is a progressively greater incentive for those exercising restraint to escape from the regulating agency's control.

Hence, barring the payment of public subsidies, the B.E.M.B. could not effectively exercise a price regulating function through a national surplus diversion programme unless it could ensure that all who benefitted from its activities contributed to its costs.

The obvious method by which this might be accomplished would be for the Board to take control over virtually the whole of domestically produced supplies, that is, for the right of producers to sell to consumers and retailers to be limited or withdrawn. But most observers would regard such a development as being beyond the bounds of practical politics at the present time, quite apart from the dubious economic merits of any case for creating a complete producer-controlled monopolistic marketing organisation for home-produced eggs.

Alternatively, a scheme might be introduced under which all producers were compelled to share the costs of a surplus diversion programme through the payment of levies directly to the B.E.M.B. (on the lines of the acreage levy payments system operated by the Potato Marketing Board) the size of such levies being based on flock size or total egg output rather than on sales through packing stations. However, it is apparent that it might be difficult to convince Ministers, Parliament or the Commission that measures which are justified to combat the special problems of production and price instability in potato marketing are equally warranted for eggs. Furthermore, such a scheme would be difficult to enforce and its introduction would be bitterly opposed by producers selling by retail, by those selling to retailers under a "B" licence (who would have to pay much larger levies than the present $\frac{1}{4}$d. per dozen eggs) and by wholesale producers in "deficit" areas. For these reasons this alternative method of financing a market stabilisation or support operation would appear to be as unlikely of achievement as the first.

If the above observations have validity, that is, if the B.E.M.B. cannot draw a rationale for its continued existence as an agency for the implementation of the E.E.C. policy for eggs and if it has not or cannot obtain the market power required to operate a national surplus diversion programme, then it would appear that it must in future retain the allegiance and financial support of its members either on the basis of its unique commercial competence or through demonstrating its ability to bring about specific improvements in marketing efficiency by means which are beyond the reach of the individual producer. On past evidence one may justifiably be sceptical about the success of producers' marketing organisations in such matters.

Thus, judged on past performance, the Board does not appear to have made an outstandingly superior job of the first essential of successful marketing, namely the discovery of consumers' preferences and the guiding of production and the operation of the distributive system so as to satisfy these preferences (to the extent that is economically justified). It would not be denied that the Board has had some success in improving the quality of eggs through its

requirement that packers should collect eggs from farms at least weekly, through its educational publicity on egg handling, its breaking out of eggs more than six days in the packing station and its buying back of eggs unsold eight to ten days after leaving the packing station. It nevertheless appears to the outside observer that the real initiative in providing the housewife with eggs which she identifies as possessing desired attributes (shell and yolk colour as well as freshness), and for which she is prepared to pay premiums, lies firmly with producers whose eggs by-pass the Board, and with the promotors of differentiated branded "quality" eggs.(12) Similarly the practice of the Board of underpaying producers in the autumn period of high prices in order to be able to pay better prices than otherwise in the spring months when total supplies and supplies of small grade eggs are in acute surplus, may be warranted as a means of stilling the protests of its member-critics when prices slump, but it can hardly be said to satisfy the time-utility preference of consumers since it discourages desirable changes in the seasonal pattern of supplies. And, in general, a democratically elected and administered organisation which is compelled to market all the eggs offered to it by all its members and which by its very nature must "proceed at the pace of the rest rather than at that of the best" would seem to be severely hampered in the vigorous commercial exploitation of its product.

Nor does it appear that a centralised selling agency such as the B.E.M.B. is required to correct disparities in bargaining power between egg producers and buyers. Packing, wholesaling and retailing are in the hands of numerous firms, and this, together with the important position in the trade occupied by producer-owned packer/wholesaling businesses and the consumers' retailing and wholesaling co-operatives, ensures that competition flourishes throughout the egg distributive system.

There is also little evidence that producers' marketing organisations such as the B.E.M.B. are well fitted to improve producers' returns by bringing about a reduction in marketing costs. Indeed, such practices as paying uniform nation-wide prices to all egg producers regardless of their proximity to markets and splitting packers' basic margins into flat rates and variable elements so as to enable packers to service small producers (in effect forcing the larger scale egg producers to meet part of the costs of handling uneconomic lots from their smaller brethren) may recommend themselves on grounds of social equity and the preservation of cordial relations between the Board and the majority of its members, but they perpetuate high marketing costs and are symptomatic of the conflicting objectives which impede an organisation committee to serving all its members if it attempts to pursue increased efficiency. Then again, whilst systems of standardised and reliable grades and market intelligence are important sources of cost reduction in marketing (by facilitating

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(12) Price premiums of up to 25 per cent are commonly paid for fresh eggs sold by producers to consumers and by retailers who can obtain supplies of unstamped eggs from producers. Lower, though still substantial, premiums are paid for eggs which have passed through the Board's hands and thus carry the "Lion" stamp, but which are differentiated and branded by the packer or the retailer according to such real or imaginary attributes as the elapsed time between collection from the farm and offer for sale, and shell colour.

the valuation of the product and sales by description and reducing risks, required skills and unnecessary handling at all stages of distribution) they do not necessarily require the existence or continuation of a central marketing agency for either their provision or successful operation.

Is then the ability of a centralised organisation to command a sufficient volume of funds to sponsor technical and market research and promote the consumption of eggs, likely to be, of itself, an adequate ground for the B.E.M.B. to preserve the confidence and support of its members? Only the test of time will tell, but one's judgment would be that if producers are forced by changing circumstances and declining profitability to examine such "service" activities of their Board critically, it may, for instance, prove very difficult to convince them that a worthwhile return is being obtained for the £1 million a year of their money which the Board is now investing in advertising and specifically that a significant part of the increased egg consumption of recent years is attributable to promotional expenditure (as is claimed) as opposed to price reductions and income and population increases. Judging by the sorry history of the Tomato and Cucumber Marketing Board, marketing organisations which do not have effective market power cannot retain the support of their members solely by the conduct of such peripheral activities.

Some of the prognostications and doubts expressed in the above paragraphs may prove groundless with the passage of time, but on the whole it would appear that British egg producers are faced not only with the prospect of declining profitability but also with great strains upon the institutional and functional organisation of egg marketing. In particular, their marketing Board will be stripped of its central and cohesive role of administering the price support scheme, and in the absence of effective market or political power will be hard pressed to justify its continued existence.

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POTATO MARKETING IN THE UNITED KINGDOM

CONTENTS :

I. THE GENERAL SETTING.

In the main this report deals with ware potato marketing in the whole of the United Kingdom, but because of the dominant position occupied by the producers' marketing Board in Great Britain and the ready availability of statistical material pertaining to the latter area, much of the discussion of necessity centres on the marketing of potatoes in Great Britain only. The price support and marketing arrangements in Northern Ireland are treated separately; arrangements in the Channel Islands, where potatoes are marketed without benefit of price supports, are not dealt with, though it should be noted that for trade purposes the Channel Islands are regarded as an integral part of the United Kingdom.

1. Potatoes in the Agricultural Economy :

Potato production in the United Kingdom is geared primarily to the market for fresh and processed potatoes for human consumption. Exports of ware potatoes are unimportant though from ~~0.5 million~~ 50,000 to ~~0.75 million~~ 75,000 tons of seed potatoes are exported annually, and only those potatoes which are unfit for human consumption or which are surplus to human consumption requirements in years of heavy yield are used for stock feeding or for industrial purposes. This situation is in marked contrast to that which exists in several continental European countries.

The value of the United Kingdom potato crop is highly variable but, taking one year with another, accounts for between 4 and 7 per cent of total agricultural gross output and from one quarter to one third of the value of total output of farm crops (Table 1).

Potatoes are grown in all parts of the United Kingdom but there are distinct patterns of regional specialisation. Areas which are relatively specialised in the production of early and/or maincrop potatoes are identified in Figures 1 to 3.

As with most agricultural products, potato growing is in the hands of a large number of producers most of whom have only a small acreage; at the same time a major proportion of the crop is produced on relatively few holdings. This is brought out in Table 2, which shows that whereas half the growers of potatoes in Great Britain have less than 5 acres (2 hectares) of the crop, almost 60 per cent of the area is grown by some 13 per cent of the producers, each having more than 20 acres (8 hectares) of potatoes.

SCALE OF POTATO PRODUCTION(1), GREAT BRITAIN, 1959.

TABLE 2.

Area of potatoes	Proportion of producers	Proportion of acreage
acres	per cent	per cent
1 - 5	50	10
6 - 10	22	14
11 - 20	15	19
21 - 50	10	28
51 - 100	2	15
over 100	1	14

(1) On the 77000 agricultural holdings having more than 1 acre of potatoes in 1959.

SOURCE : Based on Potato Marketing Board Statistics for 1959; quoted by SYKES, J.D. and HARDAKER, J.B. The Potato Crop; Policy and Practices; Wye College, 1962.

ESTIMATED GROSS OUTPUT OF POTATOES IN RELATION TO TOTAL AGRICULTURAL GROSS OUTPUT(1) AND OUTPUT OF FARM CROPS(2), UNITED KINGDOM, 1955/6 TO 1961/2.

TABLE 1.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1(3)	1961/2(4)
Total agricultural gross output :							
- £ million	1354	1387	1465	1467	1488	1494	1592
- D.M. million	15165	15534	16408	16430	16442	16733	17830
Gross output farm crops :							
- £ million	255	246	263	269	266	271	276
- D.M. million	2856	2755	2946	3013	2979	3035	3091
Gross output potatoes							
- £ million	78	63	89	96	67	65	83
- D.M. million	874	706	997	1075	750	728	930
Potatoes as proportion :	p e r c e n t						
Total gross output	6	4	6	7	5	4	5
Gross output farm crops	31	26	34	36	25	24	30

(1) Defined as sales off the "national farm" plus consumption in farm households at current prices and including subsidies.

(2) Excluding horticultural crops.

(3) Provisional.

(4) Forecast.

SOURCE : Annual Abstract of Statistics, 1961;
M.A.F.F.

FIGURE 1 : THE LOCATION OF POTATO PRODUCTION UNITED KINGDOM 1961.

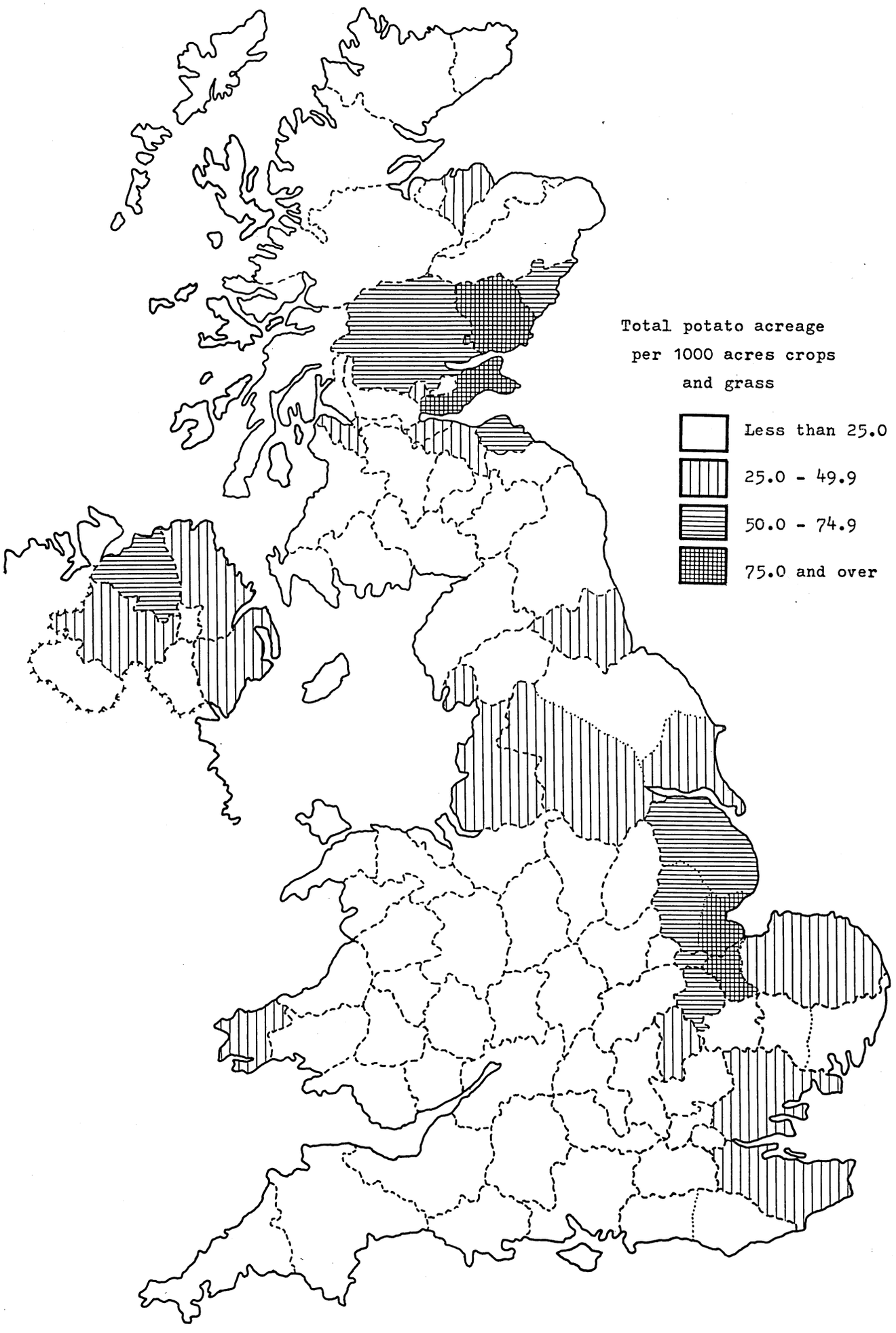


FIGURE 2 : THE LOCATION OF FIRST EARLY POTATO PRODUCTION UNITED KINGDOM 1961.

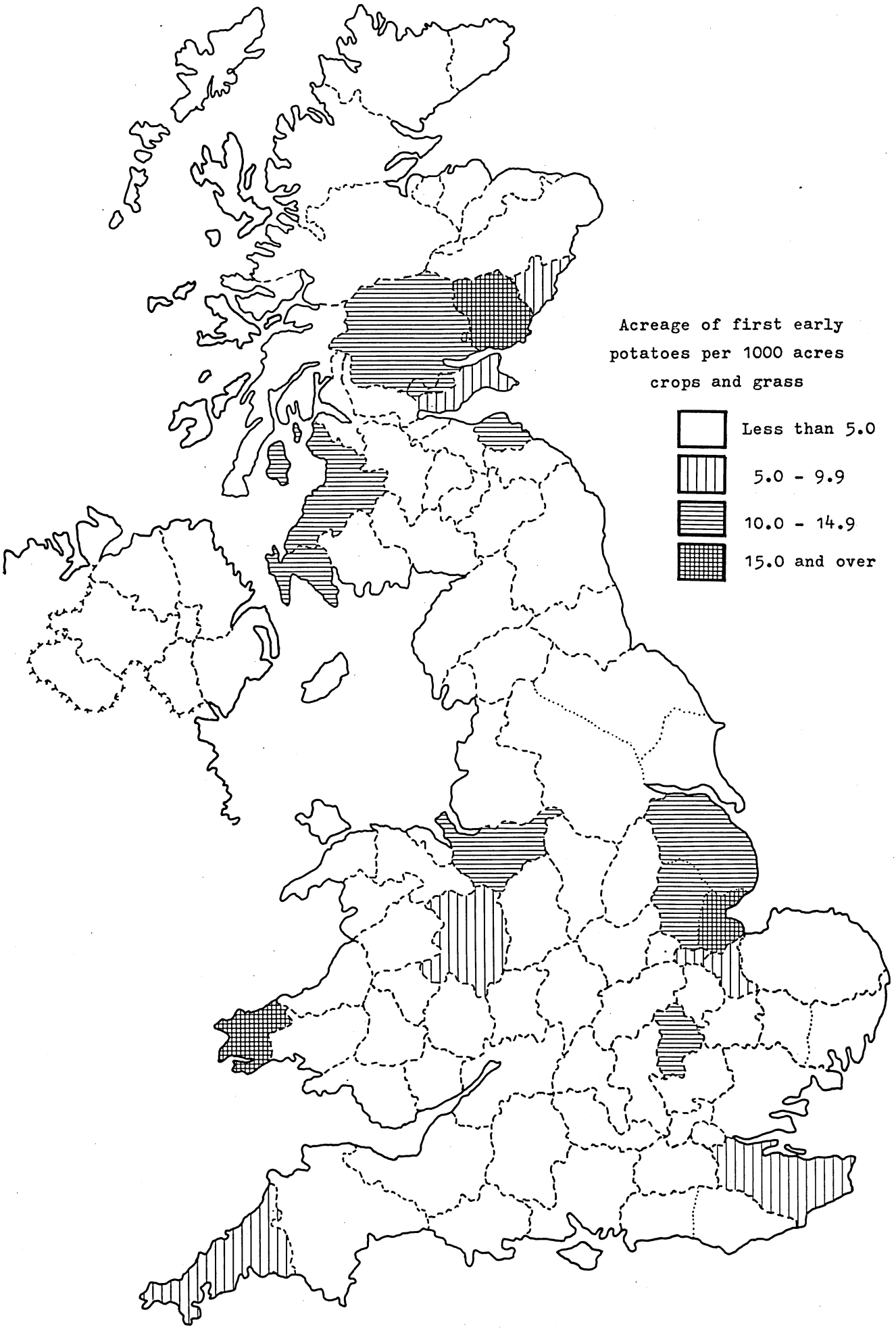
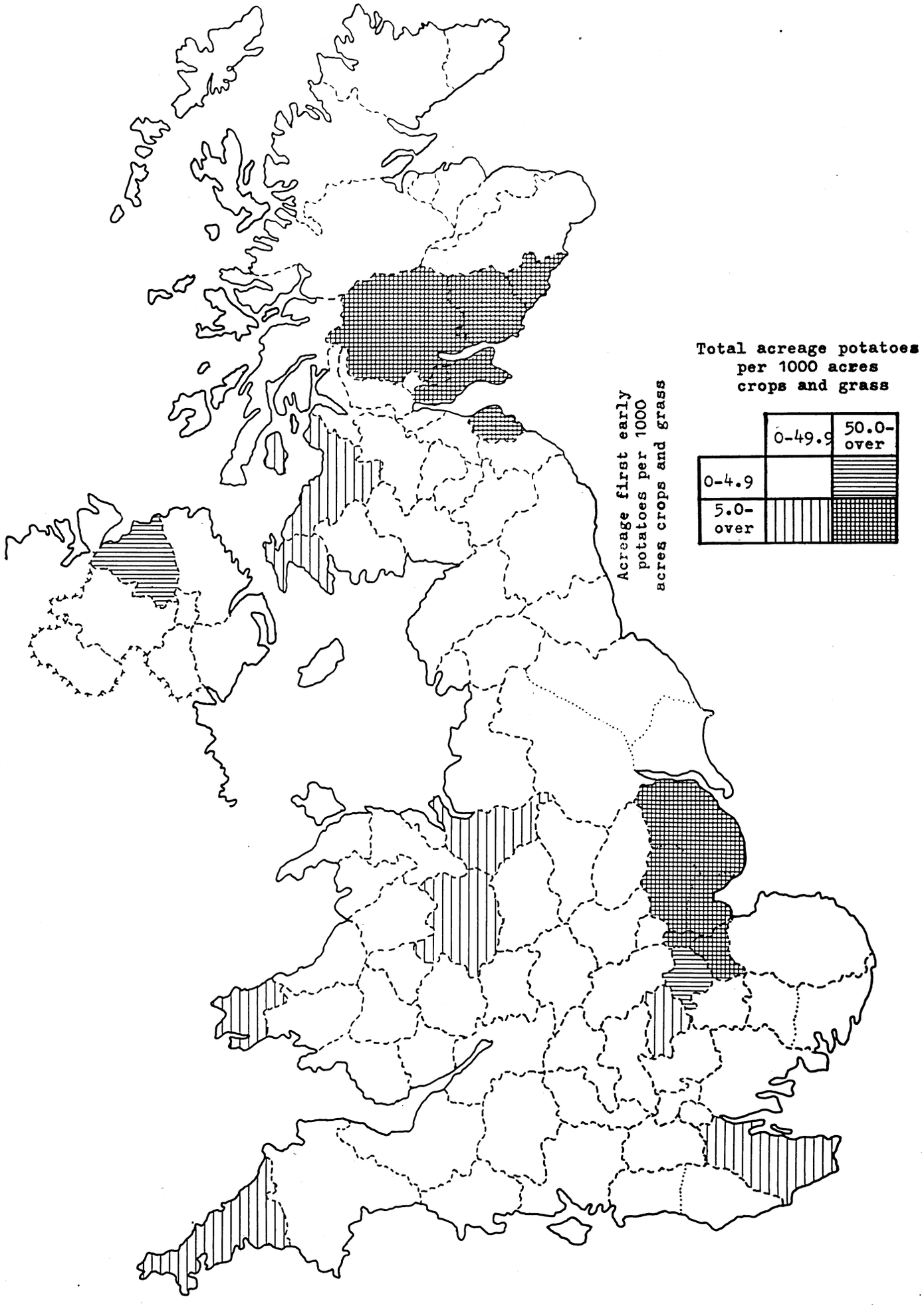


FIGURE 3 : RELATIVE IMPORTANCE OF TOTAL POTATOES AND EARLY POTATOES BY COUNTIES, UNITED KINGDOM, 1961



The production of the crop is becoming concentrated in fewer hands. The number of producers in Great Britain registered with the Potato Marketing Board has declined at an annual average rate of 2.5 per cent since 1955, as shown below :

At 30th June.	Number of registered producers.
1955	86843
1956	82957
1957	81685
1958	78359
1959	76446
1960	76825
1961	74933

The average acreage of potatoes grown per registered producer in Great Britain increased from 7.9 to 9.0 acres (3.2 and 3.6 hectares) between 1955 and 1960, and Table 3 illustrates that the potato acreage has, over the years, become markedly more concentrated on the larger holdings.

DISTRIBUTION OF THE MAINCROP POTATO ACREAGE BY FARM SIZE GROUPS, ENGLAND AND WALES, 1948 AND 1960.

TABLE 3.

Size of holding	Distribution of maincrop acreage		Decline in maincrop acreage 1948 - 1960
	1948	1960	
acres	per cent	per cent	per cent
Under 20	5	3	(-) 67
20 - 49	10	8	(-) 58
50 - 99	17	13	(-) 60
100 - 249	35	31	(-) 51
250 & over	33	45	(-) 28
Total	100	100	(-) 47

SOURCE : Based on data from the 1948 and 1960 June Agricultural Census.

2. The Central Marketing Problem :

The potato is a perishable commodity subject to wide fluctuations in production from year to year. This point is illustrated by Table 4 which shows the extent of production variations in recent years and demonstrates that while fluctuation in the area planted is a contributory cause of output instability, the major factor is the year to year yield variation associated with climatic factors and the variable incidence of pests and diseases. Thus production from a similar planted acreage in 1958/9 and 1960/1 ranged from 5.6 to 7.2 million tons.

At the same time the demand for potatoes is price inelastic at retail[1] (in the relevant quantity ranges), still more inelastic at the farm gate, and extremely low at both stages in high production years.

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(1) One study has given an average price elasticity between 1954 and 1959 of - 0.5; see Domestic Food Consumption and Expenditure 1958; M.A.F.F.

Historically, the disparate stability of production and consumption has resulted in wide year to year variations in producers' returns and consumers' prices, large crops bringing ruinously low prices to growers, small crops high prices to consumers. Furthermore, in the past, production, price and revenue fluctuations were amplified by planting cycles, by the frequent coincidence of high-yield years and peak plantings,(2) and, before imports were subjected to quantitative control, by the coincidence of production fluctuations in the United Kingdom and continental Europe - the major source of imported supplies.

ACREAGE, YIELD AND PRODUCTION OF POTATOES, UNITED KINGDOM, 1955/6 TO 1961/2.

TABLE 4.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2
DOMESTIC PRODUCTION							
Area							
- '000 acres	874	921	811	821	816	829	700
- '000 hectares	354	373	328	332	330	335	283
Yield							
- tons per acre	7.2	8.2	7.0	6.8	8.5	8.6	8.8(1)
- metric tons per hectare	18.1	20.6	17.6	17.1	21.3	21.6	22.1
Production(2)							
- '000 tons	6278	7533	5691	5556	6916	7158	6200(1)
- '000 metric tons	6378	7654	5782	5645	7027	7273	6299

(1) Forecast.

(2) Excluding "chats" in Northern Ireland 1955/6 to 1959/60.

SOURCE : M.A.F.F. Production and Utilisation statistical series.
C.E.C.
Potato Marketing Board.

Given that yield instability is a factor outside the control of producers individually and collectively, two things are required to combat the adverse income consequences of large crops for producers :

(a) the atomistically competitive structure of the producing industry must be brought to an end in order that production and marketed volume can be subjected to centralised regulation,(3)

(b) the State must be willing to regulate the volume of competing imports in order to make effective the supply control operations of the domestic regulatory agency.

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(2) See ALLEN, G.R.; Agricultural Marketing Policies (Blackwell) 1959; Chap. 5.

(3) Supply control cannot be practised in a competitively organised industry since supply limitation brings no benefits to the individual producer. By the same token, the central agency must have powers to regulate the plantings and/or marketed volume of all, or nearly all, producers if its supply control activities are not to be undermined.

The manner in which these requirements are fulfilled is the core of potato marketing arrangements in the United Kingdom.

The Potato Marketing Board of Great Britain is the centralised producer-controlled agency having the primary function of regulating domestic potato supplies, and the exercise by the Government of control over the volume of imported maincrop potatoes is a key feature of domestic price support policies.

3. The Potato Marketing Board :

The Potato Marketing Board of Great Britain (P.M.B.) was originally set up in 1934 under the Agricultural Marketing Acts of 1931 and 1933, and, after being suspended during the war and immediate post-war years, was reintroduced in a revised form in 1955(4) when Government control of food distribution and prices ended.

Under the terms of the potato marketing Scheme all growers having more than one acre of potatoes are required to register with the Board and are subject to the powers which it exercises. Growers with less than one acre of potatoes,(5) and growers in Northern Ireland, the Channel and Scilly Isles and some of the outer Scottish islands do not fall under the Board's aegis.

The Board is primarily a regulatory agency controlling the volume of potatoes planted and marketed in Great Britain. The powers that it exercises are broadly of three types, prescriptive, trading and financial.

