

British Agricultural Policy Since the Second World War

By J K BOWERS

By any standards, British farmers had a good war. Following a prolonged depression of the inter-war period with low prices and low farm incomes the onset of hostilities saw a rapid transformation in their position. In just three years from 1938-39 to 1941-42 gross output of British agriculture increased by two-thirds and over the war as a whole real farm net income increased more than three-fold. Much of this improvement was in prices rather than in quantities. Prices doubled between 1939 and 1946, whilst at constant prices gross output peaked in 1939-40 at a level some 16½ per cent above that of 1938-39; the 1939-40 level was not reached again for a decade.¹ Aggregate figures arguably understate the contribution of British farmers to the war effort since the objective was to save scarce shipping space by reducing dependence on imported animal feedstuffs via the expansion of home-grown cereals and root crops. In these terms there was considerable success. Between 1939 and 1942 physical output of wheat and barley rose by about two-thirds, oats by three-quarters, and tonnage of potatoes almost doubled. This was at the expense of livestock output. Cattle numbers remained virtually constant and sheep numbers fell.

The farmers' contribution to the war effort stood them in good stead when it came to the post-war settlement. The strategic importance of a prosperous agriculture was accepted and a determination to avoid a reversion to the 'dog and stick' farming of

the depression was also important. Farmers were one of the groups that had a claim on the better world that was to emerge from the ruins of victory.

I

The basis of the post-war settlement for British farmers was laid in the Agricultural Act of 1947.² The general objectives of the Act, which were subsequently quoted on almost every occasion that a new departure in policy was made and at other times as well, are stated in section 1.

'promoting and maintaining . . . a stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry'.

For the main products, constituting at the time about 80 per cent of gross output, the mechanism for achieving these objectives was through price guarantees, initially paid directly through the Exchequer and subsequently, as wartime controls were lifted, by 'deficiency payments' representing the difference between the guaranteed prices of the product and some sort of average market price. Guarantees were given for eleven main products: cattle, sheep, milk, eggs,

²The principles of agricultural support had evolved during the War. They were rehearsed in a speech by the Minister of Agriculture in the House of Commons in November 1940. The purpose and timing of Reviews was announced in December 1944 and the first annual review took place in February 1945. The objectives of policy as quoted above were stated in almost identical words by the Minister of Agriculture in the House of Commons on 15 November 1945. For the evolution of the policy see W E Heath, 'Price fixing policies in Agriculture', *Journal of the Proceedings of the Agricultural Economics Society*, vol 8, no 1, 1948, pp 4-13.

¹P Cheshire, 'Management of the market: the economic arm of agricultural policy' in Open University D 203 III, *Agriculture*, Milton Keynes, 1975.

