Policy Study No 112

Set Food Markets Free

Repeal the Agricultural Marketing Acts

Richard Pool and Andrew Threipland

CENTRE FOR POLICY STUDIES

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The authors

Andrew Murray Threipland is a dairy farmer in West Wales, where he established a farm cheese dairy in 1985.

Richard Pool is a beef and sheep farmer in Devon. He is a director of a company in Northern Ireland currently marketing milk from outside the monopoly.

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. . . and the spirit of monopolists is narrow, lazy and oppressive: their work is more costly and less productive than that of independent artists: and the new improvements so eagerly grasped by the competition of freedom, are admitted with slow and sullen reluctance in these proud corporations, above a fear of a rival, and below the confession of an error. We may scarcely hope that any reformation will be a voluntary act, and so deeply are they rooted in law and prejudice that even the omnipotence of Parliament would shrink from an enquiry into the state and abuses of the . . .

Edward Gibbon, 1788.

Preface

Government monopolies control the marketing of milk, wool and potatoes in Britain. This paper outlines the origin of the monopolies in the 1930s; their growth into large commercial operations; the economic, social and technical changes which have occurred since 1930 and the position of such national monopolies in a common European market. It pays particular attention to the five milk marketing boards in the United Kingdom, because they dispose of the greatest powers and money.

These monopolies have long outlived their purpose. They are worse than anachronistic; they do real damage to our farm and dairy industries.

The Government should immediately end its grant and supervision of national farm monopolies, and leave the securing of an equitable balance of farmer and consumer interests to the provisions of the Treaty of Rome and a free market.

Further, this paper recommends the repeal of the Agricultural Marketing Acts, under which the monopolies are established. It looks to the boards enjoying a future as voluntary farmer marketing bodies.

Ending the monopolies will lead to a flowering of innovation, modernisation and consumer choice in a free, competitive market; and the end of milk simply as a bulk commodity. Doorstep milk delivery and dairy produce sales will gain from freedom; farmers will regain a part in the dairy trade; consumers will benefit from better choice, quality and price.

An Anecdote

In a workshop in Pembrokeshire stands a stainless steel machine, beautifully engineered, which cost about £225,000 five years ago. The face of this delicate machine has been scored by a chisel, intended to render it useless for cheesemaking. This was not the work of some Luddite but of a workman on the orders of a company wholly owned by a government monopoly. It was a waste of an expensive, 'state-of-the-art' item of capital equipment, paid for by dairy farmers. The interests of dairy farmers and consumers would be far better served by as many cheese plants as possible competing for their milk, rather than by acts of vandalism sponsored by the State.

The workshop is part of Nevern Dairy, a small cheese dairy owned by one of the authors of this paper. It is now closed for five days a week, although it was set up to run seven days a week; ten men have been laid off. The government monopoly has chosen to enter into contracts to supply Mexico with milk powder; and EEC legislation, designed to ensure at least some competition in the monopoly-ridden British milk industry, gives priority to export over the strong and unsatisfied demands of Nevern's Welsh and English consumers. The monopoly, granted and supervised by Whitehall, prevents Nevern buying milk from farmers; compels it to stand idle. The taxpayer subsidises the foreign consumer by some £700 per tonne of powder; and pays more for cheese than he should, simply because less cheese is made than is wanted. Cheddar prices rose by 20% from June to September 1989. Unemployment is created; a traditional and labour intensive product is suppressed; milk powder is produced, effectively at a loss, in highly automated plant in a region of high unemployment.

The England and Wales Milk Marketing Board, the principal villain of the piece, inhabits a large office in the suburbs of London which orders whose milk goes where; who may do what with it; how much they shall pay. It operates under direction of the British Government, and with grudging approval and detailed regulation from Brussels. It makes consumers pay more for milk which they drink than for milk used for butter or cheese, because it thinks that this makes them drink more. The boards sell to themselves one-third of all milk produced in the United Kingdom; and use their monopolies to subsidise their commercial plants. They frustrate initiative and innovation. They stop farmers or dairies selling milk to each other across the hedge. They cause embarrassment in Brussels. The United Kingdom has been fined millions of pounds for its transgressions of EC regulations. The whole exercise is unnecessary – a waste of time, effort and thought.

1
Origin of the monopolies

The 'great betrayal' of 1921 saw the abolition by government of tariff protection for agriculture. It was followed by the depression of the 1930s. Farms were let for nominal rent, or left unoccupied. One good Suffolk farm of 835 acres was let for a farthing an acre – £1 in total a year. 75% of this went on statutory fees. So this farm was worth 25p p.a. to its owner!*

Grasping buyers of farm produce became popular ogres. The idea grew that the small independent farmer was no match for the bigger and more powerful (and often the only) buyer of farm produce. A mythology of the big bad buyer grew up, and has been cultivated ever since; it has become part of the folk law of British farming.

Ramsey McDonald's Government, in need of all the support it could get in rural by-elections, gave in to the farm lobby and in 1931 passed the first Agricultural Marketing Act. This act permitted the formation of marketing boards which were producer monopolies to restore the balance between farmer and buyer. It is this Act, and subsequent Acts based on it, which we propose that the Government now repeal.

Between 1930 and 1939 such boards were established for hops (1932); milk (1933); pigs and bacon (1933); potatoes (1933); and milk produce (1939). The first act of each board was to fix prices; at the same time the Government took power under the Agricultural Marketing Act to support these prices by a ban on the import of any commodity covered by the monopolies. Such bans were imposed for potatoes, pigs and milk.

There is dispute over whether farm gate prices were rescued by the marketing boards in 1933 or whether the subsequent price increases were the result of the general improvement in the economy. Certainly the monopolies brought the farmer the highly valued benefits of a guaranteed sale of his produce at the same price as his neighbour, together with prompt, assured payment. Created to protect farmers, the monopoly boards

* Equivalent to about 4 days' wages for a farm worker. The same farm would today be rented for the *annual* wage of five farmworkers'. Agricultural fortunes were made by those enterprising enough to buy at the bottom of the market.

undoubtedly succeeded in that ambition. Small and remote farmers especially gained at the expense of stronger farmers and farmers who were near consumers. The landscape of Britain was changed. The delightful patchwork of hedgerows and small grass fields which is the very picture of livestock farming moved from the South-East to the less fertile – but wetter – soils of the North and West. The Boards pay the same wherever milk is produced; so the cows have been moved away from the people.