The Board attempts to control the volume of potatoes produced by allocating to the holding of every registered grower a basic acreage of potatoes (without distinction as to early or maincrop or between seed and ware crops and based in general on the area planted on the farm in some previous period), prescribing annually the proportion of the basic acreage which may be grown in any year, and imposing an acreage levy on every acre planted in excess of the quota acreage for the year. Secondly, the Board attempts to control the volume of maincrop potatoes actually marketed by prescribing the description of potatoes which may be offered for sale by registered producers, and, specifically, it regulates volume by prescribing from time to time the minimum size of riddle over which ware potatoes must be passed before being offered for sale. Thirdly, the Board has the power to prescribe minimum prices below which registered producers may not sell potatoes. The prescription of riddle sizes and minimum prices are powers which can only be exercised subject to Ministerial approval.

Since the above measures are not of themselves entirely adequate to maintain prices in years of heavy yield, the Board can, again subject to approval, use its trading powers to intervene in the market and purchase surplus potatoes. Potatoes bought by the Board may later be sold for human consumption if prices recover sufficiently, or they may be diverted to secondary utilisations (mainly into stock-feed) or allowed to rot.

The important financial power of the Board is its right to enter into a financial agreement with the Government on behalf of producers as a whole, in order to secure for them the benefits of the price

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(4) Potato Marketing Scheme (Approval) Order S.R.O. 1955, No. 690.

(5) About 50,000 acres (20,000 hectares) of potatoes are grown annually by unregisterdd agricultural producers having less than one acre (0.4 hectares); this usually represents about 6 per cent of the total United Kingdom potato acreage on agricultural holdings. In addition free or non-commercial suppliers of potatoes contribute about 10 per cent of total household potato consumption.

guarantees which are accorded to maincrop and second early potatoes.(6) And, in a manner to be described in detail at a later point, the Board uses monies provided by the Exchequer to finance its support buying operations, and receives any deficiency payments which may be due to producers as a whole if average market realisation prices fall short of the guaranteed level despite the Board's acreage control, riddle manipulations and support buying programmes. In addition, the Board has the power to impose levies on producers (on an acreage basis) in order to secure funds to cover that part of the cost of the Board's support buying programmes which falls on producers, together with its administrative costs and the costs of a variety of miscellaneous activities conducted on behalf of its members.(7)

The Board engages in a number of such activities. For instance, it prescribes minimum quality standards, provides market intelligence data, prohibits sales on commission, licenses potato buyers, promotes the consumption of potatoes, finances and conducts product and marketing research and development and, in conjunction with the National Farmers' Union, acts as a lobbying organisation on such matters as support prices and trade policies. All these activities are important in themselves, but they are peripheral to its central role of regulating production and marketing and implementing the price guarantee for maincrop potatoes.

4. The Role of Government :

Direct assistance to the potato industry operates in four main directions; the first is in respect of early potato growers and is quite distinct, the remaining three are in respect of maincrop potatoes and are inter-related.

First, while early potato producers do not benefit directly from the Board's regulating activities nor enjoy a guaranteed price for their product, they are given a measure of protection from competition from imports by seasonal specific tariffs.

Second, subject to safeguards, Parliament permits the cartelisation of potato producers and the regulation of production and marketing by the Board under the enabling legislation of the Agricultural Marketing Acts.

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(6) There is no price guarantee for first early or "new" potatoes. These are defined as potatoes sold before the 1st August in the year in which they are planted and harvested. Throughout this report the term "maincrop" includes second early varieties.

(7) Although the price guarantees apply only to maincrop potatoes going for human consumption, and although the Board's support buying and diversion programmes are conducted only in respect of maincrop potatoes, producers of early and seed potatoes are also required to pay levies. These producers benefit directly from many of the Board's peripheral activities such as promotion and research. In addition, early potato growers benefit from diversion programmes conducted late in the maincrop season, and from one third to one half of seed crops commonly go for ware. Accordingly, it is equitable that early and seed potato producers should contribute to the Board's funds, but the distinction between producers of first early and maincrop potato producers is recognised by the former being required to pay levies only at a reduced rate.

Third, in order to make the regulating activities of organised producers effective, imports of maincrop potatoes are not permitted in years when the domestic crop is sufficient, or more than sufficient, to satisfy consumer's requirements at prices considered to be "satisfactory" to producers and consumers.

Fourth, a collective guaranteed price for maincrop potatoes going for human consumption is prescribed annually under the Agriculture Acts of 1947 and 1957, and public monies are paid to the Board to implement this guarantee should the supply control activities of the Board result in an average price lower than that guaranteed.

5. Arrangements in Northern Ireland :

The potato marketing Scheme extends only to Great Britain although the United Kingdom is a single market for potatoes and the price guarantee for maincrop potatoes also covers potatoes produced in Northern Ireland. The dangers inherent in this situation to the regulatory functions of the Great Britain Board, and the risk of destabilising the costs of potato price supports, are averted by having the Ministry of Agriculture for Northern Ireland (M.A.N.I.) regulate the production and marketing of potatoes in Ulster. Growers are licensed, and the M.A.N.I. operates an internal support buying and diversion programme in years of high yields and low prices. Funds for this purpose are provided from the central Exchequer, and, in addition, should the average realisation price of maincrop potatoes for human consumption fall below the guaranteed price, one eighth of the total deficiency payment due to the industry as a whole is paid over to the M.A.N.I.

Ulster regularly produces more maincrop potatoes than are required for local markets and the surplus is shipped to Britain. To offset the locational disadvantage of the Ulster industry a transport subvention is paid to Northern Ireland merchants. In addition, in order to prevent Northern Ireland shipments undermining potato prices and support costs in Great Britain, export quantities and minimum export prices are agreed annually by a joint committee of the P.M.B. and the M.A.N.I.

6. Government Assistance :

It will be apparent from the foregoing paragraphs that direct Exchequer payments to potato growers, and especially deficiency payments, constitute but a minor part of the total support to the industry. Indeed, potatoes are a commodity for which the main burden of price maintenance is thrown onto consumers through the tariffs levied on new potatoes and the limitation of supplies of maincrop potatoes by the P.M.B. and Government in concert. No estimate can be given of the value to the potato industry of tariffs on new potatoes, embargoes on maincrop potato imports, acreage limitations, minimum size of riddle prescriptions and the diversion programmes operated by the P.M.B. (and the M.A.N.I.) in years of large domestic crops. However, for what it is worth, the direct expenditure falling on the Exchequer in respect of maincrop potatoes between 1955/6 and 1960/1 is shown in Table 5.

DIRECT EXCHEQUER SUBVENTIONS ON MAINCROP POTATOES, UNITED KINGDOM, 1956/7 TO 1960/1.

TABLE 5.

Crop Years	Great Britain				Northern Ireland				Total U.K. Subventions		
	Deficiency payments		Share of loss on diversion programmes		Deficiency payments		Share of loss on diversion programmes		Total		As proportion value gross output potatoes
	£. million	D.M. million	£. million	D.M. million	£. million	D.M. million	£. million	D.M. million	£. million	D.M. million	Per cent
1956/7	..	..	6.301	70.571	..	..	2.031	22.747	8.332	93.318	13
1957/8	..	..	6.386	71.523	..	..	-	-	6.386	71.523	7
1958/9	..	..	0.144	1.613	..	..	0.008	0.090	0.152	1.703	+
1959/60	-	-	3.533	39.570	-	-	0.540	6.048	4.073	45.618	6
1960/1	3.994	44.733	4.416	49.459	0.579	6.484	0.220	2.464	9.208	103.140	14

NOTES : 1. Transport subventions on Northern Ireland potatoes supplied to Great Britain are not included; these amounted to £156,000 and £228,000 (D.M. million 1.75 and 2.55) in the 1959/60 and 1960/1 (April/May)financial year respectively.

2. The M.A.F.F. pays a share (now fixed at one half, up to a maximum of £300,000 - D.M. 3.36 million - per annum) of the P.M.B's administrative costs in consideration of the Board's administering the guarantee and supplying information and statistical data. These sums are not included above; they were as follows :

	£'s '000	D.M. million
1956/7	502	5.62
1957/8	505	5.66
1958/9	430	4.82
1959/60	300	3.36
1960/1	300	3.36

3. No deficiency payment or share of loss on diversion programmes fell on the Exchequer in 1961/2.

SOURCE : P.M.B. Annual Reports and Accounts.
Information supplied by M.A.F.F.

II. SUPPLIES AND DISPOSALS.

Before describing in detail how the regulatory activities of the Board and the Government have been operated and financed over recent years, it is desired to present in this section the broad statistical picture of domestic supplies and disposals, and to bring out the more important aspects of United Kingdom trade in new and maincrop potatoes. A key factor to be borne in mind in understanding this section is that early and late, or "new" and "maincrop", potatoes are in several respects quite distinct crops, and in particular, that the price guarantee, the detailed intervention in the domestic market, and the quantitative regulation of imports apply only to maincrop potatoes.

1. Supplies :

Details of annual acreages, yields and production of the total United Kingdom potato crop have already been given in Table 4. These data are supplemented by Tables 6, 7 and 8, which show the relative areas and production of early and maincrop potatoes, the contribution of imported new and maincrop potatoes to total supplies, and, for Great Britain only, the relative contributions of homegrown and imported and of new and maincrop potatoes to per caput human consumption.

The particular points to note in these tables are that :

(i) there are no distinct trends over recent years in the total area and production of potatoes, nor in the division of the area and production between early and maincrop varieties,

(ii) imports of new potatoes supplement domestic supplies in every year; imports have also tended to increase in volume and capture a larger share of the total supplies of new potatoes moving into human consumption,

(iii) imports of maincrop potatoes have been permitted only in years of light domestic crops.

(iv) total per caput consumption has been variable but has shown little sign in recent years of the long-term decline normally associated with this commodity.(9) However, new potatoes have accounted for an increasing proportion of total human consumption.

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(9) Between 1880 and 1938 per caput consumption fell from 300 to 175 lbs. (136 to 79 kgs.) per annum. Under the conditions of the war years consumption rose to almost 290 lbs. (132 kgs.) per head in the mid 1940's, and then declined rapidly as alternative foods become more readily available to reach its present plateau by 1955/6.

ACREAGE OF POTATOES IN THE UNITED KINGDOM 1955/6 TO 1961/2.

(Excluding Channel Islands)

TABLE 6.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2
	000's acres						
First early varieties :							
Great Britain	132	134	116	105	109	123	110
Northern Ireland(1)	5	5	5	5	5	5	5
Total	137	139	121	110	114	128	115
Second early and maincrop varieties :							
Great Britain	626	663	592	618	612	620	517
Northern Ireland	111	120	98	94	91	82	68
Total	737	783	690	712	703	702	585
TOTAL AREA	874	922	811	822	817	830	700
	000's hectares						
First early varieties :							
Great Britain	53	54	47	43	44	50	44
Northern Ireland(1)	2	2	2	2	2	2	2
Total	55	56	49	45	46	52	46
Second early and maincrop varieties :							
Great Britain	253	268	239	250	248	251	209
Northern Ireland	45	49	40	38	37	33	28
Total	298	317	279	288	285	284	237
TOTAL AREA	353	373	328	333	331	386	283
	per cent						
First earlies as a percentage of total area	16	15	15	13	14	15	16

(1) Estimate.

SOURCE : June Agricultural Census.

DOMESTIC PRODUCTION AND IMPORTED SUPPLIES OF FIRST EARLY AND MAINCROP POTATOES, UNITED KINGDOM, 1955/6 TO 1961/2.

TABLE 7.

	First earlies						Second earlies and maincrop						Total Supplies	
	Domestic production(1)		Imports(3)		Total		Domestic production		Imports		Total			
	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons
1955/6	732	744	244	248	976	992	5546	5635	370	376	5916	6011	6892	7003
1956/7	909	923	222	226	1131	1149	6624	6730	-	-	6624	6730	7755	7879
1957/8	644	654	239	243	883	897	5047	5128	347	352	5394	5480	6277	6377
1958/9	637	647	266	270	903	917	4919	4998	393	399	5312	5397	6215	6314
1959/60	687	698	315	320	1002	1018	6229	6329	-	-	6229	6329	7231	7347
1960/1	823	836	302	307	1125	1143	6335	6436	-	-	6335	6436	7460	7579
1961/2(2)	670	681	294	299	964	980	5530	5618	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) The acreage and production of first early potatoes is not recorded separately in Northern Ireland; an estimated production of 30,000 tons has been included for each year.

(2) Forecast.

(3) Including supplies from the Channel Islands.

SOURCE : P.M.B. statistics.
C.E.C. Fruit Intelligence.
M.A.F.F.

2. Disposal of the Domestic Crop :

With total requirements for human consumption and seed relatively inflexible and domestic production varying between 5.6 and 7.5million tons it is apparent that a variable quantity of the crop must be diverted from human consumption into alternative uses if producer prices are to be maintained at an acceptable level. This is achieved through the support purchase and diversion programmes operated by the P.M.B. and the M.A.N.I. in years of heavy crops. Table 9 gives a detailed picture of the disposal of the total United Kingdom potato crop and shows :

(i) the quantity of potatoes going for human consumption has been held reasonably constant and much more constant than total domestic production,

(ii) that seed requirements are also relatively uniform,

(iii) that the quantity of potatoes and proportion of the crop which has been diverted to stockfeed or allowed to rot on farms has varied directly with the size of the total crop, ranging from nil in 1957/8 and 1958/9 which were low yield years to over 1.2 million tons in the high yield and acreage year of 1956/7.

ANNUAL POTATO CONSUMPTION PER HEAD, GREAT BRITAIN, 1955/6 TO 1960/1.

TABLE 8.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1
	lbs. per head per year					
Earlies :						
Imported	11	10	10	12	14	13
Homegrown	15	18	17	19	19	20
Total	26	28	27	31	33	33
Maincrop :						
Imported	23	2	19	21	5	3
Homegrown	151	168	155	143	165	163
Total	174	170	174	161	170	166
ALL POTATOES	200	198	201	195	203	199
	kgs. per head per year					
Earlies :						
Imported	5	4	4	5	6	6
Homegrown	7	9	8	9	9	9
Total	12	13	12	14	15	15
Maincrop :						
Imported	10	1	9	9	2	1
Homegrown	69	76	70	65	75	74
Total	79	77	79	74	77	75
ALL POTATOES	91	90	91	88	92	90
	per cent					
Earlies :						
Imported	5	6	4	6	6	7
Homegrown	8	9	9	10	10	10
Total	13	15	13	16	16	17
Maincrop :						
Imported	11	1	10	10	2	1
Homegrown	76	84	77	74	82	82
Total	87	85	87	84	84	83
ALL POTATOES	100	100	100	100	100	100

NOTE : Imports include supplies from Northern Ireland and the Channel Isles.

SOURCE : M.A.F.F. estimates, quoted by SYKES, J.D. and HARDAKER, J.B.; The Potato Crop, Policy and Practices; Wye, 1962.

ESTIMATED PRODUCTION AND DISPOSAL OF THE UNITED KINGDOM POTATO CROP(1), 1955/6 TO 196C/1.

TABLE 9.

	1955/6		1956/7		1957/8		1958/9		1959/60		1960/1	
Area - '000 acres	874		921		811		821		816		829	
- '000 hectares	354		373		328		332		330		335	
Yield - tons per acre	7.2		8.2		7.0		6.8		8.5		8.6	
- metric tons per hectare	18.1		20.6		17.6		17.1		21.3		21.6	
Production(1) - '000 tons	6278		7533		5691		5556		6916		7158	
- '000 metric tons	6378		7653		5782		5645		7027		7273	
DISPOSAL OF THE CROP :	'000 tons	per cent	'000 tons	per cent	'000 tons	per cent	'000 tons	per cent	'000 tons	per cent	'000 tons	per cent
1. Human consumption												
Domestic	4171	66.4	4524	60.1	4235	74.4	4043	72.0	4472	64.7	4646	64.9
Export	16	0.2	8	0.1	11	0.2	15	0.3	32	0.5	17	0.2
Total human consumption	4187	66.6	4532	60.2	4246	74.6	4058	72.3	4504	65.2	4663	65.1
2. Seed												
Farms	964	15.4	849	11.3	852	15.0	843	15.0	858	12.4	725	10.1
Gardens	57	0.9	57	0.8	57	1.0	57	1.0	57	0.8	59	0.8
Export	74	1.2	75	1.0	54	0.9	51	0.9	65	0.9	62	0.9
Total seed	1095	17.5	981	13.0	963	16.9	951	16.9	980	14.2	846	11.8
3. Stockfeed												
Chats	335	5.3	369	4.9	284	5.0	340	6.1	500	7.2	600	8.3
Retained on farms	311	5.0	184	2.4	100	1.7	100	1.7	100	1.4	100	1.4
Through P.M.B. or M.A.N.I schemes	14	0.2	885	11.8	-	-	-	-	262	3.8	390	5.4
Total stockfeed	660	10.5	1438	19.1	384	6.7	440	7.8	862	12.4	1090	15.2
4. Waste under P.M.B. and M.A.N.I. schemes	25	0.4	370	4.9	-	-	-	-	261	3.8	160	2.2
5. Other waste and weight loss	311	5.0	212	2.8	98	1.7	107	1.9	309	4.5	399	5.6

(1) Production from holdings over 1 acre, including first early varieties, but excluding chats in Northern Ireland 1955/6 to 1959/60.

SECOND EARLY AND MAINCROP ACREAGE, YIELD AND PRODUCTION, HUMAN CONSUMPTION, SURPLUS OR DEFICIT AND AVERAGE WARE PRICES, GREAT BRITAIN, 1955/6 TO 1961/2.

TABLE 10.

August-June years (1)	Area Second early and maincrop (2)		Ware yield (3)		Available supply (Col.2 x Col.3) (4)		Consumption from Great Britain crop (5)		Surplus (+) or Deficiency (-) (6)		Growers' average ware prices (Great Britain) (7)	
	'000 acres	'000 hectares	Tons per acre	Metric tons per hectare	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	£. per ton	D.M. per metric ton
1955/6	364	228	7.15	17.95	4033	4098	3324	3377	- 370	- 376	19.08	210.33
1956/7	604	244	8.75	21.96	5285	5370	3730	3790	+ 1096	+ 1114	10.93	120.49
1957/8	548	222	7.45	18.70	4083	4148	3421	3476	- 347	- 353	20.85	229.84
1958/9	573	232	6.70	16.82	3839	3900	3119	3169	- 393	- 399	23.38	257.73
1959/60	569	230	8.85	22.21	5025	5105	3341	3394	+ 505	+ 513	12.95	142.76
1960/1	573	232	9.90	24.85	5673	5764	3666	3725	+ 564	+ 573	11.75	129.53
1961/2	486	197	9.60	24.10	4666	4741	3615 (est.)	3673(est.)	n.a.	n.a.	18.23	200.97

NOTES : (a) The figures of acreage, yield and available supply in Cols. (2), (3) and (4) are taken from P.M.B. sources and the human consumption figures (Col. 5) are based on returns made to the Board by licensed merchants and licensed grower-salesmen.

(b) In Col. 6 the surplus figures represent the tonnages handled by the Board under the Guarantee arrangements and the deficiency figures the quantities of ware potatoes imported in seasons of shortage. The overall differences between Cols. 4 and 5 (apart from surplus or deficit) are due to seed for planting the next year's crop and normal wastage and shrinkage in store.

(c) The average prices (Col. 7) for 1955/6 to 1958/9 were obtained from the Board's market price reports; those for 1959/60 and 1960/1 from merchants' returns, from which average market prices are calculated.

SOURCE : Report of the Public Inquiry into the Proposed Amendments to the Potato Marketing Scheme, 1955 : unpublished.

Table 10 shows much the same general picture, but is more specific insofar as it treats only the maincrop (for which diversion programmes are operated), and encapsules the surplus buying programmes of the P.M.B.

3. Imports of New Potatoes :

Subject to health regulations, new potatoes may be imported freely from all areas outside the Eastern Area; but, as mentioned previously, producers of first early potatoes are protected primarily by seasonal specific tariffs.

The general tariffs levied on new potatoes are as shown in Table 11 below. Imports from the E.F.T.A. countries pay the full duty; imports from Commonwealth sources and Eire enter duty free, and the Channel Isles are regarded as an integral part of the United Kingdom so far as trade is concerned.

The extent of the protection afforded by the specific duty of £9.33 per ton during the main marketing season of the domestic crop varies from year to year, but is generally equivalent to an ad valorem duty of 15 to 20 per cent in late May, rising to 25 to 30 per cent by the end of June. The £2 per ton duty in July and August gives much less protection and has an ad valorem equivalent of not more than 5-10 per cent in most years.

TARIFFS ON NEW POTATO IMPORTS INTO THE UNITED KINGDOM.

TABLE 11.

Period		Tariff	
		£. per ton	D.M. per metric ton
16 May	to 30 June	9.33	102.85
1 July	to 31 August	2.00	22.05
1 September	to 15 May	1.00	11.02

SOURCE : H.M. Customs and Excise Tariff.

Early potato prices are also marginally supported by the inclusion of early potatoes in the P.M.B's quota regulations on potatoes, and by the P.M.B. prescribing a minimum riddle for early potatoes. Additionally, because of high cross elasticities, early potato growers also benefit from the quota regulations, riddle-size and support buying programmes in force for maincrop potatoes.

Indirect protection is afforded to early potato growers by imports being banned from areas which cannot satisfy the United Kingdom's plant health regulations and at periods when there is a danger of introducing the Colorado beetle (Leptinotarsa decemliniata, Say.). Details of the countries from which, and periods when, new potato imports are permitted are given below. There is no doubt that these restrictions are imposed purely on grounds of plant health and infestation control and that their protective effect is incidental.

Country.	Period of Importation.
Algeria	1 January - 31 December.
Belgium	"
Canary Islands	"
Cyprus	"
Denmark	"
Greece	"
Israel	"
Italy - Regions of Apulia Basilicata, Calabria, Campania and Sicily	"
Kenya	"
Lebanon	"
Libya	"
Luxembourg	"
Madeira	"
Malta and Gozo	"
Morocco	"
Netherlands	"
South Africa	"
Spain - Balearic Islands	"
Sweden	"
Tunisia	"
United Arab Republic - Egypt	"
Italy - Region of Latium	1 March - 20 May.
Portugal	"
Spain - Mainland	"
Switzerland	1 March - 8 June.
Federal Republic of Germany (the provinces of Schleswig-Holstein and Lower Saxony, north of latitude 53 degrees North)	1 March - 15 June.
France	"

SOURCE : The Importation of Potatoes Order, 1959, (S.I. 1961 No. 1236).

Table 12 shows the magnitude and source of imports of new potatoes between 1955 and 1961. The volume generally increased over the period, though there was a slight reduction in 1960 and 1961 over the peak level of 1959. The main reason for this decline was the ample supplies of maincrop potatoes from the 1959/60 and 1960/1 crops still available at the end of the season, but a secondary reason may have been the application of a revised definition of what constitutes a new potato from late in 1960. (10)

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(10) Producers constantly complain that some of the "new" potatoes admitted from Eastern Mediterranean countries are in fact mature potatoes and ought to fall within the controls exercised over the importation of maincrop potatoes. The revised definition specifies that new potatoes are "potatoes which have been dug when immature for marketing without delay, the skins of which can be removed by rubbing with the fingers or show evidence of natural skinning at the time of importation, and which are imported during the period from 1 November of any one year to 31 August the next".

IMPORTS OF NEW POTATOES, UNITED KINGDOM, 1955 TO 1961.(1)
(including Channel Isles)

TABLE 12. '000 metric tons

	1955	1956	1957	1958	1959	1960	1961
Major traditional suppliers :							
Jersey	50	50	53	35	46	44	51
Cyprus	29	33	33	26	47	52	52
Spain	22	41	48	40	40	64	74
Canary Islands	44	43	54	37	51	33	33
Italy	55	27	18	58	29	44	16
Total	200	194	206	196	213	237	226
Other suppliers :							
Malta and Gozo	8	7	4	10	11	9	7
Netherlands	14	1	11	8	7	2	4
Belgium	19	1	15	30	20	12	43
France	1	12	6	4	4	1	2
Morocco	1	1	+	3	16	6	7
Egypt	2	6	-	8	26	21	4
Eire	2	+	1	2	1	5	2
Others	1	4	4	10	23	12	4
Total	48	32	41	75	108	68	73
TOTAL IMPORTS	248	226	247	270	320	307	298

(1) Imports in period 1 November to 31 July each year.

SOURCE : C.E.C. Fruit Intelligence.
P.M.B. Annual Reports and Accounts.

Particular interest attaches to imports of new potatoes from Cyprus and Malta, the only two Commonwealth countries which are important suppliers of the United Kingdom market. Table 13 brings out the importance of new potato exports to the economy of these islands and their high degree of dependence on access to the United Kingdom market. The present delicate political relationship between the United Kingdom and Cyprus and Malta will add weight to the United Kingdom's desire to safeguard their trade in the event of Britain's joining the E.E.C.

Table 14 shows the seasonality of new potato imports and illustrates that imports have been tending to arrive earlier in the year, as well as increase in volume. This aspect is of particular concern to domestic producers of both early and maincrop potatoes because of the depressing effect on prices for the first of the new crop and the last of the old. Furthermore, new potato imports displace much more than their own weight of the domestic maincrop. Consequently producers have repeatedly asked that the highest rate of duty should be levied earlier than mid-May (and also into July) but so far their demand for further protection has been resisted,(11) and properly so.

(11) The latest application for increased duties in the first half of May and in July was rejected in February 1962.

EXPORTS OF NEW POTATOES IN THE ECONOMIES OF CYPRUS AND MALTA, 1956 TO 1961.

TABLE 13.

	Total domestic exports				Total exports new potatoes				Exports new potatoes to U. K.				Total exports new potatoes as proportion total exports		Exports new potatoes to U.K. as proportion total exports		Exports new potatoes to U.K. as proportion total new potato exports	
	Cyprus		Malta		Cyprus		Malta		Cyprus		Malta		Cyprus	Malta	Cyprus	Malta	Cyprus	Malta
	£. '000	D.M. '000	£. '000	D.M. '000	£. '000	D.M. '000	£. '000	D.M. '000	£. '000	D.M. '000	£. '000	D.M. '000	per cent		per cent		per cent	
1956	n.a.	n.a.	1254	14045	n.a.	n.a.	307	3438	n.a.	n.a.	233	2610	n.a.	24.5	n.a.	18.6	n.a.	75.9
1957	17263	193346	888	9946	559	6261	105	1176	477	5342	77	862	3.2	11.8	2.8	8.7	85.3	73.3
1958	16855	188776	995	11144	967	10830	345	3864	966	10819	344	3853	5.7	34.7	5.7	34.6	99.9	99.7
1959	16079	180085	1184	13261	1131	12667	272	3046	1046	11715	243	2722	7.0	23.0	6.5	20.5	92.4	89.4
1960	16735	187432	1374	15389	1207	13518	371	4155	1165	13048	298	3338	7.2	27.0	7.0	21.7	96.6	80.3
1961	15644	175213	n.a.	n. a.	1268	14202	n.a.	n.a.	1245	13944	n.a.	n.a.	8.1	n.a.	8.0	n.a.	98.2	n.a.

SOURCE : Private communications.