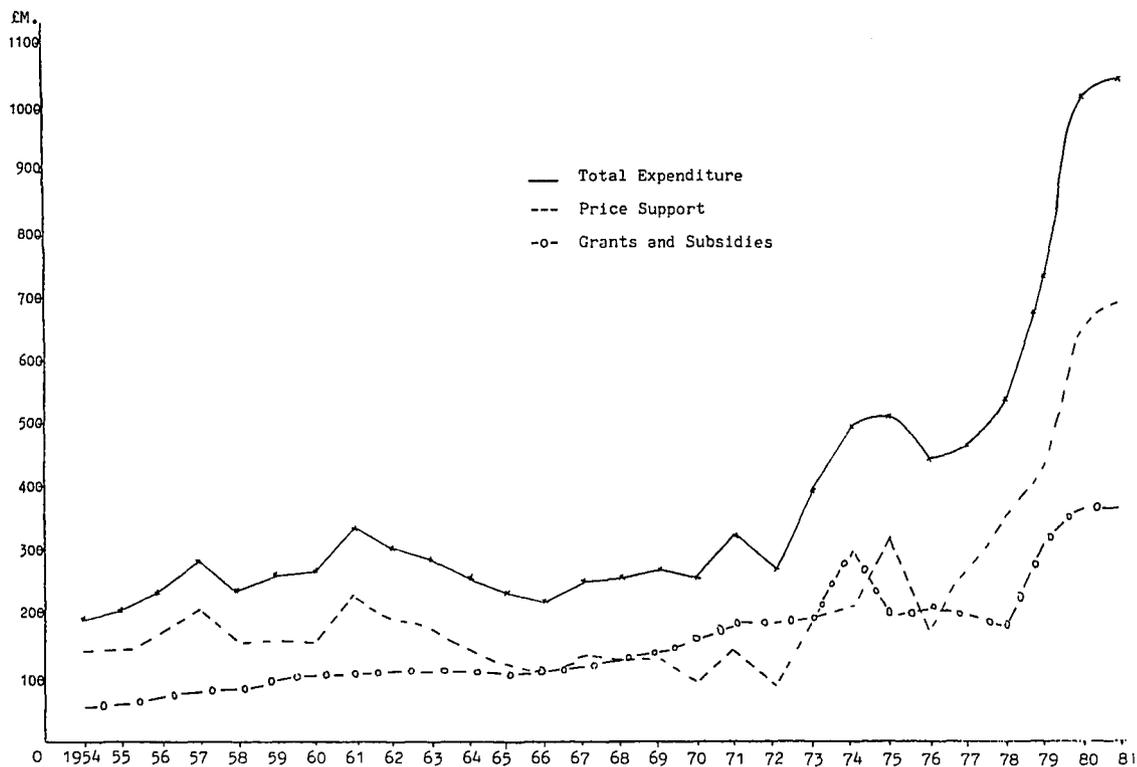


FIGURE I
Public Expenditure on Agricultural Support (Current Prices)

barley, wheat, oats, rye, potatoes, sugar beet, and wool. Other products, eg horticulture, were protected by a variety of trade measures, mainly general and seasonal tariffs.

Guaranteed prices were fixed annually following an annual agricultural review. The Review involved Ministers consulting with representatives of agricultural producers — the various farmers' unions — but not representatives of the agricultural workers — to consider the economic condition and prospects of the industry. The farmers' unions were thus in a unique position among British industries in having a statutory right to consultation over the prices they would receive for their produce. This statutory cartel was acceptable presumably because, until the 1960s at least, the prices fixed were at the expense of the

taxpayer and not directly at the cost of the consumer.³

From 1951 the Annual Review resulted in a White Paper which provides an invaluable source of official thinking on agricultural policy. The brief historical commentary below is largely based on these documents. The Act contained provision for special reviews between annual reviews and recourse was made to them from time to time. Special reviews were held in 1951, 1955, 1956 and in 1970. Those in the 1950s were in response to wage settlements; that in 1970 to meet rapidly rising cost of all inputs.

Farmers were not the only agricultural interest group to be involved in the annual price fixing ritual. Data provided by agricultural economics departments in the

³But indirectly of course since supply on the home market is affected.

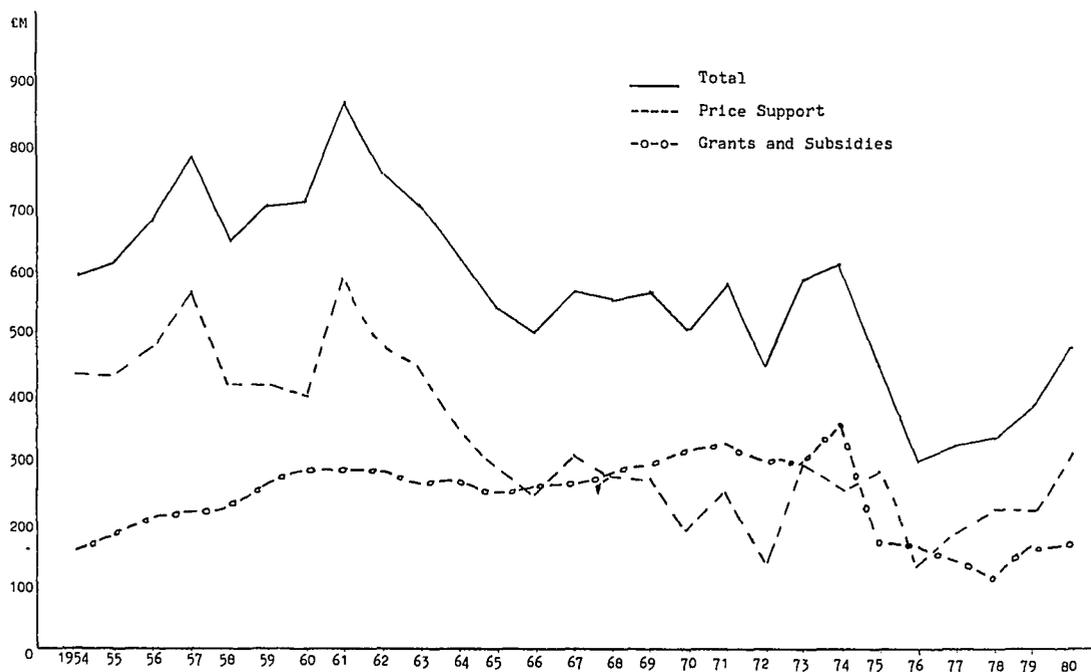


FIGURE 2
Public Expenditure on Agricultural Support (Constant Prices)