The monopolies were not initially welcomed by milk buyers, but this quickly changed. One of the first acts of the milk boards was to set *minimum* margins for milk distribution. The wages of milk roundsmen rose twice as fast as the wages of farm labourers between 1933 to 1939. These margins, for many years set by government, and the rules for milk allocation necessitated by the absence of competition between buyers, continue to cause market distortions today.

It was natural that independent milk processing companies should join together to negotiate with the monopoly supplier of milk. All dairies today receive milk on the same terms and at the same price as their rivals: which is why they continue today to support the monopolies.

This dairy negotiating body, the Dairy Trade Federation, is currently exempt from the Restrictive Practices Act, an exemption not included in proposed new legislation. Most agreements between dairy traders owe their origin to the monopoly; many go far beyond the need to present a united front to the boards and aim primarily at limiting competition between diaries. Prices are held higher than necessary, the consumer is served less well, and capital is wasted unnecessarily.

As early as 1934 these monopolies, and especially the milk monopolies, were seen as having moved the balance of power too far in favour of producers and the dairy trade. The inevitable distortions have been explored in over 30 government reports since that time. As early as 1935 the Plunkett Foundation, guardian of consumers and cooperatives, concluded that the success of the producer monopolies depended in no small degree on their ability to hold to ransom the taxpayer and the consumer.

Objection to the excess power of the producer monopolies, especially to the acquisition of dairies, reached a peak on 3

September 1939, when Parliament approved the Milk Products Board and gave buyers of milk products an equal monopoly, matching that of dairy farmers. Logically, this should have been extended to a Milk Shops and Doorstep Board, and indeed a monopoly Housewife Milk Buyers Board. Other concerns at the time took over.

Between 1939 and about 1954 all food marketing as all agriculture was directly controlled by government. With the end of rationing, marketing boards were restored to farmer control, though under close government direction. Several new monopolies were added: (wool 1950); tomatoes and cucumbers, (1950); apples and pears (1953); eggs, (1956). They attempted to combine a cooperative idealism with the backing of law. The real truth was that they provided a means for government control.

A list of all the boards that have been formed is given in Annex I. Many have been wound up, as serving no purpose, being illegal or even harmful. The best known and least lamented was the Eggs Marketing Board.

Since 1973, when Britain joined the EEC, national producer boards have become anachronisms. For good or ill, farmer interests are well represented in the Council of the EEC. European surplus has replaced domestic shortage; consumer interest has replaced producer need; competition has replaced corporatism; and a European agricultural regime and European support has replaced national control and national subsidy.

The monopoly boards currently in existence are for:

- milk (England & Wales; Northern Ireland; three boards in Scotland);
- wool (United Kingdom); and
- potatoes (Great Britain only).

Of these, the Milk Marketing Board for England and Wales is by far the most important. Its monopoly function has a turnover of £2,000 million and its commercial activities a further £750 million.

2
Milk

The milk monopolies rest on a ban of any sale of milk by any dairy farmer to anyone except his milk board. This is enforced by an internal board 'court', which may pass heavy fines on anyone selling milk other than to or with the approval of the board: fines enforceable, without review, in the law courts.

Commercial activities

The milk boards sell all milk produced in Britain, a function now called by them 'producer activities' and referred to in the EEC legislation as their statutory function. Over the years they have also developed their own commercial activities and are now dominant in milk collection from farms, milk distribution, butter, cheese and yogurt making and distribution of chilled products.

These commercial activities were neither intended nor foreseen when the boards were set up. Once started, the new activities naturally grew in circumstances of unlimited financial resources and no accountability for proper return on investment. Under such names as 'Dairy Crest' the boards now buy one third of all British milk and dominate much of the domestic milk and dairy industry. Inevitably, and despite recent attempts, largely cosmetic, to separate the statutory and commercial sides of the boards, the tie between the monopolies and these 'commercial' activities involves the boards in conflicts of interest. The boards in their dual capacity act against the public interest in raising the consumer price of milk for some uses, against the producers' interests in depressing the price of milk sold to themselves, and against all interests except their own in attempting to eliminate all milk users other than themselves.

The EEC Commission in 1979 thought it was authorising the statutory side of the boards. Within days of this authorisation, the England and Wales Board announced a large expansion of its commercial activities by purchasing sixteen dairy plants from Unigate. It is very doubtful if the Commission would have authorised the monopolies if it had known of this impending extension of non-statutory activities. The board and Unigate had been discussing the transfer of these sixteen dairies for the previous five years.

Community legislation requires the boards to agree their sale prices and other matters in negotiations between the boards and their buyers 'on an equal footing'. This is impossible when the board is the largest buyer from itself. An extreme example occurred in 1983. 90% of all butter for intervention was made by Dairy Crest, a Board subsidiary. The price the Board charged itself for milk for use in butter differed from all other milk prices and was subsequently found by the European Court of Justice to have been illegal.

This conflict between the producer interests of the boards and their manufacturing interests distorts milk pricing, milk allocation – the whole structure of the industry. And this is made worse by a recent expansion of the Board in its bottling of milk from 6% of the market in 1987 to 16% in 1989, with a likely increase of turnover of Dairy Crest from £750 million to over £1,000 million.

The statutory part of a board allocates all milk between users. An official can destroy a successful dairy business, even if it is producing products the public wants, by denying milk. This is facilitated by the official's knowledge of the complex rules and his ability to interpret them, with little or no appeal, to whomsoever's advantage he chooses.

The commercial activities have been financed on the basis of the monopolies; inevitably the milk boards borrow money, or reduce payments to farmers, on the basis of their being the exclusive buyer of farm milk. This use of the monopolies is now prohibited by the EEC legislation (and is currently before the European Court of Justice). A government auditor reported in 1984 that Dairy Crest would not have been able to raise on the open market the funds which the board supplied for it greatly to increase its business.

The Milk market

Up to about 1965 the Government used the monopoly, together with its control of the board sale price of milk for liquid and a complex subsidy/penalty régime, to limit milk production to the demands of the liquid market. Any excess production caused the farm-gate price to fall. Inevitably, drinking milk prices rose faster than other milk prices, production increased and demand was forced down.

One unexpected testimony of the dedication of the Government and boards to the cause of year-round liquid milk consumption is the proliferation across the countryside of slurry pits and silage clamps; black plastic, old tyres and the pollution of water courses; all a necessary consequence of winter milk production. In Ireland, most farmers milk cows in the summer only. Butter and cheese made in the summer is kept in cold store for winter consumption; the farmer stays in bed on winter mornings. His 'dry' cows in winter need less food, less coddling and less energy than cows in milk. They dung less, and out in fields.