SEASONALITY OF NEW POTATO IMPORTS INTO THE UNITED KINGDOM, 1955 TO 1961.(1)

TABLE 14. Per cent

	November/ December	January/ February	March/ April	May	June	July	Total
1955	-	1	23	28	35	13	100
1956	-	4	19	32	40	5	100
1957	-	2	28	36	24	10	100
1958	1	2	16	34	36	11	100
1959	1	7	24	36	23	10	100
1960	+	6	25	45	19	5	100
1961	-	4	24	40	18	14	100

(1) Imports between 1 November and 31 July each year.

SOURCE : C.E.C. Fruit Intelligence.
P.M.B. Annual Reports and Accounts.

4. Imports of Maincrop Potatoes :

Imports of maincrop potatoes are normally admitted only under Open Individual Licences, and these are granted only in years when the domestic maincrop is considered inadequate to meet consumer requirements at acceptable prices.

In the event, imports have been allowed in four of the last seven crop seasons. The volume of source of these imports were as shown in Table 15. Supplies are normally obtained almost entirely from Belgium, Holland and Denmark, though in 1961/2 supplies were drawn from many more countries than usual.

IMPORTS OF MAINCROP POTATOES, UNITED KINGDOM, 1955/6 TO 1961/2.

TABLE 15. '000 metric tons

Crop years	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2(1)
Netherlands	236	-	150	175	-	-	471
Belgium	120	-	125	129	-	-	208
Denmark	15	-	43	81	-	-	325
W. Germany	-	-	35	-	-	-	42
Others	5	-	+	14	-	-	474
TOTAL IMPORTS	376	-	353	399	-	-	1520

(1) Maincrop imports were permitted from 21 March, 1962; data show imports to end of July 1962.

SOURCE : C.E.C. Fruit Intelligence.
P.M.B. Annual Reports and Accounts.

A specific duty of £1 per ton (D.M. 11.02 per metric ton) is imposed on all imports other than supplies from Commonwealth countries and Eire.

Imports from all sources must also satisfy United Kingdom plant health regulations and this means, effectively, that, even in years when import licences are granted, imports are only allowed from Belgium, France (excluding Finisterre), Netherlands, Luxembourg, Federal Republic of Germany (provinces of Schleswig-Holstein and Lower Saxony northern of latitude 53 degrees North), Denmark, Norway, Sweden, Israel, the Delta area of Egypt, Cyprus and the Canary Isles.(12)

(12) Importation of Potatoes Order, 1959, op. cit.

III. POLICY OBJECTIVES AND THEIR IMPLEMENTATION.

1. Objectives :

The policies operated in respect of maincrop potatoes in the United Kingdom are unique in having their primary emphasis centred on the stabilisation of prices, rather than on raising the income of producers above competitive levels (which is the de facto rationale and effect of the policies operated for all other commodities under the 1947 and 1957 Agriculture Acts).

The general policy objective in respect of price support for the potato crop was set out by the Government in explicit terms in 1954 :

> "The general production objective is that in years of average yields ..... the market should provide producers with fair and reasonable prices and no significant Government support should be necessary. The purpose of the guarantee arrangements is therefore to protect producers against low returns in years of high yields".
>
> ..... [Accordingly the] ..... "support price is intended to operate as a floor price" ..... [and will] ..... "be set low enough to avoid the likelihood that it will operate continuously for long periods".(13)

Implicit in this statement of objectives is recognition of the precipitous decline in prices that can occur in high production years in the face of an inflexible market demand, recognition that the major uncontrollable variable in potato production is spasmodic yield fluctuations, and acceptance of the view that wide fluctuations in prices and returns are economically functionless and, indeed, to the extent that they deter investment and specialisation and increase the average returns required at all stages of production and distribution, economically wasteful.

It will be widely agreed that intervention by Governments to set a floor in the market in such circumstances is at least defensible. However, the tacit assumption embodied in the above quotation that the internal "floor price" is below or equal to the competitive supply price of overseas producers is much more debatable and will no doubt constitute a key issue in the harmonisation of United Kingdom and E.E.C. policies in respect of potatoes.

By and large the primary objective of policies operated in respect of maincrop potatoes over the years since 1954 has been of price stabilisation.(14) Thus although guaranteed prices have been nominally raised in every year except 1962 since 1955 (Table 16), in practice revised definitions of the categories and standards of ware-potatoes which qualified for price guarantees have meant that support prices

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(13) Annual Review and Determination of Guarantees 1954; Cmd. 9104, paras. 20-22.

(14) From time to time the alternative objective of price and income raising has undoubtedly crept into policy and price determinations - perhaps inevitably in view of the general agricultural support policies followed throughout the post-war years and the inclusion of potatoes in the commodities covered by the provisions of the Agriculture Acts of 1947 and 1957.

ANNUAL GUARANTEED PRICES FOR MAINCROP POTATOES, UNITED KINGDOM, 1955/6 TO 1962/3.

TABLE 16.

	1955/6	1956/7	1957/8	1958/9	1959/60	1960/1	1961/2	1962/3
Actual guaranteed price								
- £'s per ton	10.625	10.850	11.250	11.450	12.700	13.000	13.250	13.250
- D.M. per metric ton	117.126	119.606	124.016	126.220	140.000	143.307	146.063	146.063
Estimated equivalent support price on 1962/3 definition of eligibility								
- £'s per ton	11.925	12.325	12.725	12.725	12.725	13.000	13.250	13.250
- D.M. per metric ton	131.456	135.866	140.275	140.275	140.275	143.307	146.063	146.063
	per cent							
Increase over previous year	-	+ 3.4	+ 3.2	-	-	+ 2.2	+ 1.9	-

NOTE : Substandard potatoes were excluded from price guarantees after the 1955/6 crop; the minimum riddle size was increased after the 1957/8 crop; only potatoes entering human consumption qualified for guarantees after the 1958/9 crop; £0.025 of the £0.3 per ton price increase awarded for the 1960/1 crop was associated with an administrative change in the guarantees.

SOURCE : Annual Review and Determination of Guarantees; various years.

have in fact not been raised in three of the seven years under review. Furthermore, the increase awarded for the 1960/1 crop was designed primarily to stabilise the acreage rather than to increase producers' returns per se, while the price increases granted in the remaining years have generally been modest, and less than cost increases.

2. Implementation :

If the primary objective of price stabilisation has been commendably firmly adhered to, there have been significant changes in the methods by which this objective has been achieved, and particularly in the roles played by the Government and the P.M.B. in their market stabilisation activities and operations, in the methods by which price supports have been financed, and in the nature and scope of the guarantee to the industry.

But constant throughout the period since the revised potato marketing scheme was introduced in 1955 has been the nature of the problem - how to protect producers from catastrophic price falls in years of large crops, and consumers from high prices in low yield years - and the essence of the solution - "If we get a surplus we support buy. If we get a shortfall we import potatoes from abroad".(15)

No further attention will be paid to import policy; it has already been shown that imports of maincrop potatoes are not permitted in years when the home crop is adequate for domestic needs. Instead, the purpose of this section is to trace the evolution since 1954 of the means by which the output, disposal and price of the domestic crop has been regulated.

(a) Arrangements between 1955/6 and 1958/9 :

Potatoes are one of the agricultural products for which the Government undertook to provide guaranteed prices and assured markets under Section 1 of the Agriculture Act, 1947. In the four year period covering the 1955/6 to 1958/9 crops a guaranteed price was fixed each year following the February review for all second early and maincrop potatoes of a defined ware standard, and the guarantee was implemented by the P.M.B. (or the M.A.N.I.) acting as a "buyer of last resort" of all potatoes offered to it. Thus, if in a year of heavy crops a producer was unable to obtain the support price from the market, he was able to offer his potatoes to the Board, which was obliged to buy at the appropriate support price.(16) The Board normally disposed of the potatoes it acquired for purposes other than human consumption; most of the surplus was diverted into stockfeed (after being dyed) or allowed to rot. The Government reimbursed the Board for 95 per cent of the difference between its support-purchasing outlays and its realisations on potatoes sold for stockfeeding, the remaining 5 per cent of the loss on potatoes diverted from human consumption was stood by the Board, mainly from the £1 per acre (D.M.27.68 per hectare) levy it imposed on its members.

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(15) Mr. Christopher Soames, Minister of Agriculture, speaking in the House of Commons 17 April, 1962; Hansard, col. 398.

(16) The overall support price was split into a seasonal scale and between five regions in the United Kingdom - one each in Northern Ireland and Scotland and three in England and Wales.

Under these arrangements the Board made heavy purchases of surplus potatoes in the 1956/7 season. In the 1955/6, 1957/8 and 1958/9 seasons domestic production was lower than required, the Board was not called upon to purchase any surplus, and imports of maincrop potatoes were admitted.

The support purchasing of potatoes surplus to human consumption requirements (at the guaranteed price) was the essence of the price stabilisation arrangements operated in this period, but in addition the P.M.B. used its powers to prescribe minimum riddle sizes to regulate marketing, especially in dealing with the 1956/7 surplus. On the other hand, there was no attempt during this period to regulate production by imposing acreage quotas on producers.

The other important features of the arrangements between 1955 and the end of the 1958 crop season were that :

(i) the Board was merely acting as an agent of the Government,

(ii) the price guarantee applied to all potatoes produced which were of ware standard (other than first early and seed potatoes),

(iii) effectively, there was a price guarantee to the individual producer.

(b) Arrangements between 1959/60 and 1961/2 :

At the 1957 price review the Government announced that it was not prepared to continue these arrangements, and a new system was introduced to take effect with the 1959/60 crop. In future :

(i) the guarantee to the individual producer would be replaced by a collective deficiency payment to the industry as a whole,

(ii) the deficiency payment would not apply to all maincrop potatoes produced which were fit for human consumption, but only to those which were actually sold for human consumption,

(iii) the deficiency payment due to the industry would be paid to the P.M.B. in Great Britain and to the Ministry of Agriculture in Northern Ireland (seven-eighths to the P.M.B., and one-eighth to the M.A.N.I. to be used for the benefit of Northern Ireland growers),

(iv) the unit deficiency payment due would be the difference between the annual guaranteed price and the average market price of potatoes sold for human consumption.

It was also understood that the P.M.B. would use its regulatory powers over acreages and riddle sizes to the full in order to control production and supplies offered to the market, and that if the surplus was too great to be controlled by these measures the Board would use in advance the deficiency payments which would later be due from the

Government to intervene in the market for the purpose of diverting surplus potatoes from the ware market to other uses.

There were several reasons for introducing these changes. It was hoped that under the revised arrangements the individual producer would have a greater incentive than previously to market his potatoes to best advantage while the Board would have a greater incentive to use its regulatory powers more fully. By limiting the guarantee to potatoes destined for human consumption there would be less of a danger of overproduction (not a very real danger on the evidence of the previous four years). There would be less scope for irregularities to be perpetrated at the taxpayer's expense. Finally, the Government of the day probably had doctrinaire objections to being so directly involved in potato marketing.

However, there was a flaw in the new arrangements which apparently was not foreseen, but which soon became apparent when the Board attempted to cope with the heavy surplus produced by the record-yielding 1959/60 crop. This was that it was not made entirely clear just how the support buying programmes-which the Board was expected to conduct in surplus years in order to limit the cost of the deficiency payment falling on the Exchequer - were to be financed.

The Board's liquid reserves of some £1 million and its annual income of some £900,000 a year (mainly from the £1 per acre acreage levy and the £10 per acre penalty imposed on growers who planted more than their quota acreage) were quite inadequate to cope with a heavy surplus of themselves. Yet if the Board had to allow the average market price to fall below the support level in order to become entitled to a deficiency payment, which it could then apply to replenishing its reserves or to further support buying, then ipso facto its members would not on average secure the support price.

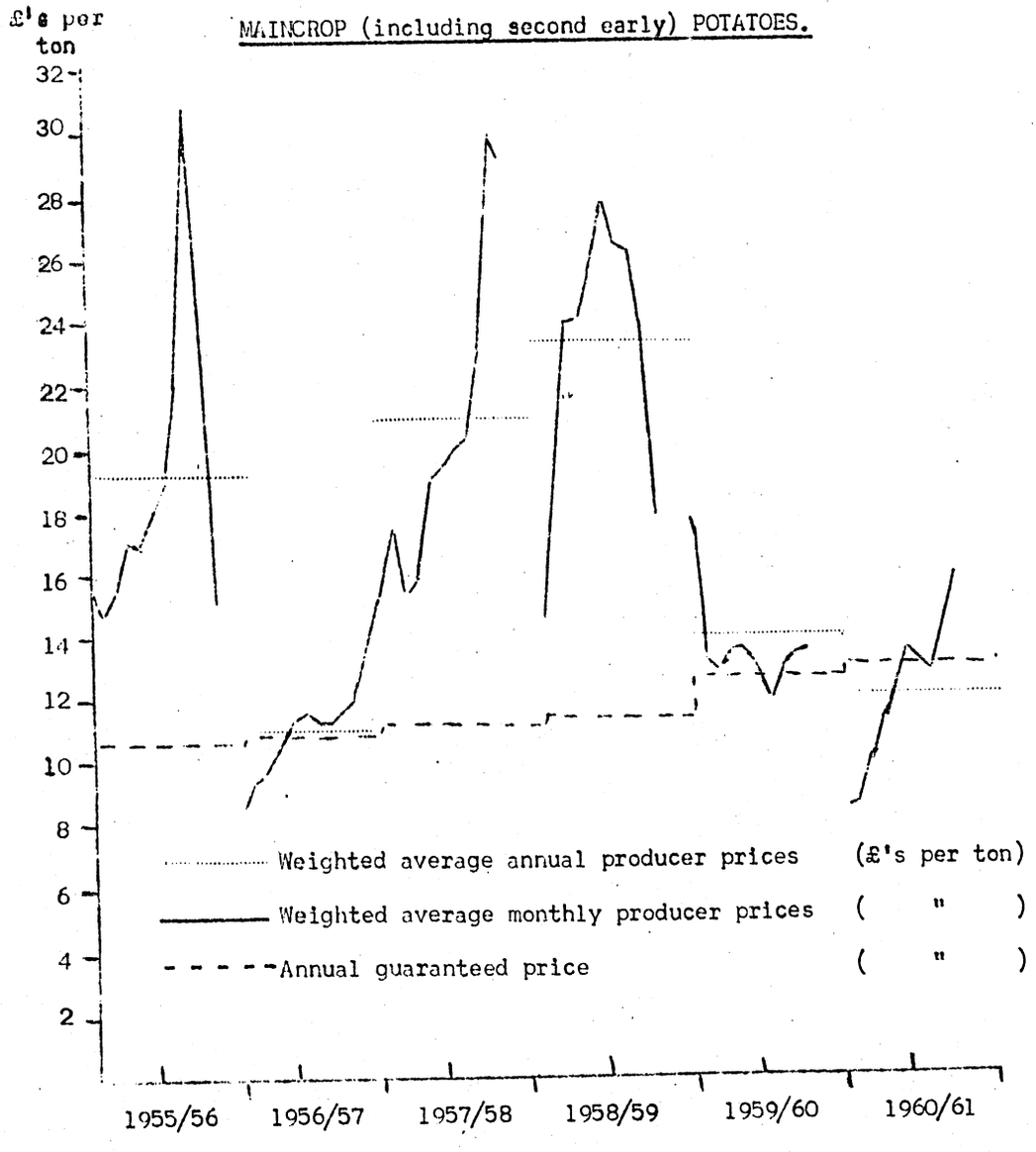
The 1959/60 crop yielded a heavy surplus. The yield was 8.6 tons per acre (21.6 metric tons per hectare), and although the Board had prescribed that 1959/60 should be a quota year an excess of 19,668 acres was planted. The Board prescribed higher riddle sizes as prices fell in the autumn but by October it was forced to enter the market to support buy. However, it had virtually exhausted its reserves by mid-January and had at that time to withdraw from the market. The Board then resorted to the only course left open to it namely to raise the riddle even higher, but this was quite inadequate to prevent a precipitous decline in prices in late January and early February, (Figure 4).

In these circumstances the Government quickly made a new ad hoc arrangement with the Board whereby it agreed to finance two-thirds of any net loss which the Board might incur on a renewed support purchase and diversion programme. Thus assured of funds the Board was persuaded to undertake further buying programmes to the end of the season. In all 0.5 million tons of potatoes were purchased in Great Britain, of which rather less than half was sold for stockfeed. The net cost of the diversion programme was £5.7 million (D.M. 63.7 million) but the Government's two-thirds share at £3.8 million was doubtless much less than the deficiency payment would have been had there been no further, or a greatly delayed, support buying programme after the Board withdrew from the market in mid-January 1960.

By support buying to the end of the season (and aided by prescribed minimum selling prices) the Board successfully raised market prices throughout the remainder of the season. Indeed, it was too successful,

FIGURE 4.

ANNUAL AVERAGE GUARANTEED PRICES AND WEIGHTED AVERAGE ANNUAL AND MONTHLY PRICES TO PRODUCERS, GREAT BRITAIN, 1955/6 to 1960/61.



SOURCE : Potato Marketing Board.
Annual Review and Determination of Guarantees.

since the weighted average market price for the season as a whole turned out to be marginally above the support price (Figure 4), so that no deficiency payment was due. Hence, the Board ended the season with its reserves exhausted by its having had to bear one third of the cost of the season's buying programmes.

It was clear however that for public monies to be provided for support buying and diversion in a year of heavy surplus was much less costly to the Exchequer than for it simply to bear a deficiency payment. Accordingly the arrangement whereby the Government agreed to stand two-thirds of the cost of a diversion programme was extended to the 1960/1 and 1961/2 crops. However, it was also agreed that the Board's buying programmes should be such that its one third share of the net cost of such programmes should be obtained from the deficiency payment which would become due as a result of the Board (deliberately) allowing the weighted average market price to fall below the guaranteed level.

In other words, the dependence of the Board on a deficiency payment to finance its one third share of the cost of a support purchase programme was such that the support price could not in fact be achieved.

This is exactly what happened. The 1960/1 crop was even larger than that in 1959/60 due to a record yield and 21,340 acres being planted in excess of the quota declared for that year, and, despite the Board's raising the minimum riddle and for the first time imposing also a maximum riddle, support buying was necessary for most of the season. But since the support buying and diversion programme had to be at prices and on a scale such that the average market realisation price was below the guaranteed level, the average price received by growers was 10 per cent below the guaranteed price for the year (£11.7 per ton as against a support price of £13 per ton - D.M. 131 and 143 per metric ton), (Figure 4). However, the Board received a deficiency payment large enough to cover its one third cost of the support buying programme and to replenish its reserves to the level at which they had stood at the beginning of the 1959/60 season. At the same time, in view of the large surplus, at £8.4 million (D.M. 94.1 million), the combined cost falling on the Exchequer of two thirds of the loss on the buying programme (£4.4 million) and the deficiency payment (£4.0 million) was very much less than if there had been no support buying programme at all.

(c) Proposals for a Market Support Fund :

The financial arrangements evolved for the 1959/60 and 1960/1 crops were expedients dictated by the inability of the Board to control supply fluctuations solely by its regulatory powers, and by the inadequacy of the Board's own income to finance any major part of the costs of a buying programme. Furthermore, the fact that market prices had to be allowed to fall below the guaranteed level in order that a deficiency payment could be made to supplement the Board's inadequate income from its members, was clearly a cardinal weakness in the whole arrangement. Yet it was obvious to all parties that support buying was much less costly to the Exchequer than allowing prices to fall and then paying out a large deficiency payment.

Accordingly at the 1961 price review it was proposed that a Market Support Fund should be set up by the Board and the Government jointly for an initial period of five years. The Fund would be used to finance support buying operations carried out by the Board in years of surpluses, and the Government would contribute £2 to the Fund for every £1 put in by

potato growers. It was considered that, to be adequate, the industry's contribution would need to be £1 million per year to which, therefore, the Government would add a further £2 million a year. In all then, some £15 million (D.M. 168 million) would be put into the Fund over an initial five year period.

This proposal required amendments to the potato marketing Scheme to be approved by producers and by Parliament, and specifically, agreement to the proposal that, in order to obtain the industry's one third contribution to the Fund, the annual levy on registered producers should be raised from £1 to £3 per acre(17) (D.M. 28 to 83 per hectare) and the excess acreage levy from £10 to £25 per acre (D.M. 277 to 692 per hectare).

Approval was obtained early in 1962 from both sources, and it is expected that the Market Support Fund will be available for use in time for the 1962/3 crop should it turn out to be a surplus year and support purchase programmes prove necessary.

It is intended that the Fund shall be used only as a last resort to prevent prices falling below the guaranteed level (£13.25 per ton - D.M.146.06 per metric ton for the 1962/3 crop year) in a year of heavy surplus. The first line of defence will continue to be the Board's control over production through acreage quotas and penal levies on growers planting in excess of their quotas. The second line of defence will be the Board's use of the riddle to prevent part of the crop being offered for sale. Only if the surplus is too great to be dealt with by these measures will the Fund be used to finance support purchase and diversion programmes. Furthermore, the Board will have to satisfy the Government that support buying is necessary before the Fund is used, and it will not normally enter the market before January of each year, and only then if the prices have averaged less than £10.75 per ton (D.M.118.50 per metric ton) by December.(18)

Under these latest support arrangements the price guarantee will continue to apply only to second early and maincrop potatoes (i.e. excluding new potatoes marketed before the 1 August in the year of

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(17) Only about £1.5 of this annual levy will be put into the Market Support Fund; £1 will go towards the Board's other activities and to reserve, and the remaining £0.5 will be used to finance an expanded research and development programme.

(18) After that the Board will start buying at a price not less than £11.25 per ton (D.M.123.98 per metric ton). It may be noted that in exceptional circumstances, and with Government consent, a buying programme can also be initiated before January, and further, that the Board intends to set aside £200,000 of its own funds to finance supplementary purchases early or late in the season.

harvesting) of a defined ware standard sold for human consumption.[19] Furthermore, should the surplus be so great as to be beyond the resources of the Market Support Fund (and the Board's use of the riddle) then a deficiency payment will still be payable to the Board to be used on behalf of its members - presumably for further purchasing operations. Additionally, of course, the Government will have to continue to make the market intervention and support operations of the Board effective by continuing to prohibit imports of maincrop potatoes in years when the domestic crop is in surplus.

And so, by a tortuous route, what appears to be a viable price support system has been arrived at. The most obvious advantage over the system operated for the 1959/60 to 1961/2 crops is that the Board will not have to allow prices to fall below the support level in order to cover its share of the cost of support buying. Secondly, it will have greater flexibility in the timing and magnitude of its market operations, and its interventions should be less sporadic and unpredictable than previously. So far as the cost falling on the Exchequer is concerned, it would appear that, unless there is a succession of heavy surpluses which exhaust the fund in the first few years, the cost to the taxpayer will be effectively pegged at around £2 million (D.M. 22.4 million) a year. At the same time, individual growers still have every incentive to market their crops to the best advantage, whilst the Board has the incentive to regulate the supply of potatoes insofar as this is possible through the use of its powers to prescribe acreage quotas and riddle sizes. The system involves no interference in marketing channels nor impediments to competition between distributors. And finally, so long as the Government retains a voice in the use of the Market Support Fund and is prepared to admit imports, there is no danger that the consumer can be held to ransom by the restrictive use by the Board of its powers to practice supply control.

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(19) The definition of ware standard potatoes is "potatoes which do not include more than 25 per cent by weight of potatoes affected by growth cracks, and which are free from small potatoes, frost, greening and growth shoots, soil dirt and other extraneous matter, damage by wire worms and slugs and diseases other than common scab, and any other defect or damage whatsoever rendering them unfit for human consumption". The tolerance is 6 lbs. in 112 lbs (2.7 kgs. in 50.8 kgs.) of defective potatoes and extraneous matter. Small potatoes are, for most varieties, those which fall through a 1-5/8th inches (4.13 cms.) square mesh riddle.

The tonnage of home produced maincrop potatoes sold for human consumption includes (in Great Britain) sales by registered and unregistered growers and grower salesmen to licensed merchants, other sales by grower-salesmen and licensed merchants, sales to the Board which eventually enter human consumption, and other sales for human consumption if specially licensed by the P.M.B. The quantities sold for human consumption (and their prices) are determined mainly from returns made by merchants and, in some instances, by returns from growers and from the P.M.B.

IV. PROBLEMS AND PROSPECTS.

1. The Need for Regulation :

The root of the potato marketing problem lies in the violent fluctuations in production which occur from year to year largely as a result of spasmodic yield fluctuations. Because the price elasticity of demand for potatoes is less than unity, and substantially so in years of heavy surplus, large crops bring uneconomically low prices and gross returns to producers, whilst small crops bring high prices to consumers (which can, however, be partly mitigated by importing potatoes from overseas). Unplanned fluctuations in supplies and induced planting cycles are beneficial to neither producers nor consumers and, because price uncertainties compound production risks, costs and long-term margins may be higher than they need otherwise be.

The overwhelming need is to deal with the period surpluses which if marketed could bring catastrophically low prices to producers. Just how ruinous large crops can be is illustrated by the data in Table 17, which show that, despite all the market regulation and support operations carried on by the Government and the P.M.B. in concert over the period, high production has still brought barely economic prices and returns to growers. Clearly, had there been no market support arrangements prices and returns would have been completely uneconomic in high output years.

It is manifest too that neither technological advance nor superior market intelligence and outlook work can be relied upon to stabilise production. As Figure 5 shows, there is no evidence that yield variations are becoming less extreme with time despite the ever more widespread adoption of such (potentially) yield stabilising practices as irrigation, chitting and pest and disease control. Furthermore, as the total acreage of potatoes contracts and becomes concentrated into the more specialised regions it would appear that yield variations may become more extreme.(20) And little faith can be placed in production being planned to fit demand so long as there are no means available of forecasting future yields.

For all these reasons, it would appear that there is a great deal of merit in the main features of the arrangements which are operated in the United Kingdom, namely, that a centralised agency should regulate the total acreage planted to that which, in a year of average yields, will yield a volume of supplies which (after allowing for seed requirements and inevitable waste) will satisfy demand at prices which are equitable to both producers and consumers: that shortfalls in domestic production should be made up by imports: and that surpluses should be diverted into alternative uses.

The questions to be asked are not whether regulation is necessary but rather whether the means employed are effective and the best available, and whether some or all of the economic gains from regulation are offset by induced rigidities in production and distribution and inequities between individuals and interest groups.

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(20) INGERSENT, K.A. The Growth of Potato Production in Lincolnshire; Farm Management Notes No. 24, Autumn 1960; University of Nottingham.

THE INVERSE CORRELATION BETWEEN PRODUCTION AND VALUE OF THE POTATO CROP, UNITED KINGDOM, 1955/6 TO 1960/1.