universities formed part of the information input and was published in the White Papers.⁴ These data, the Farm Management Survey, were collected under MAFF funding and the Ministry thus directly sponsored agricultural economics in British universities.⁵ The Ministry additionally sponsored research in Departments of Agriculture, as well as in various agricultural colleges, and the results in the form of improved techniques were disseminated through the agricultural services (now the Agricultural Development and Advisory Service (ADAS)). The annual settlement involved the payment of direct grants on inputs and for the adoption of new techniques as well as price guarantees. These are plainly complementary with ADAS work; indeed part of that work involved publicizing these grants. As Figure 2 reveals,

⁴ A good description of the system is in the 1951 Review, Cmnd 8239, May 1951.

⁵ The situation at Queen's University, Belfast, where members of the Department are simultaneously officials of the Northern Ireland Department of Agriculture, is unique.

the direct grant element had a tendency to rise over time at the expense of the price guarantees.

This unique example of co-operation between agricultural interests over the development of agriculture and the fixing of prices arguably served to reduce criticism of the system; everybody with the knowledge of the details was likely, one way or another, to be part of the system. This was possibly significant when, as happened during the 1960s, the emphasis of policy changed, from, in the words of the Act, stressing 'minimum prices' to concern with 'remuneration and living standards'.

II

The early years of the operation of the Act were dominated by the problems of post-war reconstruction and the role that agriculture could play in easing them. The Government had in mind a programme of growth for the industry as it had for most of

the next thirty years. The initial objective, stated in detail in the 1952 Review,⁶ was to raise net output by 1956 to some 60 per cent above pre-war levels. Priority was to be given to the development of livestock enterprises to increase the supply of meat to the home market. 'Above all to raise to the utmost the production of beef and veal, mutton and lamb' (para 12 (h)). The other recurring problem was a shortage of feed grains and an improvement in productivity of grassland was sought so as to release one million acres for growing barley and oats. The programme was to be coupled with an 'efficiency drive' — targets could only be met if there were a substantial rise in productivity.

Although subsequent White Papers expressed pessimism, the target was in fact met. The problem of imported feedstuffs remained a policy preoccupation until the late 1950s with, in consequence, continual calls for improved productivity of grassland and increased production of feed grains. 'Ten per cent of concentrates saved would be worth at least one million tons of imports.'⁷ A cut in pig production to save imported feed costs was sought in 1955. The 1956 Review⁸ called for an intensification of the 1952 policy for balance of payments reasons.

Efficiency was encouraged in a number of ways. First, as Table I shows, the addition to guarantees after 1951 was typically less than the increase in costs and in 1954, 1958 and 1960 was in fact negative. Thus, the intention was that increases in net farm incomes could only come through increased efficiency. *Long-term Assurances for Agriculture*⁹ placed constraints on the Government's ability to adjust the guarantees downwards. For any product the guaranteed price in any year was to be no less than 96 per cent of the previous year's level and for livestock products the reduction was to be no more

TABLE I
Increases in Guarantees and Changes in Cost
for Review Products

Year	£M	
	Cost Increases	Additions to Guarantees
1951	53.5	53.25
1952	41.0	39.0
1953	22.2	15.4
1954	-6.7	-12.0*
1955	25.0	28.0
1956	37.0	25.0
1957	38.0	14.0
1958	11.0	-19.0
1959	11.5	3.0
1960	13.0	-9.0
1961	19.0	14.0
1962	19.5	11.0
1963	12.5	0.0
1964	24.0	31.0
1965	19.0	10.0
1966	32.0	23.0
1967	15.5	25.0
1968	68.5	52.5
1969	40.0	34.0
1970	60.4	80.0*†
1971	141.0	150.0*†
1972	48.0	49.0

* Author's estimate.