Wrong price indicators have led to British milk now being more abundant in February than in August. This winter milk production pollutes; and the polluter and his customers should pay. Consumers should again have the opportunity to enjoy a lower price for milk from summer grass than from winter silage, as was the case in England and Scotland before the monopolies. There should again be the possibility of a greater reliance in Britain on dairy products made from milk from summer grass and kept in cold store till winter.

From 1933 the Government backed the monopolies by a ban on the import of milk but limited the monopolies by permitting the import of dairy produce; butter and cheese from Ireland, New Zealand and elsewhere.

Until 1985 the Government also controlled the doorstep price of milk. Dairies thus had a fixed margin, based on a guaranteed return on capital and re-negotiated each year with government. They also had and still have the benefit of a cartel which is exempt from the provisions of the Restrictive Practices Acts. The Government funded a subsidy for London, with higher distribution costs, and a subsidy in Northern Ireland where milk production was far above local consumption. Both these subsidies ended in the last twelve months, under pressure from competitors from other EEC Member States.

The milk industry was thus geared to liquid milk sales and to the doorstep milk market.

The result is a two tier pricing structure fundamental to the boards. The boards sell the same milk for different prices according to the use the buyer intends to make of it.

Typical are the average milk prices for 1936/37:

milk for liquid 15.22 pence per gallon,

milk for butter/cheese 5.75 pence per gallon.

The current board price-lists show some twelve different prices for the same milk. Possibly rational in the 1930s, this tiered pricing is no longer needed in an era of production quotas.

Recent board sale prices are:

Net Return for Milk (pence per litre)

	1975/6	76/7	77/8	78/9	79/80	80/1	81/2
Liquid	5.9	8.3	11.2	12.4	13.5	15.4	16.5
Other	6.6	7.5	8.3	9.7	11.0	12.2	13.4
	82/3	83/4	84/5	85/6	86/7	87/8	88/9*
Liquid	17.8	17.9	18.4	19.3	20.0	20.8	[22.2]
Other	14.3	14.2	13.4	13.9	14.2	(14.2)	[17.5]

*Authors' estimate

Note how the difference has lasted over the years.

Milk production and use was:

Farm Production and Liquid Consumption (thousand million litres a year)

	1933	1938	1943	1948	1953	1958
Farm production	4	6	6	8	9	9
Liquid consumption	3	4	5	7	7	7
	1963	1968	1973	1983	1988	
Farm production	11	12	13	15	16	15
Liquid consumption	7	7	7	7	7	7

Note the steady high-priced liquid consumption. The balance of the milk produced goes to the growing dairy products sector.

Milk production and prices from 1955 to 1977 were under government control. The stop-go economic signals given to farmers and the dairy industry in this period caused great confusion. When Britain joined the EEC the Government, especially under Mr Peter Walker as Minister of Agriculture, urged a massive increase in national milk production – cut short by the imposition of an emergency stop on all EEC farms' milk quotas, in 1984. Since then, with production limited and being steadily reduced, the demand for milk for butter/cheese has escalated.

The EEC milk and dairy products market organisation, in place in the United Kingdom by 1978 after a five year transition period, added community support for butter to this national support for the liquid market. Existence of the monopolies now means that the price of milk for liquid consumption is higher than the community milk regime indicates.

Direct government control of national milk prices ended only in 1984, and government subsidy of milk production only in 1988.

The EEC milk market organisation

In 1978 the Community had to face the problem of the national monopoly boards in a European milk regime based on competition. Europe was determined to retain its common milk regime; Britain was determined to retain her milk boards.

The Commission was properly biased against monopolies; Europe was awash with milk and facing huge costs in disposing of the surplus. Yet it allowed the MMBs to continue, on the argument that without them liquid milk consumption would fall. It is a curious proposition that a monopoly of producers dedicated to high prices should be able to promote high consumption. With the special pleading of Mr Silkin, however, the monopolies were incorporated into the common milk market organisation.

The EEC dairy regime supports butter and cheese production. It encourages the consumption of all dairy produce, not just liquid milk; and prohibits any exploitation of the United Kingdom milk monopolies to distort a free European common market.

Under the rules adopted, the boards are obliged to give priority to milk for the liquid market. They are also obliged to give priority of milk allocation to the highest price use. They thus have a duty to charge more for milk for the liquid market than for any other. The maxim of a producer board is the reverse of the old barrow-boy adage 'stack it high, and sell it low'. It is, rather, the monopolies' adage of 'stack it low and price it high'.

Milk Delivery: The doorstep milk round
For fifty years the monopolies have been devoted to promotion of the doorstep delivery of milk. There is now no reason for this:

(i) The technology of farm and dairy has advanced. No longer must milk be delivered daily for it to be fresh, pure and sweet. Supermarket milk of a better quality is available to most American households, buying weekly, than is delivered daily to most British households. Slowly, some farmer groups and dairies are moving toward these standards, both in response to consumer demand and under the goading of the EEC. Much of our present processing and distribution system is backward and out-dated and will have gone in ten years.

(ii) The demand for daily delivery has changed. Over much of the country, houses are empty during the day. When this is so, milk sits on doorsteps for hours; and soon the delivery is cancelled. Nor are traffic-congested roads and tower blocks suitable for milk floats. For some, delivery *is* worth paying for and will continue; but it will become, more and more, delivery of all short life products, not just milk.

(iii) Milk is no longer an essential food for a large section of the population. Those opposed to the creation of the monopolies in the 1930s argued that milk would diminish as a percentage of the diet of the poor. They have been proved right. The social need has gone. Indeed, in recent years the high price of doorstep milk has in effect subsidised butter – a reversal of the old policy of cheap milk for the young, the old and the needy. Milk is, and is seen as being, very good value. But no more so than other dairy products: yoghurt, spreads and cheeses.

Reflecting these social and technical changes, three legal changes have occurred in the past ten years.

(i) The United Kingdom dairy industry is slowly, fifteen years late, joining the common market. The legal barriers to inter-state trade, and indeed the barriers and subsidies preventing trade between regions within the United Kingdom, are gradually being dismantled, often by action in the European Court of Justice.

(ii) When the national monopolies were incorporated into the common European dairy regime, various freedoms for milk producers and restraints upon the monopolies were included. These are slowly being exploited commercially. The legal foundations of the monopolies are now found to be shaky. This is explored in Annex II.