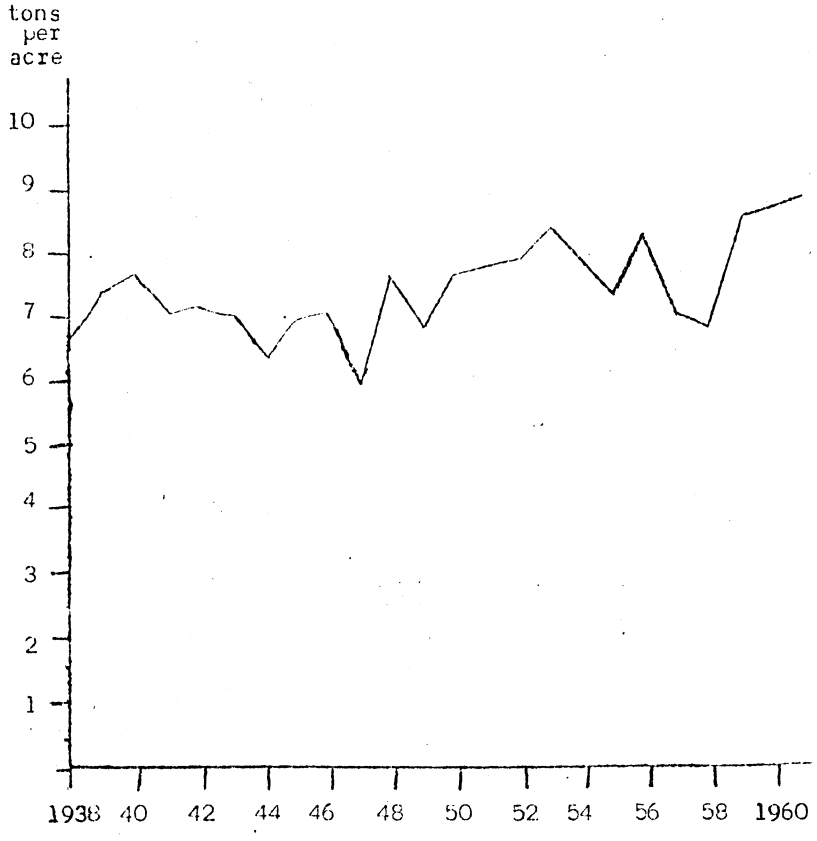
TABLE 17.

	Production		Sales for human consumption		Gross value of the crop		Average price per ton produced	
	million tons	million metric tons	million tons	million metric tons	£'s million	D. M. million	£'s per ton	D.M. per metric ton
1958/9	5.56	5.65	4.04	4.10	95.5	1069.60	17.18	189.39
1957/8	5.69	5.78	4.24	4.31	89.4	1001.28	15.71	173.18
1955/6	6.28	6.38	4.17	4.24	78.1	874.72	12.44	137.13
1959/60	6.92	7.03	4.47	4.54	67.2	752.64	9.71	107.04
1960/1	7.16	7.27	4.65	4.72	64.5	722.40	9.01	99.32
1956/7	7.53	7.65	4.52	4.59	63.4	710.08	8.42	92.82

NOTE : Slight discrepancies in the table are due to rounding.

SOURCE : M.A.F.F. Production and Utilisation Series.
Annual Abstract of Statistics, 1961; Table 213, p. 173.

FIGURE 5. AVERAGE POTATO YIELDS, GREAT BRITAIN, 1938/9 TO 1961/2.



SOURCE : M.A.F.F. statistics.

2. The Board's Regulatory Powers :

The Board can influence the quantity of potatoes produced through its powers to regulate the acreage planted: the quantity of potatoes offered for sale through its control of riddle sizes: and the quantity of potatoes sold for human consumption through its support buying and diversion programmes. The compulsory cartelisation of producers under a central agency is a prerequisite for the exercise of the first two of these powers; it is not absolutely essential to the third, though some compulsory means of collecting funds is necessary if producers are to bear part of the cost of diversion programmes.

(a) Acreage quotas :

The Board has used its powers to prescribe individual farm quotas and impose excess acreage levies in each of the last four years; Table 16 gives details.

POTATO QUOTAS, GREAT BRITAIN, 1959/60 TO 1962/3.

TABLE 16.

	Basic acreage		Quota			Area actually planted		
				Area				
	'000 acres	'000 hectares	Per cent	'000 acres	'000 hectares	'000 acres	'000 hectares	As percentage of quota
1959/60	760	308	100	760	308	671	272	88
1960/1	796	322	100	796	322	692	280	87
1961/2	810	328	90	729	295	592	240	81
1962/3	794	321	100	794	321	625	252	79

SOURCE : P.M.B. statistics.

Acreage quotas are, in isolation, ineffective in stabilising production for two reasons, first because the major variable in supply fluctuations is not acreage but yield, second because there is no means of ensuring that the quota acreage will be planted.

Additionally, in principle, the quota system has the effect of ossifying the production pattern - it prevents the entry of new producers and the expansion of low cost producers. At the same time the right to grow potatoes becomes capitalised into the value of farms and there is little equity in a system which brings windfall gains to sellers of farms, and artifically inflates prices to buyers.(21)

Nonetheless, the ability to limit the acreage planted is a prerequisite of regulated marketing, and more especially, an essential element in preventing the generation of the cyclical fluctuations in planting which plagued the industry in the early part of the century.

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(21) There is no evidence available on the capitalised value of potato acreage quotas, but it is significant that the possession of a quota is invariably advertised by vendors of farms.

Moreover, in practice, the tendency for quotas to ossify the production pattern is not so serious in an industry which is contracting in the long term since production will gradually and automatically become concentrated in the low cost regions as producers in high cost regions give up the crop. Furthermore, the Board has been generous (some would say too generous) in giving quotas to new entrants and in permitting existing growers to expand their quota, and the periodic revision of quotas gradually brings about a reallocation of quotas towards expanding and low cost growers. (Table 19 gives details of the basic quota acreages allotted by the Board, the periodic revisions, and the interim additional basic quotas granted to November 1961). It is also clear that the P.M.B. has not operated the quota system restrictively since in each year the quota acreage producers were permitted to plant was higher than the 700,000 acres (283,000 hectares) which it is usually reckoned is about the correct acreage, in a year with an average yield of about 8.0 tons per acre, to give the 5.5 to 6.0 million tons which can be disposed of at prices satisfactory to consumers and at about the support price to producers when 4.2 to 4.5 million tons go for human consumption and the balance for seed requirements and natural wastage.

Finally, one legitimate complaint of consumers against the quota system, namely that there was no means of permitting additional plantings in years when some producers decided not to use their full quotas,(22) will in future be met by the Board reallocating the quota acreage (for one year only) which an autumn survey of its members indicates will not be taken up in the spring.

There is no gainsaying that the quota system does have disadvantages, but its limitations and the inequities it induces must be viewed against the total picture of the need for supply stabilisation, and granted this need, acreage quotas are essential.

So too are the excess acreage levies - the feature of the potato marketing Scheme which is perhaps most resented by producers - for the imposition of penal levies on individual producers who plant in excess of their quota acreage is essential if the Board is to be able to regulate the acreage planted in the interests of the industry as a whole.

(b) Riddle :

The Board has made extensive use of its powers to prescribe minimum riddle sizes.

Generally speaking, for most varieties, it sets a seasonal minimum riddle for maincrop potatoes as follows :

Period.	Riddle Mesh.	
	inches	cms.
August	1.00	2.54
September	1.25	3.21
October onwards	1.50	3.77

(22) The Board must declare by 31st August of the previous year whether it intends that quota restrictions on planting shall apply in the following year, and what proportion of the basic allotted quota may be planted. Previously, if producers decided not to plant their full quota acreage a shortage of potatoes could result. This happened in 1961/2 and caused a severe shortage in that year.

POTATO BASIC ACREAGES AND ADDITIONAL ALLOTMENTS, GREAT BRITAIN, 1955 TO 1961.

TABLE 19.

	Number of applications for new and enlarged quotas considered	Basic acreage		Interim quotas granted		Total basic acreage available		Actual plantings by registered producers	
		'000 acres	'000 hectares	'000 acres	'000 hectares	'000 acres	'000 hectares	'000 acres	'000 hectares
Basic acreage allotted to registered producers in 1955 by reference to plantings in 1951-52-53		724.9	293.4						
Additional basic acreage granted									
Year ending 30.6.56	928			9.1	3.7	734.0	297.0	732.0	296.2
" " 30.6.57	1,837			13.6	5.5	747.6	302.6	660.0	267.0
" " 30.6.58	785			5.7	2.3	753.4	304.9	670.0	271.1
Total applications (1955-58)	3,550								
Basic acreage on general re-allotment in 1958 for 1959 and onwards (average of plantings in 1955-56-57)		707.4	286.3						
Additional basic acreage granted									
Year ending 30.6.59	9,376			52.3	21.2	759.8	307.5	671.0	271.5
" " 30.6.60	7,940			35.8	14.5	795.6	322.0	692.0	280.0
" " 30.6.61	3,556			14.5	5.9	810.1	327.8	592.0	239.6
Total applications (1958-61)	20,872								
Basic acreage on general re-allotment in 1961 for 1962 and onwards (aver- of best 3 of 4 years 1957-60)		763.6	309.0						
Additional basic acreage granted									
July - November, 1961	2,348			10.4	4.2	774.1	313.2	625.0	252.0

NOTE : The years 1955/6 to 1958/9 were non-quota years.

SOURCE : P.M.B. evidence at public enquiry into proposed amendments to Potato Marketing Scheme, February, 1962.

However, the Board varies the riddle in order to regulate the volume of supplies offered to the market according to the size of the total crop and the seasonal pattern of disposals. Thus in 1959/60, a year of heavy surplus, the minimum riddle was raised to $1\frac{3}{4}$ inches (4.51 cms.) between 1 October, 1959 and 26 January, 1960, and then to 2 inches (5.16 cms.) for the remainder of the season. Similarly, in 1960/1, another surplus year, a minimum riddle of $1\frac{7}{8}$ inches (4.84 cms.) was used between October and May and, because the volume of supplies was still too great, a maximum riddle of $3\frac{1}{4}$ inches (8.38 cms.), in order to remove large tubers.

On the other hand, whilst the riddle is capable of dealing with a moderate surplus, it is incapable, of itself, of coping with a large surplus since large crops are generally "large in the run". This is brought out in Table 20. In addition, the riddle discriminates unfairly between producers and bears particularly severely on the farmer whose potatoes happen to be of less than average size.

Despite these limitations, control of marketed volume through elimination of a varying proportion of the smaller potatoes produced is a useful part of the totality of means open to the Board for the regulation of supplies.

(c) Support buying :

Because neither acreage quotas nor manipulation of riddle sizes are adequate in themselves, support buying is necessary if prices are to be raised to tolerable levels in glut years. The effectiveness of support buying in raising producers' prices is not in doubt; the questions to be asked are concerned rather with determining how the interventions are to be financed, who actually "pays", and what safeguards exist to ensure that consumers are not held to ransom.

The mechanisms which have gradually been evolved to finance support purchases have been described in a previous section, and the advantages of the culminating proposal to establish a Market Support Fund have been mentioned. At this point it is desired to make only the additional observation that there seems to be no a priori reason why the support funds provided by producers should be permanently supplemented by public monies. Since it is clear that in years of shortages potato prices are high and profits similarly, there would seem to be much to be said for turning the Market Support Fund into a genuine price insurance scheme entirely financed by growers. At the moment, the one third contribution of producers to the Fund is to be raised from half the £3 per acre (D.M. 83.03 per hectare) annual levy. They could provide it all if the levy was simply raised to £6 per acre (D.M. 166.06 per hectare),[23] but a more equitable and politically more acceptable arrangement would be to build up the Fund from a levy on sales, the levy varying with the price at which potatoes were sold according to a (previously announced) sliding scale. The mechanism for such levies already exists in the arrangement whereby all licensed potato buyers are required to make returns of the prices and tonnages involved in all transactions to the Board.

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(23) This would then be split : £4.5 to the Fund, £1 to the Board's general expenditure and £0.5 to an expanded research programme.

POTATO YIELDS OVER VARIOUS RIDDLES, GREAT BRITAIN, 1958/9 TO 1961/2.
(All Maincrop Varieties)

TABLE 20.

	All potatoes including chats and waste	Sound Potatoes on Riddles of Varying Sizes						
		1½ ins.	1⅝ ins.	1¾ ins.	2 ins.	2½ ins.	3 ins.	3¼ ins.
	tons per acre							
1958	7.85	6.70	6.30	5.60	4.00	-	-	-
1959	9.85	8.85	8.45	7.85	6.30	-	-	-
1960	11.30	9.90	9.60	9.10	7.70	3.45	0.55	0.15
1961	10.95	9.60	9.25	8.80	7.50	3.80	0.90	0.30
		3.81 cms.	4.13 cms.	4.45 cms.	5.08 cms.	6.35 cms.	7.62 cms.	8.26 cms.
	metric tons per hectare							
1958	19.70	16.82	15.81	14.06	10.04	-	-	-
1959	24.72	22.21	21.21	19.70	15.81	-	-	-
1960	28.36	24.85	24.10	22.84	19.33	8.66	1.38	0.38
1961	27.48	24.10	23.22	22.09	18.83	9.54	2.26	0.75

NOTE : These data are averages of some 2,500 to 2,800 sample checks each year.

SOURCE : P.M.B. statistics.

As to who "pays" for the support purchase and diversion programmes conducted in the interests of growers it is clear that it is consumers, who have to pay higher prices in the shops in surplus years than they would have to pay in the absence of such programmes.(24) Whilst it is true that this system contrasts with the general results of the agricultural price and income support policies followed in the United Kingdom and whilst it is also true that the system bears most heavily on low income groups, there are several mitigating features. In the first place, to the extent that price stabilisation in glut years prevents planting cycles being generated, consumers benefit in the long term. Secondly, because of inflexibility of potato prices at retail, there is reason to think that consumers do not pay markedly lower prices in the shops even when prices at the farm gate are ruinously depressed. Thirdly, the support purchase operations have been hard pressed to raise the price at farm to the support level, and by the same token consumer prices have been raised only from "low" to "moderate", and not to unacceptable levels. Fourthly, expenditure on potatoes in all forms (including the relatively expensive processed forms) accounts for only some 3 to 4 per cent of total expenditure on food.

Clearly the power to exercise supply control through support purchase (and through acreage quotas and riddle sizes) is a powerful weapon in the hands of producers. Furthermore, with price elasticity of demand being less than unity in all the ranges experienced in recent years, there is a strong inducement to producers to use their powers restrictively. But consumers interests are safeguarded at a number of points. There is first the power of the Minister and Parliament to intervene in the affairs of the Board "in the public interest". Second, past buying programmes have required Ministerial approval and future use of the Support Fund will be similarly circumscribed. Thirdly, Ministerial control over imports can prevent consumers being held to ransom. In the past imports have been allowed into the United Kingdom with commendable promptness as soon as it was apparent to the Minister that there would be a shortage - import licences have been granted as early as October in some years - and there is no reason to expect that this power will not continue to be exercised with proper regard to consumers' interests in the future. However, there might be a case for specifying more closely the prices at which consumers' interests should be given prior consideration over those of domestic growers, and linking the issue of import licences to a particular potato price level, rather than to a general notion of a price level which is "unreasonable" to consumers.

3. If Britain Enters the E.E.C. :

The hinge upon which turns the whole of the support arrangements for maincrop potatoes in the United Kingdom is the de facto embargo on imports in years when internal market prices are below, at, or but little above, the guaranteed level. Continuation of this arrangement is now threatened by the prospect of Britain joining the E.E.C. for, although no detailed proposals for the regulation of trade in potatoes have yet been made, it would appear that the maintenance of a unilateral ban on imports from Europe would not be possible.

If imports were freely admitted then it would appear at first sight that output regulation and support buying solely by the national

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(24) This, of course, applies equally to the supply control effected through the use of import controls, acreage quotas and minimum riddle sizes.

authority would no longer be feasible since the national regulatory agency could be placed in the intolerable position of "holding the umbrella" for all the producers in the trading area in surplus years.

These fears seem particularly relevant, since the E.E.C. countries, with Denmark, are the main source of imported maincrop supplies : there is a tendency for high yields in Britain to coincide with surpluses in Europe : and it is known that price levels in Europe are generally somewhat lower than in the United Kingdom (Table 21).

COMPARATIVE FARM PRICES FOR MAINCROP POTATOES.
(United Kingdom = 100)

TABLE 21.

	Weighted average price all utilisations				Human consumption only			
	1957/8	1958/9	1959/60	1960/1	1957/8	1958/9	1959/60	1960/1
Belgium	n.a.	n.a.	n.a.	n.a.	46	49	123	62
France	59	67	118	94	n.a.	n.a.	n.a.	n.a.
W. Germany	51	52	119	92	52	53	124	92
Italy	95	63	110	141	95	63	108	134
Holland	n.a.	n.a.	n.a.	n.a.	60	53	110	75
Denmark	47	53	98	62	46	57	104	59

SOURCE : Prices of Agricultural Products and Fertilisers in Europe, 1960/61; F.A.O., Geneva, 1962.

Furthermore, whilst it is likely that regulation of trade in an enlarged Community would be attempted through the adoption of a uniform grading system and the banning of certain grades from intra-community trade in glut periods, this offers but little comfort to domestic producers, since it is clear that tuber size is the only major characteristic on which grade specifications for potatoes could be based, and experience over the years has demonstrated that merely preventing certain tuber size categories reaching the market in low price periods is a wholly inadequate means of dealing with major surpluses.

Hence, British producers of maincrop potatoes apparently face a future of intensified competition with European suppliers, with firm price guarantees and an effective system of market supports capable of ensuring that the guaranteed price is attained being replaced by some, at this stage, rather nebulous "common rules governing competition" and a trade regulatory mechanism which is known to be incapable in itself of coping with a serious surplus.

And yet the picture is not so dark, for the most important single factor protecting British potato growers from competition is the high cost of shipping this bulky commodity. Indications are that it costs not less than an average of £3-£4 per ton (D.M. 33 to 44 per metric ton) to move potatoes from Dutch farms (in coastal regions) and land them in United Kingdom east coast ports.(25) By any standards this is a substantial measure of natural protection.

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(25) From information supplied by a major importer. Excluding cost of sacks.

Moreover, even if the present restriction on maincrop potato imports has to be removed it would still be possible for the P.M.B. to operate its supply regulatory activities on a national scale so long as it did not try to raise domestic prices in surplus years further than the landed price of supplies from Continental Europe. At what level this price would be is not readily determinate. But having regard to the facts that factor prices are at, or are rapidly approaching, parity in Britain and the main European potato exporting countries, that European suppliers have no significant technological advantages and that British consumers have marked preferences for well-graded and "bold" samples of white-fleshed varieties, it seems unlikely that the long-run equilibrium price would be much, if at all, below the present support price (£13.25 per ton or D.M. 146 per metric ton).

Nevertheless, in the past the embargo on imports when domestic prices were at or below the support level has been necessitated by the coincidence of large crops in the United Kingdom and Europe, and the danger that European countries would attempt to solve their own own overproduction problems by shipping surpluses to the British market, thereby defeating attempts to deal with the domestic surplus by support buying and other measures. This danger has seemed particularly real in view of the fact that it would often pay European suppliers to ship short-term surpluses to Britain rather than accept the low realisations from their own stockfeed and industrial-use-outlets (which are subsidised in some countries) even if the prices received in the British market were less than their long-run supply price plus shipping costs. Since short-run surpluses will continue to occur in European countries, and since the whole history of potato marketing in Britain has demonstrated that grade regulation (based on size specifications) is, in itself, an inadequate means of limiting supplies from large crops, it would appear that there would be considerable merit in the operation of a minimum import price scheme for potatoes by Britain even in the common market stage.

These observations do not, of course, apply to first early potatoes, for which there is no domestic price guarantee or detailed market intervention. For Britain to join the E.E.C. would appear to mean intensified competition from European sources for early potato growers resultant upon the eventual disappearance of the present protective tariffs. On the other hand, European suppliers are not the British grower's only, or even major, competitors and whether competitive pressures would be, in the end, great or less would also depend upon the tariff protection afforded to British growers against third countries under the common policy of an enlarged community. Thus, there would be increased protection for the very earliest areas (and for the maincrop grower) from the proposed 15 per cent tariff imposed in the period up to mid May on North African and Eastern Mediterranean supplies, and also from the 18 per cent tariff to be levied in July. And, the possibility of the free access of supplies from Malta and Cyprus being brought to an end would be viewed with approval by the growers in Cornwall and Pembrokeshire who are so dependent on the May crop. But on balance competition would probably be more intense since E.E.C. suppliers are important competitors in the British early potato producer's main season (June and July) and, at 21 per cent, the proposed common external tariff against third countries in late May and the key month of June will be lower than the ad valorem equivalent of the specific tariff presently levied.

4. Longer-term Problems :

Although the form of the domestic arrangements for achieving price stability and the nearing prospect of union with Europe are the immediate problems facing the potato industry, in the longer term it may be the impact of changes in consumption levels and patterns and in the structure of retail distribution which most influence the size and prosperity of the industry, the role of the P.M.B., and the competitive pressure from overseas producers.

In particular the industry is faced with a long term decline in consumption: by a swing in consumption to processed and new potatoes at the expense of fresh and maincrop supplies: and with the growth of large-scale organisations in processing and retail distribution.

PROJECTED CHANGE IN UNITED KINGDOM POTATO CONSUMPTION.

TABLE 21. '000 metric tons

Consumption 1955-1959 average	Forecast for 1965			Forecast for 1975		
	Income assumption			Income assumption		
	a	b	c	a	b	c
4847	4726	4729	4734	4451	4444	4438

NOTE : Based on a projected population of 53.3 millions in 1965 and 55.4 millions in 1975; on three rate of growth of per capita incomes, (a) 1.3, (b) 2.0 and (c) 2.8 per cent per annum; and a semilogarithmic relationship between income and consumption.

SOURCE : United Kingdom : Projected Level of Demand, Supply and Imports of Farm Products in 1965 and 1975; E.R.S. - Foreign 19, U.S.D.A., January 1962.

One estimate of the extent of the likely decline in consumption of potatoes is indicated in Table 22.(26) Such a decline would necessitate a contraction in acreage and in the number of producers. Furthermore, with overall yield per acre rising over time and with production becoming more concentrated in the specialised, high-yield regions, the contraction in acreage and number of producers would have to proceed at an accelerating rate. This presents a difficult adjustment problem for the industry and raises the issue as to whether the existence and actions of the P.M.B. are likely to facilitate or impede the required adjustment. On the whole, it would seem that whilst the Board will be unable to halt the decline in total demand - despite all its efforts to improve the "image" and the quality of the potato by promotion and quality improvement schemes - it will be under considerable pressure to share out the declining acreage amongst existing growers through overall quota adjustments and, to this extent, will hamper the flow of resources (other than land) out of potato production and a desirable trend towards further regional specialisation.

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(26) A rather less sophisticated analysis has suggested that per caput consumption may decline by 25 per cent to 150 lbs. (68 kgs.) between 1960 and 1980: acreage might then contract to 500,000 acres (197,000 hectares) and the number of producers fall by 20,000 to 50,000 or thereabouts. See SYKES and HARDAKER, op. cit.

Similarly, the probable continuation of the current rise in the consumption of new potatoes (Table 8) even while overall potato consumption is declining will pose difficult problems for the Board. Inter-regional competition will be intensified and a clear conflict of interest between early and maincrop growers will emerge. Furthermore, since a trend towards expanded new potato consumption may be attended by increased competition from overseas producers, especially in a period of accelerated trade liberalisation, the ability of the Board to influence the incomes of producers of the two crops would still further diverge. At a minimum, the Board might be forced to make a clearer distinction between early and maincrop potatoes to the extent of confining acreage quotas to the maincrop.(27) At the extreme, new potato producers might feel that the present producers' marketing organisation had little to offer them.(28)

The increasing importance of sales of potatoes in prepackaged form through large retail outlets and the growing consumption of processed potatoes (flaked, frozen, dehydrated, etc.), present further problems to the industry. The desire of processers and the larger retailers to ensure the volume and quality of their supplies may stimulate a wider development of contractual arrangements between producers and buyers. So long as the Board is prepared in the future to grant licences to prepackers, processers and other direct buyers as readily as it has done in the past, these developments should not be impeded. Moreover, the growth of contractual arrangements and of associated groupings of producers to organise joint production, storage, grading, preparing, packaging, and selling schemes can proceed to the extent that growers, processers and retailers find economically advantageous and need not involve direct participation of the P.M.B. in the distribution of potatoes. On the other hand, to the extent that many of the vagaries of the market as to price and quantity relationships are stabilised in integrated marketing systems, the overall market regulatory functions of the Board may be eroded together with the allegiance to the Board of growers involved in such arrangements.

Lastly, since, in the final analysis, the major economic problem of price instability is attributable to the perishability of the fresh potato, and since, by contrast, processed potatoes are cheap to store from year to year, the key role of the Board as an agency for regulating the marketed volume in the face of fluctuating annual supplies will diminish with the growth of consumption of potatoes in processed forms. Moreover, because processed potatoes are relatively cheap to transport the trend towards the consumption of processed potatoes may destroy the locational advantages of domestic producers. The consequent intensification of competition with overseas suppliers may, in the long term, prove to be the most serious challenge that the domestic potato industry will have to meet.

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(27) The two types of potatoes are already distinguished in several other respects, e.g. imports of early potatoes are freely allowed, protection is by tariff rather than by market intervention, and whereas maincrop producers will pay a levy of £3 per acre under the revised Scheme growers of early potatoes will continue to pay only £1 per acre.

(28) The unfortunate history of the Tomato and Cucumber Marketing Scheme suggests that producers will not support the activities of Boards which cannot give tangible demonstrations of their ability to raise commodity prices and producers' incomes. Producers' marketing organisations which merely promote the product and sponsor quality improvement, market intelligence and product development have insufficient appeal to make producers willing to accept compulsory levies and the disciplinary powers of the Boards.

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MARKETING OF TOMATOES, APPLES AND PEARS IN THE UNITED KINGDOM

CONTENTS.

I. THE GENERAL SETTING.

(1) Importance in Agricultural Economy.

(a) Value.

Table 1 shows the estimated gross value at the farm gate of producers' sales of tomatoes, apples and pears, and their relationship to the total output of all horticultural products and the gross output of the agricultural industry as a whole.

Whilst it is clear that the production of these commodities constitutes but a minor section of United Kingdom agriculture in toto, they are obviously major products of the horticultural industry as such.

(b) Regional Location.

The economies of some regions are, of course, much more dependent upon the production of these commodities than others.

Major centres of the glasshouse tomato industry include the Lea Valley (i.e. parts of the counties of Essex, Herfordshire and Middlesex), the Worthing area of West Sussex, the Blackpool area of Lancashire, the Cottingham area of East Yorkshire and the Clyde Valley in Scotland. In the Channel Isles - which are regarded as an integral part of the United Kingdom so far as the tomato market is concerned - a majority of Guernsey's glasshouses are given over to tomato monoculture, and the glasshouse tomato crop is a key sector in the economy of the Island. Similarly, Jersey is highly dependent upon the export of outdoor-grown tomatoes.