† Because of changes in the system of protection these figures are not comparable with previous years.

than 9 per cent in any three-year period. The total value of guarantees including production grants was to be no less than 97½ per cent of the previous year's level once adjustment was made for cost changes. The White Papers for 1958 and 1960¹⁰ make clear that but for this commitment the reduction in guarantees would have been greater.

The second method of encouraging productivity growth was via a change in emphasis from price support to subsidies on capital and chemical inputs and on structural change. The growth of grants and subsidies during the 1950s in both current and constant prices is shown in Figures 1 and 2. Cmnd 23 introduced a new scheme of grants at an initial rate of 33⅓ per cent.

¹⁰ Cmnds 390 and 970.

⁶ Cmnd 8556.

⁷ Cmnd 9104 (1954) para 15.

⁸ Cmnd 9721.

⁹ Cmnd 23 (1956).

While the long-term downward trend on price guarantees in real terms is clear from Figure 2 and its lack of trend until the 1970s in current prices from Figure 1, the open-ended commitment entailed by deficiency payments once the markets were decontrolled¹¹ imparted fluctuations to the actual expenditure on price guarantees. The initial strategy for dealing with this is best shown in Figures 3 and 4. Taking 1964 as our break-point (for reasons explained below), cumulative price increases were zero or negative in pigs, eggs, wool and wheat and low in all others with the sole exception of beef and potatoes. The increase in beef is more apparent than real since unlike the other intensive users of imported foodstuffs, pigs and eggs, feed-stuff cost charges were not netted out before calculation of guaranteed price. In the case of potatoes, prices were adjusted with the objective of meeting home demand from home supply.

Rising and unpredictable charges on the Exchequer, the inevitable outcome of deficiency payments in a time of falling world prices of agricultural products, as was the second half of the 1950s, rather than balance of payments problems, provided the main spur to reform of the support system. Unless guaranteed prices could be brought down, the 'efficiency drive' served simply to make the public expenditure problem worse. Concern with the cost of the policy and the need to reduce it first surfaced in the 1956 White Paper. By 1958 the Ministry had decided that 'on present prospects no further expansion on gross output is required'. The problem was aggravated by complaints from Commonwealth suppliers that UK agricultural expansion was spoiling the market. This was cited as a reason for cutting the guarantees on milk and wheat in 1957¹² and for sheep in 1959¹³ and for the policy of zero growth in 1958.

As well as these measures the government limited guarantees by imposing producer quotas or 'standard quantities', with various penalties for over-production. These were introduced for barley and pigs in 1961 and for eggs in 1963. A two-part tariff for milk with substantially lower (and uncontrolled) prices in the manufactured market appeared also in 1961.

In 1960, following a meeting between the Prime Minister and the President of the NFU, talks were held between agricultural ministers and representatives of the farmers' unions. The results were published as a White Paper.¹⁴ From the tone of this document, which contrasts sharply with that of the Annual Reviews of the period, the NFU appears to have scored a major victory. The paper describes agriculture as 'this great industry' (para 2), emphasizes its importance as a source of employment, both directly and indirectly its 'valuable contribution' to the balance of payments and its impressive increase in net output and productivity in the post-war period, while at the same time 'ensuring a countryside in which the whole nation can find pride and enjoyment'. Significantly, the paper argued that 'export prices' were not a 'fair criterion by which the public should judge the competitiveness of the home product', since most competitors supported their home agriculture. Furthermore agriculture was not the only industry to receive public money. The unions complained that the government intended to restrict the industry in the interests of saving public expenditure and to 'further a particular trading policy'. In reply the Government stressed that their policy was for expansion on 'sound lines'. The Government agreed to consider the unions' views that surpluses were in fact desirable as a source of food aid to developing countries and also to consider the possibility of

¹¹ Eggs and cereals were decontrolled in 1953 and fatstock, the last to be dealt with, in 1955.

¹² Cmnd 109.

¹³ Cmnd 696.

¹⁴ *Agriculture* — Reports on talks between the Agricultural Departments and the Farmers' Unions, June-December 1960, Cmnd 1249 (1960).

