

Thank you for using eradoc, a platform to publish electronic copies of the Rothamsted Documents. Your requested document has been scanned from original documents. If you find this document is not readable, or you suspect there are some problems, please let us know and we will correct that.



ROTHAMSTED
RESEARCH

The Hertfordshire Agricultural Situation

[Full Table of Content](#)



Milk-marketing by Pools and Otherwise

F. J. Prewett

F. J. Prewett (1930) *Milk-marketing by Pools and Otherwise* ; The Hertfordshire Agricultural Situation, pp 39 - 42 - DOI: <https://doi.org/10.23637/ERADOC-1-202>

THE HERTS AGRICULTURAL SITUATION 39

MILK-MARKETING BY POOLS AND OTHERWISE

By F. J. PREWETT, M.A.

Institute of Agricultural Economics, Oxford

IN discussing Milk-Marketing it is quite impossible to localize Hertfordshire, as this county forms one of many contributing to the London market. I propose, therefore, to take a general view, the more so as no detached group of milk producers, organizing separately from the county as a whole, can hope to secure a great increase in prices, as this market, at a certain point, would be invaded from districts ordinarily producing for manufacture. But local organization does readily bring about a considerable increase in price, and, finally, a network of these local organizations, in federation, might put the milk industry in the farmers' pocket so long as liquid milk is not imported.

As time is limited, I propose not to concern myself with the details of organization, which are readily available from N.F.U. headquarters as administrators of the Agricultural Organization Society.

Of all the major commodities produced by the English farmer, liquid milk alone is not subject to direct foreign competition in the home market. Organization by the English milk producer is, therefore, natural and effective as compared with organization for the sale of other commodities, of which, in general, more than half of our requirements are imported. While the consumption of milk is nearly constant the year round, production varies from 10 to 50 per cent. as between winter and summer, and gives rise to considerable quantities surplus to liquid requirements, which must be manufactured, and which therefore come into direct competition with foreign supplies at a price based on their lower cost, due, further, to a lower standard of living.

Milk, as a commodity to be marketed in the most efficient way, presents certain contrasts as compared, for example, with wheat or wool, in that it is of continuous production, is highly perishable, and is in constant immediate demand. From the farmers' point of view organization is chiefly assisted by the fact that the liquid market is a home monopoly, and prejudiced in that production varies while consumption is constant, leaving a certain proportion of the output to be manufactured and to come into direct competition with imported supplies. A great part of the problem of milk-marketing lies in the endeavour of the buyers to use this surplus as a lever to depress liquid prices, and in the individualistic effort of producers to get the whole of their output on to the liquid market, and to leave some other farmer to sell in the manufacturing market.

There arises, then, for almost all parts of the country, and particularly for the south-west, the problem of disposing in summer of a quantity of milk surplus to liquid demand. This surplus quantity, made up into

40 THE HERTS AGRICULTURAL SITUATION

cheese, butter, dried and condensed milk, etc., since it comes into direct competition with similar commodities imported from abroad, must meet those importations on the basis of price and quality. It is not surprising, therefore, that, in the annual negotiations on a national scale between the representatives of the producers and of the distributors, in operation since 1922, to fix prices for the forthcoming year, a sharp distinction in price has been agreed upon between payment for milk destined for liquid consumption, a market free from outside competition, and payment for milk that must be manufactured, a market subject to direct world-competition. But, with the seasonal variations in our milk supply, the farmers have had no means of assuring themselves that milk bought at manufacturing prices does not enter the liquid market, particularly as the buyer takes the full output, irrespective of his liquid requirements. That such has been the case is beyond dispute. The existing national negotiations between producers and distributors to fix the prices and conditions of the sale of milk are not binding upon either the individual producer or distributor. In practice, for certain of the Midland and South-Western counties these agreed terms are accepted by producer and buyer, especially where producer and buyer are in a large way of business. But in the extreme Western counties, and in certain midland counties, where an important means of disposal of milk is by factory manufacture, the producer has usually received less than these agreed terms, while in the industrial Midlands and North he has received more.

I suggest that from the producers' point of view an attempt at national price-fixing is wrong. Marketing conditions for milk are not alike in all parts of the country. It is true that the national negotiations avowedly leave the issue open for local modification to meet local conditions. But there is no economic basis for national price-fixing. In Cornwall, for example, to consider certain dairying counties, the bulk of the milk is manufactured into butter or cream, either in factories or on the farm; in Somerset, disposal is about equally divided between liquid export to London and Bristol, and manufactured into condensed and dried milk by factories, or into cheese by factories or on the farm; in Wiltshire, Berkshire and Buckinghamshire the bulk is exported for liquid consumption to London; in Nottinghamshire, Derbyshire, the West Riding and Lancashire, milk is almost exclusively sold for liquid consumption, not by export to a distance through wholesalers, as in Wiltshire and Berkshire, but by sale to retailers or by retail direct in the near-by industrial towns. So, for every county in England, and for parts of each county, social and geographical conditions have fixed different markets, and there are left for attainment varying ideals of marketing efficiency. The Cornish, the Wiltshire and the Lancashire farmer, meeting together to bargain with the distributors, have not, and cannot have, a thorough community of interest among themselves. The Cornish farmer is thinking of the butter-and-cream market, the Wiltshire farmer of the London wholesale export market, the Lancashire farmer of his adjacent retail market. Against this

THE HERTS AGRICULTURAL SITUATION 41

divergence of interest, wholesalers, retailers and manufacturers of milk work under similar conditions for all parts of the country, save that, of course, the manufacturer avoids those thickly populated districts where the whole of the milk production is required for liquid consumption, or those rural districts whence the whole output is dispatched to some such large, even if distant, market as London.