(iii) Supermarket buyers, led by Sainsbury's, contested the practice of the dairy trade, universal until about 1984, of charging the same for milk delivered in bulk to supermarkets as individually on doorsteps. This practice had been adopted to protect doorstep delivery. The milk industry was unique in seeking to keep its products *off* supermarket shelves. The Office of Fair Trading decided, in September 1983, to refer about fifty price and distribution agreements to the Restrictive Practices Court

The result is now keen price competition both as between shops and as between shop and doorstep sales. The absence of any similar price cutting by dairies on milk sold for doorstep delivery – itself arguably a restrictive practice based on the monopolies – does only damage to doorstep sales. Yet Europe has repeatedly been told that doorstep sales are essential to the high milk consumption of the United Kingdom. It is this consumption that alone provides justification for these national monopolies in the common European market. Every price rise is imposed upon milk roundsmen and delayed by shops: a ratchet removing sales from doorsteps to supermarkets. More and more consumers simply choose whether to pay a delivery charge or to collect their milk.

Bottles are giving way to plastic and paper. Whole milk is giving way to health milk. The bulk commodity image of milk is giving way to special, branded milks; and milk itself is giving way to yoghurts, cheeses and other dairy products.

British farmers and British consumers

British consumer prices for milk are amongst the highest in Europe and British dairy farmers are amongst the worst paid. The Commission has recently published figures comparing farm-gate milk prices in the Community.

Expressed as a % of the European price, farm-gate prices are:

Denmark	113	W Germany	110
Belgium	95	France	90
Netherlands	111	Britain	86
Ireland	92		

Although these Commission figures are disputed by the boards, they have a basic message which is still not appreciated by all farmers.

Whilst British consumption of liquid milk is third only to Denmark and Ireland in the EEC, (neither of whom have monopoly marketing boards) our *per capita* consumption of all milk and dairy products is amongst the lowest in Europe.

For example, for cheese:

***Per capita* consumption of cheese**
[Kg milk equivalent]

United Kingdom	74	Denmark	113
Greece	218	Italy	162
Luxembourg	99	Belgium	123
Ireland	48	France	210
Netherlands	144		

The market opportunity for British cheese, if produced and marketed with consumers rather than officials in mind, is clear.

3
Wool and potatoes

Wool

The British Wool Marketing Board was formed in 1950 as part of the post-war reconstruction of Britain, with little or no thought to concepts of competition or free trade.

The Board has a monopoly of the purchase of fleeces (but not fells) of sheep (but not goats) from the farmers whose animals produce them. There is a *de minimis* exemption for the sale of a small number of fleeces.

Wool is a by-product of lamb production, itself a minor sector of British agriculture. No farm in Britain earns more than 10% of its income from sales of wool. If the Wool Board fulfills regional or social functions in the Highlands, Wales or Ulster, then these functions should be the responsibility of the apropriate regional or social body. There is no EEC agricultural regime for wool, which is regarded as not a product of farming and thus outside the Common Agricultural Policy.

The Board has an annual turnover of under £60 million. It employs merchants, often part or wholly owned by itself, to grade and sort the wool; and it sells the wool by auction on the world market.

Since the foundation of the Board the British government has supported producer wool prices; initially by subsidy; at present by a 'guarantee' which effectively smooths price fluctuations year on year. Although this guarantee will stay in place for the 1990 clip, the Government has announced that it will be phased out thereafter. The Treasury will lose about £14.47 million on this transaction (less any trading profit on the 1990 clip).

Now the Wool Board says it is preparing to be a leaner and stronger organisation. Without government funding, the world market will determine wool prices directly.

We see no reason why producers should have to sell only to one nominated buyer. Minorities are stifled, new traders excluded. The consumer has no voice. The Coloured Fleece Association had first to be formed and then to fight to obtain freedom for hand spinners of single special fleeces.

The wool monopoly has no purpose. It distorts trade and depresses initiative. There is no case for government involvement in the wool market. The monopoly should be despatched.

Potatoes

The Potato Marketing Board operates only in Great Britain. (A Seed Potato Marketing Board in Northern Ireland was wound up in 1983 following conflict with EEC competition law).

Up to now, the Board has operated a system of area quotas; producers have an allocated area or quota and pay a levy on that area. Currently the area levy is about £76 per hectare; for plantings in excess of allocated area the levy is ten times this. There are arrangements for trade in quota. This gives a capital value to quota, reflecting the difference between the open market value of potatoes and their value under monopoly restrictions. The abolition of the monopoly will result in the loss of these quotas, and a loss to producers of the value of their quotas.

There is a *de minimis* exemption for farms producing under two acres of potatoes.

The Board operates a complex system of market support, buying surplus production either by pre-season contract with growers, or by spot operations and selling the surplus cheaply for cattle feed. This support has been jointly financed by growers and government.

Ministers have recently announced the end of government financing. A ministerial review of the Board is under way, with the intent of retaining the monopoly but with no government funding and with greater involvement of buyers and consumers. Arguments are flowing fast, like a stream in Babel.

To support this regime the United Kingdom prohibited the import of potatoes – on health grounds. This ban was challenged in the British courts by a Dutch potato merchant prevented from selling his potatoes in Britain. The European Court held the ban invalid. The United Kingdom then withdrew the ban, and imports are now freely available from the rest of the common market.

Prices are now at the mercy of imports and the weather. With free imports and exports and an end of subsidy, why does the Government support a monopoly at all? Its only remaining purpose appears to be to impose production quotas. Their effect, if any, is to restrict production; efficient producers lose their advantage; consumers pay more.

4
Consumers

Under the Agricultural Marketing Acts, the Minister (of Agriculture, not the Minister responsible for consumer affairs) has to appoint a 'Consumers' Committee' of people who appear to him to represent the interests of the end consumers of all the products covered by the monopolies. Few of these people are, in any proper sense of the word, themselves consumers. (They are, in fact, representatives of trade interests.) The committee has the duty of considering and reporting to the Minister on the effect of each scheme upon consumers.

Experience shows that those who criticise regulated monopolies are not reappointed. Regulatory bodies are all too often taken over by those whom they regulate. Administrators respond to the loud demands of producers directly affected, rather than the diffuse resentment of consumers.

Consumers object that the bulk buyers of produce from the monopolies, dairies and potato-processors, claim to represent them. This claim is especially false for milk, in that the biggest buyer is often the board itself or, in Northern Ireland, dairies owned by dairy farmers.