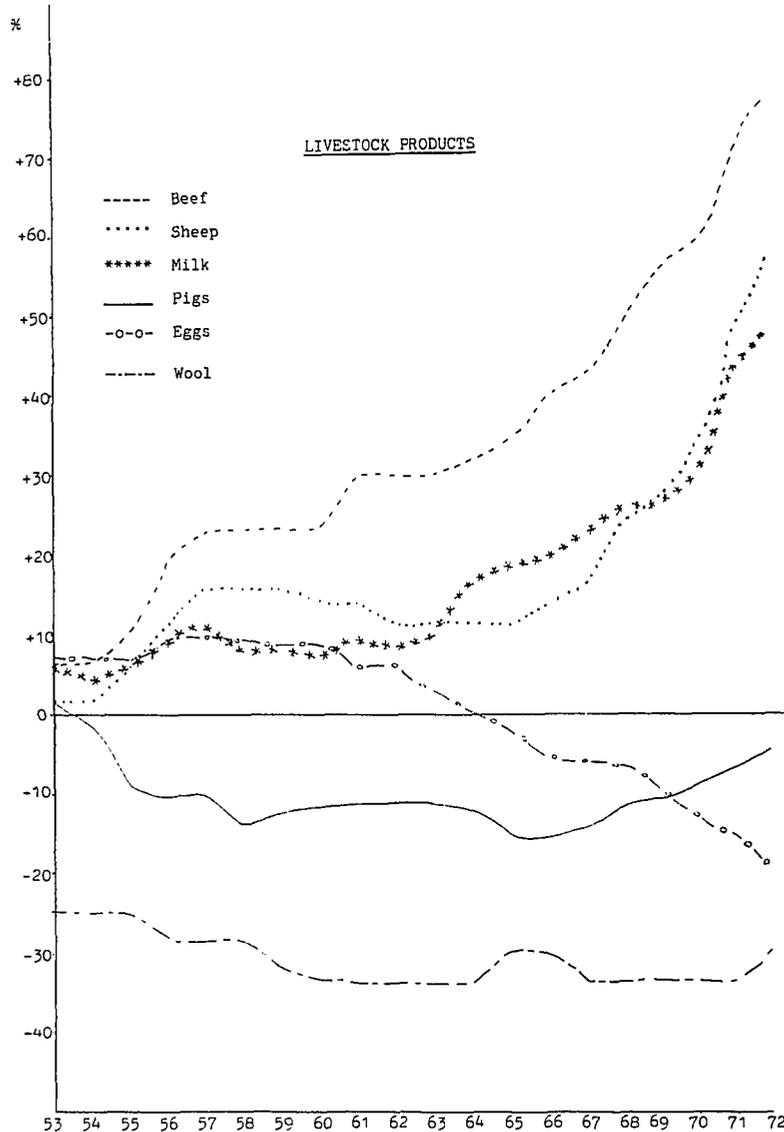


FIGURE 3
Cumulative Percentage Increase in Price Guarantees

international agreement to control markets 'to the mutual advantage of all'.

These talks bore immediate fruit in that the White Papers of the early 1960s were more fulsome in their praise for farming's achievements and in an improvement in the relationship between guarantees and costs (Table 1). But its real success appeared in the Annual Review for 1964, which marked a substantial shift in approach, to a degree that amounted to an abandonment of the policy

that had been followed hitherto. The paper announced the introduction of import controls for cereals and fatstock. The Bacon Market Understanding was to operate from 1 April and a minimum import price scheme was to be introduced for wheat. Agreement was being sought on control of the fatstock markets but meanwhile 'co-operation would be sought with overseas suppliers in co-ordinating the level and phasing of supplies to the UK market'. This approach