However, in comparison with that of other countries, notably Holland, the mainland glasshouse tomato industry is not highly concentrated geographically. Tomato producers are to be found around virtually every sizeable town; almost half the counties of England have more than 50 acres (20 hectares) of glasshouses; and the major centres of production mentioned above account for only about half the total mainland tomato production.

Apple and pear production is rather more concentrated geographically, for while commercial apple and pear orchards are to be found in virtually every part of the land, the county of Kent alone contains 38, 53 and 41 per cent of the England and Wales dessert apple and pear and culinary apple acreages respectively. Furthermore, 68 per cent of the England and Wales dessert apple acreage, 62 per cent of the culinary apple acreage and 68 per cent of the dessert pear acreage are concentrated in the counties of Kent, Essex, Sussex, Norfolk and Sussex. A further 11, 16 and 11 per cent of the England and Wales acreage of dessert and culinary apples and dessert pears respectively are located in the counties of Worcestershire, Herefordshire and Gloucestershire. The three latter counties are also, together with Somerset and Devon, the centre of cider apple and perry pear production. County Armagh in Northern Ireland has a locally important culinary apple production and processing industry.

(c) Numbers of Producers and Size Structure of Producing Units.

There are rather more than 5,000 glasshouse tomato producers in Great Britain, and approximately 2,700 in Guernsey. The numbers of glasshouse holdings in Northern Ireland and of outdoor tomato producers

ESTIMATED GROSS OUTPUT[1] TOMATOES, APPLES AND PEARS, UNITED KINGDOM,[2] 1956/7 to 1961/2.

TABLE 1.

	1956/7	1957/8	1958/9	1959/60	1960/1[3]	1961/2[4]
Glasshouse tomatoes :						
- £. million	12.3	12.2	11.4	10.0	10.4	11.0
- D.M. million	137.8	136.6	127.7	112.0	116.5	123.2
Dessert apples :						
- £. million	14.2	18.5	12.1	15.3	12.5	20.8
- D.M. million	159.0	207.2	135.5	171.4	140.0	233.0
Culinary apples :						
- £. million	6.7	9.2	5.2	5.8	4.3	8.2
- D.M. million	75.0	103.0	58.2	65.0	48.2	91.8
Cider apples :						
- £. million	0.7	0.7	0.9	0.6	0.7	0.5
- D.M. million	7.8	7.8	10.1	6.7	7.8	5.6
Dessert and culinary pears :						
- £. million	3.2	4.6	3.1	3.9	3.0	4.5
- D.M. million	35.8	51.5	34.7	43.7	33.6	50.4
Perry pears :						
- £. million	+	+	0.1	0.1	0.1	+
- D.M. million	+	+	1.1	1.1	1.1	+
Total above :						
- £. million	37.1	45.2	32.8	35.7	31.0	45.0
- D.M. million	415.5	506.2	367.3	399.9	347.2	504.0
Total output fruit, vegetables and flowers :						
- £. million	126.7	144.7	129.5	142.3	133.1	164.4
- D.M. million	1419.0	1620.6	1450.4	1593.8	1490.7	1841.3
Total agricultural gross output :						
- £. million	1387.4	1465.1	1466.9	1468.1	1494.1	1592.4
- D.M. million	15538.9	16409.1	16429.3	16442.7	16733.9	17834.9

(1) Current prices.

(2) Excluding Channel Islands.

(3) Provisional.

(4) Forecast.

SOURCE : M.A.F.F. statistics.

in Jersey are not known with any high degree of accuracy but are probably not much more than 75 and 1,000 respectively. The numbers of tomato producers in Great Britain has been falling rapidly for a number of years as is indicated by the following data on the numbers of growers registered with the Tomato and Cucumber Marketing Board.(1)

Numbers of Producers Registered with the Tomato and Cucumber Marketing Board at 31st December.

1955	7,898
1956	7,362
1957	6,905
1958	6,352
1959	5,703
1960	5,549
1961	5,206

No recent data on the numbers of top fruit growers is available. A study of 1946 census returns suggested that at that time there might be as many as 18,000 growers of dessert apples, and 25,000 holdings producing culinary apples, with some overlapping between the two categories.(2) The 1960 June Census indicated that there were about 38,000 holdings with orchards of all types (including plums and cherries). No separate information on numbers of producers of pears is available.

As indicated by the data in Tables 2 and 3 the size structures of the tomato and apple industries follow a typical pattern in having large numbers of small-scale producers accounting for minor parts of the total acreage and major shares of the total production being concentrated in the hands of relatively few growers.

These data suggest, and observation confirms, that relatively few of the producers of tomatoes, apples and pears are specialists entirely dependent upon the production and sale of these commodities for their livelihood. A high proportion of holdings with glasshouses also have associated outdoor land, and tomatoes form only part of the glasshouse cropping succession. Similarly, many, and perhaps most, apple and pear orchards constitute but a part of the cropping of mixed farms, even in the major fruit producing areas. This is not to deny that there are many highly specialised holdings, or mixed holdings where the tomato or fruit crops account for a substantial part of the total investment, turnover and profits, nor, in particular, that the tomato crop constitutes the main summer crop in glasshouses. But in assessing the impact of changing trading relationships on the economic fortunes of producers of tomatoes, apples and pears it is worth remembering that these commodities represent only a part of the businesses of a majority of the growers concerned.(3)

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(1) These data are not an exact measure of the numbers of tomato producers since they include some specialist cucumber growers, and it is known that a number of eligible tomato growers have failed to register with the T.C.M.B. in recent years.

(2) The Marketing of Home Produced Apples in England and Wales; M.A.F. Econ. Sers. No. 50; (H.M.S.O.), 1949.

(3) No comprehensive data to illustrate this point are available but it has been estimated that even in the Lea Valley tomatoes account for less than half the value of total sales from glasshouse holdings in that area. See BENNETT, L.G.; The Marketing of Horticultural Produce grown in Bedfordshire, West Cornwall, Wisbech and the Lea Valley; Reading University, Misc. Studies No. 12; 1957.

SIZE DISTRIBUTION HEATED TOMATO CROP, ENGLAND AND WALES, 1961

TABLE 2.

	Holdings		Acreage		
	Numbers	Per Cent	Acres	Hectares	Per Cent
Less than ¼ acre	4676	79.2	336	136	22.8
¼ acre but less than ½ acre	607	10.3	212	86	14.4
½ acre but less than 1 acre	343	5.8	232	94	15.7
1 acre but less than 2½ acres	208	3.5	307	124	20.7
2½ acres and over	73	1.2	389	157	26.4
Totals	5907	100.0	1476	597	100.0

NOTE : Based on analysis of July 1961 Glasshouse census returns of agricultural holdings over one acre in size having more than 1,000 square feet of commercial glasshouses and growing heated glasshouse tomatoes. A similar analysis of holdings with unheated glasshouse tomatoes reveals a comparable size structure.

SOURCE : Unpublished analysis by M.A.F.F.

SIZE DISTRIBUTION OF APPLE ORCHARDS, 10 EASTERN COUNTIES OF ENGLAND, 1946.

TABLE 3.

Area of apples(1)	Holdings		Area		
	Numbers	Per Cent	Acres	Hectares	Per Cent
Less than 1 acre	4298	33.8	2059	833	2.9
1 acre but less than 5 acres	5786	45.5	11441	4630	16.0
5 acres but less than 10 acres	1106	8.7	7311	2959	10.2
10 acres but less than 15 acres	459	3.6	5463	2211	7.7
15 acres but less than 20 acres	240	1.9	4210	1704	5.9
20 acres but less than 50 acres	567	4.5	18097	7324	25.3
50 acres and over	260	2.0	22826	9238	32.0
Totals	12716	100.0	71407	28898	100.0

(1) Dessert and culinary varieties together, but omitting cider varieties.

NOTE : Based on an analysis of the 1946 June census returns of ten principal apple-growing Eastern counties. There have, of course, been changes since 1946, but an analysis of the size distribution of "orchards" (i.e. including pears, plums and cherries) based on the 1960 census suggests that these have not been substantial.

SOURCE : The Marketing of Home Produced Apples in England and Wales; M.A.F. Econ. Srs. No. 50; (H.M.S.O.); 1949.

(2) Production and Supplies.

Tables 4 to 16 set out the statistical picture of United Kingdom tomato, apple and pear acreage and production levels and trends in recent years, and the contribution of domestic output and imports to total supplies. The following paragraphs pick out the major points of interest.

(a) Tomatoes.

(i) Production trends.

The acreage of outdoor tomatoes grown in the United Kingdom is declining steadily and the outdoor crop now contributes only marginally to total domestic output. The output from the glasshouse crop fluctuates somewhat from year to year, but the trend has been downwards, yield increases having failed to offset contraction in the total area of glasshouses and more especially in the area of glasshouses cropped with tomatoes (Table 4).

While the proportion of the total glasshouse space which is cropped with tomatoes in July is still high, illustrating the dependence of the glasshouse industry on tomatoes as a summer crop, nevertheless in Great Britain the proportion has dropped dramatically from 68 per cent in 1953 to 56 per cent in 1961.

Thus, despite massive tariff protection, the mainland tomato industry is in course of contraction. To some extent the contraction of the glasshouse area and the acreage under tomatoes is a return to more normal conditions following the artificial stimulus to production given in the war and early post-war years. But at the same time, there is little doubt that tomatoes have lately become a less profitable crop as product price and productivity increases have failed to keep pace with rising factor prices. Hence there has been a swing to flower production, and glass which has been demolished because of age or to make way for urban and industrial development has not been re-erected or replaced elsewhere.

Guernsey's glasshouse industry has recently been prevented from expanding by the island's authorities, and the area of glasshouse tomatoes had remained constant at about 1,070 acres for some years until 1961 when it fell to 1,026 acres (415 hectares). Jersey's glasshouse tomato acreage has fluctuated around 60 acres (24 hectares) for a number of years, and its outdoor acreage at around 2,000 acres (810 hectares).

(ii) Supplies and Disposals.

The tomato season in the United Kingdom extends broadly from May to October, with imported supplies from the Canary Islands and Mainland Spain meeting requirements in the six winter months. During the domestic growers' main marketing season competition is almost entirely with supplies imported from Holland, though there is some slight overlapping in May and June between the early heated crop and the last of the Canary Island supplies, and the coldhouse crop competes with the first Spanish shipments in October and November. And, of course, the mainland United Kingdom heated crop competes directly with supplies from Guernsey and the coldhouse crop with outdoor-grown supplies from Jersey.

GLASSHOUSE AREAS: AREAS AND OUTPUT OF TOMATOES, MAINLAND UNITED KINGDOM, 1953 to 1961.

(Excluding Channel Islands)

TABLE 4.

	Glasshouse area					Glasshouse tomato area							Glasshouse tomato output							U. K. outdoor tomatoes		Total U.K. tomato output
	England and Wales			Scot-land	Gt. Brit. total	England and Wales			Scot-land	Gt. Brit. total	Nthn. Irld.	U. K. total	England and Wales			Scot-land	Gt. Brit. total	Nthn. Irld.	U. K. total	Cropped area	Output	
	Htd.	Cold	Total			Htd.	Cold	Total					Htd.	Cold	Total							
	acres					acres							'000 tons							acres	'000 tons	'000 tons
1953	3480	594	4074	277	4351	n.a.	n.a.	2724	220	2944	35	2979	n.a.	n.a.	91	7	98	1	99	1375	12	111
1954	3460	624	4084	284	4368	n.a.	n.a.	2761	241	3002	35	3037	n.a.	n.a.	92	9	101	1	102	1095	2	104
1955	3406	629	4035	285	4320	2155	475	2630	238	2868	35	2903	81	10	91	9	100	1	101	926	11	112
1956	3329	642	3971	295	4266	2027	482	2509	237	2746	35	2781	73.3	10.1	83.4	9.0	92.4	0.6	93.0	1028	2.5	95.5
1957	3302	657	3959	301	4260	1934	487	2421	245	2666	35	2701	71.7	11.6	83.3	8.7	92.0	1.2	93.2	680	6.1	99.3
1958	3259	679	3938	306	4244	1843	499	2342	247	2589	40	2629	66.8	11.2	78.0	8.1	86.1	1.2	87.3	557	1.3	88.6
1959	3185	721	3906	306	4212	1731	538	2269	246	2515	45	2560	67.0	15.3	82.3	8.1	90.4	1.8	92.2	370	6.0	98.2
1960	3070	752	3822	308	4130	1565	557	2122	248	2370	45	2415	60.3	13.9	74.2	9.0	83.2	1.8	85.0	316	1.9	86.9
1961	2997	786	3783	281	4064	1476	576	2052	229	2281	45	2326	61.0	15.3	76.3	6.9	83.2	1.8	85.0(1)	277	2.7(1)	87.7
	hectares					hectares							'000 metric tons							hectares	'000 metric tons	'000 metric tons
1953	1409	240	1649	112	1761	n.a.	n.a.	1102	89	1191	14	1205	n.a.	n.a.	93	7	100	1	101	556	12	113
1954	1400	253	1653	115	1768	n.a.	n.a.	1117	98	1215	14	1229	n.a.	n.a.	94	9	103	1	104	443	2	106
1955	1378	255	1633	115	1748	872	192	1064	97	1161	14	1175	83	10	93	9	102	1	103	375	11	114
1956	1347	260	1607	119	1726	820	195	1015	96	1111	14	1125	74.5	10.2	84.7	9.2	93.9	0.6	94.5	416	2.5	97.0
1957	1336	266	1602	122	1724	783	197	980	99	1079	14	1093	72.9	11.8	84.7	8.8	93.5	1.2	94.7	275	6.2	100.9
1958	1319	275	1594	124	1718	746	202	948	100	1048	16	1064	67.9	11.4	79.3	8.2	87.5	1.2	88.7	225	1.3	90.0
1959	1289	292	1581	124	1705	700	218	918	100	1018	18	1036	68.1	15.6	83.7	8.2	91.9	1.8	93.7	150	6.1	99.8
1960	1243	304	1547	125	1672	633	226	859	100	959	18	977	61.3	14.1	75.4	9.2	84.6	1.8	86.4	128	1.9	88.3
1961	1213	318	1531	114	1645	597	233	830	93	923	18	941	62.0	15.5	77.5	7.0	84.5	1.8	86.4(1)	112	2.7(1)	89.1

(1) Forecast.

NOTE : The data relate to agricultural holdings one acre or over in size, having 1,000 or more square feet of glasshouses, and, from 1959, exclude the area of glasshouses (about 35 acres) which were not cropped on commercial lines.

SOURCE : M.A.F.F.; July Glasshouse Census.
M.A.F.F.; P.O.V. Statistical Series.

SUPPLIES OF FRESH TOMATOES, UNITED KINGDOM (Mainland), 1955 to 1961.

TABLE 5.

	1955			1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Foreign Imports																					
Canary Islands	90.6	92.0	29.5	81.8	83.1	29.4	95.4	96.9	31.5	87.0	88.4	30.0	99.3	100.9	31.2	98.2	99.8	31.4	90.5	91.9	28.6
Spain	9.6	9.8	3.1	12.9	13.1	4.6	14.3	14.5	4.7	17.3	17.6	6.0	15.3	15.5	4.8	24.3	24.7	7.8	28.1	28.5	8.9
Morocco	-	-	-	-	-	-	0.2	0.2	0.1	0.3	0.3	+	0.3	0.3	0.1	0.2	0.2	0.1	0.5	0.5	0.2
Netherlands	21.1	21.4	6.9	25.0	25.4	9.0	21.8	22.1	7.2	34.7	35.3	12.0	29.3	29.8	9.2	34.1	34.6	10.9	38.3	38.9	12.1
Others	0.3	0.3	0.1	0.3	0.3	0.1	0.4	0.4	0.1	0.2	0.2	+	0.5	0.5	0.2	0.5	0.5	0.2	0.7	0.7	0.2
Total foreign imports	121.5	123.4	39.6	119.9	121.9	43.2	132.1	134.2	43.7	139.5	141.7	48.0	144.7	147.0	45.5	157.3	159.8	50.4	158.1	160.5	49.5
Imports from Channel Islands	73.8	75.0	24.0	62.7	63.7	22.5	71.2	72.3	23.5	62.3	63.3	21.5	75.4	76.6	23.7	68.2	69.3	21.8	73.5	74.7	23.0
U.K. production (mainland)	112.0	113.8	36.4	95.5	97.0	34.3	99.3	100.9	32.8	88.6	90.0	30.5	98.2	99.8	30.8	86.9	88.3	27.8	87.7 (2)	89.1	27.5
Total supplies (1) (mainland)	307.3	312.2	100.0	278.2	282.6	100.0	302.6	307.4	100.0	290.4	295.0	100.0	318.3	323.4	100.0	312.4	317.4	100.0	319.3	324.3	100.0

(1) Unadjusted for re-exports and stock changes.

(2) Forecast.

SOURCE : C.E.C. Fruit Intelligence; June 1962.
M.A.F.F., P.O.V. statistical series.

Tables 5 and 6 show that despite tariff protection and in line with the contraction of the glasshouse and tomato acreages, mainland growers have been losing their share of the total market to foreign and Channel Island suppliers, and that the Dutch industry has significantly increased its share of the market in the May-October period.

The United Kingdom tomato industry is, for all practical purposes, geared exclusively to supplying the fresh tomato market. The processing industry relies on imported supplies of puree, pulp, paste and juice for its requirements, the domestic glasshouse industry being unable to compete with low-cost outdoor-grown supplies of high dry matter varieties. Table 7 shows the magnitude of imports of the major tomato products between 1955 and 1961

(b) Apples.

(i) Production Trends.

Table 8 shows the recent trends in acreage and production of dessert, culinary and cider apples in the United Kingdom. The total acreage of apples has been slowly declining for a number of years. However, most of the contraction has been in the area of culinary varieties. The area of dessert apples was substantially expanded immediately after the war and has been increasing ever since, though the planting rate has been nothing like so rapid as that in some overseas countries supplying apples to the United Kingdom market (notably Italy). Table 9 illustrates the growth in the proportion of dessert varieties in total production, and Tables 10 and 11 indicate that the expansion has been centred mainly on the quality variety Cox's Orange Pippin, whilst contraction of the culinary acreage has left Bramley's Seedling as the predominant cooking apple variety grown commercially.

The cider apple acreage has been slowly shrinking for a number of years, but the overall acreage change conceals a larger contraction in the area of out-worn orchards and unsuitable varieties on mixed farms in the South-West Peninsula, partially offset by substantial plantings of superior varieties in Hereford and Somerset in close proximity to the major factories. Much of the replanting has been undertaken by the cider manufacturers themselves.

(ii) Supplies and Disposals.

Domestic producers supply about three-quarters of the overall market for fresh table apples and, apart from a sharp fall in the short crop year of 1961, this proportion has been reasonably constant for a number of years. Before the war home growers held less than 40 per cent of the market, but their recent gains are as much a reflection of the post-war regulation of imports by quota as of their enhanced competitive position. The proportion of home grown supplies is nearer 90 per cent in the domestic grower's September to December marketing season when quota restrictions on imports are most stringent.

SOURCES OF SUPPLY OF FRESH TOMATOES, MAINLAND UNITED KINGDOM, MAY - OCTOBER, 1955-1961.

TABLE 6.

Percentage

	1955	1956	1957	1958	1959	1960	1961
U.K. production (mainland)	55.3	53.1	52.1	50.2	49.2	46.5	47.3
Channel Islands	30.1	28.1	30.1	27.2	31.4	30.5	30.4
Netherlands	8.3	10.9	9.3	15.0	12.0	15.1	17.1
Other foreign	6.3	7.9	8.5	7.6	7.4	7.9	5.2
Total supplies	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE : T.C.M.B. Annual Reports and Accounts.

IMPORTS OF MAJOR TOMATO PRODUCTS, UNITED KINGDOM, 1956 to 1961.

TABLE 7.

	1956		1957		1958		1959		1960		1961	
	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons
Tomato puree, paste and pulp	42.4	43.1	30.4	30.9	39.5	40.1	43.1	43.8	42.7	43.4	42.0	42.7
Tomatoes, other(1)	57.4	58.3	73.1	74.3	65.0	66.0	55.7	56.6	69.7	70.8	64.9	65.9
Tomato juice	8.5	8.6	7.0	7.1	9.3	9.4	10.0	10.2	10.9	11.1	13.3	13.5

(1) Mainly canned, whole.

SOURCE : C.E.C. Fruit Intelligence; February 1962.

AREA AND HARVESTED PRODUCTION OF APPLES, UNITED KINGDOM, 1951 to 1961.

TABLE 8.

	Dessert				Culinary				Cider			
	Area		Production		Area		Production		Area		Production	
	'000 acres	'000 hectares	'000 tons	'000 metric tons	'000 acres	'000 hectares	'000 tons	'000 metric tons	'000 acres	'000 hectares	'000 tons	'000 metric tons
1951	62.1	25.1	201.2	204.4	75.7	30.6	396.9	403.3	42.4	17.2	100.0	101.6
1952	62.7	25.4	164.1	166.7	74.0	29.9	328.2	333.5	42.2	17.1	88.4	89.8
1953	63.2	25.6	177.0	179.8	72.2	29.2	335.7	341.1	42.0	17.0	74.3	75.5
1954	63.8	25.8	196.1	199.2	71.1	28.8	309.9	314.9	41.8	16.9	57.0	57.9
1955	64.3	26.0	178.0	180.8	69.4	28.1	196.9	200.1	41.6	16.8	39.1	39.7
1956	64.9	26.3	213.0	216.4	67.7	27.4	309.8	314.8	41.4	16.8	71.6	72.7
1957	65.5	26.5	214.9	218.3	66.0	26.7	217.0	220.5	41.2	16.7	69.0	70.1
1958	64.8	26.2	267.4	271.7	64.0	25.9	341.2	346.7	41.1	16.6	78.1	79.3
1959	66.2	26.8	247.9	251.9	63.3	25.6	292.4	297.1	41.1	16.6	56.2	57.1
1960	66.0	26.7	297.7	302.5	60.8	24.6	313.0	318.0	40.1	16.2	76.0	77.2
1961(1)	n.a.	n.a.	214.1	217.5	n.a.	n.a.	122.1	124.1	n.a.	n.a.	31.5	32.0
1962(2)	n.a.	n.a.	252.0	256.0	n.a.	n.a.	200.0	259.3	n.a.	n.a.	78.0	79.2

(1) Provisional.

(2) Forecast for England and Wales only.

SOURCE : M.A.F.F.; P.F. statistical series and August 1962 forecast.

ANNUAL AVERAGE HARVESTED PRODUCTION OF TABLE APPLES, UNITED KINGDOM, 1945-8 to 1958-61.

TABLE 9.

	1945-48			1949-53			1954-58			1959-61		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Dessert varieties	110.0	111.8	28.5	169.3	172.0	32.5	213.9	217.3	43.8	253.2	257.2	51.1
Culinary varieties	276.5	280.9	71.5	351.3	356.9	67.5	275.0	279.4	56.2	242.5	246.4	48.9
Average total production	386.5	392.7	100.0	520.6	528.9	100.0	488.9	496.7	100.0	495.7	503.6	100.0

SOURCE : M.A.F.F.; P.F. Statistical Series.

APPLE TREE NUMBERS AND VARIETAL TRENDS, ENGLAND AND WALES, 1944, 1951 and 1957.

TABLE 10. Millions of trees

	1944	1951	1957
Dessert apples :			
Cox	4.5	5.3	5.6
Other	4.2	4.7	4.5
Total dessert	8.7	10.0	10.1
Culinary apples :			
Bramley	2.3	1.9	1.6
Other	3.8	2.6	1.7
Total culinary	6.1	4.5	3.3
Cider apples	2.2	1.8	1.7

SOURCE : Orchard Fruit Censuses.

APPLE PRODUCTION BY TYPES AND VARIETIES, UNITED KINGDOM, 1955 to 1961.

TABLE 11.

	1955		1956		1957		1958		1959		1960		1961(1)	
	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons
Dessert :														
Cox	47.5	48.3	81.5	82.8	72.2	73.4	96.5	98.1	82.5	83.8	132.2	134.3	n.a.	n.a.
Worcester	61.4	62.4	52.3	53.1	64.5	65.5	75.5	76.7	77.1	78.3	69.0	70.1	n.a.	n.a.
Others	69.1	70.2	79.2	80.5	78.2	79.4	95.4	96.9	88.3	89.7	96.6	98.1	n.a.	n.a.
Total dessert	178.0	180.9	213.0	216.4	214.9	218.3	267.4	271.7	247.9	251.8	297.8	302.5	214.1	217.5
Culinary :														
Bramley	101.0	102.6	197.1	200.3	126.9	128.9	225.6	229.2	198.2	201.4	220.5	224.0	n.a.	n.a.
Others	95.9	97.4	112.7	114.5	90.2	91.7	115.6	117.4	94.2	98.7	92.5	94.0	n.a.	n.a.
Total culinary	196.9	200.0	309.8	314.8	217.1	220.6	341.2	346.6	292.4	296.1	313.0	318.0	122.1	124.1
Cider	39.1	39.7	71.7	72.8	69.0	70.1	78.1	79.3	56.2	57.1	76.0	77.2	31.5	32.0

(1) Provisional.

SOURCE : M.A.F.F.; P.F. Statistical Series.
C.E.C.; "Fruit" 1961.

SUPPLIES OF TABLE APPLES, UNITED KINGDOM, 1955 to 1961.

TABLE 12.

	1955			1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
U.K. harvested production	375	381	70	523	531	75	432	439	70	608	618	76	540	549	73	611	621	77	336	342	61
Imports	157	160	30	179	182	25	180	183	30	187	190	24	195	198	27	187	190	23	212	215	39
Total supplies (1)	532	541	100	702	713	100	612	622	100	795	808	100	735	747	100	798	811	100	548	557	100

(1) Unadjusted for stock changes and exports.

SOURCE : C.E.C.; "Fruit" 1961 and Fruit Intelligence; April, 1962.
M.A.F.F.; P.F. Statistical Series.

SUPPLIES OF CANNED APPLES, UNITED KINGDOM, 1956 to 1961.

TABLE 13.

	1956		1957		1958		1959		1960		1961	
	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons	'000 tons	'000 metric tons
U.K. production :												
- sweetened	0.5	0.5	0.8	0.8	0.6	0.6	0.9	0.9	)			
- unsweetened	10.4	10.6	7.7	7.8	9.0	9.1	11.6	11.8	) 10.4	10.6	8.0	8.1
Total	10.9	11.1	8.5	8.6	9.6	9.7	12.5	12.7	10.4	10.6	8.0	8.1
Imports :												
- sweetened	0.1	0.1	+	+	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.2
- unsweetened	7.4	7.6	2.8	2.8	8.5	8.6	5.1	5.1	2.8	2.8	7.5	7.6
Total	7.5	7.7	2.8	2.8	8.6	8.7	5.3	5.3	2.9	2.9	7.7	7.8

SOURCE : C.E.C.; "Fruit" 1961 and Fruit Intelligence; March 1962.