The members of the monopoly boards appointed by the Minister are quite clear that they have no public interest or consumer role; they are appointed to forward the interests of the monopolies.

Reports by the Consumers' Committee often read as if written by Uriah Heep. Nevertheless the Committee has repeatedly objected that the boards are not responsive to consumers. Questions of choice, quality and price are disregarded. Their objections have consistently been ignored.

When consumer bodies do express a view, it is simple and straightforward:

(i) The Consumers' Association stated in 1981 and again in 1989 that the board monopoly of the wholesale milk business, and the liquid premium, were no longer justified; the only result was that British farmers got more, and British consumers paid more, for their milk than under EEC support prices.

They concluded that the monopolies should be wound up.

(ii) The Consumers' Committee did admittedly review the potato scheme in 1985. It noted that Britain had lifted its ban on imports of potatoes in 1979 shortly after it was found illegal by the European Court. The Committee believed that this had impaired the Board's ability to manage the market as hitherto: which raised the question whether support arrangements (and thus the powers of the Board under the scheme) were still needed.

The Committee concluded that consumers would benefit if the market for potatoes was completely free.

Two consumer representatives on the Committee, however, submitted a minority report which we commend as simple common sense and summarise in Annex III. They concluded that it was in the best interests of consumers that the potato market be set free as soon as possible.

Naturally this simple conclusion was unacceptable to the interests involved. The Potato Board raised furious objections. The Committee was sent back to labour more carefully. It duly gave a revised report in May 1988, advocating more flexibility; ending of taxpayer contributions; and more consumer control.

These repeated calls for an end of the monopolies – not for an end of milk deliveries or potato growing – should carry weight.

5
Repeal of the Agricultural Marketing Acts

The monopolies established under the Agricultural Marketing Acts now have no purpose. They exist because they are there; nobody would now think of inventing them.

Britain is perfectly free, on its own, to close down the monopolies; they are not creations of the Community, and can be withdrawn unilaterally. The Commission has recently observed that the essential feature of the Community legislation is that it is enabling. It may authorise, but certainly does not require, the boards to continue in operation.

We recommend repeal of the Acts and the end of the monopoly powers.

We do *not*, however, recommend the end of farmer marketing. The Boards should remain as voluntary producer organisations. At present they are, under the Act, statutory corporations. They should be turned into some other entity, becoming either limited companies or co-operatives: a choice to be left to the boards themselves after consulting the producers.

The major difference between a company and a co-operative is that a company is owned by its shareholders, the providers of its capital; a co-operative is owned by those who make use of its services. A company distributes any profit or any surplus on dissolution in proportion to the capital each member has contributed. A co-operative distributes such sums in proportion to the use each member has made of the co-operative. The milk and wool boards, which resemble co-operatives, return to the farmers profits from past commercial activities; and extract from them capital contributions to finance future such activities.

A further option is a statutory board under an Agricultural Marketing Services Scheme. A board under this kind of scheme – the Pigs Marketing Board in Northern Ireland is one such – is a statutory body without any monopoly powers. It has no shareholders. It has no control over its producers who supply it, other than by contract; it is free of any threat of commercial take-over from outside or by dissatisfied producers, but lacks the spur which such threat provides. Nor can individual producers, for example on giving up farming, recover the capital value of the asset which they have built up over the years. In this, marketing services schemes resemble the 'dead hand' of Dutch co-operatives; always grasping, never returning. A board under a marketing services scheme is necessarily subject to residual government control. So we do not recommend such neutered statutory boards. The existing boards are big enough and competent enough to stand on their own feet.

Our proposal is that there should be a twelve month transition period, during which the boards continue as statutory corporations but without exclusive or disciplinary powers. During this period, each board may recommend to the appropriate Minister or Secretary of State the form which it wishes to adopt. If the Minister is satisfied that any recommendation is not against the public interest and is fair to all producers alike, then he will facilitate the metamorphosis. If, at the end of the twelve month period, a scheme acceptable to the Minister has not been proposed, then the board concerned will go into receivership.

It is possible that producers may wish to change the regions covered by the boards; perhaps to combine all Scotland, or to separate England and Wales – or Sussex and Northumberland or whatever. The interests of producers differ, and there may be enthusiasm for local co-operative boards. If this be so, then the Minister should also facilitate this solution.

The Acts (except in Northern Ireland) make no provision for distribution of any surplus on dissolution of any board. (For this reason, the often asked question *'who owns the boards?'* is meaningless.) A statutory corporation is extinguished only by statute, and the Act repealing the Agricultural Marketing Acts will therefore need to make such provision; to apply only if no successor body is formed.

Any surplus on dissolution of a board should be distributed to all producers in proportion to the milk, potatoes or wool they have produced over the past (say) five years.

The commercial activities of the Boards must be divested. Only so can the existing conflicts of interest be ended. We oppose any attempt to restrict the ownership or free sale of these activities, as leading to retention of the link between production and commercial activities.

Each board should propose the route it wishes to take; either to sell their commercial activities and distribute the proceeds to producers – in proportion to produce supplied over the previous five years – or to transfer the ownership to producers as saleable shares. In the absence of an acceptable proposal within the twelve month period, the commercial activity would be placed in receivership; to be sold as a going concern.

It is possible that the management of commercial activities will feel that a future concern carrying the appropriate debts is not acceptable. Distribution of shares to producers may be equally unacceptable as the producer shareholders may refuse to provide further money *via* rights issues, for what they consider they already own. (Compare the refusal of producers, of whom one author was one, to buy shares in FMC when the NFU tried to un-bundle that company some years ago). The managers of the commercial activity may with justification fear they would be cut off from any future source of capital. They will be able to recommend to shareholders a takeover by any bidder free of monopoly complications. Again, the default procedure is receivership.

Banks, the Stock Exchange and others have lent money to the monopolies to be used by their commercial activities; money which the commercial activity would probably not have been able to borrow without the backing of the monopoly. (The boards, whose turnover is assured by the monopolies, have a duty to pay producers only what is left after deduction of all costs). One may note that any board could, from 1933 on, have treated its commercial activities like any other business with no claim on the parent and free to borrow only on its own security. The Potato Board for many years used independent contractors for all its physical operations. But the milk boards have chosen to borrow on the back of their monopolies. It will be for each board to pass to its commercial activities the debts which the board has incurred on its behalf. Since any use of the monopolies to fund commercial activities was prohibited in the EEC legislation governing the milk boards, no question of any taxpayer contribution upon withdrawal of this security arises.