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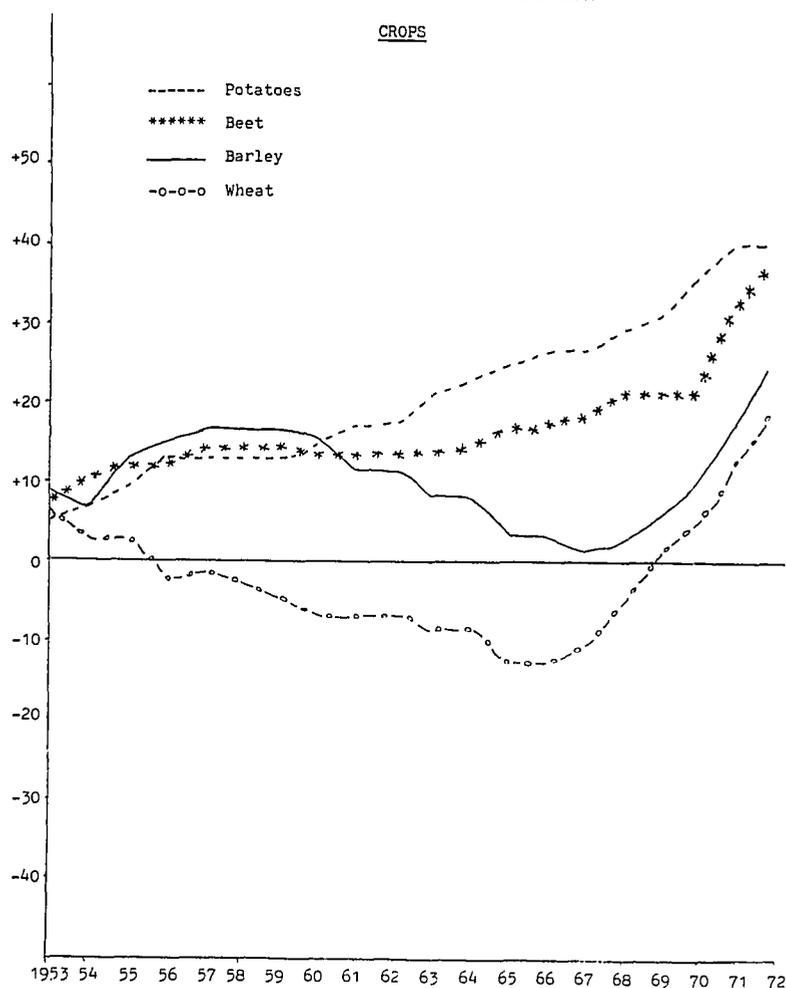


FIGURE 4
Cumulative Percentage Increase in Price Guarantees

was extended in subsequent years. By 1969¹⁵ there were in addition quotas on butter, 'voluntary arrangements' on poultry, negotiations in progress for ways of limiting imports of cheddar type cheese and on a minimum import price scheme for eggs.

This changed approach meant the abandonment of attempts to eliminate protection and support for agriculture through making it competitive on world markets. Under 'market management', protection was effectively seen as permanent. This was made possible by the shift

of the burden of support from the taxpayer to the consumer. Protection thus was hidden and higher prices could be justified as a fair reward for farmers and as reflecting the real cost of food production. The 1964 Review laid stress on the social role of agricultural protection (para 11) and para 12 announced that provided import controls worked, greater weight in policy would be given to the question of returns to the farmer. Significantly 1964 was the first year for a decade in which the value of guarantees exceeded increased costs (Table 1).

If the objective was to reduce the overt cost of protection to the Exchequer it was wholly

¹⁵ Cmnd 3965.

successful. In real terms public expenditure peaked in 1961, and even at current prices the 1961 level was not reached again until 1973. The removal of the public expenditure constraint removed also the limitations on output. Throughout the period from the mid-1960s to the 1980s agriculture was operating under some sort of expansion plan. The first of these was the selective expansion coupled with the National Plan of 1965.¹⁶ Agriculture's contribution to this was to be two-fold — to release labour for other industries by a rapid (5 per cent per annum) growth in labour productivity and to save imports by meeting the estimated increase in consumer expenditure on food. Beef production was given major priority since 50 per cent of this increased demand was expected to be for meat.

A separate White Paper in 1965¹⁷ addressed itself to the problem of reform of the structure of holdings within the industry. Grants were to be available to persuade small farmers to leave the industry, various forms of assistance also to the amalgamation of small farms into viable economic units and assistance to co-operation through a newly created body, the Central Council for Agricultural and Horticultural Co-operation. As part of the programme for structural reform the White Paper also proposed mobilization in the special support for hill and upland farmers which had existed in varying forms since 1940. Livestock headage payments were put on a long-term basis and increased in value (1965), hill ploughing grants were introduced (1967) and further structural measures applied (1969). While assisting the achievement of productivity targets and especially the targets for beef, these measures can be seen as in part stemming from the then current concern with regional problems and, within that, the peculiar problems of remote rural areas.

The selective expansion programmes survived unscathed the collapse of the National Plan with the measures of September 1966 and in 1969 were rolled forward until 1972-73. By 1970 a new argument was introduced for a programme of maximum output growth: the reduction of the bill for the Common Agricultural Policy in the event of entry to the EEC.