Most of the apples imported into the United Kingdom are dessert varieties. Except for the importation of cider apples from France, relatively few culinary or processing apples are normally imported, though marginal supplies of imported processing apples are of importance to processers in years of short domestic crops.

The domestic apple grower's main marketing season is in the three months August, September and October, but considerable quantities of stored dessert apples are marketed in November and December and stored culinary apples are available in quantity from November to April. The last of the stored dessert crop is not marketed until April, and reduced volumes of culinary varieties are available from store until June. Imported supplies from the Southern Hemisphere (Argentina, Australia, New Zealand and South Africa) complement the home crop by arriving mainly in the period March to July, but imports from North America and Europe compete directly in the home grower's marketing season to the extent permitted by seasonal quotas.

Insufficient data is available to give a complete picture of the disposal of home-produced and imported supplies of table apples, but the great majority goes for fresh consumption and the processing industry (mainly canning and jam, pickles and juice manufacture, but including the 20,000-30,000 tons of cull market apples which augment special cider varieties in cider manufacture) probably takes not more than 10-15 per cent of total table apple supplies. Table 13 shows that the domestic processing industry has a major though highly variable share of the market for canned apples.

(c) Pears.

(i) Production trends.

The acreage of dessert and culinary pears in the United Kingdom has shown a modest overall increase in recent years, (Table 14). Production has risen much more rapidly as early post-year plantings of superior varieties (notably Conference) have come into bearing and unproductive orchards have continued to be replaced.

The overall perry pear acreage has fallen by 30 per cent in the last decade, new plantings in the vicinity of the major factories in Gloucestershire, Hereford and Somerset not offsetting the acreage grubbed in the South-West Peninsula and elsewhere in the West.

(ii) Supplies and disposals.

Quota restrictions on imported supplies of pears have enabled home growers to hold about half the market for table pears during the 1950's; before the war the proportion was around 20 per cent.

The main home marketing season is from August to October, with stored dessert varieties being available in quantity in November and in reduced volume until February. Imported supplies from Australia and South Africa complement the home crop by arriving in the February-July period, Italian and other European supplies compete directly with both the stored and unstored home crops to the extent permitted by seasonal quotas.

AREA AND HARVESTED PRODUCTION OF PEARS, UNITED KINGDOM, 1951 to 1961

TABLE 14

	Dessert and Culinary								Perry			
	All varieties				Conference							
	Area		Production		Area		Production		Area		Production	
	'000 acres	'000 hectares	'000 tons	'000 metric tons	'000 acres	'000 hectares	'000 tons	'000 metric tons	'000 acres	'000 hectares	'000 tons	'000 metric tons
1951	16.6	6.7	30.9	31.4	n.a.	n.a.	n.a.	n.a.	4.2	1.7	2.1	2.1
1952	16.7	6.8	46.0	46.7	8.3	3.4	24.7	25.1	4.0	1.6	6.3	6.4
1953	16.9	6.8	35.5	36.1	8.7	3.5	19.8	20.1	3.7	1.5	4.6	4.7
1954	17.1	6.9	34.9	35.5	9.1	3.7	17.0	17.3	3.5	1.4	5.0	5.1
1955	17.2	7.0	50.5	51.3	9.5	3.8	33.7	34.2	3.3	1.3	2.4	2.4
1956	17.4	7.0	62.1	63.1	9.9	4.0	39.5	40.1	3.1	1.3	5.1	5.2
1957	17.6	7.1	42.7	43.4	10.3	4.2	27.1	27.5	2.9	1.2	2.5	2.5
1958	17.7	7.2	79.6	80.9	10.4	4.2	50.5	51.3	2.8	1.1	6.2	6.3
1959	17.9	7.2	65.1	66.1	10.5	4.2	43.3	44.0	2.8	1.1	3.4	3.5
1960	17.6	7.1	68.2	69.3	10.4	4.2	43.2	43.9	2.9	1.2	5.4	5.5
1961(1)	n.a.	n.a.	52.9	53.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1	1.1
1962(2)	n.a.	n.a.	45.0	45.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Provisional.

(2) Forecast for England and Wales only.

SOURCE : M.A.F.F.; P.F. Statistical Series and August 1962 forecast

SUPPLIES OF TABLE PEARS, UNITED KINGDOM, 1955 to 1961.

TABLE 15.

	1955			1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
U.K. harvested production	50.5	51.3	41.8	62.1	63.1	51.1	42.7	43.4	44.1	79.6	80.9	56.5	65.1	66.1	52.0	68.1	69.2	52.9	52.9	53.7	44.4
Imports	70.3	71.4	58.2	59.5	60.5	48.9	54.2	55.1	55.9	61.3	62.2	43.5	60.1	61.1	48.0	60.7	61.7	47.1	66.0	67.1	55.6
Total supplies(1)	120.8	122.7	100.0	121.6	123.6	100.0	96.9	98.5	100.0	140.9	143.1	100.0	125.2	127.2	100.0	128.8	130.9	100.0	118.9	120.8	100.0

(1) Unadjusted for stock changes and re-exports.

SOURCE : C.E.C.; "Fruit" 1961 and Fruit Intelligence; April 1962.
M.A.F.F.; P.F. Statistical Series.

SUPPLIES OF CANNED PEARS, UNITED KINGDOM, 1956 to 1961.

TABLE 16.

	1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
U.K. production	8.8	8.9	17.9	6.8	6.9	15.6	3.9	4.0	8.0	2.5	2.5	4.5	2.8	2.8	4.7	2.7	2.7	4.4
Imports	40.1	40.7	82.1	36.7	37.3	84.4	45.3	46.0	92.0	52.1	52.9	95.5	55.5	56.4	95.3	57.6	58.5	95.6
Total supplies	48.9	49.6	100.0	43.5	44.2	100.0	49.2	50.0	100.0	54.6	55.4	100.0	58.3	59.2	100.0	60.3	61.2	100.0

SOURCE : C.E.C.; "Fruit" 1961 and Fruit Intelligence; March 1962.

As with apples, most of the homecrop of table pears is consumed fresh, but no data is available to give a detailed picture of the quantities diverted to processing. However, the quantity is certainly no more than 3 per cent of the home produced crop and, as Table 16 shows, the output of canned pears (the main processing outlet for varieties other than perry pears) has been falling and with it the home grower's share of the United Kingdom market for the canned product.

(3) Government Assistance.

Direct Government assistance to the tomato and fruit industries takes two major forms, regulation of imports and grants under the Horticultural Improvement Scheme.

Two minor additional forms of assistance which may be noted in passing are the rebate to glasshouse growers of the 2d. per gallon (1.9 pfennigs per litre) additional duty levied on heavy oils following the 1961 budget, and payment of the costs of operating the Horticultural Marketing Council over the three year period May 1960 - May 1963. The fuel oil rebate is thought to be worth about £0.5 million (D.M. 5.6 million) a year to the industry, whilst the extent of Exchequer liability to finance the Horticultural Marketing Council is limited to a maximum of £250,000 (D.M. 2.8 million) in the three year period to May 1963. Horticulturalists also obtain the subsidies paid on nitrogenous and phosphatic fertilisers but no estimate of their value to the industry is available.

(a) Regulation of Imports.

(i) Tomatoes.

The tomato industry has been protected by tariffs ever since the early 1930's. Currently there is a two-tier tariff on fresh tomatoes, a 10 per cent ad valorem duty in the period 1st November to 30th April and during May on imported supplies which are valued at £140 per ton (D.M. 1543 per metric ton) or less in the first two weeks of the month and at £112 per ton (D.M. 1235 per metric ton) or less in the latter half of the month, and seasonal specific tariffs in the domestic grower's main marketing season. Details are given in Table 17.

The value of the specific tariffs varies from year to year and within the season, but probably averages 20 to 25 per cent at wholesale on first quality tomatoes, rising to 40 to 45 per cent at the height of the picking season. Some assistance also derives from the 10 per cent duty levied on imports of tomato products from non-Commonwealth countries other than South Africa and Eire (particularly on canned whole tomatoes which probably have a high cross elasticity at certain times with the fresh product) and from the quota restrictions imposed on imports of fresh tomatoes and tomato products from certain Eastern Area countries, (see schedule page 22).

(ii) Apples and Pears.

The tariffs levied on imports of fresh apples and pears and their products (Table 18) are designed to give a small margin of preference on the United Kingdom market to supplies originating in Commonwealth countries and their significance for domestic producers is not large.

UNITED KINGDOM IMPORT DUTIES ON FRESH TOMATOES AND TOMATO PRODUCTS.

TABLE 17.

Tariff Section	Product Code No.	Description	Full tariff rate(1)	
			£ per ton or percentage	D.M. per metric ton or percentage
07.01	14811	Fresh tomatoes :		
		1 May to 15 May		
		(a) Of a value exceeding £140 per ton	37.33	411.56
		(b) Other	10%	10%
		16 May to 31 May		
		(a) Of a value exceeding £112 per ton	56.00	617.34
		(b) Other	10%	10%
		1 June to 15 June	56.00	617.34
		16 June to 31 July	46.67	514.45
		1 August to 31 August	37.33	411.56
		1 September to 31 October	18.33	202.11
		1 November to 31 April	10%	10%
20.02	14921 14926 14962	Tomato puree, paste, canned whole, and juice	10%	10%

(1) Supplies from Commonwealth countries, Eire and South Africa enter duty free. The full duty rates are charged on supplies from E.F.T.A. countries.

SOURCE : H.M. Customs and Excise Tariff.

Quotas on Fresh Tomatoes and Tomato Products.

Country	Product	Quota. £ '000	Quota. D.M. '000
Poland(1)	Fresh and processed tomatoes	150 *	1680
Czechoslovakia(2)	Tomato puree	50	560
Hungary(3)	Canned tomatoes and canned tomato preparations	35	392
Bulgaria(4)	Fresh tomatoes	5	56
	Tomato puree	385	4312
	Canned tomatoes	800	8960
Roumania(5)	Fresh tomatoes	5*	56
	Tomato puree, canned tomatoes	40*	448

* Maximum amount under a composite heading.

(1) Year to 30 June, 1963.

(2) Year to 31 December, 1962.

(3) Year to 26 January, 1962.

(4) Year to 31 March 1963.

(5) Year to 30th September 1962.

The home producer is protected mainly by the quotas imposed on all fresh apple and pear imports other than on supplies from the Commonwealth countries (except Canada), other Scheduled Territories[4] and South Africa. The quotas were originally imposed in 1951 in response to a balance of payments crisis, but since 1960 the Government has ceased to invoke Article VII of the GATT and the quotas are now purely protective. The primary objective of the protection is the home grower but, of course, Commonwealth suppliers and South Africa also derive a preference from their right of quota-free entry.

The fresh fruit quotas are now of two types. Firstly, there is a combined seasonal quota for fresh apples and pears from West Europe (including Yugoslavia), the dollar area (including Canada) and Argentina. Secondly, bilateral quotas have been established with certain Eastern Area countries under which very small quantities of fresh apples and pears are permitted entry. In addition, there is a quota of £800,000 (D.M. 8.96 million) on imports of canned and bottled apples originating in Western Europe and the dollar area, and the bilateral agreements with Eastern Area countries also limit the quantities of processed apples and pears which may be imported.

UNITED KINGDOM IMPORT DUTIES ON FRESH TABLE APPLES AND PEARS AND APPLE AND PEAR PRODUCTS.

TABLE 18.

Tariff Section	Product Code No.	Description	Full tariff rate[1]	
			£ per ton or percentage	D.M. per metric ton or percentage
08.06		Fresh fruit :		
	14041	Apples		
		(a) 16 April to 15 August	4.50	49.61
		(b) 16 August to 15 April	free	free
	14116	Pears		
		(a) 1 February to 31 July	4.50	49.61
		(b) 1 August to 31 January	3.00	33.07
20.06		Products :		
		Fruit preserved in syrup[2]		
	14416	Apples	2.25	24.08
	14417	Pears	12%	12%
		Fruit and fruit pulp preserved without sugar		
	14311	Apples	3.50 or 25%[3]	38.58 or 25%[3]
	14386	Apple and pear pulp	15%	15%

(1) Supplies from EFTA countries pay the full rate of duty: Commonwealth, Eirean and South African supplies enter duty free, except for a preferential sugar duty on products preserved in syrup.

(2) Plus 1¼ per cent duty on sugar content; Commonwealth and South African supplies ⅝ per cent.

(3) Whichever is the less.

SOURCE : H.M. Customs and Excise Tariff.

(4) British Trust Territories, Protectorates and Protected States, Burma, Eire, Iraq, Iceland, Jordan and Libya.

Details of the main quotas currently in force are as shown below. It will be noted that the July-December quota for apples from Western Europe and the Dollar Area is only 18 per cent of the total, thereby severely restricting competition in the home grower's main marketing season, and the agreements with Eastern Area countries place similar restrictions on the timing of shipments.

Quotas on Fresh Fruit and Fruit Products.

Area/Country	Product	Quota. Tons	Tons metric	£ '000	D.M. '000
Western Europe/ Dollar Area/ Argentina	Fresh apples : July -December	15200	15443	-	-
	January-June	68750	69850	-	-
	Fresh pears	28000	28448	-	-
	Canned and bottled apples	-	-	800	8960
Poland (1)	Fresh apples and pears	225	229	-	-
	Canned or bottled apples and pears	-	-	30*	336
	Apple pulp	700*	711	-	-
Czechoslovakia (2)	Fresh apples and pears	125*	127	-	-
	Canned and bottled apples	-	-	2*	22
Hungary (3)	Fresh apples and pears	240	244	-	-
	Canned apples	-	-	3*	34
Bulgaria (4)	Fresh apples and pears	-	-	20	224
Roumania (5)	Fresh apples and pears	60*	61	-	-

* = maximum amount specified under a composite heading.

(1) Year to 30 June, 1963.

(2) Year to 31 December, 1962.

(3) Year to 26 January, 1962.

(4) Year to 31 March, 1963.

(5) Year to 30 September, 1962.

(b) Horticultural Improvement Scheme.

This scheme came into operation in April, 1960 and will run, in the first instance, until April 1965. Under its terms, producers can obtain capital grants equivalent to one third of the cost of expenditure on approved improvements to their holdings. A total of £8 million (D.M.89.6 million) is to be made available over the period. Channel Island producers are not eligible for assistance under this scheme.

The grants are primarily designed to improve the preparation and presentation of produce for market and are mainly extended towards the costs incurred on buildings, plant and equipment used for this purpose, including storage equipment and facilities. But in addition, grants are payable towards the costs of improving existing glasshouse heating systems, grubbing orchards and providing a small area of glass on the smaller holdings. Finally, a whole range of measures designed to effect long term structural improvements to the holdings - for instance the provision of roads, fences and wind breaks - can also qualify for aid.

Horticultural co-operative marketing associations qualify for grant aid towards the costs of erecting or improving buildings, including cold stores, and the installation of plant and equipment used in preparing produce for market. And, in addition, the sum of £100,000 (D.M. 1.1 million) has been made available to encourage and facilitate (by financing surveys, executives' salaries, etc.) the formation of producers' co-operative marketing associations and help existing associations improve their efficiency.

Details of the number of schemes approved and the expenditure incurred in the first two years of the scheme are given below. The response to date has not been impressive. Only a sixth of the potential investment has been committed and only a tenth of the total number of producers who are estimated to be eligible for assistance have had improvement schemes approved. There are a number of reasons for this situation. No doubt many growers are finding difficulty in raising their two-thirds share of the cost of improvements either from profits or credit institutions. But, in addition, observation suggests that the return on investments in creating improved marketing facilities on individual holdings may be much lower than on outlays designed to improve and extend production facilities and activities. The exception to this general position is in the provision of cold storage facilities to extend the marketing season of top fruit, and it is clear that a considerable proportion of the total grant aid so far made available has gone for this one purpose.(5)

Horticultural Improvement Scheme, April, 1960 to March, 1962.

Number of schemes approved - United Kingdom 2809
- England and Wales 2549

	£ million	D.M. million
Total cost* of approved schemes -		
United Kingdom	4.4	49.3
England and Wales	4.0	44.8
Distribution of expenditure in England and Wales :		
Building works, including temperature controlled and gas stores	1.4	15.7
Thermal insulation, vapour sealing and plant and equipment for temperature controlled and gas stores	1.3	14.6
Glasshouse heating improvements	0.7	7.8
Plant and equipment for grading and preparing produce for market	0.3	3.4

* Exchequer liability is one third of sums shown.

(5) This emphasis is an unexpected outcome. When the Scheme was launched it wa made clear that it was designed to bring about "better presentation, better grading, better packing", and extending the marketing season is clearly not the same thing as extending and improving the general standard of grading and product presentation.

(4) The Distributive System.

(a) Technical Organisation.

Tomatoes, apples and pears follow the same distributive routes as do other fruits and vegetables and this section describes the organisation of the distributive system as a whole.

The situation is extremely complex but the main routes followed by home grown and imported products are shown diagrammatically in Figure 1. The wholesale markets in the centres of population constitute the hub of the system and most home grown and imported produce passes through them. Two types of wholesalers are recognised, primary wholesalers selling mainly on commission and secondary wholesalers who usually take title to the produce they handle. The "typical" route taken by produce is from grower to primary wholesaler in a major market - to secondary wholesaler in a subsidiary market - to retailer - to consumer. But this is a grossly over-simplified picture. Retailers near to the main central market buy supplies direct from commission agents. Secondary wholesalers handle produce on commission as well as by direct purchase and receive supplies from growers as well as through primary wholesalers. Moreover, the same wholesaling firm may be engaged in commission selling, outright purchase, and importing. Similarly, in addition to consigning their produce on commission to primary wholesalers and making firm sales to secondary wholesalers, growers also sell directly to dealers in the producing areas, to retailers, to consumers, through co-operative marketing associations and (in a few areas) through private or grower-owned produce auctions. Imported produce may be bought outright in the country of export or by private treaty or auction in the major ports or it may be handled on a commission basis, with or without advance deposits.

Although there is no end to the combinations of routes that home grown produce can take on its way to the consumer, although produce merchants operate in some 600-700 towns in England and Wales alone, and although there are some 250 ports in the United Kingdom through which imported produce may enter the country, what little quantitative information there is available about distributive channels suggests that:

(i) major proportions of home grown produce pass through central markets and are sold there on commission;

(ii) the wholesale trade in home grown and imported fruits and vegetables is concentrated in a relatively few major markets;

(iii) major shares of total imported supplies of tomatoes, apples and pears pass through relatively few ports of entry.

Table 19 presents the evidence for the first statement. It is somewhat slender, but it indicates that 90-95 per cent of tomatoes and table apples pass through central markets and most of these are sold by commission agents. A survey of marketing channels used by growers in the Lea Valley also suggested that some 95 per cent of total sales were made to commission agents, of which 88 per cent was direct to commission agents in central wholesale markets.(6)

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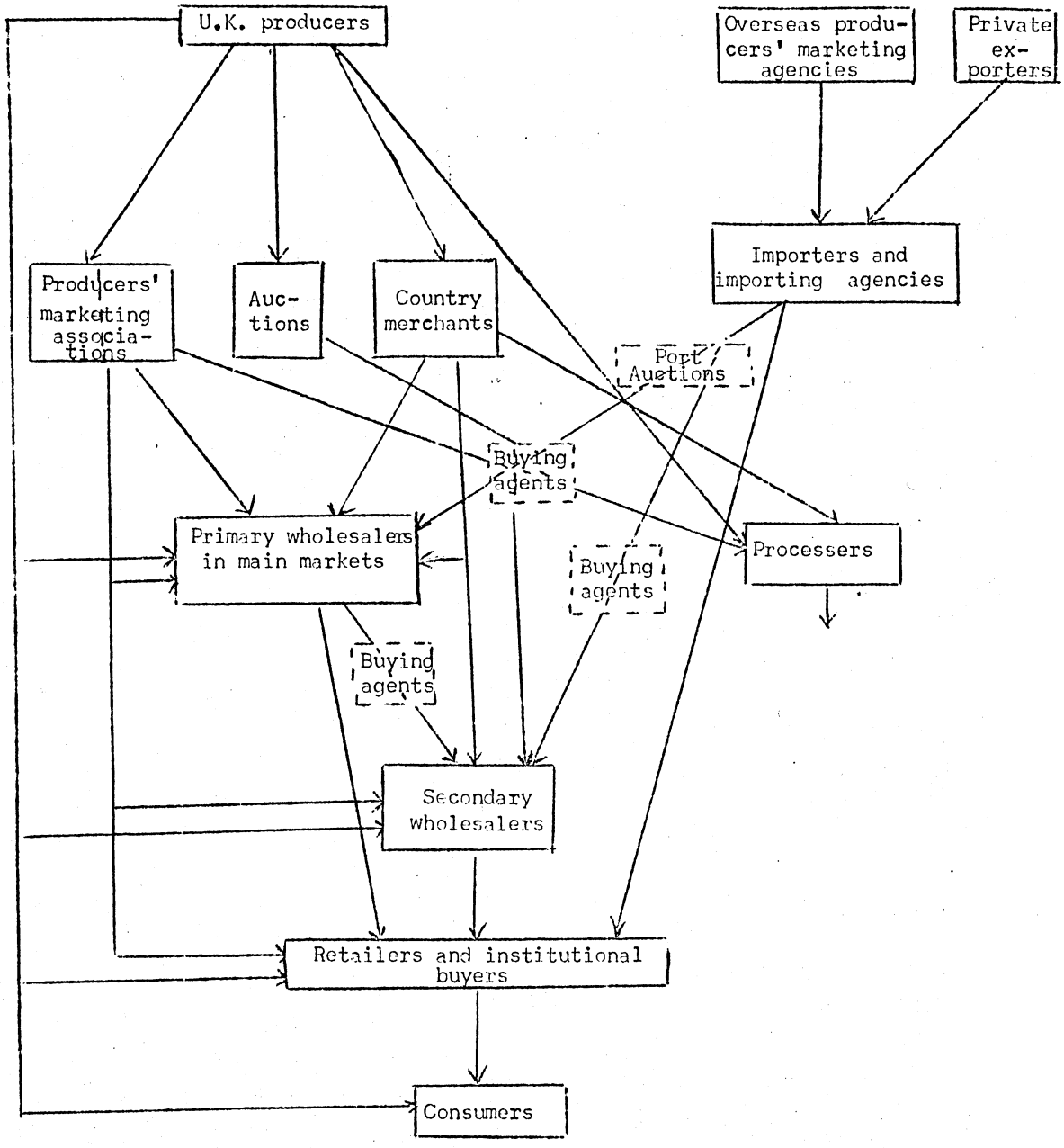
(6) BENNETT, L.G.; op. cit.

FIGURE I.

DISTRIBUTION CHANNELS IN THE UNITED KINGDOM FOR FRESH FRUIT AND VEGETABLES.



GROWERS' SELLING OUTLETS, 1955.

TABLE 19.

Percentage total sales by weight

	Firm Sales					Commission Sales	
	By retail	To retailers	To processers etc.	To local dealers	To wholesalers in markets	To wholesalers in major markets	To wholesalers in other markets
Tomatoes	0.7	7.5	0.5	2.5	6.4	53.6	28.8
Apples :							
Cox	0.1	2.4	0.3	0.3	12.5	73.8	10.6
Bramley	0.2	7.1	0.9	-	33.7	52.1	6.0

NOTES : This information was obtained by survey in 1955 from a total of rather less than 400 growers. Since that time there have been developments in direct sales by co-operative marketing organisations, particularly for dessert apples, but these associations still use the central markets for the bulk of their sales.

SOURCE : Report of the Committee on the Marketing of Horticultural Produce (The Runciman Report); Cmd. 61; (H.M.S.O.), 1957; Table 5, p. 156.

Table 20 indicates the extent to which wholesaling is concentrated in a few major centres. The 18 cities listed accounted for 74 per cent of all wholesale sales of home grown and imported produce in 1950 (£396 million) and the situation is thought not to have changed significantly since that date. This table also distinguishes markets which have an important function as primary centres of assembly and distribution (sales to wholesalers over 20 per cent) from those which predominantly serve the retailers in their immediate hinterland.

THE SIZE OF FRUIT AND VEGETABLE MARKETS IN GREAT BRITAIN.

TABLE 20.

	Sales in 1950		Proportion sales to other wholesalers
	£ million	D.M. million	Per cent
Greater London	158	1770	-
of which : Covent Garden	70	784	55
Spitalfields	27	302	52
Borough	18	202	65
Liverpool	23	258	60
Glasgow	15	168	38
Manchester	14	157	24
Hull	8	90	76
Newcastle	6	67	21
Bristol	6	67	47
Edinburgh	5	56	40
Southampton	4	45	65
Cardiff	4	45	35
Birmingham	13	146	12
Sheffield	4	45	3
Leeds	4	45	13
Nottingham	4	45	10
Bradford	3	34	6
Leicester	3	34	9
Norwich	2	22	5
Swansea	2	22	12

SOURCE : SMYTH, R.L.; The marketing of fresh fruit and vegetables grown in Great Britain, Farm Economist, Vol. IX, No. 5, 1959; Table 1, p. 191

Although imports of fresh fruits and vegetables may enter the United Kingdom by any one of 250 or so ports, Table 21 indicates that major proportions of imported supplies of fresh tomatoes, apples and pears enter through 12, 8 and 5 ports respectively.

UNITED KINGDOM IMPORTS OF FRESH TOMATOES, APPLES AND PEARS BY PORTS, 1957.

TABLE 21. Per cent

	Proportion of total imports in 1957(1)		
	Tomatoes(2)	Apples	Pears
London	29.9	37.7	36.9
Boston	4.3	n.a.	n.a.
Dover	6.9	5.8	7.5
Harwich	2.5	15.0	7.5
Hull	1.4	5.3	3.6
Merseyside	16.0	12.1	n.a.
Newcastle	0.6	0.9	n.a.
Portsmouth	7.6	n.a.	n.a.
Southampton	12.5	11.9	26.5
Weymouth	14.8	n.a.	n.a.
Glasgow	n.a.	4.4	n.a.
Belfast	1.5	n.a.	n.a.
Total	97.8	93.0	82.0

(1) By weight.

(2) Includes imports from Channel Islands.

SOURCE : Trade of the United Kingdom; Vol. IV; Supplement 1955-57.

(b) Costs and Efficiency.

Although the marketing of fruits and vegetables in the United Kingdom has for years been the target of a great deal of criticism, there seems no reason to dissent from the view of the Committee which enquired into the structure and efficiency of the horticultural marketing system(7) that - having regard to the difficulties inherent in effecting the distribution of perishable commodities, in variable supply both as to quantity and quality, having a variable and price inelastic demand, and being produced and purchased in small lots in geographically separated areas - the existing organisation of produce marketing is broadly suitable and the distributive system functions at reasonable cost.