No national indemnity or waiver of liability is possible for the various alleged breaches of Community law by the milk boards, based on alleged abuse of the monopolies and the subject of current litigation. This liability should not be passed to the successor bodies. In practice, these actions would need to be settled – presumably on the terms of the extant judgment in the United Kingdom – before any proposal could be put to a Minister.

There is an argument that, as milk prices have for many years been fixed by government or the Community to provide an acceptable income for farmers, and the consumer price has just reflected this, it is consumers not producers who have funded commercial activities. The commercial activities of the national monopoly boards are national assets and, if sold, should be for the public purse.

We think that ending the monopolies will be palatable to farmers when accompanied by distribution of saleable shares in commercial activities and by freedom to form more local producer co-operatives.

Milk quotas

To deflect mistaken criticism, nothing proposed in this paper will have any effect on milk quotas. They will continue to be enforced by the 'first buyer' of milk, whoever he is.

6
Life after the monopolies

All the boards of which this paper treats have two great assets: the loyalty of their producers and presence and experience in the market.

We expect each board to convert into one or more voluntary co-operatives. No doubt many milk producers will continue to sell their milk through these successor bodies. We expect producers to get a higher price as a result of the boards' loss of monopoly powers and divestment of commercial activities.

The capital value of the new bodies, co-operatives or companies, will rest in large part in the value of the milk pool which each retains. Recent Irish experience has shown that substantial capital gains go into producer pockets when co-operatives change themselves into PLCs. This possibility may well render the ending of monopolies acceptable to producers. And competition will, in any event, protect consumers.

Long term contracts and simple loyalty will provide reasonable stability, as in the rest of Europe. Any argument that milk sales will decline is belied by the experience of Denmark and Ireland. Both without monopolies, both have higher *per capita* consumption of fresh milk than the United Kingdom; and Denmark at least is recognised in the trade as having an innovative milk industry.

Entering a grocer's shop is a depressing experience for a British cheesemaker. Home produced cheese is mostly plastic – cheddar in unimaginative wrapping and a few pots of cottage cheese. It contrasts sadly with the quality, variety and presentation of continental cheeses. An end to the boards' extraordinary policy of selling milk for different prices according to the type of cheese made, and of allocating milk to cheese makers according to complicated formulae of no relevance to consumer demand, will invigorate the British dairy industry.

We also foresee a growth of farm-based dairies for both liquid milk and dairy produce. A fair amount of the marketing operation will return to farmer groups operating from green fields and selling direct. 'We grow the grass, we milk the cows, we pack the food'.

Competition in supermarkets has already led to a big improvement in the choice, quality and price of milk. Doorstep delivery will become cheaper once restrictive supply practices and minimum margins end. The image of milk as a simple bulk commodity will continue to give way; more and more it will be seen as a drink in which individual buyers may take a pride. Households appreciate enterprising products and services. One dairy today offers buyers of its milk free entry to its country park; where *To The Manor Born* was written and filmed; where the children can feed the flamingos and ride the elephants; where father can get a quiet beer; where the whole family can see the cows milked and the milk bottled. The leading English cheddar cheese, recognised as a match for the best continental cheeses, is made from milk produced 'on our own farms': Chateau Bottled.

A new hormone drug for increasing the milk yield of cattle, BST, has met with considerable consumer resistance. Under the board system, buyers cannot obtain BST-free milk or sell BST-free produce. Although much evidence suggests that the hormone is harmless to humans, this is surely for individual consumers, not a producer monopoly, to decide. If consumers want BST-free produce, they should be able to have it.

Hard as it is for the boards to acknowledge, the direct link between farm and table is valued by more and more consumers.

The experience of competition in Northern Ireland has been startling. Under the influence of competitive farm-gate buying of only 1% of Northern Ireland milk (going for export), the farm gate price of milk has leapt. Until a year ago, the Government paid a subsidy of £5.5 million a year to Northern Ireland milk producers. Not only has the ending of that subsidy been absorbed, but the farm-gate price of all milk in Northern Ireland is now above that of England and Wales – for the first time ever since the Northern Ireland Milk Marketing Board was created.

But while the farm-gate price has risen, the consumer price has fallen. So milk in Ulster is both worth more to the farmer, and is cheaper to the consumer, than milk in England and Wales.

This happy result of competition, prizes all round, may in part be a temporary market distortion by the monopolies to cut off competition. More probably, though, it is a permanent change resulting from the shedding of surplus fat from the board monopoly and dairy trade cartel.

Defenders of the boards argue that without a board, doorstep delivery of milk will end. The traditional romance about the milkman delivering twins single-handed in the back of his milk float, or driving his customer to hospital, will be heard. Freedom will be branded as European interference. On the contrary we suggest that a reduction in the price gap between shop and doorstep will *aid* doorstep delivery.

A final word of caution

Siren calls of Dairy Crest managers and milk board officials must not be heeded. A voluntary board, free of the legal restraints upon a monopoly, handling say 75% of all ex-farm milk, controlling 30% of all milk processing and acting in concert with the existing dairy trade cartel would be in a position to frustrate most of the benefits which ending the monopolies should produce.

The experience of victims of the existing milk monopolies – doorstep milk roundsmen, supermarket buyers, farmers exercising their freedom to pasteurise and sell milk direct, traders, farmhouse cheese makers and consumers concerned about BST – suggests that producers owning a large processing and distribution capacity will try to stifle innovation and snuff out competition.

We therefore repeat that it is essential that the commercial activities of the boards be divested. The conflict of interest at the heart of the present boards who are both sole suppliers of the raw product and owners of major processing plant, must not be retained by the voluntary successor bodies.

If a voluntary board retains a dominance in the national or regional milk supply, and if any commercial activity remains in the same farmer or farmer co-operative ownership, national provision will be needed to guard against abuse. It is most important, both for consumers and traders, that any such dominance be prevented. The present EEC restraints of such abuse in the special EC Regulations governing the monopolies will end when the monopolies end. We suggest that this be a duty placed on the Office of Fair Trading.

With the legal monoplies gone and reasonable protection to ensure fair competition, we foresee new and healthy life for the British dairy industry, from farmers to consumers. New improvements will be eagerly grasped by the competition of freedom.

Annex I

Monopolies under the Acts, 1933 to 1989

1932

Hops

England only. Ended in 1982, to conform with EEC legislation on marketing of hops.

Scottish Raspberries

Scotland. Enacted 1932, but rejected by producers on the initial poll. Ended in 1932.

1933

Scottish Milk

Scotland South of the Grampians. In force 1989.