Entry to the EEC can be seen as the logical culmination of UK agricultural policy in the 1960s. Agricultural protection was to be regarded as permanent and was to be borne largely by the consumer, thus keeping the Treasury wolf from the Ministry door. In fixing prices the main concern was with the welfare of farmers, not the interests of the consumer and still less those of overseas suppliers and the benefits of international trade. It had an additional advantage that if the consumer complained about high prices then blame could be attributed to the French. As the 1971 Review made clear, we would have an import levy system whether we entered the EEC or not.

Entry to the EEC did not remove the case for expansion. The need to reduce the costs of membership via expansion of agriculture was then seen as even more urgent. It was exploited to the full in *Food from Our Own Resources*¹⁸ which gave a maximal expansion programme over five to ten years. In addition to the saving of budgetary contributions and food imports this paper found another argument for expansion — as an insurance policy against the fluctuations in prices and the commodity shortages of the early 1970s — this despite our now having right of access to an enormous supply block. Even the later *Farming and the Nation*¹⁹ under a Labour Minister much more sympathetic to consumers than either his predecessors of the 1960s and 1970s or, indeed, his successor, considered that there was a case for

¹⁶ Cmnd 2764 (1965).

¹⁷ *The Development of Agriculture*, Cmnd 2738.

¹⁸ Cmnd 6020 (1975).

¹⁹ Cmnd 7458 (1979).

expansion and proposed another five-year programme.²⁰

III

If the objective of British agricultural policy in the period up to 1964 was to make agriculture self-supporting, to increase its productivity and efficiency to the point where the need for public support and especially public expenditure was reduced to a minimum, then it must be adjudged a failure. The abandonment of these objectives from the middle 1960s is clear evidence of that. Under import limitation the level of protection has continued to rise as it did in the 1950s and effective protection rates in the late 1970s under the CAP were substantially higher than in the 1960s.²¹ The burden has increased but the incidence has changed. Given the virtual static demand for foodstuffs within the UK market, increased competitiveness for the national farm could only come about via a shift in comparative advantage: *de facto* by a higher rate of productivity growth in agriculture than in manufacturing. This did not happen; the rapid growth in output per acre and per man was matched by low or even negative growth per unit of capital, per unit of chemical input and probably per unit of energy input so that total productivity growth was less in agriculture than the internationally poor performance of UK manufacturing.²² The argument for the

policy is a variant of the infant industry case for protection. It was assumed that there were economies of scale to be realized and that these could be obtained by expansion with increased capital intensity. It is doubtful whether such economies are there to be realized by any approach but in any case the implicit constraints under which policy operated ensured that what existed could not be exploited. Essentially the implicit constraint was the size of farm. Until the late 1960s little emphasis was given to increasing the size of units with the corollary of a reduction in the numbers of farmers. Rather these economies were to be obtained by specialization within the farm and increased intensity of land use. Labour may have been a scarce factor in the 1950s but it is not clear that land was; certainly capital was not abundant. The consequence of the distortion of factor prices built into the policy was a shift in factor ratios rather than economies of scale and neutral technical progress.²³

If the infant industry argument does not provide a case for expansion the other arguments are also doubtful. The balance of payments case concerned whether agricultural expansion could improve the balance of payments and not whether, given the objective, agriculture was an efficient location for resources to achieve this end.

Within the CAP expansion of output embodies a basic prisoner's dilemma. Each country can hope to gain from its partners through expansion but the net result of expansion is that all are worse off. Expansion by the UK improves the budgetary balance at a high cost to the UK consumer. Given that the CAP is operating under a budget constraint, the net gain to the UK's

²⁰ While setting no precise targets. Unlike Cmnd 6020 this paper shows concern about the costs of support, the impact of high prices on consumers, the impact of the policy on the environment and the problems the CAP was causing for developing countries. Cmnd 6020 was more in the tradition of the Report of the Select Committee on Agriculture (1969) which dismissed all arguments and doubts about the wisdom of maximal expansion as 'mere speculation'. Virtually the entire hours of attendance at the hearings of this Committee were made up of farmer MPs: P Cheshire, *op cit*.

²¹ C J Black and J K Bowers, 'The Level of Protection of UK Agriculture', *Oxford Bulletin of Economics and Statistics*, 46, 1984, pp 291-310.

²² Over the period 1948-68 agricultural productivity grew at 1.6 per cent per annum while that in manufacturing grew at 1.8 per cent per annum, ie manufacturing productivity increased by 49 per cent compared with agriculture over 20 years. See J K Bowers, 'Economic efficiency in agriculture', in Open University, *op cit*.