Distributive margins for fruits and vegetables compare favourably with those in other countries(8) including such countries as

(7) The Runciman Committee.

(8) The Marketing of Fruits and Vegetables in Europe; O.E.E.C./E.P.A.; Project 249C; July 1956. Differences in real price levels in the various countries are thought to be not so great as to invalidate conclusions based on percentage margins.

Holland where general grade standardisation, a superficially much less complexly organised distributive system and superior physical market facilities, might have been expected to result in a smaller spread between producers' and consumers' prices than is the case in the United Kingdon.

FRUIT AND VEGETABLE DISTRIBUTIVE MARGINS.

TABLE 22. Gross margin(1) as percentage of sales

All home grown and imported produce	At wholesale		At retail	
	% 10.7(2)		18.9	
	Sales on commission	Outright purchases	Range(3)	Average
	%	%	%	%
Home grown :				
Tomatoes	6.7	7.3	22 to 32	25
Apples - Cox	9.0	15.6	24 to 29	25
- Bramley	10.2	20.2	25 to 33	28
Imported :				
Tomatoes	6.7	19.0	n.a.	n.a.
Apples	5.6	12.2	n.a.	n.a.

(1) Differences between receipts from sales and payments to consigners or purchases.

(2) This figure is not very meaningful as it includes sales by wholesalers and importers to other wholesalers. If sales between traders are excluded, the gross margin on sales to retailers and other final buyers becomes 18 per cent.

(3) Range between different parts of the season, not between retailers or individual transactions.

SOURCE : Census of Distribution, 1950.
Runciman Report, op. cit.; Tables 7 and 8, pp. 158-159.
SMYTH, R.L.; op. cit.

With no substantial barriers to entry into the distributive trades and with distribution being in the hands of large numbers of firms,(9) competitive price formation is the rule at all stages of the distributive system. Overall distributive margins are not high compared with those incurred on other commodities; margins consist mainly of costs; profits in retailing are low and in wholesaling are at competitive levels having regard to the risks, skills and capital involved.(10)

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(9) There are about 150,000 retailers of fruit and vegetables of whom about 40,000 are specialist greengrocers. Wholesaling firms number 3,000-4,000, including more than 300 firms primarily engaged in selling on commission, about 2,400 secondary wholesalers, 150 specialist importers, and an unknown number of country merchants, grower-wholesalers, producers' marketing associations, and retailers partially engaged in wholesaling.

(10) SMYTH, R.L.; The Distribution of Fruit and Vegetables; Duckworth, 1959; Chapter III; and Runciman Report, op. cit.; paras. 25-97.

However, the distributive system is far from being perfect and incapable of improvement, and a number of weaknesses which add to costs are well recognised. Amongst the more important are :

(i) The existing central markets and their associated system of road and rail communications are inadequate in size and facilities to cope with the volume of produce they are now required to handle. The resulting congestion adds to costs through delays, wastage, inability of traders to mechanise handling, barriers to entry of new firms and general restrictions on traffic movement in the market areas.

(ii) The general absence of recognised grade standards compels purchase by inspection rather than description and adds to costs by forcing produce to be routed through the central markets and by raising the general level of skills required in distribution.

(iii) Inadequate long and short-term market intelligence and the poorly developed "market sense" of growers leads to planting cycles and excessive reconsignment of produce about the country.(11)

(iv) Producers have been slow to combine together to secure economies in grading, packing and selling in bulk.

These topics will be returned to in the final section of this report, but at this point the position with regard to grade standards for tomatoes, apples and pears in the United Kingdom can be made clear.

(c) Grade Standards.

The conditions which have impelled standardisation of grades in other countries, e.g. the requirements of export markets, the operation and policing of price support systems and long transport distances, have never existed in the United Kingdom. Consequently, the extent to which produce was graded has been determined by the commercial advantages which individual producers derived, or thought they would derive, from the practice, and there has been no form of compulsory grade standardisation in Great Britain.

On the other hand, producers in parts of the United Kingdom which "export" to the mainland have found it advantageous to grade their produce and to employ compulsory grade standards enforced by inspection. Thus the Northern Ireland Ministry of Agriculture, in conjunction with the merchants' association, runs a compulsory grading and inspection service for all Bramley apples exported to Great Britain; and all exports of Guernsey tomatoes are packed to grade standards imposed and enforced by the Guernsey Tomato Board.

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(11) Planting and production cycles are of no importance in the marketing of the three commodities with which this report is specifically concerned. The extent to which the distributive chain is excessively long is the subject of much controversy; see ALLEN, G.R.; Reorganisation of Fruit and Vegetable Marketing", Bul. Oxford Inst. Stats., Vol. 18, No. 4, Nov. 1956 and subsequent discussion, Vol. 19, No. 3, Aug. 1957.; Vol. 20, No. 4, Nov. 1958; and SMYTH, R.L., Farm Economist, op. cit.

There has, however, been a great deal of effort put into the encouragement of the acceptance of grading on a voluntary basis. The Government has published "Recommended" grade standards for all the important fruits and vegetables, and it operates a Grade Assessment Service in ten main English central markets which provides individual growers with an independent assessment of how their produce matches up to market requirements and competing produce. In addition, the Tomato and Cucumber Marketing Board (T.C.M.B.) has published recommended tomato grades and permits growers who voluntarily adhere to the grades to use a mark on their produce, and the Horticultural Marketing Council (H.M.C.) has recently published recommended grades for apples and pears. The official recommended grades and those published by the T.C.M.B. and the H.M.C. are not dissimilar from the specifications laid down by the E.C.E.

No precise data is available on the extent to which home grown produce is graded, but one estimate has stated that "one third of fruit and glasshouse produce is already graded to the equivalent of European norms, and one third to a lower standard. The remaining one third is ..... graded only to field standards".(12) This probably understates the position in respect of mainland-produced tomatoes, apples and pears which are the horticultural commodities for which (voluntary) grading has probably progressed the furthest. Possibly as much as 40 per cent of the home grown tomato and dessert apple crops are graded to standards approximating those of the E.E.C., and for pears the proportion may reach 75 per cent. However detailed grade specifications still vary widely between producers, and the above proportions relate to the volume of produce and not to numbers of growers.

(5) Producers' Organisations.

(a) Marketing Boards.

(i) Tomato and Cucumber Marketing Board.

The Tomato and Cucumber Marketing Scheme applies to Great Britain; it does not extend to Northern Ireland or the Channel Islands. All growers with more than 500 tomato plants fall under its aegis and must pay a levy towards its operations.

Under the Scheme as at present approved the Tomato and Cucumber Marketing Board (T.C.M.B.) has no trading powers and only limited regulatory powers, and exercises little control or influence on the marketing of tomatoes.

Under the regulatory powers granted under the Scheme the Board may prescribe the terms of sale, determine the descriptions of tomatoes which may be offered for sale, and require producers to deal only with buyers and agents approved by it. It can advertise the produce, encourage and promote grading and the standardisation of grades and packs, promote and conduct research and co-operation, and enter into negotiations on behalf of its members.

Under the authority of the above powers the Board has attempted to improve the efficiency of tomato marketing by providing its members with a number of miscellaneous services. Thus, it has conducted advertising campaigns, organised a market intelligence

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(12) COLLYER, L.G.; Horticulture and the Common Market, paper read to the Agricultural Economics Society, July, 1962; to be published.

service, attempted to promote better grading and co-operative marketing by producers, and it has sponsored technical and economic research. In addition (and many producers see this as its major role) the Board has, in conjunction with the Farmers' Unions, made representations to the Government on matters affecting its members, particularly on trade and tariff policy. The Board's power to prescribe the descriptions of tomatoes which may be offered for sale by registered producers has been used on only one occasion - it banned the sale of small and blemished tomatoes for a month in 1959. The lack of any control by the Board on the volume of imported tomato supplies is, of course, a severe limitation on its ability to use this power to manipulate total supplies and prices.

Provided it secured Ministerial approval and the support of two thirds of its members controlling two thirds of the productive capacity, the Board could exercise a further wide range of powers. These include the power to trade in tomatoes, to fix producers' prices, to enforce compulsory grading and to require members to sell all their produce to or through the agency of the Board itself. In fact, on two recent occasions the Board has attempted to secure the right to trade in tomatoes and to co-operate (on a commercial basis) with other producers' marketing associations, but on each occasion it has been refused this power on a poll of its members.

This is symptomatic of a wider malaise. The Board has never had, or has lost, the support of a substantial minority of producers. Indeed, ever since the Scheme was introduced in 1950, the Board has constantly had to resist the opposition of a vocal and influential section ot its members, and has only narrowly survived three revocation polls. This opposition stems from a number of roots. There is some opposition on dootrinaire grounds to the powers of compulsion exercised by the Board and particularly the power to impose levies and fines. Many producers believe that the functions at present performed by the Board could be equally or more effectively carried out by other agencies e.g. Government agencies, voluntary co-operatives, individual growers, etc. Many growers are disappointed by the results of its activities as a lobbying agency and perceive that in this activity it has never gained a separate identity from its sponsors, the Farmers' Unions, nor significantly enhanced the political strength of these organisations. Inept management and poor public relations have also played their part in losing the Board support. Finally, many producers have come to appreciate that without political or market power the Board can have little tangible influence on tomato prices and the incomes of its members, and further that the Board has little likelihood of securing political power from the Farmers' Unions and that really effective market power is denied it by its lack of control over imported supplies.

The stage has now been reached where the continued existence of the Scheme is in jeopardy. The N.F.U., after first withholding its support on the occasion of the most recent revocation poll, has agreed to a further two year period of "probation". The Board will again attempt to secure trading powers from its members in this period, and has also announced its intention to ask for powers to impose compulsory grading on the industry. If these powers are denied the Board by its members, which seems likely, the Tomato and Cucumber Marketing Scheme will no doubt be brought to an end.

(ii) The Guernsey Tomato Marketing Board.

This producers' marketing organisation has more effective power than its British equivalent and, whilst not without its opponents, seems to have a continuing role to play in the organisation of tomato marketing on the island.

The Board is a trading organisation, handling all the island's tomato exports as agent of its members. Produce is packed on the holdings or by private packers, graded to compulsory standards enforced by officers of the States Horticultural Committee, and shipped to agent-wholesalers in the British central markets. Producers are paid pooled prices according to grade, the Board making deductions to cover its administrative and marketing costs.

Amongst the factors which have contributed to the success of the Guernsey Board compared with its British equivalent are the dependence of the island's economy on the successful exploitation of an export trade: the high cost of transportation which has made it commercially unprofitable to ship low-grade produce and has thus predisposed the island's growers to acceptance of rigorous grading: the ease of enforcing grading when the bulk of produce is funnelled through one point, the port of despatch: the commercial acumen displayed by the Board's officers particularly in the allocation of supplies between markets, in the "squeezing" of distributors' margins, and in their willingness to suit grades and packs to modern retail and transportation conditions and requirements.

Some of these factors are also present in Jersey, and it is of interest to note in passing that moves are afoot on that island to introduce some form of centralised marketing organisation. At the moment the Jersey trade is in private hands, but grading is general and the States and Jersey Produce Merchants' Association work closely together to regulate the export trade. Specifically, the export of low grade produce is occasionally banned by the States when prices are low on representation from the Merchants' Association.

(iii) Apple and Pear Marketing Board.

The formation of an Apple and Pear Marketing Board in Great Britain was for long a policy objective of the National Farmers' Union. A comprehensive Scheme was submitted to producers in 1954 but failed to secure sufficient support on the initial poll (the first time a marketing scheme had failed on a producers' vote). A Scheme with the limited objective of compulsorily raising funds for promoting apple and pear consumption was drafted in 1957, but was withdrawn after a ruling in the High Court that it did not comply with the requirements of the Agricultural Marketing Acts. Since then a powerful section of opinion has continued to urge the desirability of "organised" apple and pear marketing in which the two major functions of the regulatory agency would be the banning of low-grade produce from wholesale markets by the imposition of minimum grades and the promotion of apple consumption.

However, the N.F.U. has now abandoned the idea of introducing a marketing Scheme for these commodities.(13) This is partly due to the revelation by a recent poll of a continuing lack of overwhelming support for a Scheme within the industry, and partly to the fact that an independent study of apple marketing prepared for the N.F.U. recommended that the basis of market development should be voluntary groupings of producers organised on a commercial basis and motivated solely by commercial considerations, rather than through an all-embracing compulsory marketing Scheme having pseudo-political obligations and objectives in addition to regulatory functions.(14)

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(13) Horticulture in the 60's; National Farmers' Union 1962; p.17.

(14) Apple Marketing : report prepared for the N.F.U. by Produce Studies Ltd.; Part I, British Farmer, 10 October, 1959; Part II published by N.F.U. 1959.

(b) Voluntary Marketing Associations.

The recommendation regarding the development of apple marketing by producers in the study referred to above was quickly followed by a similar recommendation for the development of the tomato market by commercially-orientated, voluntary associations of growers.(15) Both reports were soon implemented by growers (acting initially without prompting or control by the N.F.U. or the T.C.M.B.) in a manner which is one of the most healthy developments in the tomato and fruit industries for many years.

Recent months have seen the formation of several voluntary tomato marketing associations and the federation of the leading apple marketing co-operatives and marketing associations. The association of tomato growers are known as "regional marketing units", the federated apple marketing group is Home Grown Fruits Ltd. Whilst these bodies are in principle co-operatives, in practice they are selective of membership and admit only growers or co-operatives who are prepared and able to supply quality produce of types and varieties suited to market requirements and willing to accept centralised packing and grading to rigorous uniform standards, centralised distribution, and the use of a common brand label.

As yet the marketing associations are in their early stages, but it is estimated that regional tomato marketing units are already handling 3-5 per cent of the home grown tomato crop, and that Home Grown Fruits Ltd. controls the marketing of not less than 25 per cent of the dessert apple crop as well as a substantial proportion of the commercial production of dessert pears and culinary apples. Most observers agree that it is in the extension of these associations, rather than through producer marketing Boards or the traditional voluntary co-operatives, that future development of producer-controlled and organised marketing lies.

(c)' Horticultural Marketing Council.

The formation of the H.M.C. stemmed from a recommendation of the Runciman Committee. It is composed of representatives of growers, wholesale traders, retailers and workers (with processers, the transport industry and the authorities controlling central markets represented on functional committees), and is charged with the task of promoting the general efficiency and development of horticultural marketing in the United Kingdom. It does this by co-ordinating, conducting, promoting and sponsoring consumer, technical and economic research, conducting educational publicity and recommending grade specifications. The Council can only act through education and exhortation; it has no regulatory powers.

During the first three years of its existence it is being financed by the Exchequer up to a maximum of £250,000 (D.M. 2.8 million). After May 1963 the Council will be self-supporting and it proposes to raise some £300,000 (D.M. 3.4 million) a year from levies imposed on producers, wholesalers and retail distributors. Part of the Council's greatly increased revenue may be used to finance an organisation, or organisations, charged with the task of promoting the consumption of home grown fruits and vegetables. However, whilst

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(15) Tomato Marketing; report prepared for the N.F.U. and the T.C.M.B. by Produce Studies, Ltd.; 1960.

the N.F.U. has recommended growers to accept the charges scheme proposed by the Council there is a great deal of opposition among wholesalers and retailers, and it is by no means certain that the Council will survive beyond April, 1963. If this were to result it would be a great pity, for in the first two years of its existence the Council has initiated an immense amount of well-conceived research into problems of strategic importance to the industry.

(d) Commonwealth Fruits Council.

The C.F.C. is an informal organisation of representatives of apple and pear producers in Australia, New Zealand, Canada, South Africa and the United Kingdom. The Council is primarily a forum for the exchange of information and the discussion of mutual problems, but its more tangible results include the joint financing of publicity to promote the consumption of fruit, and a "gentleman's agreement" that overseas producers will limit their shipments of apples and pears to the United Kingdom market during the domestic grower's main marketing season

II. PROBLEMS AND PROSPECTS.

This section treats of certain problems which would arise if Britain were to join the E.E.C. and adopt the measures contained in the E.E.C's common agricultural policy proposals for fruits and vegetables.

(1) The Commonwealth Trade Problem.

The difficulties in this matter are well known. The purpose of this section is merely to record the statistical picture of Commonwealth trade in fresh tomatoes, apples and pears and products derived from them, and some of the factors influencing existing trade patterns.

(a) Tomatoes and Tomato Products.

It has already been shown in Table 5 that no Commonwealth country has a stake in the United Kingdom market for fresh tomatoes, and Table 23 shows that their stake in the market for tomato products is small despite preferential tariff treatment and the shelter of quota restrictions on supplies from major Eastern Area producers. The trade of Canada and Australia in tomato juice appears to be the only sector where problems would arise from Britain's reversing preferences in favour of E.E.C. countries.

(b) Apples and Pears and Products.

Commonwealth countries and South Africa supply rather more than half of the United Kingdom's imports of table apples, and a third of the imports of fresh pears (Table 24 and 25). Australia is the largest single Commonwealth supplier of apples and pears. New Zealand and Canada also are important suppliers of apples, and South Africa (which continues to receive preferential rights of entry for her products) also has a major stake in the British market for both apples and pears. Australia, New Zealand and South Africa owe their large market shares primarily to the complementarity of the Southern Hemisphere and European crop seasons but they have undoubtedly benefited from their right of tariff and quota-free entry. Canada, on the other hand, has lost the dominant position in the market for apples which she occupied before the war as a result of her inclusion under the quota restrictions placed upon supplies from Dollar Area countries in post-war years. However, her export trade in apples with the United Kingdom has shown signs of recovering since the Dollar Area and Western European quotas were combined in 1958.

Despite quota restrictions, European countries are the major source of imports of apple products (Table 26), though Australia and Canada have a variable share of the trade, amounting to as much as one third of total imports in some years. Australia dominates the import trade in canned pears with South Africa following a distant second (Table 27).

Table 28 shows the overwhelming importance to the major Commonwealth countries and South Africa of the United Kingdom market as an outlet for their exports of apples and fresh and canned pears. All the countries concerned have made heavy plantings of orchard fruit in recent years and the United Kingdom has been viewed as the main outlet for the additional supplies. Furthermore no sufficiently large alternative markets can be

IMPORTS OF TOMATO PRODUCTS, UNITED KINGDOM,[1] 1956 to 1961.

TABLE 23.

	1956			1957			1958			1959			1960			1961		
TOMATO PASTE, PUREE AND PULP :	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Commonwealth countries	+	+	+	0.1	0.1	0.3	+	+	0.1	+	+	+	+	+	0.1	+	+	0.1
Italy	35.4	36.0	83.6	21.9	22.2	72.0	31.2	32.2	80.0	35.9	36.5	83.2	31.3	31.8	73.3	33.7	34.3	80.2
France	3.8	3.9	9.0	2.5	2.5	8.2	3.7	3.8	9.4	1.6	1.6	3.7	2.8	2.8	6.4	0.2	0.3	0.6
Portugal	2.1	2.2	5.0	3.6	3.7	11.9	2.6	2.6	6.6	4.5	4.6	10.5	5.5	5.6	13.0	4.8	4.9	11.4
Other foreign	1.0	1.0	2.4	2.3	2.3	7.6	1.5	1.6	3.9	1.1	1.1	2.6	3.1	3.1	7.2	3.2	3.3	7.7
TOTAL IMPORTS	42.4	43.1	100.0	30.4	30.9	100.0	39.5	40.2	100.0	43.1	43.8	100.0	42.7[2]	43.4	100.0	42.0	42.7	100.0
TOMATOES, OTHER (incl. canned) :																		
Italy	56.3	57.2	97.9	71.8	72.9	98.2	63.5	64.5	97.6	49.5	50.3	88.9	61.9	62.9	88.8	58.8	59.7	90.5
Bulgaria	3.1	0.4	0.6	1.1	1.1	1.5	1.4	1.5	2.2	4.2	4.2	7.5	5.5	5.6	7.9	4.9	5.0	7.5
Others	0.8	0.9	1.5	0.3	0.3	0.3	0.1	0.1	0.2	2.1	2.1	3.6	2.2	2.3	3.3	1.3	1.3	2.0
TOTAL IMPORTS	57.4	58.4	100.0	73.1	74.3	100.0	65.0	66.0	100.0	55.7	56.6	100.0	69.7[2]	70.8	100.0	64.9	66.0	100.0
TOMATO JUICE :																		
Canada	0.7	0.8	9.1	0.4	0.4	5.6	0.3	0.3	3.4	1.4	1.4	14.1	2.1	2.1	18.9	3.7	3.8	28.0
Australia	3.0	3.0	35.1	1.5	1.5	21.3	2.5	2.5	26.7	1.7	1.7	17.0	1.3	1.3	11.8	1.1	1.2	8.6
Other Commonwealth	0.1	0.1	1.7	0.3	0.3	4.0	0.2	0.2	1.9	+	+	0.4	+	+	0.5	+	+	0.2
SUB-TOTAL	3.9	4.0	45.9	2.2	2.2	30.9	3.0	3.0	32.0	3.1	3.2	31.5	3.4	3.4	31.1	4.9	5.0	36.8
Italy	3.1	0.3	36.6	3.7	3.8	52.7	5.2	5.3	55.6	5.1	5.2	51.7	5.0	5.0	45.5	6.0	6.1	45.1
France	0.5	0.5	5.9	0.2	0.2	2.6	0.4	0.4	3.7	0.2	0.2	2.0	0.2	0.2	1.9	0.4	0.4	2.7
U.S.A.	0.2	0.2	2.4	0.2	0.2	2.8	0.2	0.3	2.6	0.5	0.5	4.9	1.6	1.6	14.6	1.0	1.0	7.5
Other foreign	0.8	0.8	9.3	0.8	0.8	11.0	0.6	0.6	6.1	1.0	1.0	9.9	0.8	0.8	6.9	1.1	1.1	7.9
TOTAL IMPORTS	8.5	8.6	100.0	7.0	7.1	100.0	9.3	9.5	100.0	10.0	10.1	100.0	10.9[2]	11.1	100.0	13.3	13.5	100.0

(1) Excluding Channel Island supplies.

(2) Amended total; details by country not available.

SOURCE : C.E.C.; Fruit Intelligence.

IMPORTS OF TABLE APPLES, UNITED KINGDOM, 1956 to 1961.

TABLE 24.

	1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Commonwealth and South Africa																		
Canada	15.6	15.9	8.4	12.5	12.7	7.0	13.9	14.1	7.4	15.0	15.2	7.7	16.9	17.2	9.1	20.6	20.9	9.7
Australia	52.3	53.1	28.2	45.6	46.3	25.4	69.6	70.7	37.2	66.3	67.4	34.0	56.8	57.7	30.4	65.1	66.2	30.8
New Zealand	24.0	24.4	13.0	21.2	21.6	11.8	21.6	22.0	11.6	21.3	21.6	10.9	18.9	19.2	10.1	20.9	21.2	9.9
South Africa	19.9	20.2	10.7	24.3	24.7	13.5	29.1	29.6	15.6	21.5	21.9	11.0	31.0	31.5	16.6	34.2	34.8	16.2
Others	0.1	0.1	0.1	0.2	0.2	0.1	0.3	0.3	0.1	0.4	0.4	0.2	0.8	0.8	0.4	0.7	0.7	0.3
SUB-TOTAL	111.9	113.7	60.4	103.8	105.5	57.8	134.5	136.7	71.9	124.5	126.5	63.8	124.4	126.4	66.6	141.5	143.8	66.9
Foreign																		
Italy	48.9	49.7	26.4	53.1	54.0	29.6	32.5	33.0	17.3	40.1	40.8	20.6	32.2	32.8	17.2	32.1	32.8	15.3
Netherlands	4.3	4.4	2.3	2.7	2.8	1.5	3.2	3.3	1.7	2.7	2.7	1.4	2.4	2.4	1.3	2.5	2.5	1.2
Denmark	0.5	0.5	0.3	0.8	0.8	0.4	0.5	0.5	0.3	0.8	0.8	0.4	1.0	1.0	0.5	2.7	2.7	1.3
U.S.A.	10.1	10.3	5.5	8.5	8.6	4.7	8.6	8.7	4.6	13.8	14.0	7.1	19.8	20.1	10.6	21.4	21.8	10.0
Argentina	7.6	7.7	4.1	8.6	8.7	4.8	4.6	4.7	2.5	10.4	10.6	5.3	6.3	6.4	3.4	9.0	9.0	4.2
Other foreign	2.0	2.0	1.0	2.2	2.2	1.2	3.3	3.3	1.7	2.8	2.8	1.4	0.8	0.8	0.4	2.4	2.4	1.1
TOTAL IMPORTS	185.3	188.3	100.0	179.7	182.6	100.0	187.2	190.2	100.0	195.1	198.2	100.0	186.9	189.9	100.0	211.6	215.0	100.0

SOURCE : C.E.C.; Fruit Intelligence; April, 1962.

IMPORTS OF TABLE PEARS, UNITED KINGDOM, 1955 to 1961.

TABLE 25.

	1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Commonwealth and South Africa																		
Australia	14.7	14.9	24.6	15.3	15.5	28.1	20.6	20.9	33.5	13.5	13.7	22.4	17.0	17.3	28.0	15.8	16.1	24.0
Canada	0.1	0.1	0.2	-	-	-	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.3
New Zealand	0.9	0.9	1.5	0.4	0.4	0.7	1.4	1.4	2.2	2.7	2.8	4.6	0.4	0.4	0.7	2.5	2.5	3.7
South Africa	17.9	18.2	30.1	17.2	17.5	31.8	13.1	13.3	21.4	19.7	20.0	32.7	13.5	13.7	22.2	17.5	17.8	26.5
Others	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.3	-	-	-
SUB-TOTAL	33.6	34.1	56.4	32.9	33.4	60.6	35.2	35.7	57.3	36.0	36.6	59.9	31.3	31.8	51.5	36.0	36.6	54.5
Foreign																		
Italy	11.4	11.6	19.2	9.7	9.9	18.0	14.8	15.0	24.1	13.7	13.9	22.7	16.3	16.5	26.8	17.0	17.3	25.8
Holland	4.7	4.8	7.9	3.5	3.6	6.5	3.5	3.6	5.8	3.3	3.4	5.6	4.3	4.4	7.1	7.1	7.2	10.7
Belgium	0.3	0.3	0.5	0.2	0.2	0.4	0.3	0.3	0.5	0.1	0.1	0.2	0.2	0.2	0.3	-	-	-
U.S.A.	4.6	4.7	7.8	3.4	3.4	6.2	2.3	2.4	3.9	6.0	6.1	10.0	3.7	3.8	6.2	3.7	3.8	5.7
Argentina	3.7	3.8	6.3	3.8	3.9	7.1	4.7	4.8	7.7	0.8	0.8	1.3	4.7	4.8	7.8	1.7	1.7	2.5
Yugoslavia	1.1	1.1	1.8	0.6	0.6	1.1	0.3	0.3	0.5	-	-	-	-	-	-	-	-	-
Other foreign	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.5	0.5	0.8
TOTAL IMPORTS	59.5	60.5	100.0	54.2	55.1	100.0	61.3	62.3	100.0	60.1	61.1	100.0	60.7	61.7	100.0	66.0	67.1	100.0

SOURCE : C.E.C.; Fruit Intelligence; April, 1962.