England and Wales Milk

England and Wales. In force 1989.

Aberdeen and District Milk

Grampian Region. In force 1989.

Pigs – Bacon

These schemes covered Great Britain. They were suspended in 1939. The Ministry of Agriculture purchased all pigs, as all other fatstock, from June 1940 to July 1954, as part of the administration of rationing. The Ministry ceased trading on 1 July 1954, but the Pigs and Bacon Boards remained in suspense.

Pigs (Northern Ireland)

Following action in the European Court of Justice, this monopoly was changed, in 1983, to a voluntary 'Pigs Marketing Service Scheme' which continues in operation and currently handles about 70% of pigs in Northern Ireland.

Potatoes

Great Britain. Suspended in 1939, this scheme was replaced by the present Potato Marketing Scheme in 1955.

1934

North of Scotland Milk

The Highlands. In force 1989.

Sugar

Great Britain. Proposed in 1934, withdrawn at request of proposers in 1935.

Sugar Beet

Great Britain. Proposed 1934, withdrawn at the request of the proposers 1936.

Murray and Banff Milk

Murray and Banff. Submitted 1934. Withdrawn at request of proposers in 1937.

Argyll Milk

Argyll. Submitted 1934. Withdrawn at request of proposers in 1936. (Both these Scottish district schemes sought to deal with what is now the farmhouse cheese makers contribution, and were withdrawn upon receipt of this compensation by other routes.)

1936

Milk Products

Great Britain. Draft of 1936 on a proposal of the National Association of Creamery Proprietors, enacted on 3 September 1939. The scheme regulated the sale of butter, cheese, condensed milk, cream and dried milk. It was intended to balance the (considered excessive) powers of producers as against buyers under the MMS; matching monopolies. The scheme was promptly suspended and the date for the initial poll, 25 September 1939, passed. The suspension order was revoked on 9 November 1956 when, no poll having confirmed the scheme, it ceased to exist.

1939-1950/1956 Government Control.

The government took control of all agricultural production during the war and the postwar period of rationing. For milk, this control continued to the end of 1984; up to then, the Minister set the prices (later, maxima for the prices, always treated as the prices) for all sales of milk for liquid consumption by each board, and for all doorstep prices of milk. This power, exercised to the last, only ended when, in 1984, the Minister suddenly, under pressure of EEC law, decided not to renew the Emergency Laws (reenactment and repeals) Act 1964 under which he had power to make Milk Price Orders and which required renewal every five years. The Act thus lapsed on 31 December 1984.

1950-1989

A flood of proposals were made in the postwar reconstruction. The four Great Britain milk marketing boards and a refurbished Potato Marketing Board were restored.

1950

British Wool

United Kingdom. In force 1989.

Shetland Wool

Shetlands. Submitted July 1949, public enquiry 1950. The Secretary of State for Scotland proposed modifications which the proposers rejected. The proposed scheme lapsed.

Peas

Great Britain. NFUs submited proposals 1950. Public enquiry 1950. The Minister reported in 1955 that he was not able to recommend the scheme to Parliament.

Herbage Seeds

United Kingdom. Great Britain NFUs and UFU submitted proposal in 1950. Enquiry 1951. The Minister took no further action.

Tomatoes and Cucumbers

Great Britain. Revoked 23 January 1964 after a poll in 1963 showed a majority of producers by number and representing a majority of production voted for revocation.

1953

Apples and Pears

England and Wales. Came into operation 4 March 1953. The first producer poll, in April 1953, was adverse and the scheme, under S3 of the Agricultural Marketing Act of 1931' 'ceased to have effect'.

1954

Fatstock

United Kingdom. The Great Britain NFUs and UFU submitted a proposal in 1954. This was withdrawn in October 1954 after experience of the operation of the Fatstock Marketing Corporation, set up in April 1954 (without a monopoly but under farmer control, and so badly run that it had to be sold out of farmer control in the 1980s). No further action taken.

1955

Northern Ireland Milk

Northern Ireland. In force 1989.

1956

British Eggs

United Kingdom. Hen and duck eggs. The scheme was wound up, amidst universal acclaim, by resolution of the board of 30 1971 and under S 24 of the Agriculture Act 1970 which revoked the BEMS Approval Order with effect from 31 March 1971.

1958

Apple and Pears Publicity

England and Wales. Submitted by the NFU in June 1958. The Minister ruled it was not an agricultural marketing scheme; the High Court agreed and the Court of Appeal dismissed an appeal by the NFU in April 1960.

1961

Seed Potatoes, Northern Ireland

This schene was wound up, following conflict with Community law, in 1982.

1962-1989. No proposals have been made for 27 years.

Annex 2
Conflicts with European Economic Community law

The European Economic Community is founded on ideas of free competitive trade. The idea of a single, free common market was confirmed in June 1987 by the Single European Act.

For milk, wool and potatoes, however, the United Kingdom alone of all the Member States imposes additional national monopoly control.

Wool is outside the Common Agricultural Policy [CAP] and so subject only to competition and State aid rules; of little importance, as they only apply if Community trade is affected to a significant extent. The wool monopoly does little except slightly depress the United Kingdom's wool producer price – hardly of any significance in inter-state trade.

Potatoes are subject to the rules of the CAP, but there is no common market organisation for them. Once United Kingdom state aid has been withdrawn, then so long as imports are not restricted, the rest of the Community is not worried if the British overcharge their own consumers – producers in the rest of Europe only benefit from Britain's foolishness.

Milk is subject to a common European regime, and the milk board monopolies have been incorporated into this (notionally) competition-based regime. The basis of the common regime is the concept of a common price.

The objects of the Common Agricultural Policy are set out in Article 39 of the Rome Treaty.

Article 39

1. The objectives of the Common Agricultural Policy shall be:

(a) to increase agricultural productivity . . .

(b) thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilize markets;

(d) to assure the availability of supplies;

(e) to ensure that supplies reach consumers at reasonable prices.

The methods to achieve these aims are set out in Article 40.

Article 40.

1. . . .

2. In order to attain the objectives set out in Article 39 a common organisation of agricultural markets shall be established.

This organisation shall take one of the following forms, depending on the product concerned.

. . .

(c) a European market organisation.

3. . . . The common organisation shall be limited to pursuit of the objectives set out in Article 39 and shall exclude any discrimination between producers or consumers within the Community.

Any common price policy shall be based on common criteria and uniform methods of calculation.

. . .