This divergence of interest has weakened the bargaining power of the farmer. In addition, he is weakened, in collective action, by the large number of individuals concerned and by the small scale of operations of each, as compared with the small number of distributive firms, among which combination proceeds daily to form fewer and larger units.

What is required, I am sure, on the part of the farmers is organization on the basis of markets, and by this I mean trading organization of which the contracts with individuals are legally binding. The farmers who organize together will then have that solidarity of interest which they now lack. I do not propose that farmers in general should distribute or manufacture their milk. The production of milk is a full-time job for anyone, and it would, I am sure, be bad business to attempt to scrap the skilled middleman service now in existence. The middleman is not to be eliminated; on the contrary, he is to be worked harder, and his functions widened.

I need hardly refer you, at this point, to the Scottish Milk Agency, a co-operative organization which began operations in October 1927. It was formed through the collaboration of the Scottish Agricultural Organization Society and the Scottish National Farmers' Union, and in October 1928 had a membership of 2250, including those farmers supplying creameries affiliated with the Agency. The Agency aims ultimately at pooling the milk supply of Scotland, and operates already in Glasgow, the Clyde Valley, Edinburgh, Aberdeen and Inverness. The Agency acts as a buyer and seller of milk. It does not for the present own creameries or material equipment. Direct dealing between producer and distributor is not affected by the Agency. Its object up to the present stage of development is to displace the individual for the group in bargaining, and so to give to each individual the power of all farmers collectively. The Agency will no doubt adapt itself to changing conditions, as experience may dictate, while maintaining its original purpose—that is, to secure collective in place of individual marketing among farmers.

Members of the Agency contract to sell their whole output through the Pool for three years. Prices are fixed for one year in advance by agreement between the Agency and the distributors' associations. The actual sale of milk is by contract between producer and distributor, but these contracts are registered with the Agency, which collects payment from the buyer, and passes on the money, less 1d. per gallon for working expenses, to the producer. This levy of 1d. per gallon is intended also to build up a fund to enable full liquid rates to be paid for milk for which a liquid market may not have been found. The Agency guarantees its members the prices it has agreed upon with the distributors' associations

42 THE HERTS AGRICULTURAL SITUATION

up to 125 per cent. of their average daily production from November to February. Surplus milk is paid for at manufacturing prices, and is dealt with in creameries which are members of the Agency. It will be seen that these terms are more favourable than those ruling under the current agreement in England. During 1928 the members of the Agency received, roughly, 1d. per gallon more for their milk than was received on the usual contract conditions in Scotland.

The Scottish Milk Agency is purely a marketing association, and is based upon a number of definite markets, of which it controls a substantial proportion of the supply. It differentiates sharply the functions of production and marketing, and indicates that, while economic production is an individualistic function, marketing is a collective one.

The principle of the Scottish Milk Agency can be applied to all other markets similarly supplied, to a large extent, from such a distance as to necessitate the services of a wholesaler. The farmers' organization now getting under way in Manchester illustrates again the importance of organizing for a distinct market, although here, as transport and distance do not enter, negotiations occur with retailers, or sale is carried out direct to the consumer. The Cheshire and Cheddar Cheese Federations, while not, as yet, trading organizations, are based upon securing a direct market for domestic-made cheese. I foresee, similarly, that producers supplying factories will organize on the basis of that factory, their market; in fact, this is already the case with regard to one Somerset factory. With one exception, such organization is natural and simple, for the producers are fairly closely grouped in relation to their market. That exception is London, which draws its supplies from the whole of the South and Midlands. Organization for the London market will be effective only when this vast number of widely scattered producers can be brought to realize its identity of interest. If only 40 per cent. of these producers combine in a legally binding contract their stand against the buyers can be frustrated by the importation of milk from districts ordinarily devoted to manufacture—for example, Devon and Cornwall. The great majority of producers concerned in each market must, therefore, bind themselves together before they can ensure that they will receive a fair share in the consumers' price of that market.

There remains one point I should like to mention again, one of particular importance to liquid exporting districts, and that is, the surplus. There will always, in the nature of things, be this surplus. Farmers, in forming pools, must equip themselves, jointly or individually, to dispose of this surplus unless there exist in their neighbourhood factories with which they can contract. At all events they must keep the issue clear between their monopoly market, for liquid supplies, and their competitive market, for manufactured supplies. They must see to it that the liquid distributor at all seasons has his necessary quantities, and no more, and that the surplus is manufactured by the farmers' pool or disposed of for manufacture under separate contract.