IMPORTS OF APPLE PRODUCTS, UNITED KINGDOM, 1956 to 1961.

TABLE 26.

	1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Apples and apple pulp preserved without sugar:																		
Australia	2.4	2.4	32.1	0.2	0.2	6.3	2.0	2.0	23.5	0.2	0.2	3.4	0.3	0.3	10.1	0.7	0.7	9.6
Canada	-	-	-	-	-	-	0.6	0.7	7.6	0.5	0.5	8.9	0.4	0.4	14.3	2.0	2.0	26.2
SUB-TOTAL	2.4	2.4	32.1	0.2	0.2	6.3	2.6	2.7	31.1	0.7	0.7	12.3	0.7	0.7	24.4	2.7	2.7	35.8
Eire	0.1	0.1	0.8	0.3	0.3	10.2	0.4	0.4	4.4	0.1	0.1	2.4	0.1	0.1	4.2	0.1	0.1	1.9
Belgium	1.7	1.8	23.3	0.7	0.7	26.8	1.1	1.1	12.5	0.9	0.9	17.3	0.5	0.5	18.5	0.9	0.9	11.8
Netherlands	3.2	3.3	43.1	1.6	1.6	56.7	3.2	3.3	37.9	3.4	3.4	68.0	1.4	1.4	51.6	2.2	2.3	29.2
Other foreign	+	+	0.7	-	-	-	1.2	1.1	14.1	-	-	-	0.1	0.1	1.3	1.6	1.6	21.3
TOTAL	7.4	7.6	100.0	2.8	2.8	100.0	8.5	8.6	100.0	5.1	5.1	100.0	2.8	2.8	100.0	7.5	7.6	100.0
Canned apples preserved in syrup :	0.1	0.1	..	+	+	..	0.1	0.1	..	0.2	0.2	..	0.1	0.1	..	0.2	0.2	..

SOURCE : C.E.C.; Fruit Intelligence.

IMPORTS OF CANNED PEARS (PRESERVED IN SUGAR), UNITED KINGDOM, 1956-1961.

TABLE 27.

	1956			1957			1958			1959			1960			1961		
	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%	'000 tons	'000 metric tons	%
Australia	24.6	25.0	61.3	27.4	27.9	72.8	32.9	33.4	72.6	35.3	35.8	67.7	38.8	39.4	69.9	34.6	35.2	60.2
Canada	0.2	0.2	0.4	+	+	0.1	0.4	0.4	0.9	0.9	1.0	1.8	0.2	0.2	0.4	0.7	0.7	1.2
Other Commonwealth	0.7	0.7	1.8	0.2	0.2	0.5	0.2	0.2	0.4	0.2	0.2	0.3	0.4	0.4	0.7	0.4	0.4	0.6
SUB-TOTAL	25.5	25.9	63.5	27.6	28.1	73.4	33.5	34.0	73.9	36.4	37.0	70.0	39.4	40.0	71.0	35.7	36.3	62.0
South Africa	5.7	5.7	14.1	7.0	7.1	18.5	7.1	7.2	15.8	7.8	7.9	15.0	7.5	7.7	13.6	12.1	12.3	21.0
Italy	1.0	1.0	2.6	1.1	1.1	2.9	2.1	2.2	4.7	4.1	4.2	7.9	3.7	3.7	6.6	7.1	7.2	12.3
Netherlands	3.1	3.1	7.6	1.1	1.1	2.9	1.6	1.6	3.5	1.7	1.7	3.3	2.3	2.3	4.2	1.7	1.7	3.0
Other foreign	4.8	5.0	12.2	0.9	0.9	2.3	1.0	1.0	2.1	2.1	2.1	3.3	2.6	2.7	4.6	1.0	1.0	1.7
TOTAL IMPORTS	40.1	40.7	100.0	37.7	38.3	100.0	45.3	46.0	100.0	52.1	52.9	100.0	55.5(1)	56.4	100.0	57.6	58.5	100.0

(1) Amended total, details by country not available.

SOURCE : C.E.C.; Fruit Intelligence.

UNITED KINGDOM AS AN EXPORT OUTLET.

TABLE 28.

Per cent

	Exports to United Kingdom of								
	Apples			Pears			Canned Pears		
	as proportion total exports these products								
	1958	1959	1960	1958	1959	1960	1958	1959	1960
Australia	62.9	74.7	63.9	76.0	64.2	69.9	98.3	97.8	98.3
New Zealand	79.2	70.0	55.4	..	..	..	..	..	..
Canada	30.1	40.6	44.1	..	..	..	40.8	92.5	80.4
South Africa	71.9	60.8	60.8	79.5	66.7	60.8	93.4	93.0	94.1

SOURCE : C.E.C.; "Fruit" 1961.

quickly developed. Small wonder then that Australia, New Zealand, Canada and South Africa view with foreboding the possibility of a reduced demand for their products in the United Kingdom market consequent upon the common external tariff being levied on their exports and preferential entry being afforded to supplies of fresh and processed fruit from European sources. This foreboding is the greater in the light of the rapid rate of expansion of Italian and French production of apples and pears and the expansion in those countries of storage and processing capacity. Furthermore, whilst it is true that the export of fresh and processed apples and pears accounts for only a small proportion of the total exports of the countries concerned (generally less than two per cent), nevertheless, unfavourable terms of access to the British market would cause acute distress to particular areas and communities in each country. Moreover, whilst it is clear that the difference in the marketing seasons between Southern Hemisphere and European countries will tend to preserve a substantial part of the demand for Australian, New Zealand and South African fresh apples and pears (particularly the latter which are less easily stored for long perdiods) nevertheless the increase in European gas storage capacity and the fact that Italian apples are already available on the British market from August to June suggest that the Commonwealth countries and South Africa will face a real threat to the maintenance of their present level of exports. For Canadian exports of fresh apples and Australian and South African exports of canned pears, the situation appears to be that a reversal of preferences in favour of E.E.C. countries would result in a straightforward diminution of trade with no ameliorating features.

(2) Problems for United Kingdom Producers.

There can be little doubt that United Kingdom horticultural producers would be adversely affected by Britain's entry into the E.E.C. through the consequent dismantling of the existing high tariffs and stringent quotas which at present regulate competition with European suppliers of fruits and vegetables.

Removal of the tariff on tomatoes would result in the domestic (and Channel Island) tomato producer being exposed to increased competition from Dutch supplies of fresh tomatoes and, to a lesser extent, from Italian exports of processed tomato products. Increased competition would be felt throughout the home-grower's marketing season.

Similarly, removal of existing quota restrictions and tariffs on European imports of fresh and processed apples and pears would permit increased access to the United Kingdom market for the mounting export surpluses of Italy and France and such supplies would coincide with the whole of the home marketing season. The grower of dessert apples and pears would be most seriously affected, but although imports of culinary and processing fruit are expected to increase only marginally under free trade the price level for such fruit could be expected to move downwards in line with price reductions for table fruit.

Certain factors have been cited which would attenuate the impact on British growers of freer access to the United Kingdom market for European suppliers of tomatoes and fruit.(16) For instance, it has been pointed out that the United Kingdom would not be the only country removing import barriers and that Germany,

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(16) See, for instance, FOLLEY, R.R.W.; Commercial Horticulture in Britain : its Character and Competitive Strength; Wye College; 1960.

which is already the major importer within the E.E.C., might become a relatively more attractive outlet than the United Kingdom for Dutch, French and Italian exports. This would be especially true if incomes there continue to rise faster than in the United Kingdom, and if, as seems to be the case, the United Kingdom tomato and fruit industries are relatively more efficient than the corresponding industries in Germany. Then too domestic producers have the advantage of proximity to consumers and with it the potential ability to market a fresher article,(17) whilst consumers have a general preference for home grown produce and in the case of apples a marked preference for varieties which Europe does not produce in quantity for export, namely Cox and Bramley.

However, whilst such observations have validity, there would seem to be no doubt that removal of tariff and quota barriers would result in an increase in exports to the United Kingdom market of Dutch tomatoes throughout the domestic growers marketing season, of Italian apples in the late autumn and post-Christmas periods, and of early Italian pears in August and stored pears from October onwards. The increased supplies would depress prices on the British market and with them producers' incomes. This would tend to accelerate the present decline in the glasshouse tomato area and with it the size of the glasshouse industry,(18) and bring about a contraction in the area of dessert apples and pears in the longer term.

Considered dispassionately there seems to be no economic case for attempting to impede these results of freer trade. All the evidence suggests that the general level of competitive efficiency of glasshouse tomato and dessert apple and pear production in the United Kingdom compares unfavourably with the levels in the main exporting countries of Europe and that a higher degree of international division of labour would be economically advantageous.

Thus a study of the comparative efficiency of Dutch and British tomato production(19) concluded that the Dutch industry was producing more cheaply than the British industry by reason of such factors as its more successful application of modern technologies, possession of more modern and better types of glasshouses and greater use of labour saving equipment (automatic stoking, watering and ventilating equipment, etc.). These factors, together with a larger average size of holding(20) and a high standard of grading and presentation, enable the Dutch industry to compete over substantial tariff barriers and earn adequate returns to labour and capital at lower

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(17) This factor is probably less important for tomatoes and apples than for most other horticultural commodities.

(18) There is only a very limited scope for switching glasshouses to such other uses as flower production.

(19) FOLLEY, R.R.W.; Tomatoes the Dutch Way; report prepared for the Netherlands Central Bureau of Horticultural Auctions; 1959.

(20) The average size of glasshouse holding in Great Britain is 0.4 acres, in Holland 0.6 acres. The comparative distribution of tomato acreages size groups is as follows :

	Great Britain.	Holland.
	%	%
Up to 0.5 acres	35	5
0.6 to 1.0 acres	15	23
1.1 to 3.0 acres	22	57
3.1 to 5.0 acres	6	8
Over 5.0 acres	22	7

SOURCE : FOLLEY, R.R.W.; op. cit.

average prices. The economic importance of the availability of marginally cheaper labour and fuel is difficult to assess because of differences in hours worked and the incidence on employers of fringe benefits and social charges, and the fact that the industries in the two countries predominantly use the fuels which are relatively the cheaper in each (oil in Holland, coal in Britain). But in any event if Holland does have factor price advantages these should logically be exploited by regional specialisation of production. Climatic advantages can probably be discounted; the Westland area of Holland has inferior light and temperature conditions in winter and early spring to those in Worthing and other coastal areas, though superior to those in the Lea Valley.

On the other hand, a report on the Italian apple and pear industries(21) suggested that their superior competitive strength stemmed mainly from climatic and soil factors, the excellent climate, controlled water table and fertile soils giving high yields of well "finished" fruit. These advantages were supplemented by the availability of cheaper labour and the use of private and co-operative centralised grading, packing and marketing services. Again, economic logic would dictate that these advantages be exploited by an extension of regional specialisation and trade.

(3) Regulation of Marketing in the United Kingdom.

Although it is too early to judge the final form and content of the E.E.C's policy for fruits and vegetables, so far as can be ascertained at present the provisions in the proposals for the regulation of trade in fruits and vegetables in the common market stage between countries of the E.E.C. do not in themselves provide much comfort for British tomato and fruit growers. It seems unlikely that the banning from trade of sub-standard produce under the general provision for the application of quality standards, the prevention of dumping under the common rules of competition, or the ability of national governments to take certain circumscribed safeguarding measures to maintain producers' incomes, will separately or in concert result in a price level being maintained comparable to that which has been enjoyed under tariff and quota protection. This is because sub-standard imported produce is not presently found on the British market, dumping has never been proven and is thought not to occur, and because exporting countries, and the Commission, are most unlikely to sanction national measures to control imports so as to maintain prices at levels which the British tomato and fruit industries would find satisfactory in the present state of their competitive efficiency vis-a-vis the Dutch and Italian industries. That is, it is thought that even "regulated competition" will tend to force price levels down in the United Kingdom.

Furthermore, although there has been some welcome for the principle contained in the proposal that quality standards should be progressively applied to fruits and vegetables marketed within member countries, and though it is true that general price levels in the United Kingdom are presently depressed by the marketing of a good deal of low-quality produce, in practice it is unlikely that the removal of such produce from internal markets would entirely compensate for the price-depressing effect of freer intra-Community trade,

If the above interpretations are valid then it would seem that the locus of alleviative measures must lie in national measures undertaken during a transitional period to facilitate structural

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(21) HOBBIS, E.W. and LUCKWILL, L.C.; Apple and Pear Growing in Italy; Long Ashton Research Station, 1961.

changes within the industry and the marketing system, to bring about an improvement in productivity on individual holdings, and generally to raise the competitive efficiency of the United Kingdom tomato, apple and pear industries. Some such measures are discussed below, but before proceeding to these a few comments will be made on other matters arising from the application of the E.E.C. fruit and vegetable regulations to imported and home grown produce on the United Kingdom market.

The application of uniform grade standards to imported produce and their enforcement by inspection probably raises fewer problems than the regulation of internal markets if only because most imported produce is already graded to standards at least as high and exacting as those laid down by the E.E.C. Nonetheless, the creation of a sufficiently large and adequately trained inspectorate is an obstacle which cannot be lightly dismissed since there appear to be substantial institutional and administrative barriers to the offering of the kind of salaries and career prospects which would be required to attract the considerable number of personnel needed to inspect (even on a sample basis) the 2.0 to 2.5 million tons of fresh fruit and vegetables imported annually into the United Kingdom. Furthermore, although it is true that a high proportion of the imports of the three commodities dealt with in this report enter through a relatively few major ports, the existing congestion in these ports is an obstacle to any requirement that the points of entry should be still further concentrated in order to facilitate inspection.

Even more complex and intractable problems are involved in the application of mandatory grades by 1965 to the internal market under Article 3 of the fruit and vegetable regulations, for it is by no means clear how mandatory and universal grade standardisation is to be introduced and administered in a country with at present only a partial adherence to the practice of grading, where grade specifications vary widely between the producers who do grade beyond field standards, where such grading as is done is mainly carried out on numerous, small, individual holdings, with no personnel equipped to train growers in the use of statutory grades, where there is great geographic dispersal of production, and where produce moves into consumption along a great diversity of routes.

Enforcement of grade standards requires that produce be inspected at a limited number of points, and that all, or virtually all, produce should pass through these points. Such conditions already exist in countries like Holland where production is geographically concentrated and where most produce must pass by law through production-area auctions. But in Britain production is dispersed and, whilst it is true that much produce is channelled through a relatively few large central markets, a significant proportion by-passes the central markets, either being sold by retail, to retailers, or to isolated wholesalers in the several hundred smaller towns which have no central fruit and vegetable markets.

Furthermore, if a primary objective of grade standardisation on internal markets is to support prices by preventing the marketing of the lower grades of the total supply, then it would probably not be sufficient to inspect and regulate only part of the total supply, (for instance that part which passes through central markets at present or which is handled by the larger producers' marketing associations), for producers who chose to market produce which fell below the minimum grades could readily find outlets and thereby weaken the contrived price structure. This would seem to indicate

that producers must either be compelled or persuaded to route all their produce through a relatively few central points in order that grade standards can be effectively enforced.

It might be assumed that the obvious starting point in Britain would be to base the inspectorate at the points where a major part of the total supply is already concentrated i.e. the central fruit and vegetable markets in consuming areas together with those points in producing areas where some produce is presently bulked (growers' co-operatives, the larger private and collectively owned packing stations and the few existing produce auctions), and then require all produce to be routed through these points.

But the difficulties involved in requiring more produce to pass through existing central markets are obvious. Facilities in the central wholesale markets are already inadequate and to force through them that part of home produced supplies which at present takes more direct routes to consumers would seriously exacerbate the chronic congestion in the markets and adjacent areas. Moreover, it would run contrary to current developments in the marketing pattern whereby an increasing volume of produce is by-passing the markets (a development which, be it noted, would tend to be reinforced by any extension of grading and grade standardisation). Hence compulsory routing of more produce through existing central markets would add to marketing costs, run "against the grain" of trends in distribution, and arouse the opposition of many interests. The additional costs of reconsignment, delays and wastage might even be greater than any gains to growers from the regulation of supplies by the removal of sub-standard produce.

Given time and a considerable investment, the number of consuming area central markets could no doubt be increased and existing markets could be re-sited or modernised so as to overcome the problems of inadequate facilities, and facilitate market regulation through grade inspection. Such a course has long had its advocates, though on general grounds of cheapening distribution rather than as part of a programme of market regulation.(22) However, the problems involved in such a course are also considerable. To mention but a few, the investment would be large; the return on the investment - from savings in marketing costs, higher prices to producers, lower prices to consumers, less traffic congestion in urban centres, etc. - uncertain; and the problems of town planning are complex.

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(22) The Runciman Committee recommended the establishment of an additional market in the Greater London area, and the improvement of facilities in other markets under the aegis of a London Markets Authority; see, Cmd. 61, op. cit., Part II.
G.R. Allen has advocated the creation of additional central markets in several provincial towns and cities; see Agricultural Marketing Policies; (Blackwell), 1959, Chap. 8.
L.G. Collyer, among others, has put forward a scheme for the rebuilding of Covent Garden; see, The Port Terminals and Markets of London; report prepared for the London Fruit and Vegetable Trade Federation Ltd. and the Fruit Importers Association; June, 1960.
The H.M.C. and the N.F.U. constantly stress the need for development and modernisation of wholesale markets; see H.M.C. second Annual Report, and Horticulture in the 1960's, op. cit.

An alternative or supplementary course would be to increase the number of points in producing areas at which produce could be brought together for grade inspection.

The most forthright advocates of such a development[23] seem to envisage the setting up of a network of produce auctions similar to those in Holland, the importation of the clock auction method of sale and the operation of a surplus disposal system involving levies and compensation funds. The usual objections made to such a proposal - that the interpolation of production area market centres into the distributive system introduces an additional link to the chain and addsunnecessarily to costs, and that production is much less concentrated geographically in Britain than in Holland thereby making the system comparatively more costly - have never been fully or satisfactorily refuted, though in connection with the latter objection it has been asserted (erroneously) that "... fifty centres in the U.K. would ... bring as much as 90 per cent of home production within a radius of 15 miles (24 kilometres) of a centre, and give each an average turnover of some £3 million (D.M.34) if all fruit, vegetables and flowers passed through them".[34]

But whatever the merits of the case for establishing production-area auctions (and they appear to be slight) it is clear that it would require time for them to be brought into operation and that they could not in any event be functioning by July 1965.

The establishment of further producer-controlled marketing associations is a development much to be desired in terms of the impact it would have on the costs of marketing and standards of presentation, and central packhouses in producing areas would be points at which a grade inspectorate could function. However, as in the case of production-area markets, dispersal of production would militate against complete coverage by centralised grading and packing facilities and, though recent months have seen the creation of co-operative marketing associations at an unprecedented pace, it is unlikely that any great number of centres could be operating by 1965 even in those limited areas where producers' co-operative marketing associations are potentially viable.

It would seem therefore that the regulation of fruit and vegetable markets in the United Kingdom must fall into two distinct parts. Regulation of imports by requiring adherence to standard grades would be difficult but, given an extended period in which to recruit and train an inspectorate, could be brought into operation in a relatively short time though probably not by 1965. The progressive application of quality standards to the internal market is even less straightforward. No detailed study has yet been made as to how such a system might be organised, and specifically at what points in the distributive system inspection might be made.

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(23) COLLYER, L.G.; Horticulture in the Common Market; op. cit. The N.F.U. has stressed the need for further study of Dutch-type marketing arrangements, and appears to see producing area markets primarily as an effective institutional arrangement for removing seasonal surpluses from the market. "The only method of marketing established so far which allows this operation to be carried out reasonably successfully is the clock auction system which has been developed to the full in Holland"; see, N.F.U. publication "Farm and Food Plan", August, 1962.

(24) COLLYER, L.G.; ibid.

and whether and where additional facilities for assembling produce would need to be provided. Possibilities include an expansion and modernisation of central markets in consuming areas, the creation of points of first sale in producing areas, and an increase in the number and coverage of producer-controlled marketing associations with centralised packhouses in producing areas. It is likely that a combination of all three approaches would eventually be necessary, but time would be needed firstly to make detailed studies of the alternatives and the requirements of each area, secondly to create the necessary physical facilities once choices have been made, and thirdly to create an inspectorate and train growers in the requirements of the E.E.C. grades. In the circumstances it is difficult to see how a comprehensive system of grade regulation could be operated in the United Kingdom by 1965.

In general, however, it would seem that there would be considerable support amongst producers for the introduction of mandatory grades and grading and a system which prevented produce falling below a minimum grade being offered for sale. The introduction of such a system is already a general policy objective of the N.F.U.;(25) the T.C.M.B. intends to seek powers to enforce compulsory grading of tomatoes in the near future;(26) and the N.F.U. Fruit Committee has accepted the principle of there being a minimum grade for market offerings of dessert apples and pears.(27) Furthermore, the close similarity between the specifications of the E.C.E. and E.E.C. grades and the official recommended grades, the T.C.M.B's grades for tomatoes and the H.M.C's grades for apples and pears, together with the recommendation of the Agricultural Central Co-operative Association that its member-co-operatives should adopt E.C.E. grades, would seem to indicate that British producers would find the E.E.C. grades broadly acceptable and representative of market and consumer utilities.(28)

In addition, there appears to be support amongst producers for any move within the E.E.C. to ban the sale of produce on commission. The possibility that to require firm sales would add to wholesalers' risks and hence costs, and thereby depress prices to producers should be at least partly offset by the counter-economies resulting from mandatory grading and grade standardisation.

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(25) Horticulture in the 60's; op. cit. pp. 17-18.

(26) T.C.M.B. Journal; August, 1962.

(27) Grower; 16th February, 1962.

(28) The N.F.U. has reservations about the dessert apple colour standards as they apply to the variety Cox's Orange Pippin and is uncertain as to how far producers' views on such matters can be effectively made known through the Management and Advisory Committees : see, Report on Visit of N.F.U. Horticultural Team to Certain European countries; Cyclo 1430/62 Hort. 234; N.F.U. 1962.

Commonwealth apple producers have also stated that existing E.E.C. apple grade specifications would discriminate against some of the varieties they market : see, Grower; 2nd June, 1962.

(4) Special Assistance to United Kingdom Producers.

Amongst the numerous measures which it has been suggested might be extended to British horticultural producers in order to facilitate the entry of the United Kingdom into the E.E.C., two which have been most widely advocated are the granting of an extended transitional period to British growers and the operation of a minimum import price system in the transitional and common market stages.

To the extent that the economic difficulties facing British producers as a result of freer trade are no greater than, nor different in kind to, those facing producers in other importing countries of the E.E.C., the first proposal lacks merit. On the other hand the authorities of the Community countries have hade some years in which to study the measures required to implement the fruit and vegetable regulations and it could be argued that the British authorities should be given a similar preparatory period. However, it seems quite probable that the other members of the E.E.C. will, like Britain, find difficulty in creating the organisation, facilities and inspectorate necessary to permit the progressive application to imports and to internal markets of standard grades, and that this phase of the fruit and vegetable regulations will not therefore, in practice, be implemented in the Community as a whole by 1965 as proposed.

The permanent application by Britain of a system of minimum import prices(29) is a proposal which probably has little chance of acceptance, though as a transitional arrangement it has merits provided it was not used in such a way as to systematically counter the opportunities for exporting countries created by the removal of quota and tariff barriers.

But there is even more merit in proposals which aim either to facilitate the transfer to other uses of resources displaced from horticulture as a result of intensified competition, or to improve the competitive structure and efficiency of the industry and the marketing of its products.

It has for instance been proposed that contraction of the industry should be facilitated by the introduction of a scheme for compensating producers on non-viable holdings who are displaced by competition.(30) This proposal has (understandably) been rejected by the N.F.U.(31) which, at this stage, prefers publicly to press for terms which would not involve a diminution of the employment capacity of the industry. A related proposal which is reported to be under study in the N.F.U.(32) is that there should be a limited and selective easing of Town and Country Planning regulations in order that non-viable holdings could be surrendered to urban or industrial development. There can be little doubt that many horticultural businesses located close to centres of population (especially in the Lea Valley) would long since have been abandoned or moved to climatically better endowed sites if permission to develop their land could have been secured.

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(29) A measure favoured by the T.C.M.B.; see, Grower, 9th December, 1961.

(30) Britain's Food and the Common Market; United Kingdom Council of the European Movement; 1961.

(31) Annual General Meeting; January, 1962.

(32) Grower; 17th March, 1962.

Proposals to improve the productive efficiency of the industry include extending the Horticultural Improvements Scheme and the provision of special credit facilities for horticultural producers. The N.F.U. would like to see a higher rate of grant-aid under the H.I.S. than the present one third, and the extension of the Scheme to encourage investment in equipment used in production, e.g. to soil sterilisation, plant irradiation, automatic watering and ventilating equipment. A minor adjustment which could encourage the grubbing of the smaller orchards on mixed farms (which are the source of much low quality fruit) would be to lower the total project cost limit of £100 so as to make aid available for the grubbing of orchards less than, say, 2.5 acres (one hectare) in size. And, provided one accepts the necessity of bribing producers to do what they ought to do in their own self-interet anyway, there is also a case for the provision of grant-aid to encourage the top-working of orchards planted with varieties for which there is a poor market demand. The advocates for the provision of special credit facilities are currently urging the need for a credit service on the lines of the Dutch Horticultural Security Funds, under which the availability of loans is largely dependent on the experience and skill of the borrower and the productivity of the proposed investment, rather than on the collateral the grower is able to provide.(33) It may well be true that such a scheme would fill a gap in the sources of medium-term credit available to British growers.

Many of the measures required to improve the efficiency of fruit and vegetable marketing in the United Kingdom have already been touched upon. Modernisation of central markets in consuming areas ranks high on most commentators' lists of priorities, though few have considered whether the wider adoption of grading and grade standardisation, the formation of producers' marketing groups and the development of more direct means of distribution, will not of themselves soon solve many of the problems of congested central markets (as has occurred in more advanced countries) and result in a low return on the effort and investment it is now suggested should be put into market reorganisation. However, if action were contemplated this is certainly a field which could not be left to the price mechanism since public action and monies would be required. A wider development of co-operation amongst growers in marketing is clearly desirable and though grants under the Horticultural Improvement Scheme are already available for erecting and equipping central packhouses and stores, further public assistance to accelerate the formation of growers' marketing associations might be considered worthwhile.

In these several ways, then, aid might be extended to fit the horticultural industry in the United Kingdom for the more competitive conditions which lie ahead. Some of those mentioned recommend themselves partly on economic grounds, but most must be regarded primarily as measures which will make politically acceptable the withdrawal of tariff and quota protection.

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(33) HINTON, W.L.; Capital Needs in Horticulture; Westminster Rev.; August, 1961.

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