The European Court of Justice has consistently held that any national measure which risks distortion of price formation within the common rules of a European market organisation is illegal.

In addition, Article 30 of the Rome Treaty provides:

Article 30.

Quantitative restrictions on imports and all measures having equivalent effect shall . . . be prohibited between Member States.

Under this Article, the European Court has held illegal the United Kingdom bans on import of potatoes, of UHT milk and of pasteurised milk. Without these frontier controls, the national market regimes for milk and potatoes are much weakened.

These Treaty provisions placed the United Kingdom in 1972 in trouble over the milk boards, whose principal effect was to distort price formation: to raise the farm sale price of milk for use in the liquid market above the price of milk for butter or cheese. An ambiguous provision of the Treaty of Accession solved the problem for a five year transition period, but by 1 January 1978 the illegality of the milk monopolies was blatant. After a bitter five month inter regnum, the Council agreed, under intense United Kingdom pressure, to incorporate the national monopolies into the Europe-wide common market organisation; a logical and legal absurdity.

The first case before the Court of Justice was case 23/84, *Commission v. United Kingdom.*

Article 9 of the Council Regulation 1422 of 1978 governing the milk boards provides that the boards may sell milk at different prices for different uses. The United Kingdom boards sold milk for butter at different prices depending on whether the butter was for sale to consumers in the United Kingdom or to intervention (i.e. to Russian consumers with EEC taxpayers' subsidy). The European Court held that these different prices depended not upon the use made of the milk but upon the use made of the butter – a product made from milk – and were illegal. The Commission then withheld about £5 million from refunds due to the United Kingdom, and the United Kingdom sued for this money. The European Court upheld the Commission, noting that the Commission could legally have withheld all refunds to the United Kingdom in the dairy sector (but did not, as United Kingdom was a first offender). A supplementary estimate was laid before Parliament; the money was not recovered from the boards. By chance, the total dairy refund which the Commission could have withheld was about the same as the EEC budget refund which the Prime Minister had at the time just negotiated at the Dublin summit; hence French headlines *Comment rempayer Maggie sans payer un sou.*

The Irish Dairy Board exports Irish dairy produce into the United Kingdom. Before Ireland joined the EEC, it had a monopoly of such exports, but the Irish had to end that monopoly upon joining. The Irish Dairy Board sued the England & Wales Milk Marketing Board (amongst others) for damages resulting from the above dual pricing of milk for butter; the practice had depressed the market price of all dairy produce on the British market, and hence the sale price of Irish dairy produce in Britain. The writ was issued in 1983, and the case came for trial at first instance in June 1989. It was settled, at the door of the Court, for £8 million. This payment was a direct loss to farmers.

The next cases, currently before the Court of Justice, involve farm pasteurisers.

Farm pasteurisers are farmers who pasteurise milk of their own production, and sell it direct to consumers. The boards impose a levy on such sales, of 2 or 3 pence a pint; passed on, of necessity, to consumers. The levy is imposed, by use of the monopolies, in return for *no* service rendered by the boards.

Two groups of farmers queried this levy; one in Somerset and one in Northern Ireland. Because court delays are less in Belfast than in London, the Irish case came to trial first. In a lengthy and careful judgment, the trial Judge found that the levy was illegal and unjustified. This judgment is under appeal, and the Belfast Court of Appeal and the London High Court, both without further hearings, have referred the levy to the European Court.

The milk boards in their defences claim that without the monopolies they would not be able to maintain different prices for different uses; they base their cases upon the very price distortion that the Court has repeatedly said is prohibited.

It is difficult to see the European Court accepting the levies, for several reasons:

- there is agreed to be no levy on skim or semi-skim milk. A levy on whole milk but not on low fat milk would be a direct distortion of doorstep prices;

- there is no levy on milk imported from a producer in another Member State, just across the road in Northern Ireland. The levy would distort competition;
- there is no provision in the detailed Community rules for the milk boards for any levy;
- the object of the special rights of the boards is to promote consumption, and imposing a levy, in return for nothing, does not promote sales.

The boards argue that the levy is essential to place producers processing their own milk in the same financial position as if they had sold their milk to the board and bought it back again; the levy is just the difference betweeen the board average farm-gate milk price and its sale price for the liquid market.

(In outline, a board buys milk from farmers at a common price; essentially the totality of its sale income less expenses. A board sells milk at a higher price for use as liquid, say 22 ppl, and a lower price for butter/cheese, say 17 ppl. With milk going 50:50 liquid and manufacture, the average return is 19.5 ppl. Deducting costs gives a farm-gate price of 19 ppl. and the levy is the difference between this 19 and the 22 sale price; 3 pence per litre.)

The boards argue that such equal treatment is demanded by, amongst others, Article 40 (3) of the Treaty. It is likely that the Court will agree; a single price regardless of use should be the only legal price.

The dilemma for the United Kingdom Government is shown in its observations to the Court. It argues that, in the absence of the levy, there would be a greater incentive for producers to pasteurise their own milk and sell it on the liquid market. This would, the Government argues, jeopardise the boards' differential pricing policy.

How much better for all involved if these cases never come to judgment!

In summary, the legal problems of the United Kingdom milk monopolies in community law arise from confusion over the purpose of the monopolies. Producers see the monopolies continuing to serve their historic function of producing a higher price for milk for direct human consumption than for other uses. The European Court has stated that promotion of liquid consumption is the main, if not the only, ground for permitting the continued existence of the Milk Marketing Boards under Community law. These are not compatible.

Annex III
Summary of the Minority Report of the Consumers' Committee on Potatoes, May 1988

Specifically in the consumer interest, the Government should end all production controls, and permit a free market in potatoes.

The scheme was set up to secure certainty of supply of a staple part of the national diet. Today potatoes are one, but only one, important item in a varied national diet.

Free movement of potatoes within the common market now means that any shortage in national self-sufficiency can be met by imports. Other EEC countries do not have similar controls. Neither their growers nor industrial users nor consumers suffer.

Consumers of potatoes in Europe enjoy a good quality product at prices less than their British counterparts.

Consumer requirements of quality, choice and price can best be met by a free market, for the following reasons:

(i) producers would thrive;

(ii) quality standards would be set by consumer demand not board control;

(iii) regulation reduces consumer choice. A free market is more sensitive to such choice; and,

(iv) regulation increases consumer prices.

The Board believes that it operates in the public good. It is a producer organisation, and no consumer representation can, or should, alter that.

In sum, it is in the best interests of consumers that the potato market be set free as soon as possible.

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