²³ The preoccupation with technical rather than economic efficiency follows inevitably from application of science to agriculture which, as noted, the Ministry actively promoted. Agricultural research concentrated on such measures of efficiency as yields and output per man. Concentration on individual enterprises accords with the logic of scientific experimentation.

budgetary contribution from expansion is far smaller than the gross gain.²⁴

If post-war agricultural policy has failed to make British farming more competitive it has at least reconciled public opinion to the need for permanent protection. It has furthermore persuaded the public that British agriculture is highly efficient. The confusion between technical and economic efficiency that underlies successive policy phases seems to be widespread. It has also achieved its objective of safeguarding farmers' incomes. Not only was the three-fold rise of the war-time sustained and consolidated, but the rise in real average pre-tax net farm incomes since then has been greater than the real income growth of many other groups of workers.²⁵ To this must be added massive real increases in rents and land values. But the lasting achievement of post-war policy has been the changes it has wrought in the landscape and the natural environment. By common consent these have been deleterious if not disastrous. They result from the directions of change which have been the objectives of policy: specialization, increased intensity of land-use, increases in arable and leys at the expense of permanent pasture and extensive use of chemical inputs.

The damage and destruction of ancient monuments in the 1950s and 60s, mainly through ploughing, was massive. Of scheduled field monuments in Wiltshire, a survey in 1964 found that almost two-thirds had been damaged or destroyed.²⁶ The 1965 Report of the Deserted Medieval Study Group noted that 'as many sites have been

threatened during the past 25 years as during the previous 500'. There has clearly been a substantial loss of visual evidence of past agricultural practices, such as the destruction of ridge and furrow by continuous deep ploughing and the elimination of water meadow systems but, except for the loss of hedgerows,²⁷ this still awaits documentation.

Turning to the natural environment there has been considerable evidence of chemical pollution. Most strikingly the decimation of populations of birds of prey from organochlorine pesticide poisoning in the 1960s, but also loss of water quality from fertilizer run-off and wastes of intensive livestock units. Habitat loss, however, has been the most lasting problem. The Nature Conservancy Council²⁸ has argued that the modern intensive farm is a hostile environment to almost everything except agricultural enterprises and the reduction in habitat diversity is shown by marked declines in the distribution of indicator species — plants and, although the evidence is less good, invertebrates and amphibians. It could indeed be said that post-war agricultural policy has created the nature reserve by reducing many wildlife habitats to a position of scarcity, increasing their value and vulnerability, and incidentally by reducing the availability of agricultural land to meet growing demands for recreation, adding greatly to the population pressures on what remains.

Finally, it should not be thought that these were problems of the 1950s and 60s which have now been recognized and are under control. Existing plans by Water Authorities will, if carried through, eliminate virtually all the wetland grazing marsh in England and Wales to be replaced by arable farming largely for cereals and leys on well drained

²⁴ See J K Bowers, 'Who pays the cost of UK agricultural expansion?', *University of Leeds, School of Economic Studies, Discussion Paper 110*, 1982.

²⁵ J K Bowers and P Cheshire, *Agriculture, the Countryside and Land Use*, 1983, Chapter 4. The comparators used are male manual workers, administrative grade civil servants, army officers and university lecturers. This is not true of agricultural workers, who have simply maintained their position at about 75 per cent of the wage of male manual workers. As noted, policy has not been directed at agricultural workers.

²⁶ The evidence in these paragraphs is surveyed and documented in Bowers and Cheshire, *op cit*, Chapter 2.

²⁷ Countryside Commission, *New Agricultural Landscapes: Issues, Objectives and Action*, London, 1977.

²⁸ Nature Conservancy Council, *Nature Conservation and Agriculture*, London, 1977.

land. These schemes are being promoted and grant-aided by MAFF.²⁹ There is no evidence so far that the Wildlife and Countryside Act 1983 is controlling these trends and internal evidence that, un-

amended, it is unlikely to do so. The threat to the environment in all its aspects would benefit from an abandonment of the wearying dash for growth in agricultural production and still more from some reversal. The consumer and taxpayer might benefit from such a policy as well.

²⁹J K Bowers, 'Cost-Benefit Analysis of Wetland Drainage', *Environment and Planning, 'A'*, 15, 1983, pp 227-35.